



The future of local government

**Embracing connectivity
and customer centricity**

KPMG International

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Future of Local Government – UK foreword

Local government in the UK has changed immeasurably in response to the global pandemic and the scale of change continues to increase. Members and officers now have an important, and unique opportunity to review, realign and refresh their organisations to meet the fast-emerging challenges of the next decade. While responses to Covid-19 since early 2020 have demonstrated the value of local knowledge and service delivery, the future will demand connected, digitally enabled, data-driven approaches that use scarce resources efficiently while meeting ever-evolving public needs.

Councils in the UK have experienced rapid and profound change that previously would have been spread over a generation. The sector has been at the heart of major new programmes that include shielding, testing and vaccination, as well as protecting the health and well-being of residents and local economies. Driving critical programmes while delivering essential services for communities, and adapting to remote working, have repeatedly shown the strength of the sector.

For many councils, the pandemic-related disruption has catalysed and accelerated existing ambitions for increasingly efficient and customer-centric public services. After years of managing budgetary pressures that have frustrated efforts to meet rising customer demand, the global health crisis has removed inertia and continues to reveal what can be accomplished.

Succeeding under this pressure has shown how adaptable, innovative and resilient local authorities can be.

And while the rapid pace of change may ease a little, the scale will only increase. Across the next decade, the sector will need to demonstrate leadership on key issues, including economic recovery, the climate crisis and managing the pandemic's long-term social and health implications. The critical role played by social-care services has been highlighted to the public through the pandemic. Challenged to deliver services in ever-changing ways, the role of communities in building strong resilient support has never been more apparent.

Structural changes are also unfolding, such as building Integrated Care Systems, new opportunities for devolved powers, and ongoing local government reorganisation that will transform how local authorities work in a new era of services and needs. These changes fit into a landscape where public expectations of responsiveness and customer experience are rising and ways of working are changing, even while budgets remain challenging. Councils with digital ambitions have more opportunity than ever and can show how the benefits justify investment in modern, future-focused capabilities.

These waves of change give real impetus for transformation. At the same time, it is clear that pursuing a traditional approach via incremental change could leave councils behind the pace. Typically, leaders have responded to priority challenges but have not had an opportunity to apply, across the organisation, lessons learned from those improvements. While local authorities are large, complex and diverse organisations, there is real value in taking a connected, whole-council approach.

For instance, understanding the various ways a council pays for things, and rationalising those systems, provides an opportunity to reduce technology costs, consolidate data and more easily track performance against key customer metrics.

I have been struck by ideas and innovations from UK local authorities that lead the way in the sector but also how much there is to learn from similar organisations around the world. Many of the global themes in these articles, such as personalisation, data-driven design, trust and digital security, organisational culture, collaboration and efficiency really resonate. These innovations would have great application in the UK and I look forward to discussing which would be right for you and how you can build the capabilities to meet these challenges and opportunities head on.



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Trust is key to unlocking digital identity, security and data insights

Going 'behind the scenes' to put customers in front

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KPMG Connected Enterprise for Local government

Introduction

Local government organisations today face an important opportunity to revolutionise how they function and how they meet the fast-evolving needs and expectations of their customers in the digital era — the citizens, businesses, partners, leaders and stakeholders across the diverse cities and communities they serve.

Government organisations at the local level — and the cities, rural localities and services they oversee — now find themselves poised to drive progress for a new era of customer-centric service. They are already building on the limited but real momentum they have created to date — momentum that has clearly accelerated amid the global pandemic's dramatic impact. Local government organisations have been catapulted into a new model of public service — one wrought under emergency circumstances that have unmistakably revealed the exciting and inevitable way forward in providing a modern customer experience that today's citizens and businesses expect.

Local authorities are uniquely positioned to quickly identify and respond to the needs of their customers in local communities everywhere, including citizens and taxpayers, healthcare patients, schools, transit users, businesses, clients, suppliers, employees, tourists and visitors. Done well, as local services being delivered in many nations during the pandemic continue to illustrate, future local government organisations will serve as a viable and proactive community-based platform — one connected to all constituents and responding to their specific needs quickly and reliably.

The future of the local government sector is clear — digitally enabled, data-driven and community focused as never before. The transformation journey unfolding is about breaking down traditional government silos and becoming more connected — organisation and community-wide — to put the customer at the very center of everything a modern local government organisation does. A fully connected government organisation is important in enabling and supporting the shifting role of local government leadership, ideally extending the government's arsenal of capabilities, capacity and reach, and ultimately helping to ensure inclusion, prosperity, resilience and recovery.

