

## Wellington Local Government Reorganisation Options Transition Costs and Benefits for Technology Changes



2<sup>nd</sup> September 2014

CONFIDENTIAL

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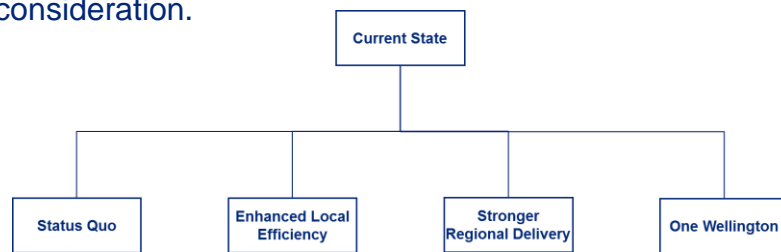
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# Executive Summary

The Local Government Commission is currently considering 5 options for amalgamating the 9 councils in the Wellington region. Deloitte has been requested to provide costs of the transition of IT systems for each option.

From an IT perspective, 2 of the 5 practicable options (One Wellington with and without local boards) are identical, and no transition costs are associated with status quo, leaving 3 options for consideration.



The IT amalgamation will be split into two broad phases, in line with the transition target date agreed by the Local Government Commission and then further activity required to fully consolidate the systems.



## 1<sup>st</sup> October 2015 - 1<sup>st</sup> November 2017

- All IT Infrastructure shared and common
- Some limited customer facing capability with legacy content in place
- Finance and HR served by one system

## 3-5 years from start date

- All IT systems used by front-office staff, both Customer Facing and Operational management, are consolidated

Due to the time available to complete this analysis (2 weeks), the estimates provided are based on a number of core assumptions. Critically, it should be noted that a detailed systems assessment across all Councils will need to be performed to identify the transition approach and detailed costing estimates. Key assumptions include:

- Design and project delivery decisions will be driven autocratically leveraging existing platforms rather than by consensus.
- Priority is speed of amalgamation over building new platforms for growth.
- Assumption that Shared ICT Infrastructure Services will have been established between four Councils and Odyssey will have been implemented for WCC prior to transition commencing.
- A proportion of Council IT staff will be able to be released from BAU activities during transition to assist in the systems consolidation.

Indicative costs of technology transition for system design and implementation under relevant assumptions are provided on the following slide.

These costs do not include:

- End to end business process analysis and implementation of process changes;
- Organisation design;
- BAU IT costs during transition;
- Ongoing application licences and support; and,
- Ongoing IT staff costs following system transition.

This will allow uninterrupted council functioning with the outward appearance of an amalgamated council from Day-1.

# Cost Estimate Summary

Option	Day-1 Costs			Day-2 Costs Top-Down System Consolidation	Total Recommended for LGC
	Bottom-Up (incl. 20% contingency)	Top-Down	Proposed Range for LGC		
One Wellington	\$26m	\$48m to \$60m	\$25m to \$50m	\$80m to \$100m	\$105m to \$150m
Regional Delivery	\$19m	\$15m to \$19m	\$15m to \$19m	\$55m to \$69m	\$70m to \$90m
Enhanced Local Efficiency WNTA	\$11m	\$15m to \$19m	\$10m to \$20m	\$45m to \$60m	\$55m to \$80m
Enhanced Local Efficiency HTA	\$9m	\$9m to \$12m	\$8m to \$12m	\$25m to \$35m	\$33m to \$47m
Enhanced Local Efficiency WTA	\$9m	\$6m to \$8m	\$6m to \$10m	\$15m to \$20m	\$21m to \$30m

# Key influencing factors on estimates

We believe the cost ranges provided are a conservative but realistic estimate based on the information currently available to Deloitte.

There are a number of reasons why the actual costs incurred by the Councils could be lower:

- A favourable discount from a vendor is received reducing the resource rates.
- Strong leadership from all Councils leads to adoption of an existing process, which is mature and can be easily increased in scale, accelerating system design e.g. processes implemented through WCC Odyssey Programme.
- Existing data is in a good state, and is well understood, so can be quickly manipulated and migrated.

Equally there are a number of factors which could make the costs incurred higher:

- Decisions on system requirements and design are consensus driven.
- Councils are unable to free up the internal resources required.
- Vendors charge higher rates due to the high risk premium which is carried.
- There are unseen complexities in data migration.
- Other council priorities mean full technology amalgamation takes longer than envisioned.
- Poor technology decisions result in rework and/or delayed projects.

# Cost Calculation Approach and Major Assumptions

# Overview of our approach

## Collate information & expertise

- The team collated information from a number of relevant engagements that Deloitte has been involved:
  - ICT Shared Services Feasibility – performed for 6 councils in the Wellington region and provided cost estimates for outsourcing of back office processing and ICT infrastructure
  - Shared ICT Infrastructure Programme – supporting business case for Shared ICT Infrastructure Services across 4 Wellington councils
  - Auckland Transition Agency – led implementation project for ERP and other core systems
  - Auckland Transition Agency – developed IS strategy roadmap and supported Complaints handling project
  - Auckland Transition Agency – recently commenced support of New Core project
- All information has been extrapolated, new raw information has been gathered.

## Identify Day-1 transition state for each option

- From the experience of the team, identified the core business processes that required a consolidated system for Day-1 operational activities.
- Applied experience, to identify the expected timeline to complete a suitable level of transition for Day-1.
- Applied experience, to identify the key assumptions and dependencies for each transition state.
- Validated with McGredy Winder & Co.

## Identify cost estimates

Developed cost estimates based on combination of top-down and bottom-up, and then tested using recent quotes received in Wellington Council RFPs.

### Bottom-up

- For Day-1 transition, an estimate has been made of the resource required for each key role and the expected length of each phase of activity.

### Top-down

- From our knowledge of the costs incurred by Auckland council, an estimation has been made of the costs for One Wellington (Scaled down).
- This has then been pro-rated for the Local Enhanced Delivery options.

### Contingency

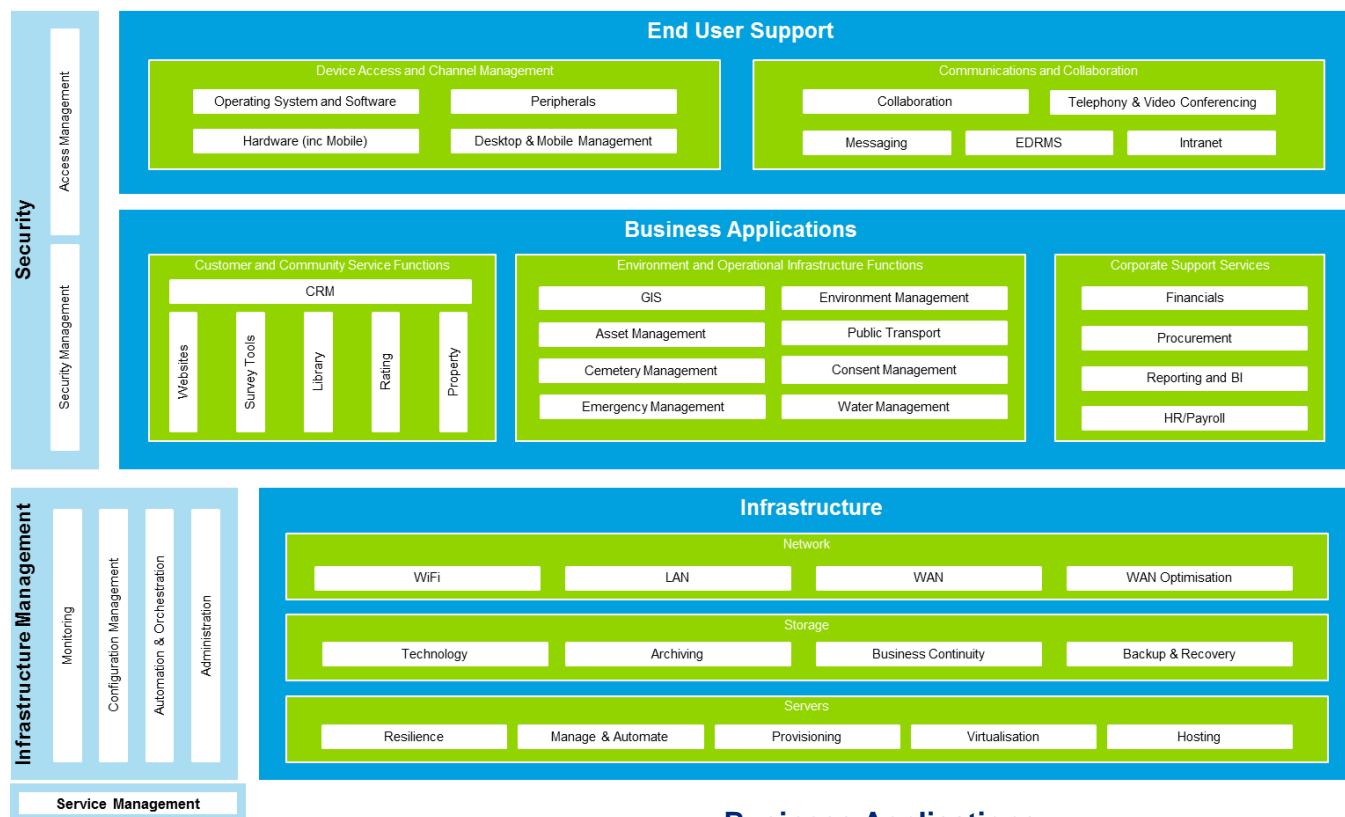
- A 20% contingency has been added given lack of detailed knowledge of all Councils in Wellington Region.

### Recent Estimates

- Pricing has been checked against recent infrastructure & system quotes after qualifying scope of activities. These quotes have not been validated or challenged with vendors and do not include all factors for implementation, e.g. data migration, internal costs.

# Identifying the Day-1 systems transition state

The following diagram summarises the IT environment needed to support the Council environment.



## End User Support

The business wide devices and systems used within the Councils such as desktops, telephony and the common operating systems and document management.

## Infrastructure

The data network, servers and storage that are required to run the IT systems as well as equipment required for business continuity.

## IT Service Delivery

- Security – monitoring and maintenance of the security of the Councils' networks and systems
- Infrastructure Management – managing the capacity and performance of the network, servers and storage to maintain the required level of availability and reliability of systems.

## Business Applications

Split into 3 key areas representing a similar division in the business services in the Council:

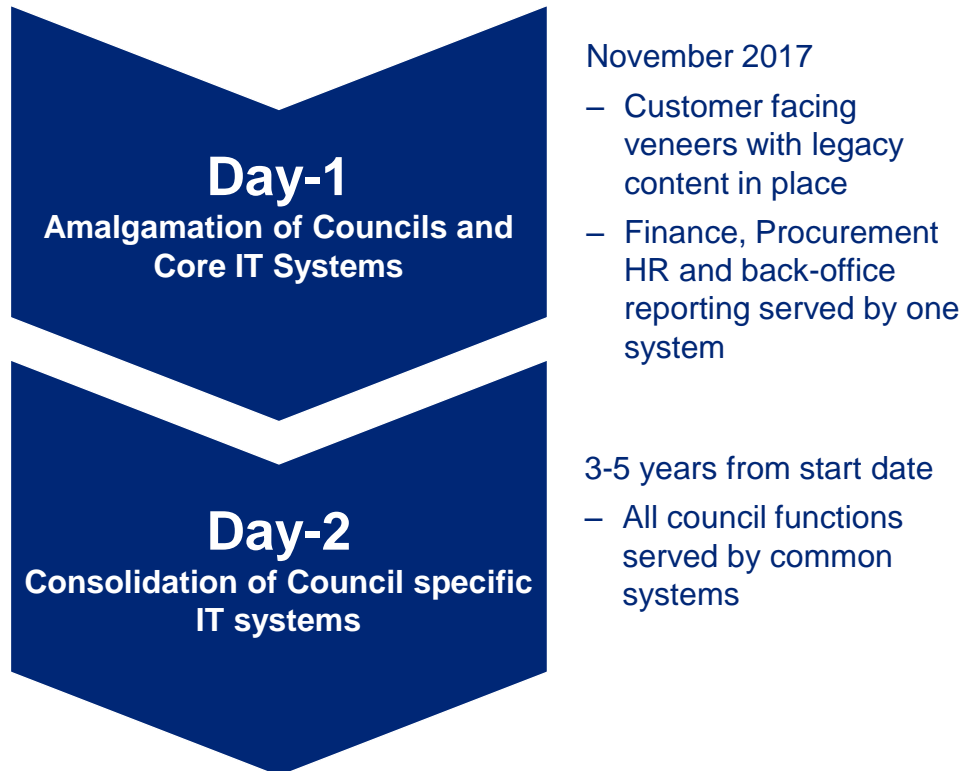
- Customer and Community Service – community development, social services as well as sports, leisure & cultural services.
- Environment and Operational Infrastructure – this is understood to be environmental planning, regulation and compliance enforcement as well as operational infrastructure management.
- Corporate Support Services – this is understood to be the business processing services, executive & operational management.



