Customer and technology transformation in Local Government

KPMG and Public Sector Network
Local Government Transformation Series 2019

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About the survey
Public Sector Network surveyed workshop participants during May 2019. There were 228 responses.
Times are both exciting and challenging for Local Government in Australia. A number of local councils are currently developing transformation strategies or are in the midst of rolling out transformation programs, to update their technologies and meet customer needs.

Councils understand that they are operating in a world of increased expectations, as their customers increasingly choose digital as their communication of choice. This means Local Government needs to make some significant, often daunting, changes to the way it is currently operating.

This has met with varying degrees of success. Some councils adopt a ‘quick fix’ approach, by immediately looking at the ‘front end’ of customer experience and designing new websites for interactive communication. However, for truly successful programs, a great deal of work must first happen behind the scenes in the engine rooms of ‘middle’ and ‘back office’ to ensure seamless integration. If this does not happen, transformation could become a very costly exercise.

Building ‘Connected Councils’ is a vital, holistic approach that needs to occur right at the business case stage. Successful delivery of transformation programs requires the bringing together of a range of unique skill sets across a variety of disciplines.

All transformation builds bridges between the council, those who work for it and the communities it serves. Bringing staff and the community along the transformation journey from the very start will allow for buy-in, investment and excitement.

Our report provides insight into the current state of customer and technology transformation across the Local Government sector. It highlights the opportunities, challenges, pain points and successes of these endeavours and surveys local council representatives about their experiences. We are thrilled that so many council representatives could participate, there was high energy and robust discussion around the country.

We thank them for sharing their transformation roadmap with honesty and candour.

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Introduction

In May 2019, KPMG sponsored the Public Sector Network’s Local Government Transformation Series, focusing on increasing efficiencies and customer satisfaction in Local Government through ICT and customer experience transformation.

This Series was delivered across 6 cities in Australia and New Zealand to benchmark the key challenges faced by LGAs.

Throughout the roadshow this year we definitely saw an increase in both attendance and the activity being done across the sector in either preparing for this change, or getting on with key elements of the transformation roadmap.

Stories shared across each state illustrated that great progress is being made, but it can be a slow process and not without complexities.

Councils realise they are confronting increased customer expectations, which means a complete rethink in many cases, of the way they operate.

The people they serve are used to obtaining information, goods and more at the click of a button. Council customers are diverse, ranging from rate payers, dog owners, parents of young children, the elderly, businesses and tourists. In conducting ethnographic research, we find that across many local municipalities, a large proportion of the population prefer to use digital as their channel of choice and increasingly compare and expect the same personalised experience from their interaction with councils that they get from other public and private sector providers.

A large number of councils are making great progress, with an increase in those moving swiftly to put transactions online, to ‘digitise’ forms and to change payment methods. However in many cases this progress is simply being experienced at the front end – the customer-facing end – and not integrated, allowing for transactions to be managed all the way through the organisation to the back office.

This has a direct impact, not only on the data that councils can collect, consolidate and use but on the increasing cost that needs to be supported to process these transactions.

Attendees at the Public Sector Network’s Local Government Transformation Series, were asked a series of questions regarding their transformation journey. Overall, we received 228 responses.
Participants were asked:

1. What are the top 3 focus areas in your customer and technology transformation program?
2. Where are you along your customer and technology transformation journey?
3. What challenges are you facing in your customer and technology transformation program?
4. What were the biggest benefits identified in your investment case for your program?
5. Which components are included in your transformation program?

A new component of the program this year was the introduction of a focused workshop session, which KPMG hosted and facilitated. The workshops allowed for in-depth discussions and explorations across some of the key elements in approaching and setting up a program of improvement or transformation and topics that we regularly see our clients grappling with as they navigate through these issues.

Based on the results of the polling, combined with the key messages in the presentations and areas of discussion in the workshops, we have now analysed the data and crafted our report to reflect insight into the current state of customer and technology transformation across the Local Government sector.
Key Findings

The Local Government transformation road map encompasses 3 key steps on the journey to full transformed council, including Program Strategy Development, Program Business Case Development and Program Operational Rollout.