This comprehensive KPMG report — supplemented with timely and revealing Forrester Consulting research commissioned by KPMG — examines the future of the local government sector from an array of key perspectives to trace the path forward into a bold new reality of personalised, self-serve and predictive capabilities, enhanced outcomes and unprecedented customer centrality.

Redefining government as a 'community platform'

It is anticipated that game-changing technology will be central to forging local government organizations that are digitally enabled, data-driven and effectively serving the remarkably diverse array of stakeholders they serve across their localities and communities.



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Future-focused local government organisations are already embracing the technologies, platforms, systems and processes needed to reshape their organisations into newly responsive and cost-efficient models. Their vision is to serve as a 'community', platform providing personalised services and connecting public-service customers and their digital identities within trusted and secure data-driven ecosystems. Modern community connectivity can also position local government organisations as political and economic stewards — fostering highly productive new private-sector and government-to-government links that drive community development.

Technology, smart data use and emerging automation can transform local authorities organisation-wide to fully integrated front, middle and back offices and transform core processes and workforces, enhancing self-service accessibility, response times, performance and operational efficiency.

Beyond a heightened focus on the customer experience, local government organisations looking ahead are expected to increasingly train a sharp lens on their people and workplace cultures. The COVID-19 pandemic has provided a fascinating and revealing glimpse into the possibilities as governments increasingly rely on remote working environments, new collaboration tools and cloud-based applications to manage the unexpected disruption that has impacted everyone. Innovative work models and digital capabilities will likely continue to emerge as local authorities think and act more flexibly, positioning their employees to serve their local communities with new levels of agility and an inspired sense of purpose.

Combining smart data use and secure identity management

Bringing disparate data sources together to tap into the immense power of analytics and data-based

business insights will play a critical role in reshaping local government for a new era. The challenges are real and significant, given the vast scope of services and demands among cities and municipalities managing diverse responsibilities at the 'ground level'.

Government data is typically held today across an often bewildering array of sources, databases, systems and departments. Forrester Consulting research commissioned by KPMG shows there is certainly a need to do better in this area, with one in four local authorities surveyed citing public data housed in multiple databases and lines of business systems as a significant obstacle to executing new customer-focused strategies. At the same time, local authorities tell us they are making 'insight-driven strategies and action' a top priority to support their customer strategy investments.

Data-driven service that is newly integrated, personalised and customer-focused requires strong identity management of those served in order to effectively control and safeguard access to sensitive data wherever it may reside. An effective overarching cyber security posture can also serve to build trust in how data is being used and managed in today's increasingly automated ecosystems, particularly as the public sector has become a growing target for cyber-crime attacks.

Smart data integration and secure management of trusted digital identities — combined with newly integrated teams and processes — will play a significant role in enabling governments to serve their communities and stakeholders. There are already examples of noteworthy progress — such as one London-area government consolidating no less than 17 separate departments and teams into one 'community-solutions team' — unlocking new access to multiple customer-centric services while enabling one single view of consolidated public data.

Yes, there is still much ground to cover on this front, but momentum is growing, and the possibilities are exciting. Along the way, there is potential for automation to heighten efficiency and productivity by reducing the time government workforces — at every level of service in cities and localities — typically dedicate to administration and routine manual tasks. New workforce models and innovative approaches driven by the pandemic response are expected to gain momentum, freeing government employees to flexibly shift their focus to work that is value-based and customer-centered. Acquiring critical new skills for the digital era should also be paramount. And management styles should evolve as well — from traditional 'command-and-control' approaches to trust-based and outcome-focused workplace cultures.

The pandemic that's being endured has, as noted, provided an unanticipated accelerant to transformative change that is nothing less than inevitable for today's local government organisations. Playing a powerful new role to shape and support 'connected local communities' across their diverse future needs and expectations is on the horizon. We look ahead with excitement as today's momentum builds to ultimately forge promising new models of responsive, agile, customer-centered government organisations. History in the making indeed.



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Personalisation will help serve individuals and organisations with greater efficiency but strong identity management is crucial

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When interacting with a local authorities, and depending on locality, a 'customer' can be anyone — they can be citizens, voters, passengers, tourists, taxpayers, clients, employees or organisations. They may change roles, rationale and locations within the space of a single day, perhaps having recycling collected from outside their home in the morning, voting in a community building at lunchtime, paying taxes online in the afternoon, then playing a sport in a center run by a contracted social enterprise in the evening. While each event requires interaction with the same or neighboring organisation, the 'customer experience' can involve disparate, disconnected departments and systems.