# Timeline and Consolidation Priorities

The amalgamation has 2 defined time points. Amalgamation activity is scheduled to commence on 1 October 2015 with a Day-1 commencement date of November 1<sup>st</sup> 2017

A time point for the full amalgamation of IT systems has not been specified. For the purposes of these documents, this will be referred to as Day-2



As consolidation will occur in 2 phases, the relative importance of systems targeted for consolidation has been assumed as described below.

## High Priority

Corporate Support Services e.g. FMIS & HRMIS

Councils must be able to make and receive payments and manage staff in order to function. Critical aspects for any new entity on day 1 will include

- Paying staff
- Paying Suppliers
- Managing Accounts Receivable and Accounts Payable
- Financial planning and performance
- Managing rates collection

## Medium Priority

Customer and Community Services

While it is important for customers to be able to access council services on Day-1, the systems associated with these interactions can operate well under a customer facing veneer. Related services include

- Complaints management
- Single point of contact – contact centre and online channels
- Redirection of email to new email addresses

## Low Priority

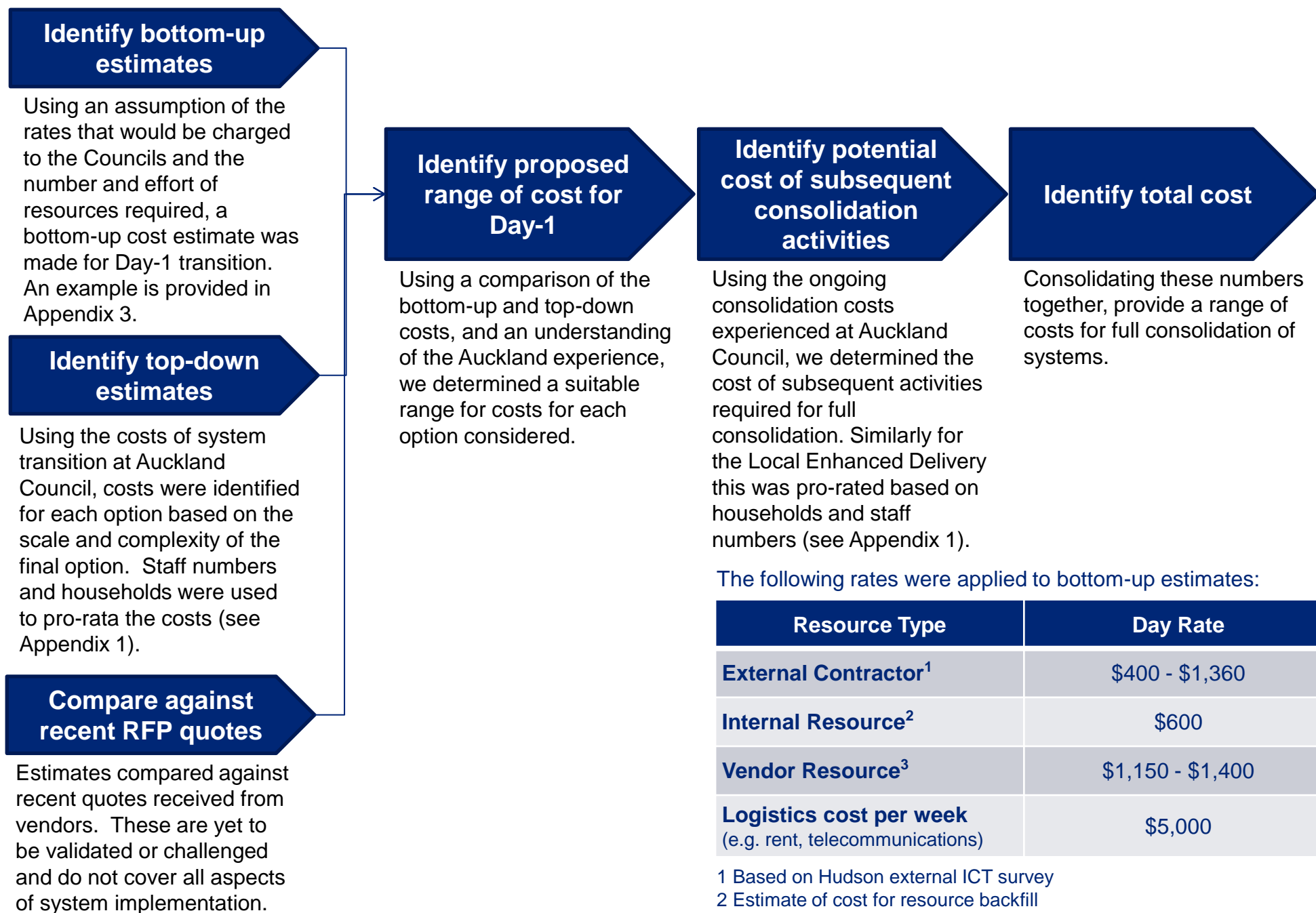
While all systems currently operate independently, there is little to be gained from the consolidation of systems serving some business functions. Examples include:

- Point Systems e.g. Zoo ticketing etc.
- Booking systems e.g. Booking BBQs at beaches etc.
- Discrete systems e.g. Library, Cemetery Management

Other systems are simply too complex to consolidate on day-1, either technically or politically. These include

- City planning
- Standardising rates systems

# Identify cost estimates



# Major Assumptions

The lack of confirmed information means a number of assumptions are made throughout the supplied materials. The full list of assumptions can be found in the spreadsheet provided alongside this document. Assumptions applying to **all** options include:

Category	Assumption
<b>Current State</b>	<ul style="list-style-type: none"> <li>The Shared ICT Infrastructure Service (SIIS) is in place , with GWRC, PCC, UHCC and WCC transitioned to the service with the majority of infrastructure consolidated. SIIS provides End User Support, Infrastructure and IT Service Delivery (including Security and Infrastructure Management).</li> <li>Odyssey has been developed and implemented across functions in scope at WCC.</li> </ul>
<b>Project Delivery</b>	Design decisions will be driven autocratically from the centre by a small team rather than consensus
<b>Operating Model</b>	Day-1 goal is to unify processes and systems rather than necessarily move up the maturity curve
<b>Operating Model</b>	The costs of transition to the IT operating model have not been included e.g. organisation design, upskilling of staff, redundancy. The ongoing IT costs following transition can not be estimated until application support arrangements are determined.
<b>Business Applications</b>	Where possible, the Councils will use existing processes and systems, e.g. Odyssey, and consolidate onto the selected process / system for Day-1.
<b>Business Applications</b>	The best of the existing system(s) will be selected to consolidate onto. No actual choice is required at this stage as effort for costing is largely the same irrespective.
<b>Business Applications</b>	Even though the Councils use the same application products and versions, they do not share instances of these applications. Therefore data would need to be migrated onto the selected platform and integration built to any additional applications from the selected platform as necessary. This is noted in particular for systems such as GIS - ESRI ArcGIS and Library - Civica Spydus.
<b>Business Applications</b>	Cost estimates are based purely on system design, build and delivery. Costs do not include end to end business process design and implementation, organisation design and change management..
<b>Business Applications</b>	We assume a Tier 2 vendor will be selected as the provider and system implementation partner for Business Applications.
<b>Infrastructure</b>	The costs of consolidating specialist infrastructure are excluded from this report due to limited understanding of the existing systems e.g. traffic light control, CCTV cameras, telemetry devices

# Estimate of Benefits

Without a full picture of the current state and future state of the related councils, benefits cannot be reliably quantified at this time. Potential benefits have been described for each option, but at this stage can not be quantified with any degree of accuracy.

The recent ICT Shared Service Feasibility Study, considered the potential costs and savings of different options for Shared Services for 6 of the 9 councils and this is shown as follows to provide some context.

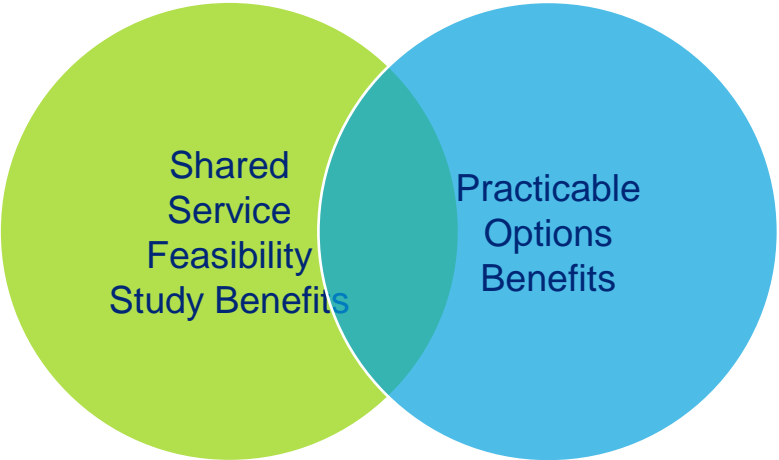
	Option 1: Shared IT Infrastructure	Option 2: Shared IT and Back-Office Processing
Savings	\$2m - \$5m annual across the region from year 3	\$11.6m – \$21.2m annual across the region from year 6
Cost to Implement	\$2M - \$5M (over 12 – 18 months)	\$45m – \$75m (over 3 - 5 years)

Option 1 investigated just outsourcing and sharing IT Infrastructure. Option 2 considered full outsourcing and sharing of IT services and back-office processing.

The most aggressive option showed savings of \$11.6m-\$21.2m per year from year 6.

It should be noted however that not all of this benefit will apply to the options considered in this report due to:

- This report considered Shared Services across 6 of the 9 councils (GWRC, UHCC, HCC, PCC, WCC, KCDC)
- The benefit included cost savings of the staff reduction in Finance and HR, as well as IT.
- In this report, we assume that Shared ICT Infrastructure Services is already in place across 4 Councils, so this benefit may well have already been accrued or even realised



# One Wellington

# Option Overview



Under this option all 9 councils in the Wellington and Wairarapa regions would be amalgamated into a single unitary authority providing all of the required local government services.



A similar option is to create a single unitary authority with 8 local boards. While this is different from a council perspective, there is no material difference from an IT systems perspective. As a result, they will be considered together for IT costing purposes as One Wellington (please see Appendix 1 for further details).

# One Wellington - Day-1 Technology Requirement Assumptions

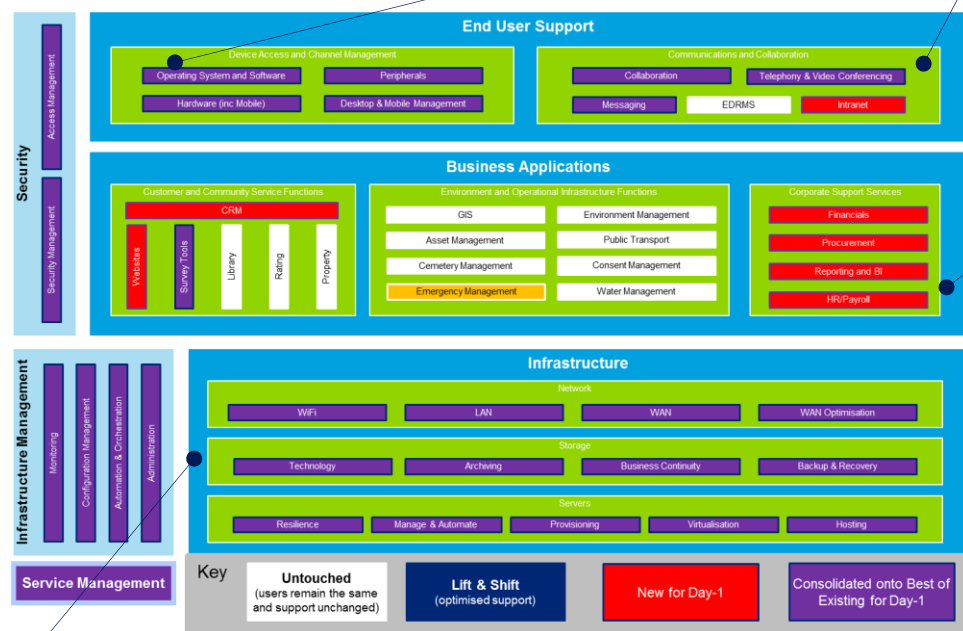
The One Wellington option would eventually require all existing councils to move to a common technology infrastructure, systems and business processes. This cannot be achieved by Day-1 as a result we have assumed the following about the Day-1 state of technology. Please refer to Appendix 2 for a full scale diagram.

**Day-1:** All remaining Councils transition onto Shared ICT Infrastructure Services (SIIS) and use the same operating environment across devices. Tied-in leases and contracts likely to be retained until expiry.

**Day-2:** As pre-existing leases / contracts expire equipment will be transferred to new single contract with a vendor. This would leverage the SIIS environment.

**Day-1:** All councils standardise onto SIIS telephony & collaboration infrastructure and tools. New intranet platform put in place providing a central point for process and system information to assist in change management of all employees. Existing document management practices not changed.