Observations

Majority of survey respondents (51%) said their council is in Strategy or Business case development of the transformation program road map.

37% of survey respondents stated they were in operational roll out while only 3% of survey respondents stated their councils were fully transformed.

Majority of VIC and QLD survey respondents stated they were in strategy development.

Majority of NSW survey respondents stated they were in business case development.

Majority of WA and SA survey respondents stated they were in operational rollout.
State observations

Majority of WA and SA survey respondents stated they were in **operational rollout**

Majority of VIC and QLD survey respondents stated they were in **strategy development**

Majority of NSW survey respondents stated they were in **business case development**
Key findings

“We’re redeveloping our organisational strategy and focusing on our customers. This entails buy-in from senior leadership and ensuring these values are embedded across all levels of the organisation in every transaction.”

Mick Cummins
CEO, Bayside City Council

“We’re planning on being much more customer-centric and thinking about the experience our community wants to have in dealing with us.”

Phil Storer
CEO, City of Boroondara

Close to 100 percent of respondents said that **Improving Customer Experience, Digitisation and Modernising Technology** were the three prime focus areas for transformation. This included adoption of sophisticated data analytics to capture customer information.

This is not at all surprising and reflects the work and discussions we are having with clients across the country. The focus on customer has been recognised as important for a number of years now, but we have seen a real increase in the maturity and expertise in this area in council.

A key development has been the recognition that it is not just about cursory nods to improving customer experience, but the willingness and desire to explore and adopt leading techniques, skills and resources to really understand what customers want; what are the feelings and emotions they are experiencing in interacting with council, how they want to engage and what changes need to take place internally for this to be accommodated? We are seeing new skills and roles being introduced – Director of Customer and Business Transformation, Chief Customer Officers, Design Thinking, Customer Journey Mapping, Cost to Serve.

There is growing recognition that improving customer experience cannot be done in isolation of the technology and the rest of the organisation.

When forms are online and ‘digital’ (user-friendly for the customer) on one end only, a lot of manual work is frequently required to process these forms, resulting in a higher cost to serve.

From our analysis, we also see alarmingly high ‘costs to serve’ on these digital channels and on simple transactions where greater efficiencies can be achieved. The ability to fix this lies in how to achieve connection, and straight through processing from the front end (website), all the way through to the back office.

**QUESTION:**
What are the top 3 focus areas in your customer and technology transformation program?

- **12%**
  - Highly digital with high automation
- **24%**
  - Low digital maturity with minimal automation, disparate systems and high level of manual and paper-based processes
- **24%**
  - Moderately high with few remaining manual workarounds
- **41%**
  - Moderately low with few digitally enabled processes and disparate data sources
Customer and technology transformation in Local Government

Just over half (51%) of Local Government respondents had embarked on technology or customer experience strategy development / business case development, although a concerning 7 percent had not commenced this process. Nearly 40 percent were well on the way with operational rollout. However 3 percent considered themselves fully transformed.

There were variations across the states:

Majority of Victorian and Queensland respondents stated they were in strategy development phase

Majority of NSW survey respondents stated they were in business case development phase

Majority of WA and SA survey respondents stated they were in operational roll out phase.

Throughout this year’s roadshow, we observed a definite increase in the level of activity being undertaken by councils and more attendees sighting that they are moving from the thinking and planning stage into operational delivery.

When councils say they are ‘fully transformed’, this needs to be evaluated with caution as transformation is rarely a finished state – things are always evolving. Perhaps we should consider the phases of transformation and where councils are on this roadmap – for example, have they addressed the foundations, optimised customer experience or moved onto ‘future government’ initiatives?

Interestingly, the polling results did not reflect the full extent of what we are seeing in the market. Perhaps this reflects the make-up of the audience and the fact that a number of councils were attending this series for the first time. From our observations, a number of councils in Victoria and South Australia are well on the way and have established live transformation programs. This is not the case in NSW and Queensland. However, in NSW a lot of effort has been focused on amalgamation challenges and a number of councils now seem to be exploring the next horizon of improvement and change.