The challenge for local government organisations is to effectively serve today's customers and communities in new ways, ideally with a single timely view of customers to deliver what they have come to expect in terms of service and outcomes amid the modern digital experiences of other service-based organisations. Enhanced customer outcomes should be a leading priority. With digital technologies making customer-centric personalisation the norm, some local authorities are picking up on this signal of changing expectations and are taking strategic action to put their own customers at the center of all they do.

In Saudi Arabia, for example, innovative customer-centric applications like Amana 940 are transforming public services at the 'street level'. The Amana 940 app lets concerned citizens report to authorities any violations they see that affect or disrupt regular municipal operations in neighborhoods and along roadways. Concerned citizens can submit a digital photo to local authorities using a convenient phone application for quick follow-up and remedial action by local services.

Customer service for the digital era has also risen to the top of the agenda for Australia's City of Mitcham amid increasing public demand for enhanced services. The local authority there has conducted high-level studies of the city's technology, digital functions, people and culture in order to better understand customer needs and expectations and improve communications and engagement. The result is a comprehensive three-year roadmap for transformation of technology, operations, people and culture, and new reliance on data-based insights, to make customer service and satisfaction a leading priority in all that Mitcham does.

Creating an innovative 'community platform'

If done well, the ability to connect digitally across organisations can transform local government into a customer-centric community platform, giving customers and businesses access to a wide range of services, while innovating how services are delivered.

The future operating model should be built on the principle of 'linked business capabilities,' focusing on the need for today's powerful enabling technologies to underpin end-to-end capabilities — ultimately connecting every layer within and across the operating model. Front, middle and back offices are thus newly connected to provide seamless, secure and reliable customer-centered services.

This concept is discussed in our article on redesigning services — *Redesigning services using timely customer data, analytics and insights*. In many countries, local authorities are the natural choice for such a role, as they are the public sector organisations

that people transact with most often, that have a presence in every community and that take a lead in setting local strategic objectives.

Fully connected local government organisations can also have powerful new capabilities to 'look beyond borders' in order to attract private investment, drive government-to-government collaboration, and enhance 'place-based' responses to local needs and development goals in critical areas such as housing, healthcare, social services, ESG progress and beyond. Government-to-government connections can also facilitate new efficiencies in response to ongoing regulatory change.

Local government organisations will ideally embrace a productive new role as modern economic and political stewards, capitalising on new connectivity to generate private-sector and local-regional-national government interactions that foster and support community development, growth and prosperity.

Governments pursuing such a newly collaborative role can position themselves to generate significant new possibilities for future prosperity — an advantage that we believe will prove particularly helpful in an era of low economic growth combined with high government debt generated in the wake of pandemic-related emergency spending worldwide.

All things considered, however, while today's local authorities have the opportunity to deliver better-connected, trusted, personalised customer services and collaboration, organisations do have considerable ground to cover, according to research by Forrester Consulting on behalf of KPMG. Just half (51 percent) believe their customer experience is meeting customer

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expectations, while only 36 percent believe they are 'occasionally or consistently' exceeding expectations for a customer-centric experience. At the same time, innovative local initiatives are emerging globally to demonstrate what can be done.

In India, a new customer-focused digital app is using smartphone GPS and Bluetooth technology to help manage COVID-19 cases at the community level. The Aarogya Setu app provides contact tracing, 'syndromic mapping' to detect health threats, and a self-assessment tool. Developed by the National Informatics Centre and now in use in localities across the country, the app is designed to spread awareness regarding COVID-19 and can be used to connect residents to local health services.¹



India is actually taking its efforts to provide community-based customer service global with its CoWIN open-source platform, which India's Ministry of Health and Family Welfare is making available to all countries worldwide that want to provide a convenient platform in support of local vaccination drives. The application allows for customisation based on specific or unique local requirements.²

The city of Lafayette, Louisiana, is also demonstrating what local governments can do to forge innovative new connections among the public and the services they rely on daily. As part of its ongoing Smart City program, Lafayette is strategically implementing digital technology to replace traditional silos and departmental barriers with seamless connections and

processes. The goal is to get the city 'moving forward in collaborative new ways' across a range of services.

Lafayette has launched a 311 portal to encourage and service incoming public requests, a driver-friendly traffic-monitoring system to alleviate congested roadways, and a revolutionary blockchain application that oversees the city's fleet of vehicles to manage maintenance and safety. Lafayette's holistic program will continue to unfold, enhancing customer engagement and satisfaction while streamlining processes and reducing operational costs.

There are privacy and reputational risks in seeking to introduce digital personalisation and developing these processes will require organisations to build trust by handling personal data securely and fairly while managing change effectively and developing technological maturity, capability and capacity.