**Day-2:** All councils moved onto common EDRMS and all documents migrated onto this platform.



**Day-1:** All councils move onto SIIS (e.g. single network, hosting, security and service management platforms) to provide a consolidated network for sharing of information and systems across all sites. Non-SIIS equipment will be “lifted-and-shifted” with minimal optimisation before day-1. Will also provide a central IT Service Delivery team to handle IT incidents and management of IT services from day-1.

**Day-2:** Optimisation of equipment.

## Day-1:

- **Corporate Support Services:** Assume new implementation is completed to support the back-office functions of the new entity. Assume this will use the Odyssey technology but will be new implementation.
- **Environment & Operational Infrastructure Function:** Assume Councils continue to use pre-existing systems in this area. Will have to be integrated into the new Corporate Support System.
- **Customer & Community Support Functions:** Assume will implement a ‘light’ CRM for a single view of complaints and customer interactions across all customer facing divisions in the legal entity. Only open records to be migrated. New website however existing website content may be linked to in some scenarios. All other systems remain untouched but will require some integration into new Corporate Support System.

**Day-2:** Merger of remaining systems onto common platform. May use Odyssey technology but will require modifications to support a new organisation, common business processes, territorial authority functions, migrated data, etc. Migration to common platform may be likely to require multiple transition states.



# Cost Summary – Day-1 Transition

Subject to the overall assumptions and those specific to the One Wellington option, our estimate of the cost range for IT transition costs is as shown in the following table.

Day-1 Transition Costs					Range for LGC  \$25m to \$50m
Cost Area	Bottom-Up (excl. 20% contingency)	Bottom-Up (incl. 20% contingency)	Top-Down	Recent Comparators	
Project Management (Includes Design Authority)	\$2.3m	\$2.7m	\$0.8m - \$1m	None.	
End User Support & Infrastructure	\$3.4m	\$4.0m	\$7.0m - \$8.8m	As part of the recent SIIS RFP proposal the average respondent quote was \$4m for transition. This involved fewer councils but did include the biggest council WCC. On balance we think this supports a value in the mid-point of our estimates.	
Business Application  Includes: • Functional Design • Test • Data Migration • Training • Change Mgmt • Hardware	\$15.9m	\$19.1	\$40.1m - \$50.2m	As part of the recent Odyssey RFP process implementation quotes of \$6m were received. These quotes: <ul style="list-style-type: none"> <li>were for a much broader scope then our day-1 requirements.</li> <li>were for vendor costs only – no council costs. Our numbers include council costs.</li> <li>did not include any integration costs. An estimate by WCC of \$2m for their integration only has been made.</li> <li>do not include change management costs (e.g. training, etc.). Our numbers do (~\$4m).</li> </ul> On balance we think this information supports a value at the lower-end of our bottom-up estimate.	
<b>TOTAL (rounded)</b>	<b>\$22m</b>	<b>\$26m</b>	<b>\$48m - \$60m</b>		



# Cost Summary – Day-2 Full IT Amalgamation

Subject to the overall assumptions and those specific to the One Wellington option, our estimate of the cost range for IT transition costs is as shown in the table below. Bottom-up costings were not conducted for these estimates. Top-down estimates were provided by Deloitte staff with experience working on IT projects that were part of the Auckland council amalgamation and related ongoing activities.

Day-2 Transition Costs		
Cost Area	Recent Comparators	Range for LGC Top-Down Estimate Only
Project Management	Staff with experience working on the Auckland Council Amalgamation and other IT implementation projects provided estimates. These estimates were scaled to fit	\$1.6m - \$2.0m
Infrastructure	Considers Telephony consolidation. Wider Infrastructure amalgamation is assumed to have occurred at Day-1	\$4.0m - \$5.0m
Business Application	Includes consideration of the Auckland experience related to: <ul style="list-style-type: none"> <li>• Single GIS</li> <li>• Updating systems with a consistent set of regulations</li> <li>• Development of CRM – single view of the customer</li> <li>• BI</li> <li>• Rates harmonisation</li> <li>• Procurement and Sourcing</li> <li>• Consolidation of Asset Management systems</li> </ul>	\$73.2m - \$91.5m
TOTAL (rounded)		\$80m – \$100m

# Key Assumptions

The lack of confirmed baseline information means a number of assumptions are made throughout the supplied materials. The full list of assumptions can be found in the spreadsheet provided alongside this document. Assumptions applying to the **One Wellington** option are:

Category	Assumption
<b>Operating Model</b>	Any merged entities will form a new legal entity.
<b>Project Delivery</b>	A Transition Board will have authority to make decisions on the systems selected for the new legal entity and the design of the systems will not need to wait for appointment of the Management team of the new legal entity.
<b>Project Delivery</b>	Our experience of effort and the speed of change that can be accommodated by an organisation suggests the following timeframes would be required for transition of each major system within the One Wellington option are Mobilisation - 3 weeks; Design - 12 weeks; Development - 16 weeks and Testing, Roll-out and Support - 16 weeks
<b>Project Delivery</b>	There is insufficient staff in the Councils to perform all transition activities due to BAU operations that still need to be run. It is expected that the project team will be made up of internal and vendor staff supplemented by external contractors. Funding for internal staff has been included to cover backfill.
<b>Infrastructure, End User Support, IT Service Delivery</b>	It is assumed that GWRC, PCC, UHCC and WCC will already be using SIIS (except for EDRMS and Intranet). It is assumed that all other Councils will be transitioned onto this service. It is assumed that any further costs of consolidation will be incurred by the vendor.
<b>Infrastructure</b>	It is assumed that there is not sufficient capacity for the development and test environments required for business application development however, that new servers can be stood up within the existing arrangements.
<b>Business Applications</b>	It is assumed that Odyssey is implemented at WCC. Due to the number of other Councils and the new legal entity to be created, a new implementation would be required of the application. Existing development would be used as a foundation to accelerate development where appropriate.

# One Wellington - Benefits

Without a full picture of the current state and future state of the related councils, benefits cannot be reliably quantified. Expected non-monetary benefits could be expected to include those listed below.

One Wellington Main Benefits			
Benefit area	Type of benefit	Who benefits?	Description
Improved Customer Experience	Qualitative	Ratepayers	A common IT system will facilitate <ul style="list-style-type: none"> <li>Increased access to information across regions – more efficiency for community</li> <li>Simplification of communication with council</li> </ul>
Operational cost saving and reduced capital expenditure	Quantitative	Council Ratepayers	By moving to one system instead of 9 separate systems, the organisation as a whole becomes more efficient. <ul style="list-style-type: none"> <li>Decreased duplication of roles within the IT teams – reduction in staff numbers</li> <li>Increased purchasing power to receive greater economies of scale from contracts</li> <li>Less complex and rationalised infrastructure requiring less effort to maintain</li> <li>Service provider for ICT Infrastructure responsible for refresh of hardware and improving the service provided so reducing capital expenditure</li> </ul>
Opportunity for a fresh start	Qualitative moving to quantitative	Council	<ul style="list-style-type: none"> <li>A fresh start allows for the application of lessons learned in past systems.</li> <li>Removes any build-up of technical debt in the current IT systems.</li> <li>Removing work-arounds or patched systems presents an opportunity to free-up time spent dealing with related issues.</li> </ul>
Higher quality of IT service	Qualitative	Council Ratepayers	Currently some Councils have limited budget for IT delivery and have to focus on operational activities only. Services delivered can be of higher quality due to the larger operational budget and more investment placed in developing new technologies and providing a mature IT service overall.
Increased visibility of opportunities for savings	Qualitative moving to Quantitative	Council Ratepayers	A common system for procurement, property management, and asset management, will provide a clearer view of currently fragmented contractor arrangements. Consolidating contracts can create savings through increasing order scale and reducing the council staff time required to manage services.
Increased resilience of service provision	Qualitative moving to Quantitative	Council Ratepayers	All communities will be provided Council services which are resilient due to an increased purchasing power to provision this within ICT infrastructure.

# Project Timeline and Day-1 Risk

**Pre-Initiation Groundwork  
&  
Initiation Deadline  
1<sup>st</sup> September 2016**

In order for the systems to reach a full Day-1 state by 1<sup>st</sup> November 2017, critical actions including application selection, vendor procurement, and team assembly are required.

A conservative estimate, would be for these activities to be completed by no later than 1<sup>st</sup> September 2016 allowing a small amount of time contingency.

As the risk of unsuccessful project completion increases as the initiation deadline gets closer, an earlier start date should be used if possible

**Transition to Day-1 State  
12 Months**

Development activity , including data migration, system implementation, and testing, is expected to take 12 months for the One Wellington Option. During this period the primary costs drivers will be the time, number, and rates of those on the project. Critically, the rates used assume the use of tier 2 vendors and the availability of council staff (whose BAU roles would be filled by contractors).

**Expected Spend: 100% of Day-1 Budget**

**Day-1  
1<sup>st</sup> November 2017**

On Day-1 systems will include shared IT infrastructure, new IT systems for finance, HR including payroll, BI reports for compliance, a new CRM, and customer facing veneers over the website and for ratings invoices. As in the Auckland case, separate systems for many functions will continue to run behind the scenes. This provides the benefit of the outward appearance of one council while minimising the risk of system failure on Day-1

- Risk level: Medium
- Extent of Data Consolidation: Active records for Finance Management; Human Resources Management; open Complaints;

**On-going Development to  
Day-2  
3+ years**

Full consolidation will require consolidation of Environment and Operational Infrastructure applications – expected to be a high level of integration and data migration effort required; consolidation of Customer and Community Service applications including library and rating – expected to be a high level of data cleanse and migration required to create a single view of the customer; and on-going development of ERP – increase BI reporting capability.

**Expected Spend: 80% of Budget in Year 1 and 2, 20% in Year 3**



Costs not included in estimates



Costs included in estimates



No work required

# Stakeholder Experience

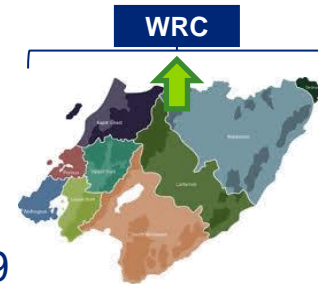
Ratepayers / Businesses / Community		Employees	
Day-1	Day-2	Day-1	Day-2
<ul style="list-style-type: none"> <li>Single point of contact – single call centre number and single website acting as a gateway into the council but may divert to pre-existing teams, content to deal with specific items i.e. local specific information will remain where it is.</li> </ul>	<ul style="list-style-type: none"> <li>Single point of contact – single call centre number, single website, standardised regulation across region, handle all transactions at one point.</li> </ul>	<ul style="list-style-type: none"> <li>Customer interaction still managed in individual Councils – redirection of calls according to area, individual websites still maintained.</li> <li>Some processes standardised e.g. complaints handling.</li> <li>Multiple customer records across systems. Single CRM provides view of customer interactions but processing details remain in pre-existing systems.</li> </ul>	<ul style="list-style-type: none"> <li>Consolidated contact centre</li> <li>Single view of the customer across all Council functions.</li> <li>Standardised processes across the region.</li> <li>Single CRM with end-to-end view of customer interactions and processing status.</li> </ul>
<ul style="list-style-type: none"> <li>Single rates invoice for all services from new authority</li> </ul>	<ul style="list-style-type: none"> <li>Single rates invoice for all services and standardised rate calculation across region</li> </ul>	<ul style="list-style-type: none"> <li>Rates harmonisation and property database consolidation not occurred – managed individually</li> <li>Single invoice created outside of payments system to create single invoice</li> <li>Single rates payment collection system</li> </ul>	<ul style="list-style-type: none"> <li>Rates harmonised across the region</li> <li>Single rates calculation and collection system</li> </ul>
<ul style="list-style-type: none"> <li>Single library card for access and use of all libraries. Not a single view of library book record</li> </ul>	<ul style="list-style-type: none"> <li>Single library book record</li> </ul>	<ul style="list-style-type: none"> <li>Multiple library systems requiring re-distribution of books to source</li> </ul>	<ul style="list-style-type: none"> <li>Single library system and single asset database of consistent data quality</li> </ul>
<ul style="list-style-type: none"> <li>Provide single invoice to the Council for payment from suppliers</li> <li>Single contract for services from suppliers</li> </ul>		<ul style="list-style-type: none"> <li>New single finance, HR, Payroll system reflecting agreed standard processes</li> <li>Systems reflect agreed organisation design</li> </ul>	<ul style="list-style-type: none"> <li>Continuous Improvement Changes</li> </ul>
		<ul style="list-style-type: none"> <li>Council property and assets continued to be managed individually</li> </ul>	<ul style="list-style-type: none"> <li>Consolidation of council property and assets management processes and systems</li> <li>Standard data management processes in place</li> </ul>
		<ul style="list-style-type: none"> <li>Single operating system, email, telephony network, network</li> <li>Single IT Service Desk – multiple IT teams</li> <li>EDRMS still separate</li> </ul>	<ul style="list-style-type: none"> <li>All servers and storage consolidated</li> <li>EDRMS consolidated</li> </ul>