In terms of operational rollout, many councils have huge portfolios of improvement activity that they are managing on top of business as usual portfolios. However, this is frequently managed disparately without an overall roadmap or program. This presents challenges in the allocation of resources, and ensuring the best utilisation and value for money in funding this work. In many cases the understanding of how much is currently being spent across the organisation on these activities is neither known nor tracked. For the most part, the ability to combine or prioritise activities clearly will help free up and direct funds optimally and ensure payback for the organisation.

Interestingly, based on the conversations in the workshops, the range and depth of analysis being developed in business cases is limited, and often done on discrete pieces of work, meaning that achievable benefits and actual end-to-end costs are not fully understood.
100 percent of respondents identified a lack of adequately skilled resources as the largest drawback in successfully operationalising their transformation programs. This was followed by lack of clear leadership (83%) and insufficient financial collaboration to deliver the program of work (53%). Almost half cited difficulties in sourcing procurement partners, which were also cited as obstacles to success. Again, there were regional differences, with NSW citing leadership and procurement as significant challenges, while 86 percent of SA respondents said financial collaboration was an issue.

Successful delivery of a transformation program obviously requires bringing together a range of unique skill sets across a variety of disciplines, including project management, change management, customer experience and user experience design, solution architecture, data migration, integration, and systems analysts. No single council has all these skills to hand, nor does Local Government have a lot of free capacity or funding to release existing resources full time. Councils which were able to tap into diverse disciplines discussed in workshops the importance of using mixed models, including both internal and external resources, to overcome both availability and the lack of technical skills in house.

There are definite challenges in vendor and procurement markets. There has historically been little choice, and while this has increased, there are still variations in the maturity of offerings available in the market.

The key take away from presentations by vendors, here and in the market, is that they are presenting piecemeal solutions and propositions to the market that are often confusing and require councils to assemble the jigsaw. There is a real opportunity for vendors to engage in real strategic thinking and potentially partnering to focus on how to address and add real value to council challenges.

“Once you interact with customers on new digital platforms, don’t forget that although most will welcome this, some will not. Their needs must also be addressed.”

Stephen Fernando
CFO, Whitsunday Regional Council

“Don’t assume everyone understands why you need to get better with customer interface, and invest in digital and ICT transformation. There can be tensions between those who see the benefits immediately and the ‘traditionalists’ who like things to stay the same. Ensure seamless collaboration between all departments and divisions of council to make the transformation a success.”

Mick Cummins
CEO Bayside City Council
100 percent of respondents agreed that improved customer experience was the largest identified benefit delivered by their transformation program, followed by improved decision making and collaboration/breaking down organisational silos (70 percent). This was followed by improved productivity, lowered maintenance spend and vendor cost avoidance (24 percent). One third stated optimised maintenance spend as a financial benefit in their business cases.

It’s clear that benefits to transformation are more than financial and should form part of every council’s business case. However, it’s important to identify all material financial benefits as well, in order to clearly communicate the return on investment. This is especially true of States with rate capping environments, where long-term financial sustainability is a prime focus. Reduced maintenance spend is a key financial benefit that can and should be included in many council transformation business cases. Investment in an asset management solution supports improved and efficient deployment of resources based on data-driven decision making.

Through workshop discussions, participants discussed the importance of building conservatism into the transformation business cases. These can be achieved, for example, through applying discount factors to identified benefits and ensuring return on investment is realistic and achievable.

“The benefits of our transformation are clearly articulated in our business plan: we are on a journey with the aim of changing our culture, our customer service and customer experience”.

Tamya McKenzie
Head of Customer Experience and Transformation, City of Port Phillip

QUESTION:
What were the biggest benefits identified in your investment case for your program?
98 percent of respondents said their transformation program included back office and customer relationship management (CRM) solution replacement. This implies an understanding that by only tackling the unseen processes and procedures, the vital but often hidden ‘engine room’ behind any transformation, that front end customer experience optimisation can occur. This can be a hard lesson to learn – and what is interesting is that one third of councils have still not tackled the ‘middle layer’ components such as integration layers, data warehouse or payments platform, all vital components to a successful transformation.