Identity, self-service and equity

To reach the goal of a highly personalised, digitally enabled, customer-centric service model, there are critical milestones that local authorities should achieve on the way. One is to establish a robust and trusted identity-management ecosystem, one that also ensures secure data management. Both are critical to giving customers the confidence to engage with organisations digitally. See *Trust is key to unlocking digital identity, security and data insights* for more on this.

Customers want safety, convenience and reliable self-service. Identity management enables governments to deliver a high level of personalisation that customers are expecting today. With end-to-end service capabilities that identity management can securely unlock, customers will be positioned to 'build' or 'design' their own personal and customised experience. Identity management is key and it presents government with

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both a challenge and an opportunity — combining the power of data and capabilities smartly to forge innovative and convenient new customer connections.

Governments should also empower customers to tap into convenient digital services just as they interact today with banks, retailers, travel services and beyond. Done well, self-service can increase customer satisfaction, decrease service costs and enable staff to focus on value-adding tasks rather than transactional activities.

To take it a step further, forward-looking local government organisations should work on digitalising simpler interactions that offer a unified and consistent experience across diverse services and systems. Modern functionality should enable a process to be started by the customer, unfold seamlessly through middle-office systems, and be completed with minimal human intervention. For example, chatbots can help answer a range of questions with a degree of personalisation, as seen in the UK, where Cardiff Council's bilingual English-Welsh chatbot can answer questions based on a user's address.³ Meanwhile, a local authority in Victoria, Australia, has standardised services through its customer service and request portal. Each request now moves digitally through integration layers to middle-office technology and team functions.

Local government organisations should also consider equity and the digital divide. For now, the adoption of digital services will be faster among wealthier and younger individuals who have better access to

technology and the digital skills to use it. The Pew Research Center in 2019 found those in the age bracket of 50 and over made less use of the internet than those aged 18–29 based on the survey of 34 countries. The research also found that about 98 percent of those in higher income groups in the UK, Australia, the US and Canada are more likely to use the internet today compared to lower-income groups whose use is about 9–13 percent lower in each nation.⁴

But local government organisations exist to serve everyone. With this in mind, they should seek to narrow digital divides, helping all customers to get connected while acknowledging that some services will continue to require human interaction. Governments will thus play a significant role that ideally complements the public's diverse digital capabilities.

At the heart of this is how integration services are built and leveraged to provide a seamless digital experience for all users, ranging from government officials relying on data and analytics to make decisions, through to customer and end users who value the seamless user experience of integrated services. Human interaction will provide an appropriate balance to address those who are less digitally enabled.

A case in point in providing wider access to customer service is India's creation of an online database for convenient delivery of welfare benefits to eligible citizens in localities in southern India's Tamil Nadu state. The database is designed to enable citizens to key in their details and access government services online rather than appearing in person. The use of blockchain

technology is providing data security within a secure and trusted platform through which the government exchanges information with citizens.⁵

Localities in India's state of Kerala, meanwhile, are gaining new access to health services through Covid-19 Jagratha, an online portal that includes a hospital services dashboard, telehealth services and consultations and support during health lockdowns and more. This is also a one-stop platform for the public to access emergency services and the latest information on measures related to the pandemic.

Catering to today's diverse customer base

A local government organisation's customer base typically extends beyond those who live within its boundaries. Organisations such as companies, social enterprises and public-event organizers employ citizens, pay taxes and act as suppliers. A personalized digital approach can help organisations access an array of services and the locality providing them.

In India, the Unified Mobile Application for New-age Governance is a digital platform that aggregates information on government services at the local level and beyond, including utility services, to facilitate a single point of access via a mobile app. Citizens need to download just one mobile application. It is developed by the Ministry of Electronics and Information Technology and National e-Governance Division to drive Mobile Governance in India.⁶

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Depending on locality and available services, local government organisations also serve individuals who live elsewhere but commute to work in the area, people who need tourist information while visiting, people requiring emergency assistance when away from home, and more. These are situations where there is an opportunity to better serve customers if local authorities can make their digital systems interoperable, so that when necessary, they can productively share relevant data with other local service providers.

The ability to share data and systems with other organisations is important for local government organisations that contract services to external providers as well. It can support joint working with public-sector and non profit organisations — health providers, schools and colleges, police and fire services and other levels of government. Having a mature application programming interface (API) ecosystem that enables these interactions can also serve internal needs. It is important to note, however, that governments should first create a unified and secure single view of their customer interactions.