# Factors influencing the cost estimates

Factor	Impact	Next Steps
<b>Merge vs Takeover</b> Assumed that the amalgamation of the One Wellington option would be driven by strong project management but would be a merger of entities rather than a takeover. There is an expectation the organisation design and core business processes would change due to the different range of services the new legal entity would provide.	It has been assumed that new instances of existing applications would be required to provide a fresh start, provide a platform for growth and meet the requirements of the new legal entity. This increases the costs of the functional teams and application development. Costs incurred could be lower if all Councils were forced to follow one organisation design and set of business processes already existing for core business processes in a Council (~3.5 million reduction for Day-1). Change Management and Training costs would not change.	Determine the Target Operating Model and Organisation Design. Current state analysis of existing organisation design and business processes against the Target Operating Model to identify divergence and if any Councils currently follow an operating model that can be scaled with no fundamental change to takeover. Review cost estimates against this current state analysis.
<b>System and Data Maturity</b> Based on experience from Auckland Councils, an expectation that differing levels of data and system quality and consistency will exist in the Wellington region. The SIIS project will go part of the way to reduce this for Infrastructure but not across all Councils and IT systems. Cost estimates provided reflect this.	If the Councils are all mature in terms of system and data management – with consistent data quality and consistency the costs of consolidation would reduce.	Current state analysis of existing data architecture, quality and management in each Council to identify common data profile and areas of divergence. Review cost estimates against expected effort for data cleansing, profiling and migration.
<b>Risk appetite for Day-1</b> It has been assumed that there is a low risk appetite for Day-1 transition and that customer interaction must be seamless. New systems will have undergone significant testing and staff received training and communications. A month of post Go-Live support has also been accounted for.	If the new legal entity has a higher risk appetite potentially less testing and post Go-Live support can be provided so reducing the cost.	Determine the key outcomes required for Day-1 from a external customer, employees and IT team perspective. Review cost estimates against these outcomes
<b>Existing application suitability</b> An assumption has been made that a new instance of a Tier 2 application would be developed however that the foundation provided would meet most business requirements.	Costs could increase if it is determined that a Tier 2 application would not be able to scale to meet the new requirements of the legal entity. An alternative is to develop a new instance of an existing Tier 1 application or select a new product entirely. Both these would increase costs.	Analysis of the requirements from Odyssey across all Councils to determine suitability and fit to the required business processes. Review cost estimates against this assessment.

# Stronger Regional Delivery

# Option Overview



Under this option Greater Wellington Regional Council would take responsibility from the 9 councils for all current activities, responsibilities, assets, and relevant liabilities relating to the following

- Transport
- Water supply
- Waste water
- Storm water
- Road Management
- Regulatory activity
- Building consent
- Reverse of existing process and responsibilities for rate management. GWRC owns master property database which individual TAs use to determine rates for specific functions. The TA rates are provided to GWRC for invoicing to ratepayers. GWRC manage rate distribution and collection. GWRC pay Councils the rates invoiced.



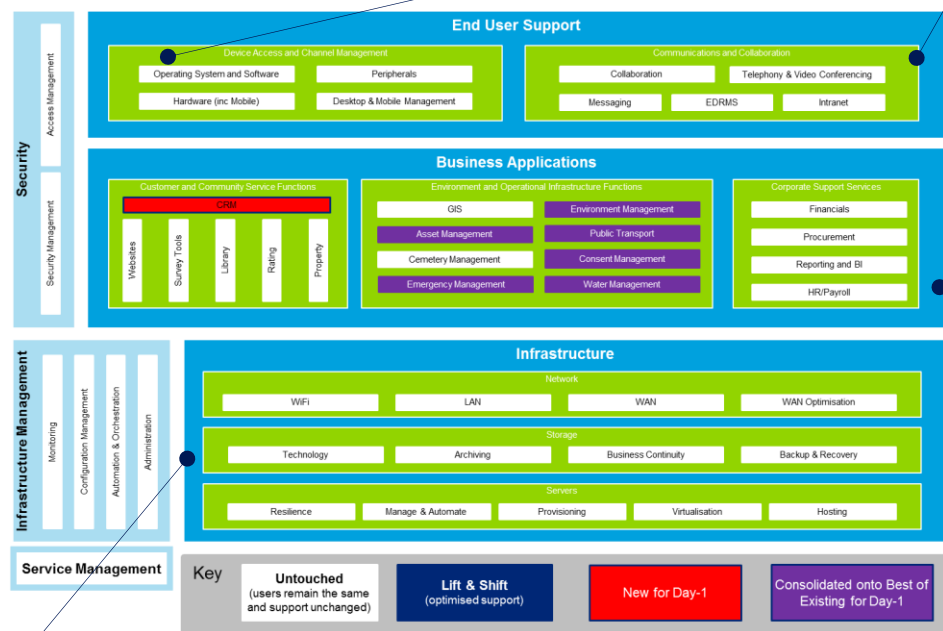


# Day-1 Technology Requirement Assumptions

The Stronger Regional Delivery option would only require the existing councils to move some of their existing functions to GWRC. GWRC would need to put in place technology to support these new functions. This could be achieved by Day-1 as a result we have assumed the following about the Day-1 state of technology. Please refer to Appendix 2 for a full scale diagram.

**Day-1:** No change from today. Any new staff moving to GWRC would follow existing processes to get a new PC, etc.

**Day-1:** No technology change required. Assumed that archived documentation (i.e. not currently active) is only transferred as required.



**Day-1:** Assume no change required. Any extra capacity would be added to existing architecture.

## Day-1:

- **Corporate Support Services:** Assume existing GWRC systems could support functional and volume changes (e.g. new staff). New interfaces would need to be developed. Some development required to build out additional reporting capability and extend to include new cost centres. Increased scaling of payment mechanism to receive higher volume of direct rate payments.
- **Environment & Operational Infrastructure Function:** Assume existing GWRC SAP system could be developed to include functionality required for any new requirements from amalgamation of Infrastructure and Environment functions or existing applications used across the councils is repurposed e.g. RAMM. Asset Management is consolidated as a priority.
- **Customer & Community Support Functions:** New 'light' CRM required for Day-1 either based on an existing Council application or provisioning a new platform. Required to handle increased interaction with the community through road regulation, building consents and rates payments. Current Microsoft Access database not suitable for additional functionality required. More extensive build out of CRM functionality required for Day-2 in line with One Wellington option.

# Cost Summary – Day-1 Transition - Original

Subject to the overall assumptions and those specific to the Stronger Regional Delivery option, our estimate of the cost range for IT transition costs is as shown in the following table.

Day-1 Transition Costs					
Cost Area	Bottom-Up (excl. 20% contingency)	Bottom-Up (incl. 20% contingency)	Top-Down	Recent Comparators	Range for LGC  \$5m to \$10m
Project Management	\$0.4m	\$0.5m	\$0.8m - \$1m	None.	
Infrastructure				Not in scope.	
Business Application  Includes: <ul style="list-style-type: none"> <li>- Functional Design</li> <li>- Test</li> <li>- Data Migration</li> <li>- Training</li> <li>- Change Mgmt</li> <li>- Hardware</li> </ul>	\$6.3m	\$7.6m	\$0.4m - \$0.5m*	As part of the recent Odyssey RFP process implementation quotes for \$6m were received. These quotes: <ul style="list-style-type: none"> <li>• were for 4 councils to use a common technology but not merge.</li> <li>• were for a much broader scope than our day-1 requirements.</li> <li>• were for vendor costs only – no council costs. Our numbers include council costs.</li> <li>• did not include any integration costs. An estimate by WCC of \$2m for this component has been made.</li> <li>• do not include change management costs (e.g. training, etc). Our numbers do (~\$1.4m).</li> </ul> On balance we think this information supports a value at the mid-point of our bottom-up estimate.	
<b>TOTAL (rounded)</b>	<b>\$7m</b>	<b>\$8m</b>	<b>\$1m - \$2m</b>		

\* This does not represent the complete scope

# Cost Summary – Day-1 Transition – UPDATED

Subject to the overall assumptions and those specific to the Stronger Regional Delivery option, our estimate of the cost range for IT transition costs is as shown in the following table.

Day-1 Transition Costs					Range for LGC  \$15m - \$19m
Cost Area	Bottom-Up (excl. 20% contingency)	Bottom-Up (incl. 20% contingency)	Top-Down	Recent Comparators	
Project Management	\$2m	\$2.4m	\$0.8m - \$1m	None.	
Infrastructure	\$0.5m	\$0.6m	\$0.9m – \$1.2m	Network consolidation of impacted Road and Water management infrastructure only. Specialist Road and Water Mangement infrastructure e..g Traffic Light Telemetry, Water Monitoring Telemetry, CCTV cameras consolidation costs not included	
Business Application	\$12.8m	\$15.3m	\$13.6m - \$17m	Asset Management Property Management at Auckland Council cost approximately \$12 million.	
Includes: - Functional Design - Test - Data Migration - Training - Change Mgmt - Hardware					
TOTAL (rounded)	\$15m	\$19m	\$15m – \$19m		

# Cost Summary – Day-2 IT Amalgamation - GWRC

Subject to the overall assumptions and those specific to the Stronger Regional Delivery option, our estimate of the cost range for IT transition costs is as shown in the table below. Bottom-up costings were not conducted for these estimates. Top-down estimates were provided by Deloitte staff with experience working on IT projects that were part of the Auckland council amalgamation and related ongoing activities.

Day-2 Transition Costs		
Cost Area	Recent Comparators	Range for LGC Top-Down Estimate Only
Project Management	The relevant spend for Auckland was estimated at \$3m. The Wellington project take less time to complete.	\$0.4m - \$0.5m
Infrastructure	This will have completed in Day-1 due to reduced scope of network consolidation only.	n/a
Business Application	Includes consideration of the Auckland experience related to: GIS consolidation Development of CRM & rates harmonisation for Environment & Operational Infrastructure services	\$54.4 - \$68m
TOTAL		\$55m – \$69m

# Key Assumptions

The lack of confirmed baseline information means a number of assumptions are made throughout the supplied materials. The full list of assumptions can be found in the spreadsheet provided alongside this document. Assumptions applying to the **Stronger Regional Delivery** option are:

Category	Assumption
<b>Project Delivery</b>	Our experience of effort and the speed of change that can be accommodated by an organisation indicates that the following timeframes would be required for each major project in the transition of the stronger regional delivery and enhanced local delivery: - Mobilisation - 3 weeks; Design - 12 weeks; Development - 16 weeks; Testing, Roll-out and Support - 16 weeks
<b>Project Delivery</b>	Predominantly internal staff will be used to deliver the project based on existing applications and infrastructure being used for end delivery. Costs of backfilling internal staff have been included in the cost estimate.
<b>Operating Model</b>	Staff to be retained will be hired as new employees to GWRC and will be provided IT services as would a new member of staff e.g. GWRC login, mobile, desktop etc. and will not require migration of existing HR records or personal documents / emails.
<b>Infrastructure</b>	Infrastructure running specific Environment and Operational Infrastructure in each Council is not exclusively used for these applications therefore cost savings will not be incurred as the equipment will need to be retained.
<b>Infrastructure</b>	Some network consolidation will be required.
<b>End User Support</b>	For the regional delivery option, GWRC would extend its existing contracts for end user equipment such as desktops, mobiles rather than transferring the existing assets / contracts from the Councils.
<b>Business Applications</b>	GWRC's existing SAP system would be used to support the additional functions in the larger GWRC option. Some development will be required to extend the functionality, data migration to occur to consolidate data and integration development for the new functionality into GWRC's existing finance systems.
<b>Business Applications</b>	The existing GWRC CRM system (Microsoft Access) is not sufficient to support the additional functions to be incorporated e.g. rate collection, parking management, building consents. A new instance of a CRM will be required (could leverage existing application in an alternative Council) to manage increased community interaction.

## Key Assumptions (2)

The lack of confirmed baseline information means a number of assumptions are made throughout the supplied materials. The full list of assumptions can be found in the spreadsheet provided alongside this document. Assumptions applying to the **Stronger Regional Delivery** option are:

Category	Assumption
Business Applications	GWRC will consolidate the TA's property databases and take ownership for data management moving forward. GWRC will provide a copy or access to the database to the local TAs for rate calculation. The TAs will provide their rates to GWRC for rate collection and receive a lump sum of rates payments directly from GWRC.
Business Applications	Ratepayers will still receive 2 separate invoices as today however GWRC will be responsible for distribution of rates invoices and rates collection. The existing payment infrastructure allowing ratepayers to pay their rates in either a GWRC office or Local TA office will be retained.
Business Applications	Rate policy making still lies with the TAs – rates would only be harmonised for the services now delivered by GWRC.
Business Applications	The data architecture and profile in GWRC's finance and HR systems does not require significant change.