Although nearly three quarters (70 percent) had invested in front end components, including redesigning the council website and digital experience design as part of their program, many had not yet embarked on this ‘front end’ component. Only 38 percent of WA respondents, for example, stated council website redesign was included in their transformation program.

In workshops, participants acknowledged these road blocks. Stakeholder alignment across council was often difficult and developing a strategy was challenging and complex.

Nevertheless, a holistic integration of back, middle and front end components must take place to make a significant step change in transformation. Replacement of core back office and CRM technology will deliver firm foundations, however to ensure a seamless service experience for customers and council employees, investment in the ‘middle section’ – including integration, data and payments capabilities – is needed to support end-to-end process delivery.

That will allow for front end enhancements, such as digitisation of services through council websites and/or the customer portal, the main interaction points between the customer and the council, to be achieved.

Based on our survey results, this is a significant pain point and a number of transformation programs are suffering from under-investment in these key components that deliver real, direct customer experience improvement.

It’s tricky. Improvements can be made, however there comes a point (and we are seeing many councils at this point) when it becomes very difficult to make any real significant change until the prominent problem of legacy systems is unpacked and addressed.

This is a complex area, and one that is difficult for many councils to approach for a range of political, capability and financial reasons. It becomes even more complex for smaller and regional councils with limited financial capability to make changes on their own.

There is a lot of pre-work involved in approaching these issues, and to date several councils have gone their own way, starting from the beginning and creating something ‘just right for them’. However this also increases the costs associated with running Local Government.

“ The nature of Local Government is that anything you do in one area impacts significantly on another. You need to take a holistic view of transformation. At the same time, leaders across the organisation need to collaborate, so that everyone in the organisation is involved. We’re all on this journey together.”

Mick Cummins
CEO, Bayside City Council

**QUESTION:** Which components are included in your transformation program?
Building future ready councils

A ‘Connected Council’ from front to back that places focus on community outcomes, better customer engagement and improved experience.

The needs and preferences of customers must be understood and used to drive the design of the underlying service delivery model.

Supports the redesign towards a customer centric model that is innovative and seamless across the end-to-end customer journey.

Ensuring enabling processes and functions support a seamless customer experience.

Investing in ‘fit for purpose’ technology in support of delivery of customer services and organisational efficiency.
Since our Roadshow in 2018, there has been a strong increase in transformation activity, with local councils making great strides in their technology and customer focused programs.

However, many have concentrated on the front end touch point for customers, without fully integrating transactions into back and middle office and upgrading legacy systems, which in turn increases costs and creates inefficiencies.

The availability and capability of resources, both human and financial, were also sighted as key challenges in each location. Once again, the opportunity for much better and ‘true’ collaboration was a key topic of discussion. However this still appears to be another Local Government challenge that requires a pertinent solution.

While it is very important that plans and solutions are fit for the individual culture and environment of each council, surely there is a better way to fast track some of these processes and decisions by leveraging what others are doing, and even referring to some ‘standardised toolkits and architecture roadmaps’ as a starting point? Such collaboration may be a new way of thinking and doing, but it benefits everyone in the long term.

It is important that leadership is open and aware of the new, varied business developments relevant to their organisations. This can be challenging, given the long term tenure in the Local Government sector. Increasingly, however, we are seeing new talent and perspectives coming into local council at all levels, including into the lower and middle ranks of the organisation.

There is enormous opportunity for councils to work together and make a fundamental step change in the way the Local Government sector operates, to the benefit of its community and customers, both within and without the organisation.

Such collaboration will facilitate growth mindsets, develop forward thinking and ensure that the transformation program succeeds into the future.

Fundamentally, changes are all about people, and without the right leadership and the right skills to support the change and deliver in the new world, all transformation will be a challenge. Additionally, leadership from the top, including the influence from the elected body, is critical for enabling and supporting this change.

“I was very interested in learning about regional councils which are collaborating with other councils to share resources. Putting parochial interests aside and focusing instead on working with neighbouring communities to get best outcomes – that’s gold.”