Some UK councils, meanwhile, are encouraging businesses they work with to consider their social value, as defined by the diverse community benefits they are delivering to the public. As part of their procurement process, Bristol City Council, for example, requires suppliers to pay a living wage that meets workers' basic needs, oppose unfair work practices, and meet the council's ethical investment policy. The council allocates a fifth of its scoring of potential suppliers based on social value.

Balancing at the edge of innovation

It is worth noting that local government organisations do not need to be technology leaders. The goal of 'going digital' should ideally be to create the best fit of services and capabilities that will help meet the vastly diverse needs and expectations of their customers. Taking a best-fit approach will help improve responsiveness, efficiency and customer satisfaction, while appropriate identity and data management will serve to gain and foster community trust in the government services being relied upon. Innovation should therefore be driven by the needs of customers and requirements of services — not because a technology happens to be available.

That said, innovation will continue to unfold, as it should. For example, forward-looking central government organisations such as the UK's Government Digital Service (GDS) are making strong use of agile development and innovative practices while taking steps to ensure public services are not put at risk — something GDS achieves by focusing on user experience, testing, and results-based iteration.

Local authorities will ideally also be consolidating their technology solutions to align to business capabilities. This will involve optimising current solutions, strategically investing in filling business capability gaps and identifying and trying innovative solutions to meet specific and emerging government and customer challenges.



Key takeaways

- Customer expectations have evolved, making personalisation of service inevitable.
- Local authorities should deepen their understanding of their customers to improve outcomes, ideally using technologies and capabilities available from integration platforms, micro-services and front, middle and back office connections. Local authorities should to be utilising ground-breaking technologies as they become available to the market, including leveraging AI, robotics and integration tools that help enable the delivery of personalised and seamless customer experiences.
- Adopting a 'local government as a platform' model is a way forward to connect government with every customer and stakeholder.
- Narrowing the 'digital divide' to include those less connected is crucial in the journey to personalised, custom-centric service.

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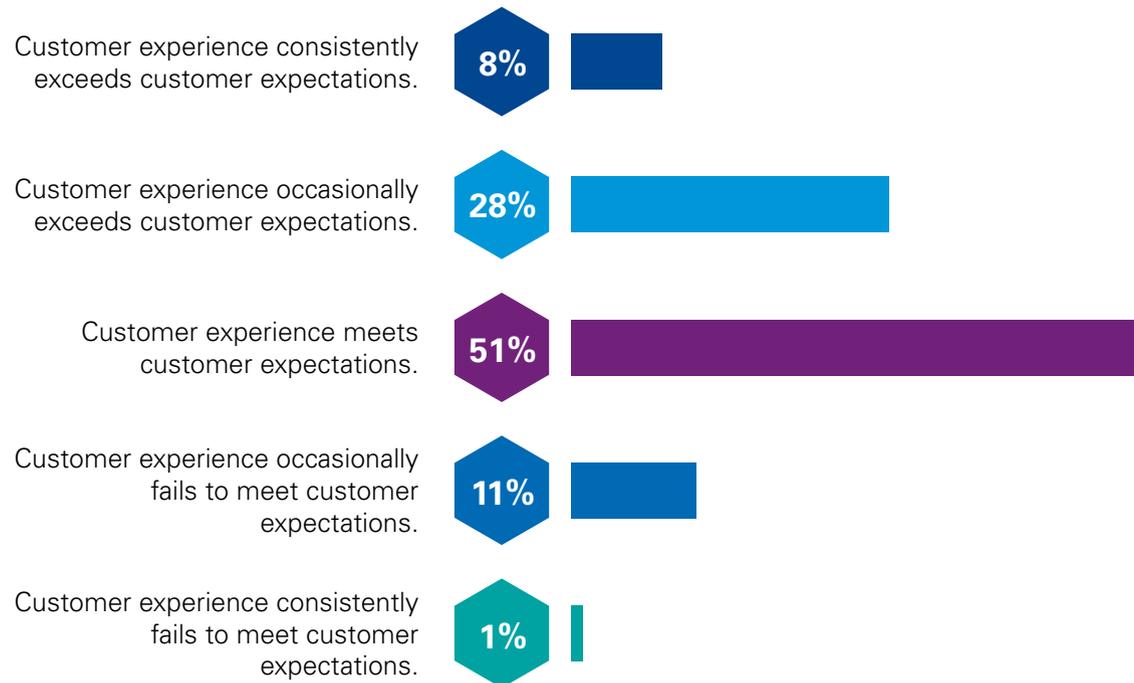
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Customer expectations

Just half (51%) believe their customer experience is meeting customer expectations, while only 36% believe they are 'occasionally or consistently' exceeding expectations for a customer-centric experience.

"To what extent does the experience your organisation provides its customers meet customer expectations?"