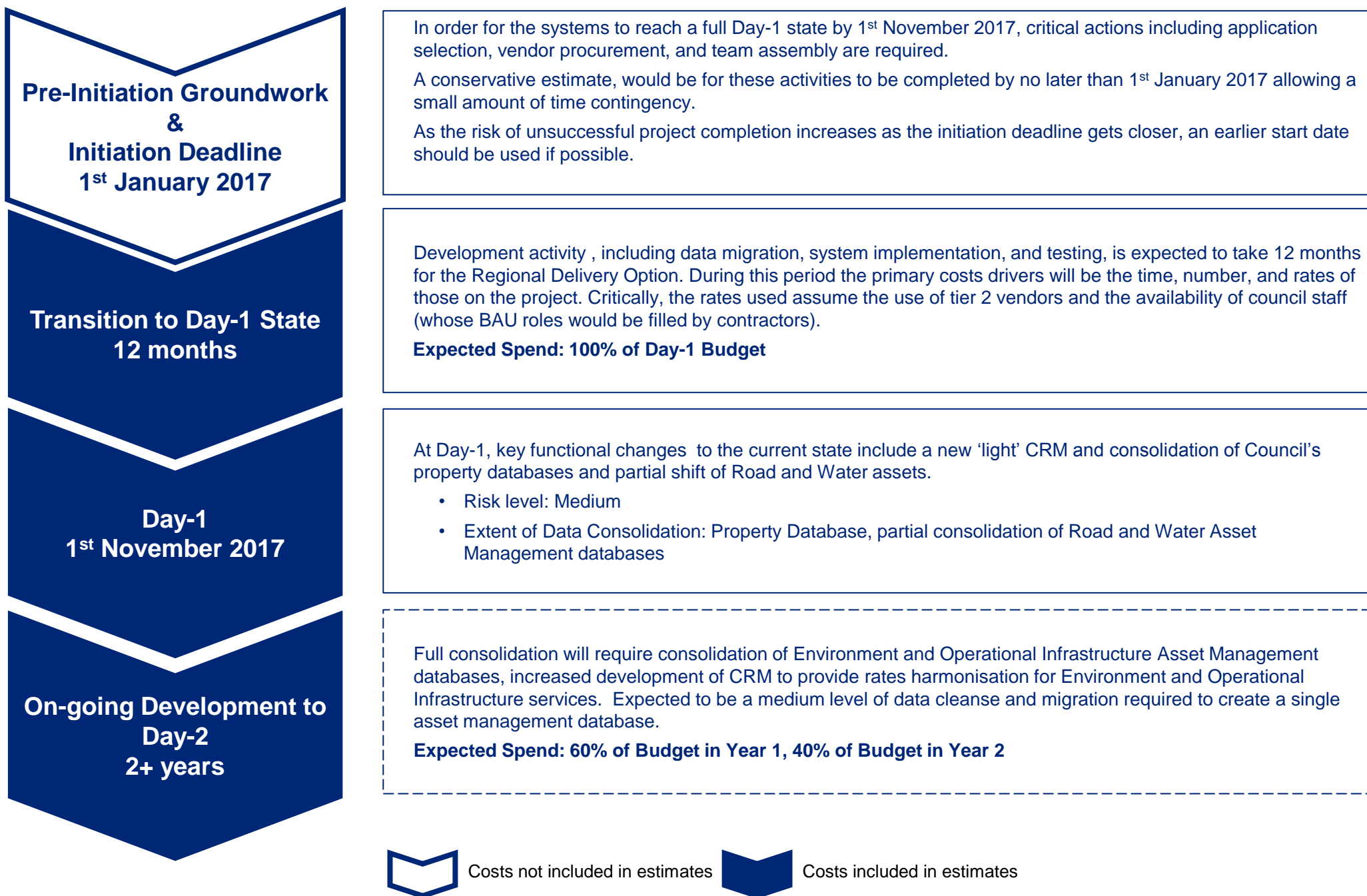
# Stronger Regional Delivery - Benefits

Without a full picture of the current state and future state of the related councils, benefits cannot be reliably quantified monetarily.

## Stronger Regional Delivery Main Benefits

Benefit area	Type of benefit	Who benefits?	Description
Operational cost saving and reduced capital expenditure	Quantitative	Council Ratepayers	By moving to one system to manage assets and building consents instead of 9 separate systems, the organisation as a whole becomes more efficient. <ul style="list-style-type: none"> <li>Decreased duplication of roles within the IT teams – minimal reduction in staff numbers due to decreased application development, delivery and support</li> <li>Increased purchasing power to receive greater economies of scale from licence management for applications</li> </ul>
Increased resilience of service provision	Qualitative moving to Quantitative	Council Ratepayers	All communities will be provided with Environment and Operational Infrastructure Council services which are resilient due to use of existing arrangements in place within GWRC.

# Project Timeline and Day-1 Risk





# Stakeholder Experience

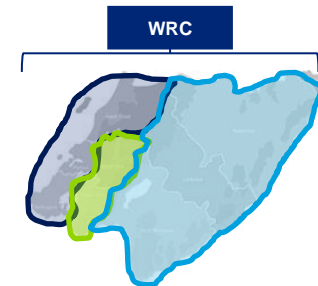
Ratepayers / Businesses / Community		Employees	
Day-1	Day-2	Day-1	Day-2
<ul style="list-style-type: none"> <li>Multiple points of contact according to nature of enquiry</li> <li>Communications to clarify responsibilities for GWRC and which authority to contact</li> <li>Customer records in GWRC and existing TA for byelaw regulation</li> </ul>	<ul style="list-style-type: none"> <li>Multiple points of contact according to nature of enquiry</li> <li>Communications to clarify responsibilities for GWRC and which authority to contact</li> <li>Customer records in GWRC and existing TA for byelaw regulation</li> </ul>	<ul style="list-style-type: none"> <li>New 'light' CRM in GWRC to provide a view of customer interactions.</li> <li>Contact centre increased in scale</li> <li>New website to handle customer enquiries and provide information for new services.</li> </ul>	<ul style="list-style-type: none"> <li>CRM developed to provide expanded functionality and single view of the customer across the services provided by GWRC.</li> <li>Individual processes and systems in each TA retained.</li> </ul>
<ul style="list-style-type: none"> <li>Two rates invoices still received however payment details changed.</li> <li>Payment can still be made at either GWRC or a local TA office</li> <li>On Day-1 TA invoice is still larger sum than GWRC invoice.</li> </ul>	<ul style="list-style-type: none"> <li>Two rates invoices still received however payment details changed.</li> <li>Payment can still be made at either GWRC or a local TA office</li> <li>Invoice for GWRC is larger than TA as rates harmonisation for impacted functions has occurred</li> </ul>	<ul style="list-style-type: none"> <li>Consolidated property database</li> <li>GWRC owns the master database</li> <li>Local TAs still own revenue &amp; financing options and rate policy</li> <li>GWRC manages invoice distribution and rate collection</li> <li>GWRC pays TAs lump sum for rates received</li> <li>Process established, rates for assets taken over by GWRC not harmonised</li> </ul>	<ul style="list-style-type: none"> <li>Rates harmonised for services GWRC deliver</li> <li>Different rates policies in each TA still apply</li> </ul>
<ul style="list-style-type: none"> <li>Access only to local TA library.</li> </ul>	<ul style="list-style-type: none"> <li>Access only to local TA library</li> </ul>	<ul style="list-style-type: none"> <li>Individual library systems retained</li> </ul>	<ul style="list-style-type: none"> <li>Individual library systems retained</li> </ul>
<ul style="list-style-type: none"> <li><b>Suppliers:</b> Contract and invoice for each TA required as services delivered</li> <li>Some contract consolidation for providers of environment and operational infrastructure services.</li> </ul>		<ul style="list-style-type: none"> <li>Finance, HR, Payroll system retained in each TA</li> <li>Staff moving to GWRC are re-employed and provided transfer payment to reflect loss of employment history</li> <li>Existing organisation design is expanded to accommodate new functions and staff – no significant shift</li> </ul>	<ul style="list-style-type: none"> <li>Additional business performance reporting capability available</li> </ul>
		<ul style="list-style-type: none"> <li>Some asset databases are consolidated where data profile is similar to existing GWRC assets</li> <li>Existing asset databases relating to Community Services are retained by TAs</li> </ul>	<ul style="list-style-type: none"> <li>Asset database for Environment and Operational Infrastructure is consolidated</li> </ul>
		<ul style="list-style-type: none"> <li>Transferred staff will receive access and equipment as a new joiner</li> <li>No EDRMS or email archives are migrated.</li> </ul>	

# Factors influencing the cost estimates

Factor	Impact	Next Steps
<b>Merge vs Takeover</b> Assumed that the lift of specific business functions into GWRC will follow the path of a takeover rather than a merge of organisations. There is an expectation the organisation design and core business processes would not change significantly due to the similarity of services GWRC would takeover. Therefore it has been assumed existing systems would be used and would not require significant development. A new CRM system is required due to the increased level of community interaction and the existing system in place.	If the existing organisation design and core business processes can not be easily adapted to fit the new business functions a new instance of the ERP solution may be required. If a new instance of the Tier 1 application was selected this would significantly increase the costs.	Determine the Target Operating Model and Organisation Design for GWRC. Current state analysis of existing organisation design and business processes against the Target Operating Model to identify divergence and if a takeover approach is suitable. Review cost estimates against this current state analysis.
<b>System and Data Maturity</b> Based on experience from Auckland Councils, an expectation that differing levels of data and system quality and consistency will exist in the asset databases in the Wellington region. Cost estimates provided reflect this.	If the Councils are all mature in terms of system and data management – with consistent data quality and consistency the costs of consolidation would reduce.	Current state analysis of existing data architecture, quality and management in each Council to identify common data profile and areas of divergence. Review cost estimates against expected effort for data cleansing, profiling and migration.
<b>Risk appetite for Day-1</b> It has been assumed that there is a low risk appetite for Day-1 transition and that customer interaction must be seamless. New systems will have undergone significant testing and staff received training and communications. A month of post Go-Live support has also been accounted for.	If GWRC has a higher risk appetite potentially less testing and post Go-Live support can be provided so reducing the cost.	Determine the key outcomes required for Day-1 from a external customer, employees and IT team perspective. Review cost estimates against these outcomes
<b>Existing application suitability</b> An assumption has been made that the existing SAP application at GWRC is suitable to be expanded to meet the business requirements of the increased organisation.	Costs could increase if it is determined that the existing application is not suitable. An alternative is to develop a new instance of the SAP application or select a new product entirely (could be Tier 2). Both these would increase costs.	Identify system requirements for GWRC. Perform current state analysis of existing application to ensure it can be scaled to meet the new business demands. Review cost estimates against this assessment.

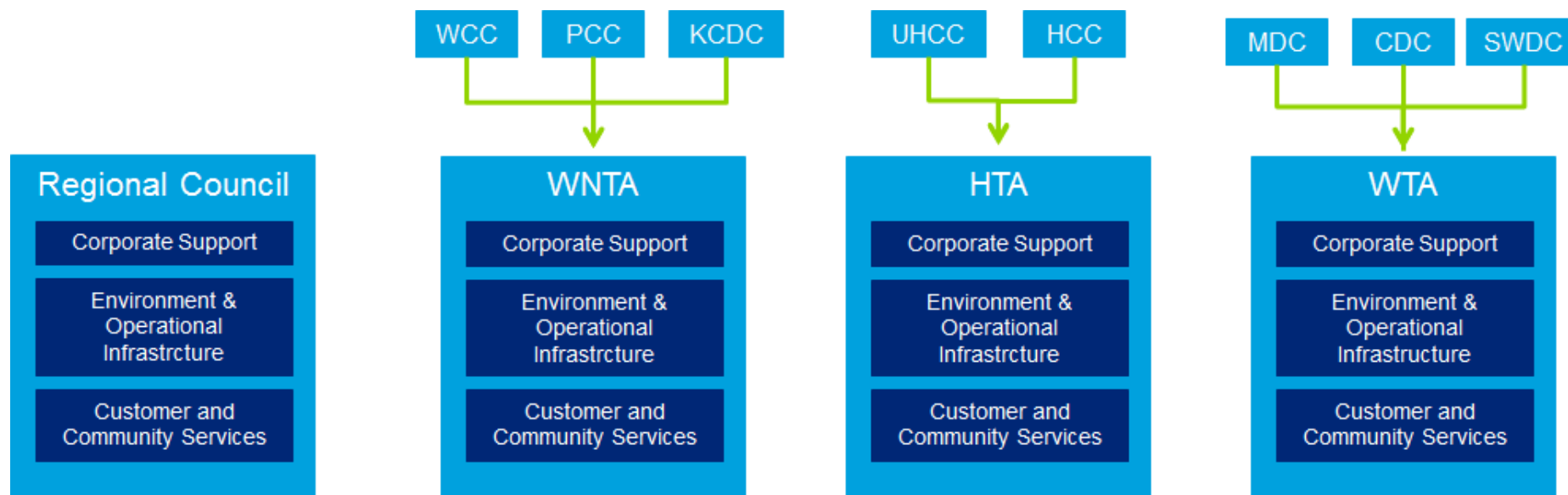
# Enhanced Local Efficiency

# Enhanced Local Efficiency



Under this options different groups of councils would be amalgamated into a single unitary authority providing all of the required local government services for the merged entities. Three basic amalgamations have been proposed:

- A Western and North Wellington territorial Authority
- A Hutt Valley Territorial authority
- A Wairarapa Territorial authority



An extension of this option is combinations of the three basic amalgamations. For example:

- One Wairarapa, one Hutt Valley, rest unchanged
- One Wairarapa, One Hutt Valley, one Western and Northern Council

In all options:

- There is no change to the regional council
- No community boards will be costed

# Enhanced Local Efficiency - Day-1 Technology Requirement Assumptions

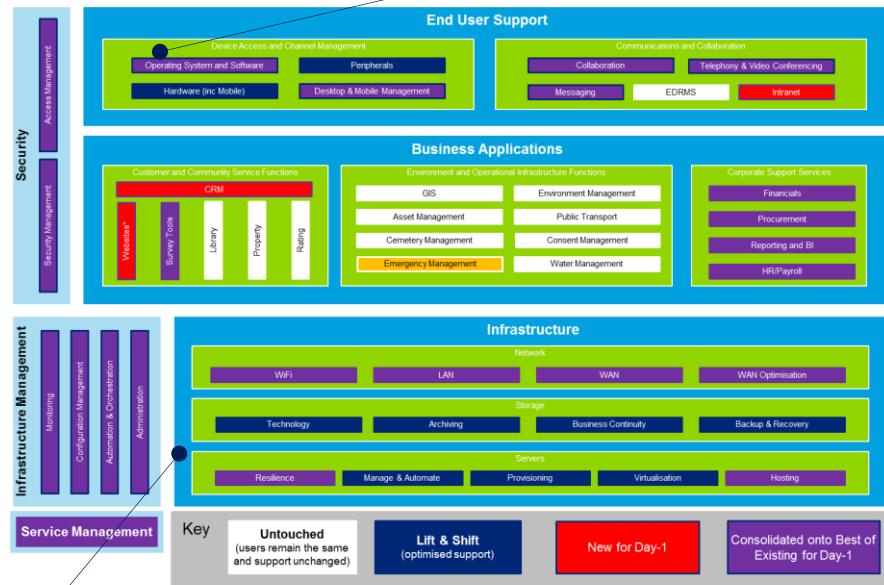
All of the sub-options here would eventually require all existing components councils to move to a common technology infrastructure, systems and business processes. This cannot be achieved by Day-1 as a result we have assumed the following about the Day-1 state of technology for all of the sub-options under this main option. Please refer to Appendix 2 for a full scale diagram.

**Day-1:** In all options, the Councils will transition onto Shared ICT Infrastructure Services (SIIS) for the provision of End User Support (excluding EDRMS and Intranet). Internal resource is required for knowledge transfer only.

**Day-2:** As pre-existing leases / contracts expire equipment will be transferred to new single contract with SIIS.

**Day-1:** All councils standardise onto SIIS for telephony & collaboration infrastructure and tools. New intranet platform put in place providing a central point for process and system information to assist in change management of all employees. Existing document management practices not changed.

**Day-2:** All councils moved onto common EDRMS and all documents migrated onto this platform.



## Day-1:

- **Corporate Support Services:** Assume new implementation is completed to support the back-office functions of the new entity. Assume this will use the Odyssey technology if one or more of the merging entities used that platform. Otherwise would be best of existing. Assume merging councils would adopt configuration of this platform as is with additional data added as new entities.
- **Environment & Operational Infrastructure Function:** Assume Councils continue to use pre-existing systems in this area. Will have to be integrated into the new Corporate Support System.
- **Customer & Community Support Functions:** Assume will implement a 'light' CRM for a single view of complaints and customer interactions across all customer facing divisions in the legal entity. Only open records to be migrated. New website however existing website content may be linked to in some scenarios. All other systems remain untouched but will require some integration into new Corporate Support System.

**Day-2:** Merger of remaining systems onto common platform. May use Odyssey technology or best of existing. Migration to common platform may be likely to require multiple transition states.

**Day-1:** All councils move onto SIIS (e.g. single network, hosting, security and service management platforms) to provide a consolidated network for sharing of information and systems across all sites. Non-SIIS equipment will be "lifted-and-shifted" with minimal optimisation before day-1. Will also provide a central IT Service Delivery team to handle IT incidents and management of IT services from day-1.

**Day-2:** Optimisation of equipment.

# Cost Summary – Day-1 Transition – WNTA

Subject to the overall assumptions and those specific to the Wellington Northern Territorial Authority option, our estimate of the cost range for IT transition costs is as shown in the following table.

Day-1 Transition Costs					<b>Range for LGC</b>  <b>\$10m to \$20m</b>
Cost Area	Bottom-Up (excl. 20% contingency)	Bottom-Up (incl. 20% contingency)	Top-Down	Recent Comparators	
Project Management	\$0.52m	\$0.63m	\$0.52m-\$0.65m	None.	
Infrastructure	\$0.97m	\$1.17m	\$2.54m-\$3.18m	Assuming that SIIS is already implemented for WCC and PCC there is minimal costs of KCDC transitioning to this service.	
<b>Business Application</b>  Includes: - Functional Design - Test - Data Migration - Training - Change Mgmt - Hardware	\$7.28m	\$8.73m	\$11.81m-\$14.76m	As part of the recent Odyssey RFP process implementation quotes of \$6m were received. These quotes: <ul style="list-style-type: none"> <li>were for a much broader scope then our day-1 requirements.</li> <li>were for vendor costs only – no council costs. Our numbers include council costs.</li> <li>did not include any integration costs. An estimate by WCC of \$2m for this component has been made.</li> <li>do not include change management costs (e.g. training, etc.). Our numbers do (~\$1.1m).</li> </ul> On balance we think this information supports a value at the lower-end of our bottom-up estimate.	
<b>TOTAL (rounded)</b>	<b>\$9m</b>	<b>\$11m</b>	<b>\$15m - \$19m</b>		

# Cost Summary – Day-2 Full IT Amalgamation - WNTA

Subject to the overall assumptions and those specific to the WNTA local efficiency sub-option, our estimate of the cost range for IT transition costs is as shown in the table below. Bottom-up costings were not conducted for these estimates. Top-down estimates were provided by Deloitte staff with experience working on IT projects that were part of the Auckland council amalgamation and related ongoing activities.

Day-2 Transition Costs		
Cost Area	Recent Comparators	Range for LGC Top-Down Estimate Only
Project Management	The relevant spend for Auckland was estimated at \$3m. The Wellington project take less time to complete.	\$1.05m - \$1.31m
Infrastructure	Considers Telephony consolidation. Wider Infrastructure amalgamation is assumed to have occurred at Day-1	\$0.43m - \$0.54m
Business Application	Includes consideration of the Auckland experience related to: Single GIS Updating systems with a consistent set of regulations Development of CRM BI Rates harmonisation Procurement and Sourcing	\$45.37m - \$56.71m
TOTAL (rounded)		\$45m – \$60m

# Cost Summary – Day-1 Transition – HTA

Subject to the overall assumptions and those specific to the Hutt Territorial Authority option, our estimate of the cost range for IT transition costs is as shown in the following table.

Day-1 Transition Costs					Range for LGC  \$8m to \$12m
Cost Area	Bottom-Up (excl. 20% contingency)	Bottom-Up (incl. 20% contingency)	Top-Down	Recent Comparators	
Project Management	\$0.58m	\$0.70m	\$0.29m - \$0.36m	None.	
Infrastructure	\$0.97m	\$1.17m	\$1.37m - \$1.71m	As part of the recent SIIS RFP proposal the average respondent quote was \$4m for transition. This was fewer councils but did include the biggest council WCC. On balance we think this supports a value in the mid-point of our estimates.	
Business Application  Includes: - Functional Design - Test - Data Migration - Training - Change Mgmt - Hardware	\$6.07m	\$7.29m	\$7.68m - \$9.60m	As part of the recent Odyssey RFP process implementation quotes of \$6m were received. These quotes: <ul style="list-style-type: none"> <li>were for a much broader scope than our day-1 requirements.</li> <li>were for vendor costs only – no council costs. Our numbers include council costs.</li> <li>did not include any integration costs. An estimate by WCC of \$2m for this component has been made.</li> <li>do not include change management costs (e.g. training, etc.). Our numbers do (~\$1m).</li> </ul> On balance we think this information supports a value at the lower-end of our bottom-up estimate.	
<b>TOTAL (rounded)</b>	<b>\$8m</b>	<b>\$9m</b>	<b>\$9m - \$12m</b>		



# Cost Summary – Day-2 Full IT Amalgamation - HTA

Subject to the overall assumptions and those specific to the HTA local efficiency sub-option, our estimate of the cost range for IT transition costs is as shown in the table below. Bottom-up costings were not conducted for these estimates. Top-down estimates were provided by Deloitte staff with experience working on IT projects that were part of the Auckland council amalgamation and related ongoing activities.

Day-2 Transition Costs		
Cost Area	Recent Comparators	Range for LGC Top-Down Estimate Only
Project Management	The relevant spend for Auckland was estimated at \$3m. The Wellington project take less time to complete.	\$0.58m - \$0.72m
Infrastructure	Considers Telephony consolidation. Wider Infrastructure amalgamation is assumed to have occurred at Day-1	\$0.23m - \$0.29m
Business Application	Includes consideration of the Auckland experience related to: Single GIS Updating systems with a consistent set of regulations Development of CRM BI Rates harmonisation Procurement and Sourcing	\$25.24m - \$31.55m
TOTAL		\$25m – \$35m

# Cost Summary – Day-1 Transition – WTA

Subject to the overall assumptions and those specific to the Wairarapa Territorial Authority option, our estimate of the cost range for IT transition costs is as shown in the following table.

Day-1 Transition Costs					Range for LGC  \$6m to \$10m
Cost Area	Bottom-Up (excl. 20% contingency)	Bottom-Up (incl. 20% contingency)	Top-Down	Recent Comparators	
Project Management	\$0.58m	\$0.70m	\$0.15m- \$0.19m	None.	
Infrastructure	\$0.91m	\$1.09m	\$1.07m- \$1.33m	As part of the recent SIIS RFP proposal the average respondent quote was \$4m for transition. This was fewer councils but did include the biggest council WCC. On balance we think this supports a value in the mid-point of our estimates.	
Business Application  Includes: - Functional Design - Test - Data Migration - Training - Change Mgmt - Hardware	\$5.84m	\$7.01m	\$5.22m- \$6.52m	As part of the recent Odyssey RFP process implementation quotes of \$6m were received. These quotes: <ul style="list-style-type: none"> <li>were for a much broader scope than our day-1 requirements.</li> <li>were for vendor costs only – no council costs. Our numbers include council costs.</li> <li>did not include any integration costs. An estimate by WCC of \$2m for this component has been made.</li> <li>do not include change management costs (e.g. training, etc.). Change Management and Training costs are included in the numbers quoted here (~0.8m).</li> </ul> On balance we think this information supports a value at the lower-end of our bottom-up estimate.	
<b>TOTAL (rounded)</b>	<b>\$7m</b>	<b>\$9m</b>	<b>\$6m - \$8m</b>		

# Cost Summary – Day-2 Full IT Amalgamation - WTA

Subject to the overall assumptions and those specific to the WTA local efficiency sub-option, our estimate of the cost range for IT transition costs is as shown in the table below. Bottom-up costings were not conducted for these estimates. Top-down estimates were provided by Deloitte staff with experience working on IT projects that were part of the Auckland council amalgamation and related ongoing activities.

Day-2 Transition Costs		
Cost Area	Recent Comparators	Range for LGC Top-Down Estimate Only
Project Management	The relevant spend for Auckland was estimated at \$3m. The Wellington project take less time to complete.	\$0.30m - \$0.37m
Infrastructure	Considers Telephony consolidation. Wider Infrastructure amalgamation is assumed to have occurred at Day-1	\$0.18m - \$0.23m
Business Application	Includes consideration of the Auckland experience related to: Single GIS Updating systems with a consistent set of regulations Development of CRM BI Rates harmonisation Procurement and Sourcing	\$13.20m - \$16.50m
TOTAL (rounded)		\$15m – \$20m

# Key Assumptions

The lack of confirmed baseline information means a number of assumptions are made throughout the supplied materials. The full list of assumptions can be found in the spreadsheet provided alongside this document. Assumptions applying to the **Local Enhanced Delivery** option are:

Category	Assumption
<b>Project Delivery</b>	The Transition Board will have authority to make decisions on the systems selected for the new legal entity and the design of the systems and will not need to wait for appointment of the Management team for the new legal entity.
<b>Project Delivery</b>	Predominantly internal staff will be used to deliver the project based on existing applications and infrastructure being used for end delivery. Costs of backfilling internal staff have been included in the cost estimate.
<b>Operating Model</b>	Any merged entities will form a new legal entity.
<b>Operating Model</b>	<p>The same day-1 state would exist for each of the 3 sub-options as well as any combination thereof for the following reasons:</p> <ul style="list-style-type: none"> <li>- Irrespective of option the day-1 priorities remain the same</li> <li>- The same number of merging activities need to be completed irrespective of option.</li> <li>- There may be less staff, data, computers, etc. to manage with the smaller options, in theory giving more capacity for further change, but there are also less SMEs, business reps, etc. to support any significant change. So on balance capacity to support change is the same.</li> </ul>
<b>Infrastructure, End User Support and IT Service Delivery</b>	Assumption that SIIS is established for GWRC, WCC, PCC and UHCC. Assumed that costs of consolidation of services would be incurred by the vendor. Assumption that all local enhanced delivery options would transition to SIIS.
<b>Business Applications</b>	For WNTA, the Odyssey application will be rolled out to PCC and KCDC who will standardise on these processes and system with any open data migrated.