Mick Cummins
CEO, Bayside City Council
Make sure your transformation roadmap includes a connected approach to service delivery, focusing on improved customer experience that harnesses digital and technology enhancements.

A holistic integration of back, middle and front end components must take place to make a significant step change in transformation.

Plan for availability and capability of resources, both human and financial.

Prioritise initiatives and phase in according to available resources.

Consider collaboration and ideas sharing to leverage other councils’ transformation activity.
### Thank you to all the speakers and panellists at the events

**Adelaide**
- **Nigel Morris**, Chief Executive Officer, District Council of Yankalilla
- **Annette Martin**, Manager Financial Services, City of Charles Sturt
- **Matthew Spearman**, Group Manager People and Innovation, City of Burnside
- **Alex Keay**, Digital Transformation Lead, Business Systems and Solutions, City of Unley
- **Paul Duka**, Director Corporate Services, Wattle Range Council
- **Warren Geary**, Continuous Improvement Specialist, Business Systems & Solutions, City of Salisbury
- **Pamela Lee**, General Manager, Council Business Services, City of Mount Gambier
- **Michael Sedgman**, Chief Executive Officer, Rural City of Murray Bridge
- **Matt Pears**, Chief Executive Officer, City of Mitcham Council

**Brisbane**
- **Sharon Ibardolaza**, Chief Executive Officer, Mount Isa City Council
- **Stephen Fernando**, Chief Financial Officer, Whitsunday Regional Council
- **Anthony Archie**, Manager Development and Governance, Mareeba Shire Council
- **Bridgette Di Ferdinando**, Organisational Development Lead, Sunshine Coast Council
- **Bernard Smith**, Chief Executive Officer, Gympie Regional Council
- **Tim Evans**, Chief Information Officer, Logan City Council
- **David Lewis**, Executive Manager Corporate and Community Services, Lockyer Valley Regional Council

**Melbourne**
- **Philip Storer**, Chief Executive Officer, City of Boroondara
- **Justine Linley**, Chief Executive Officer, City of Ballarat
- **Mick Cummins**, Chief Executive Officer, Bayside City Council
- **Carol Jeffs**, Chief Executive Officer, Cardinia Shire Council
- **Vaughan Williams**, Director Corporate Services, Northern Grampians Shire Council

**Perth**
- **Noelene Jennings**, Director Corporate Strategy and Performance, City of Wanneroo
- **Garry Adams**, Director Corporate Strategy and Performance, City of Wanneroo
- **Carissa Bywater**, Director of Finance and Corporate Services, City of Bayswater
- **Andrew Sharpe**, Chief Executive Officer, City of Albany
- **Virginia Miltrup**, Manager Strategy, People and Performance, City Of Kalambunda
- **Gary Tuffin**, Chief Executive Officer, Town of East Fremantle
- **Melanie Ponnan**, Manager Information Technology, Shire of Mundaring
- **Nathan Cain**, Chief Financial Officer, Town of Victoria Park

**Sydney**
- **Morven Cameron**, Chief Executive Officer, Lake Macquarie City Council
- **Michael Mamo**, Director City Performance, Bayside Council
- **Peter Auhl**, Chief Information Officer, Central Coast Council
- **Debra Just**, General Manager, Willoughby City Council
- **Nathan Rogers**, Chief Information Officer, Northern Beaches Council
- **Anna Rizos**, Manager Customer Experience, Liverpool City Council
- **Angus Witherby**, Director Planning and Development, Moree Plains Shire Council

**Wellington**
- **Jolanda Simon**, Chief Information Officer, Waimakariri District Council
- **Bede Carran**, Chief Executive Officer, Timaru District Council
- **Nedine Thatchier Swann**, Chief Executive Officer, Gisborne District Council
- **Neville Williams**, Director Community and Services, Waikato Regional Council
- **Heather Shutter**, Chief Executive Officer, Palmerston North City Council
- **Susan Jones**, Human Resources and Administration Manager, Gore District Council
- **Brendan Anstis**, General Manager Strategy and Transformation, Christchurch City Council