Base: 167 professionals involved with customer strategy decisions in local government.
Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, November 2020



If we're not customer-centric and customer-focused, then there's something wrong. But it's okay to talk about that in theory. It's another then to have everything behind the back office to support that. So, we have to try and improve the existing customer service offering that we have, make it as responsive as possible, at the same time as trying to upgrade our whole technology that will support that and take it to a future state. ”

Chief Executive Officer of an urban local authority, Australia

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Local authorities are poised to serve communities in exciting new ways by joining up information, applying data analytics and changing organisational structures

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Local governments, as noted, have opportunities to change how they work using technology. Better personalisation, effective identity management, integrated front, middle and back offices, and a more flexible workforce are among the rewards for those who do.

The overarching goal should include a sustained focus on designing and implementing an operating model that is truly informed by the customer's needs in order to provide the digital services and capabilities — the processes, systems, connections and data — that will help optimise how government functions for each of its constituents and stakeholders.

We believe that this requires today's organisations to look at their services from a value-chain perspective — ideally through the 'eyes of the customer' — rather than from a traditional siloed or departmental perspective that is clearly being rendered obsolete in the digital era. Modern technology and data infrastructure can unlock powerful new capabilities to provide an end-to-end view of the government ecosystem. At the same time, analytics across key data points will help drive timely and informed decisions across the spectrum of public needs and related interactions — asset placement, service requirements, customer feedback, budget prioritisation, communications, event management, emergency services and beyond.

Being a data-led organisation can help ensure that local authorities provide, in exciting new ways, what their customers and stakeholders require. Local government organisations possess very diverse and rich data sources compared to most sectors and organisations, but typically demonstrate limited insights into what to do with their abundant

data. Many are overly purist in how they use data, often lacking trust in the data's quality or integrity. Concerns can be resolved through validation capabilities that check data quality and improve it as needed. Implementing a robust data-management approach is key to cleansing, transforming validating and enriching data as required.

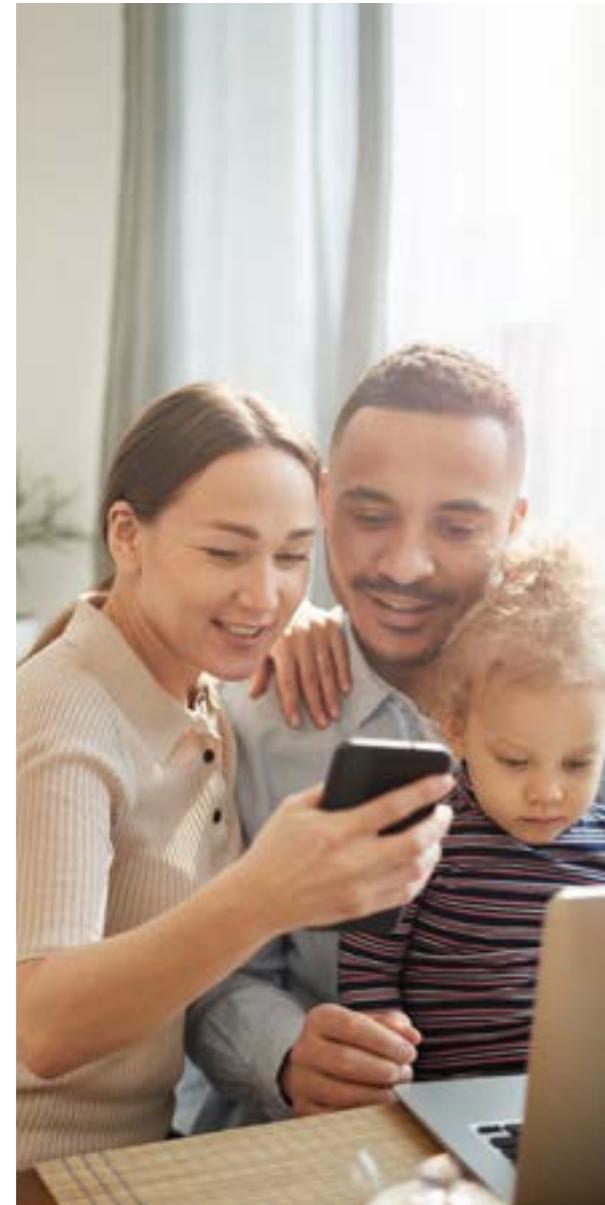
Forrester Consulting research commissioned by KPMG found enthusiasm for doing better in this area, with local authorities putting 'insight-driven strategies and action' at the top of eight choices for the most important investment areas supporting customer strategy over the next year.