# Local Enhanced Delivery - Benefits

The benefits of the Local Enhanced Delivery option are similar to One Wellington but the scale of benefit will not be as great due to the smaller size of the organisations created.

One Wellington Main Benefits			
Benefit area	Type of benefit	Who benefits?	Description
Improved Customer Experience	Qualitative	Ratepayers	A common IT system will facilitate <ul style="list-style-type: none"> <li>Increased access to information across regions – more efficiency for community</li> <li>Simplification of communication with council</li> </ul>
Operational cost saving and reduced capital expenditure	Quantitative	Council Ratepayers	By moving to one system instead of 9 separate systems, the organisation as a whole becomes more efficient. <ul style="list-style-type: none"> <li>Decreased duplication of roles within the IT teams – reduction in staff numbers</li> <li>Increased purchasing power to receive greater economies of scale from contracts</li> <li>Less complex and rationalised infrastructure requiring less effort to maintain</li> <li>Service provider for ICT Infrastructure responsible for refresh of hardware and improving the service provided so reducing capital expenditure</li> </ul>
Increased visibility of opportunities for savings	Qualitative moving to Quantitative	Council Ratepayers	A common system for procurement, property management, and asset management, will provide a clearer view of currently fragmented contractor arrangements. Consolidating contracts can create savings through increasing order scale and reducing the council staff time required to manage services.
Increased resilience of service provision	Qualitative moving to Quantitative	Council Ratepayers	All communities will be provided Council services which are resilient due to an increased purchasing power to provision this within ICT infrastructure.

# Project Timeline and Day-1 Risk

**Pre-Initiation Groundwork  
&  
Initiation Deadline  
1<sup>st</sup> December 2016**

In order for the systems to reach a full Day-1 state by 1<sup>st</sup> November 2017, critical actions including vendor selection, council sign-off, and team assembly are required.

A conservative estimate, would be for these activities to be completed by no later than 1<sup>st</sup> December 2016 allowing a small amount of time contingency.

As the risk of unsuccessful project completion increases as the initiation deadline gets closer, an earlier start date should be used if possible.

**Transition to Day-1 State  
9 months**

Development activity, including data migration, system implementation, and testing, is expected to take 9 months for the Enhanced Local Efficiency Option. During this period the primary costs drivers will be the time, number, and rates of those on the project. Critically, the rates used assume the use of tier 2 vendors and the availability of council staff (whose BAU roles would be filled by contractors).

**Expected Spend: 100% of Day-1 Budget**

**Day-1  
1<sup>st</sup> November 2017**

On Day-1 systems will include shared IT infrastructure, consolidated IT systems for finance, HR including payroll, BI reports for compliance, a new CRM, and customer facing veneers over the website and for ratings invoices. As in the Auckland case, separate systems for many functions will continue to run behind the scenes. This provides the benefit of the outward appearance of one authority while minimising the risk of system failure on Day-1

- Risk level: Medium
- Extent of Data Consolidation: Active records for Finance Management; Human Resources Management; open Complaints;

**On-going Development to  
Day-2  
3+ years**

Full consolidation will require consolidation of Environment and Operational Infrastructure applications – expected to be a high level of integration and data migration effort required; consolidation of Customer and Community Service applications including library and rating – expected to be a high level of data cleanse and migration required to create a single view of the customer; and on-going development of ERP – increase BI reporting capability.

**Expected Spend: 80% of Budget in Year 1 and 2, 20% in Year 3**



Costs not included in estimates



Costs included in estimates



No work required

# Appendices

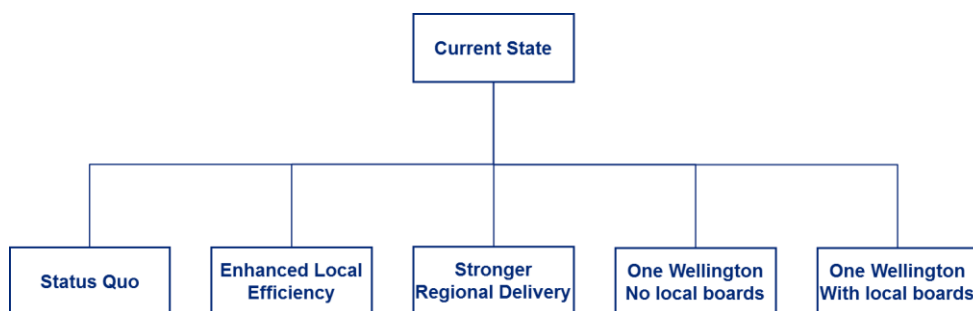
# Appendix 1

## Options Considered and Sources of Information



# Overview of the options

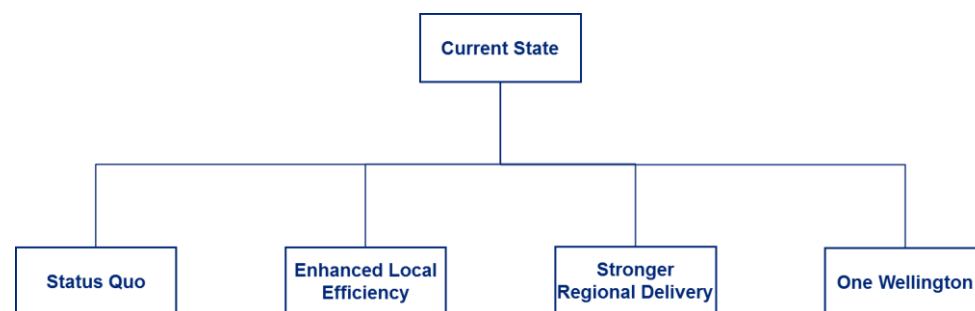
The Local Government Commission has identified 5 options for the future of local government organisation in the Wellington and Wairarapa regions.



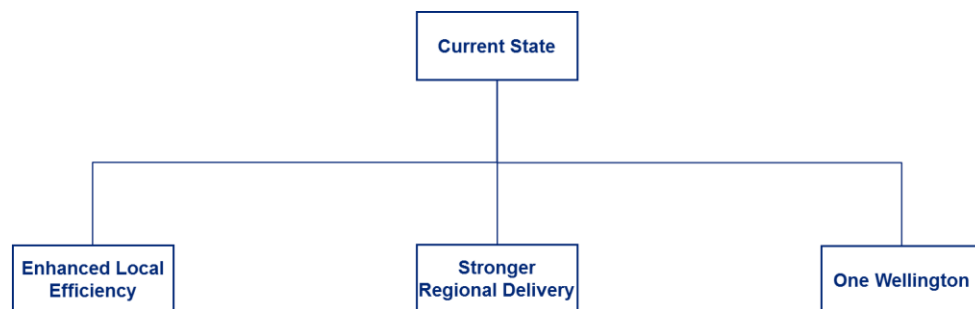
McGredy Winder & Co. are responsible for the identification of the total transition costs for each option. Deloitte has been asked to assist in the estimates of transition costs and resultant benefits for the consolidation of IT systems.

We have been advised that the Local Government Commission is proposing November 2017 as the target transition date with transition activity starting in November 2015.

Both One Wellington options would have the same resultant impact on IT systems and so have been considered as one option.



Additionally, the status quo option is not considering any ongoing projects to share IT systems or the ongoing costs of IT operations. This leaves 3 options for consideration in this report.



# Sources of Information

Owing to the short time frame, it was not practical to source raw data from the councils. Instead, Deloitte NZ has leveraged knowledge from previous engagements with some Wellington Councils. Specifically, the recent feasibility study for ICT Shared Services and our development of the business case for Shared ICT Infrastructure Services.

A key limitation of this data was the lack of information about the existing IT systems used by councils in the Wairarapa Region. When estimating costs related to councils in the Wairarapa region, publicly available knowledge, such as staff number and the number of households in each district, was considered.

Full Name	Abbreviation	No. of households <sup>1</sup>	% of households <sup>1</sup>	Staff No.	% of Staff
Wellington City Council	WCC	71,004	40.31%	1,300 <sup>2</sup>	41.76%
Porirua City Council	PCC	16,884	9.59%	370 <sup>2</sup>	11.89%
Kapiti City District Council	KCDC	20,472	11.62%	292 <sup>2</sup>	9.38%
<b>Wellington Northern Territorial Authority</b>	<b>WNTA</b>	<b>108,360</b>	<b>61.52%</b>	<b>1,962</b>	<b>63.03%</b>
Masterton District Council	MDC	9,507	5.40%	80 <sup>3</sup>	2.57%
Carterton District Council	CDC	3,297	1.87%	41 <sup>3</sup>	1.32%
South Wairarapa District Council	SWDC	3,939	2.24%	35 <sup>3</sup>	1.12%
<b>Wairarapa Territorial Authority</b>	<b>WTA</b>	<b>16,743</b>	<b>9.51%</b>	<b>156</b>	<b>5.01%</b>
Upper Hutt City Council	UHCC	15,042	8.54%	136 <sup>2</sup>	4.37%
Lower Hutt City Council	HCC	35,988	20.43%	393 <sup>2</sup>	12.62%
<b>Hutt Territorial Authority</b>	<b>HTA</b>	<b>51,030</b>	<b>28.97%</b>	<b>529</b>	<b>16.99%</b>
Greater Wellington Regional Council	GWRC	176,133	100.00%	466 <sup>2</sup>	14.97%
	<b>Total</b>	<b>176,133</b>	<b>100.00%</b>	<b>3,113</b>	<b>85.03%</b>

<sup>1</sup> National Statistics – 2013 Census

<sup>2</sup> Provided by Councils to inform ICT Shared Services Feasibility Study

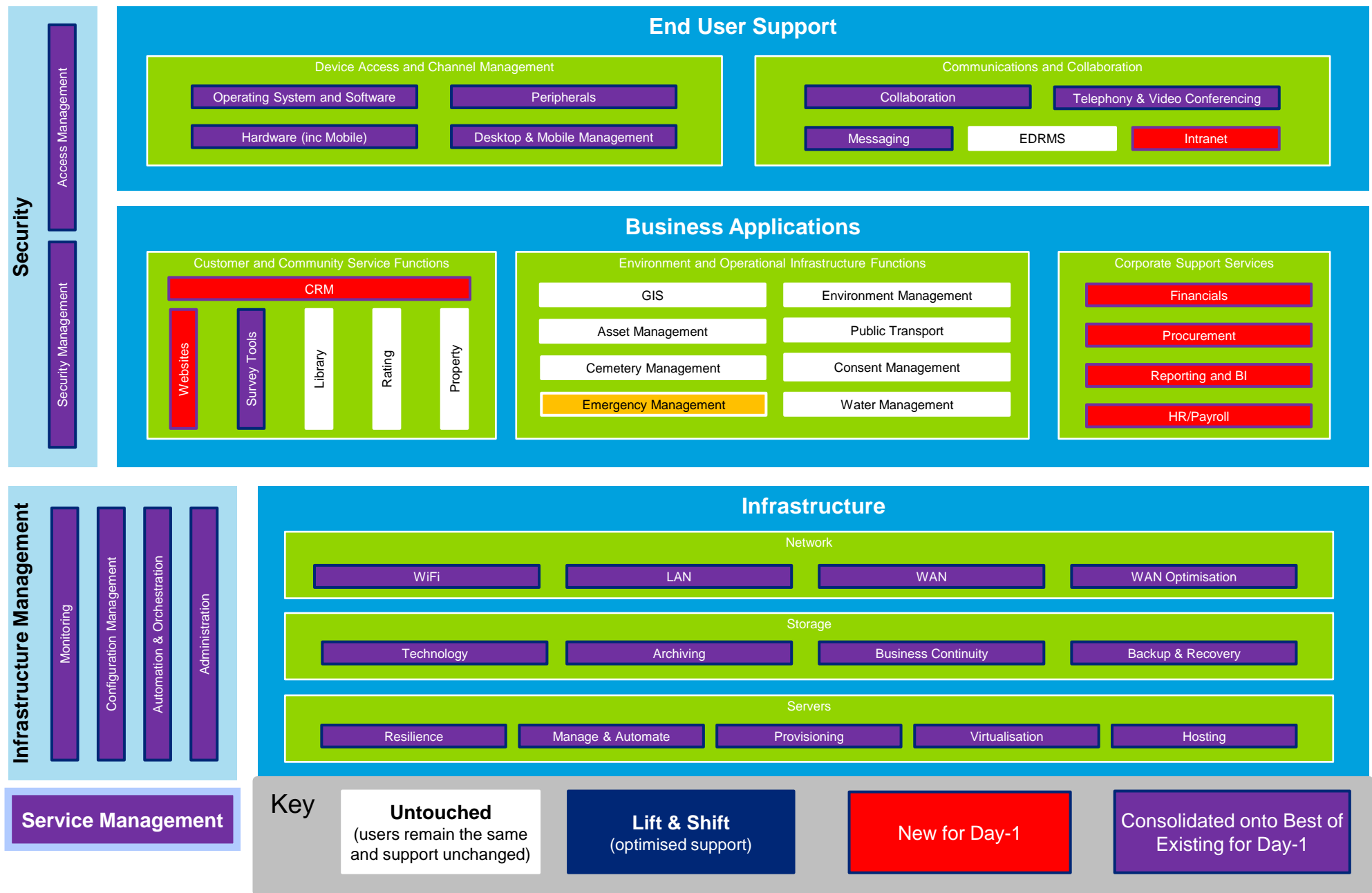
<sup>3</sup> fyi.org.nz – 2012 OIA requests for staff numbers