The sector can take advantage of existing models for managing data and analytics. One is to *collect*, *correct*, *curate* (make data workable and safe to use), *question* (carry out queries on the data), *compute* (carry out analytics), *communicate* (deliver results effectively) and then *conclude* by taking decisions based on those results.

Joining the dots across databases

Another issue is that data is often held in dozens or even hundreds of systems within a single local government. There is an opportunity to consolidate some of these and link data on people and organisations using a combined integration platform and master data-management model.

By joining various data points, local authorities can proactively reach out to communities and provide customers with friendly and timely reminders. For instance, data on children's dates of birth can be used to invite parents to apply for school enrollment at the appropriate time. While there are privacy concerns and regulations about sharing data, many people



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assume that local authorities already have a single view of them. Many people's lives are complex and local authority organisations can helpfully do some of the linking within the limits of data protection laws.

That said, just 38 percent of local government organisations surveyed believe they are effectively curating a wide variety of data that will provide them with a '360-degree view' of their customers, according to Forrester Consulting research commissioned by KPMG.

Aside from technology and data, redesigning services around customers and their needs also involves changes in language and practices. Some of this means replacing local government jargon such as 'I need an adult social-care assessment' with real-life language like 'I need help getting dressed and cooking meals.' It can also mean changing the way the organisation is structured.

For a good example of what some local authorities are ambitiously pursuing to reshape services for the digital era, there is the UK's Bournemouth, Christchurch and Poole (BCP) Council, a local government organisation formed in April 2019 by the merger of three organisations. The council is in the process of creating a local transformation program that it says will establish the foundations for 'a sustainable, digitally-led future' for the BCP council by 'focusing on what matters most to our customers and adds the greatest value to their lives.'

The council says it is putting automation and enterprise-wide solutions 'at the heart' of a redefined local government organisation that is fully connected across its front, middle and back offices. As Graham Farrant, the chief executive of the BCP council has noted: "Our operating model builds a digital future for the council and our customers based on the foundations of strong data and insights to shape our services and support for our communities." He added, "This is consistent with our Smart Place agenda, where our consortium approach is facilitating digital solutions that benefit society and communities both socially and economically."

Also in the UK, the London Borough of Barking and Dagenham consolidated 17 separate teams into one community-solutions team, allowing staff to support citizens to access multiple services with a single view of their data.

Other local government organisations are working to transform themselves for future success. Leaders of four district, borough and city councils within the UK county of Cumbria have developed a strategy for proposed changes under a ground-breaking Local Government Reorganisation initiative that could see them operate collaboratively in new ways. And in Birmingham, City Council there has launched a Finance Improvement Program that maps out its change journey to improve its financial management and sharpen its focus on "getting the basics right" within finance to enhance operational efficiency and public service.

In Australia, meanwhile, the Liverpool City Council in New South Wales has developed a digital transformation program for its operations, and the City of Port Phillip has followed a 'Connected Council' initiative to evolve its customer and IT strategies, and improve its core systems and processes to achieve data integration.

Some local government organisations are 'going back to school' to enhance customer centricity and results in the classroom. Municipal leaders overseeing the Pimpri Chinchwad neighborhood in the city of Pune, India, have undertaken a creative initiative to use data-based insights and decision making in the monitoring of teacher performance and student learning levels. Schools are being equipped with a blend of modern teaching resources and new digital technology infrastructure — supported by artificial intelligence and machine learning — to monitor and ultimately enhance student attendance and behavior, attention span, academic progress and more.

But while many local authorities realise that technology can help them focus on their customers and drive real progress, relatively few have articulated how to strategically develop their capabilities more broadly in technology, data, processes and customer strategy. As a result, this is an area where there is much ground still to cover. As our research with Forrester Consulting reveals, for example, just 44 percent of organisations say they are leveraging the right mix of technologies to effectively fulfill their analytics and customer-insight requirements.

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A change of management

Customer-driven service redesigns will require changes in management as well as structures. There is strong potential for automation to improve efficiency and productivity in local government by reducing the time that staff spend on administration, thus allowing them to do more

valuable, people-centered work. This will mean helping them to acquire new skills, but it will also require a change in management style, from command and control to a more trust-based, outcome-focused approach. The same can be said for more flexible arrangements for staff, both in terms of where employees work and loosening job roles to allow more innovation.