# Appendix 2

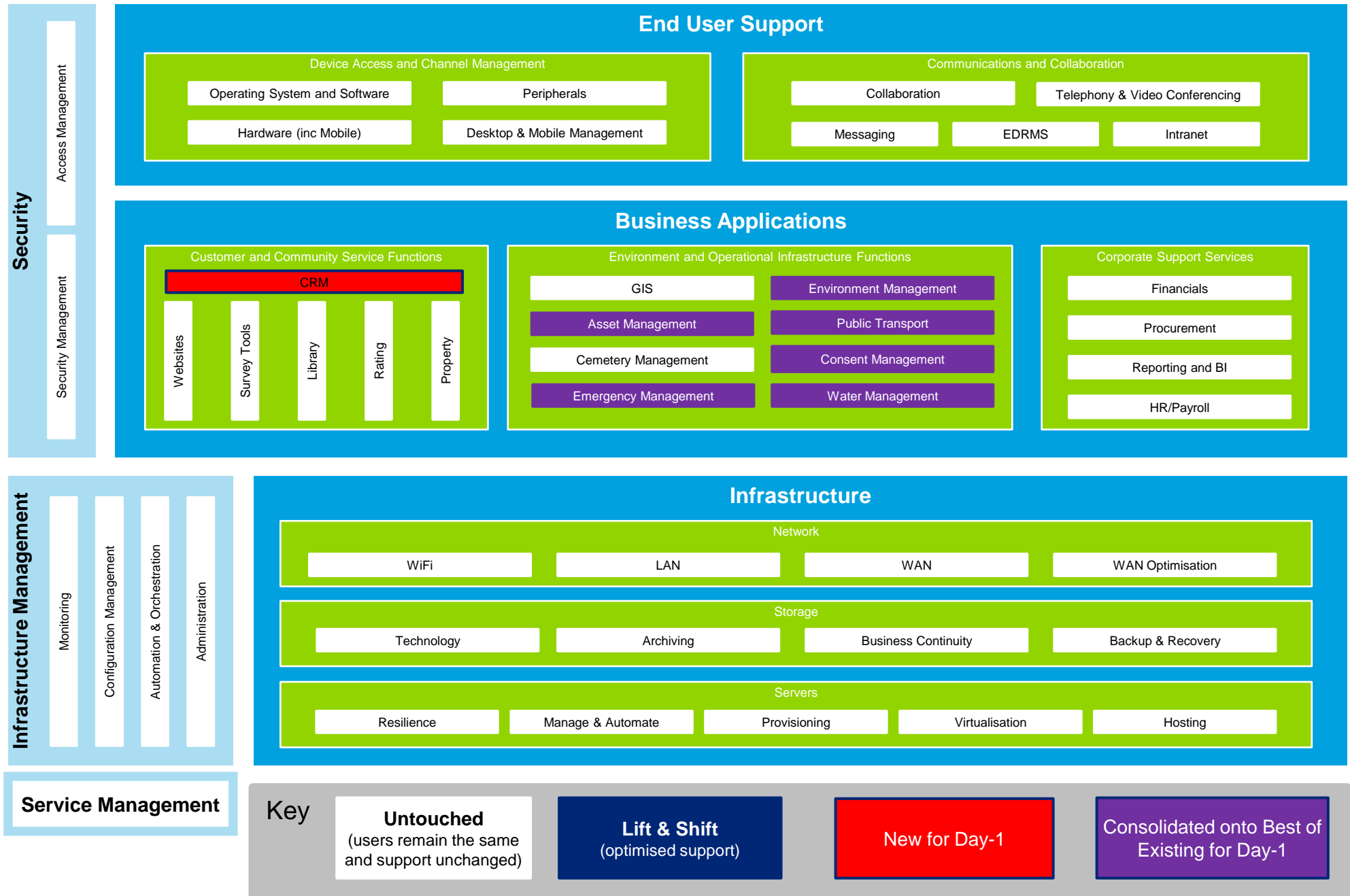
## Day 1 Technology Requirements

# One Wellington – Day-1 Technology Requirement Assumption

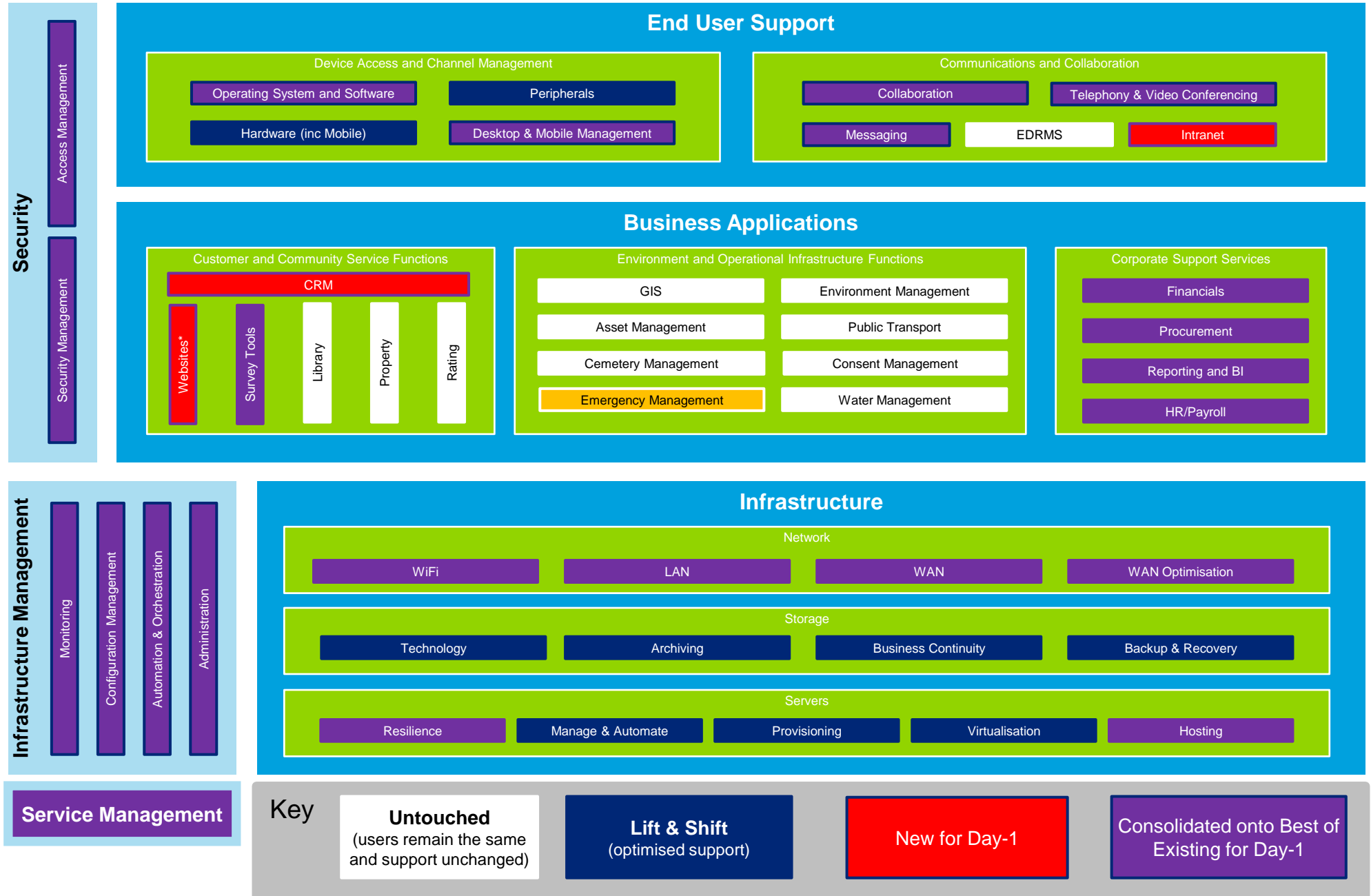
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# Stronger Regional Delivery – Day-1 Technology Requirement Assumptions



# Enhanced Local Efficiency – Day-1 Technology Requirements Assumptions



## Appendix 3

### Example of Bottom-Up Cost Approach

# Bottom-Up Cost Estimate Approach

## 1. Resource estimation

Team	Role	Source	Daily Rate (excl. GST)	Mobilisation (3 weeks)					
				Max Days					15
				No. of resource	Total FTE days	Internal	External	Advisor	Total Costs
PMO	Programme Manager - Council	Ext	\$1,200	10	15.0	\$0	\$18,000	\$0	\$18,000
	Programme Advisor - Vendor	Vendor	\$2,100	10	15.0	\$0	\$0	\$0	\$31,500
	Programme Administrator	Ext	\$400	10	15.0	\$0	\$6,000	\$0	\$6,000
	Programme Co-ordinator	Ext	\$680	10	15.0	\$0	\$10,200	\$0	\$10,200
Design Team	Design Authority Manager	Vendor	\$1,700	10	15.0	\$0	\$0	\$0	\$25,500
	ICT Enterprise Architect	Ext	\$1,360	10	15.0	\$0	\$20,400	\$0	\$20,400
	Apps. Solution Architect	Int	\$600	0.0	0.0	\$0	\$0	\$0	\$0
	Design Authority Analyst	Vendor	\$1,400	0.0	0.0	\$0	\$0	\$0	\$0
Infrastructure & End-User Computing	Team Lead	Int	\$600	10	15.0	\$3,000	\$0	\$0	\$3,000
	Desktop & Devices Architect	Ext	\$960	0.0	0.0	\$0	\$0	\$0	\$0
	Network & Telephony Architect	Ext	\$1,040	0.0	0.0	\$0	\$0	\$0	\$0
	Servers & Storage Architect	Ext	\$960	0.0	0.0	\$0	\$0	\$0	\$0

For each role required for a programme, the source, rates and number of resources were defined for each stage of the project.

## 2. Addition of project delivery overheads

Council Option	One Wellington				
Time Frame					
People Costs	3 weeks	Max 3 months	Max 6 months	Max 4months	* 1 year, 2 months overall
Project Phase	Mobilisation	Design Phase	Integration	Test and Roll out	Total
Resource Cost					
Project Delivery	\$111,600.00	\$631,200.00	\$1,310,400.00	\$713,600.00	\$2,826,800.00
IT Infrastructure	\$9,000.00	\$499,200.00	\$2,145,600.00	\$1,430,400.00	\$4,084,200.00
Business Applications	\$153,000.00	\$4,520,400.00	\$9,530,400.00	\$4,433,600.00	\$18,637,400.00
Change Management	\$25,500.00	\$674,400.00	\$1,809,600.00	\$886,400.00	\$3,395,900.00
	\$239,100.00	\$6,385,200.00	\$14,796,000.00	\$7,464,000.00	\$28,944,300.00
Logistic Costs					
Office Space	\$12,750.00	\$51,000.00	\$127,500.00	\$68,000.00	\$259,250.00
Consumables/Utilities	\$2,250.00	\$9,000.00	\$22,500.00	\$12,000.00	\$45,750.00
	\$15,000.00	\$60,000.00	\$150,000.00	\$80,000.00	\$305,000.00
Total People Costs	\$314,100.00	\$6,445,200.00	\$14,946,000.00	\$7,544,000.00	\$29,249,300.00
Technology Costs					
Infrastructure Costs					
Programme Servers	\$500,000.00	\$500,000.00	\$0.00	\$0.00	\$1,000,000.00
Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	\$500,000.00	\$500,000.00	\$0.00	\$0.00	\$1,000,000.00
Total Technology Costs	\$500,000.00	\$500,000.00	\$0.00	\$0.00	\$1,000,000.00

The cost of project space, telecommunications, supplies and hardware for application development were added to the resource costs.