Key takeaways

- Modern technology and data infrastructure can unlock powerful new capabilities for an end-to-end view of a local government organisation's customer-centric ecosystem.
- In a data-driven organisation, analytics across key data points can drive timely and informed decisions across the spectrum of public needs and related interactions.
- Local authorities should define the outcomes they want to see, and redesign services based on those defined outcomes, keeping customers central to the redesign. KPMG's eight critical capabilities of a connected enterprise provide well-established guiding principles for success.
- Efficiencies brought in by process optimisation and automation can result in cost savings that can be reinvested towards other services that require and are expected to have a 'human touch.'

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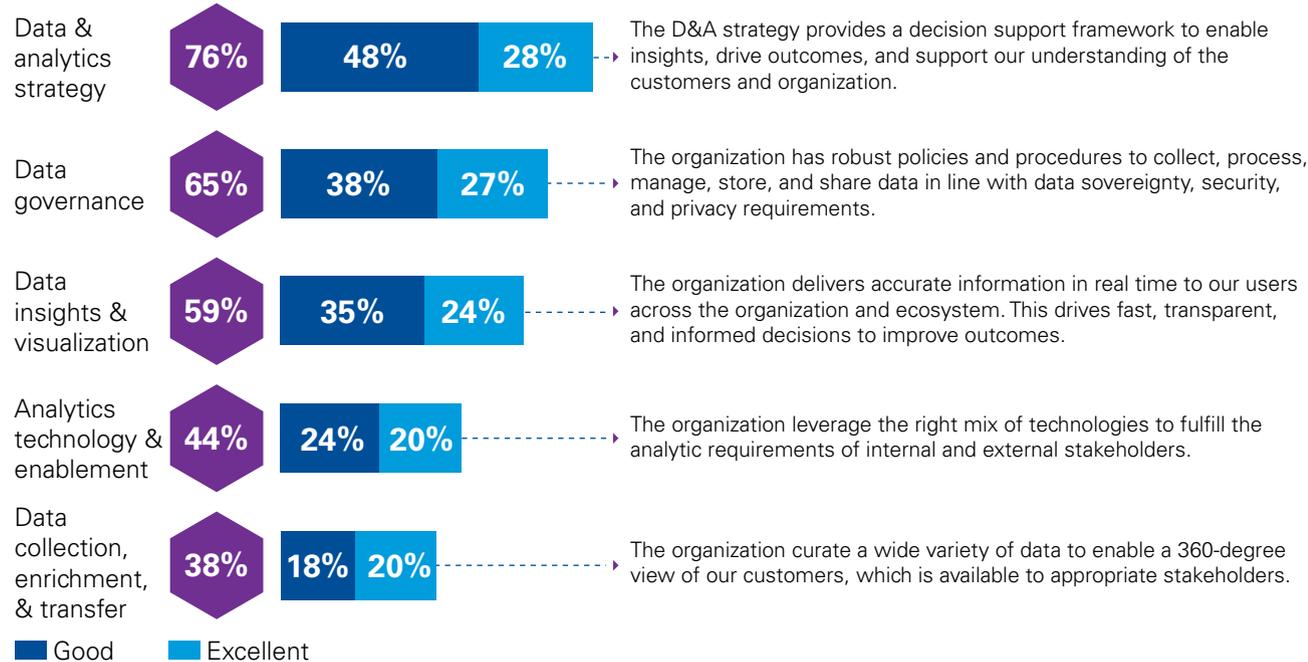
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Insight-driven strategies and actions

As many as 76% have a data and analytics strategy that provides the framework needed to enable insights, drive outcomes, and support customer understanding. Yet, a majority are lacking the right technologies to fulfill analytic requirements as well as the ability to curate a variety of data sources to enable a 360-degree customer view.

“Please rate your organisation on its ability to execute on the following objectives as they relate to insight-driven strategies and actions.”

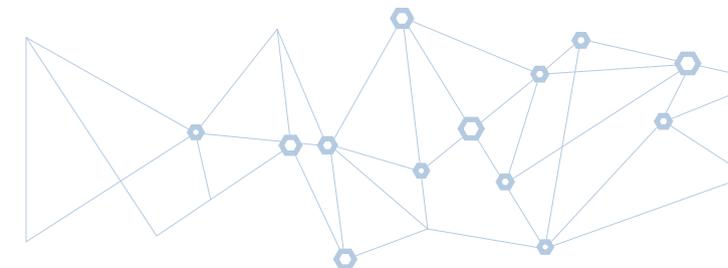


Base: 167 professionals involved with customer strategy decisions in local government
Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, November 2020



Our target operating model that we’re now implementing is customer-first, resident-first. The resident is very much at the heart of the process. We’re trying to perceive all our services as if we are residents and supply them from the resident perspective. And therefore, it should better serve the residents’ needs.”

Chief Executive Officer, urban local authority, UK



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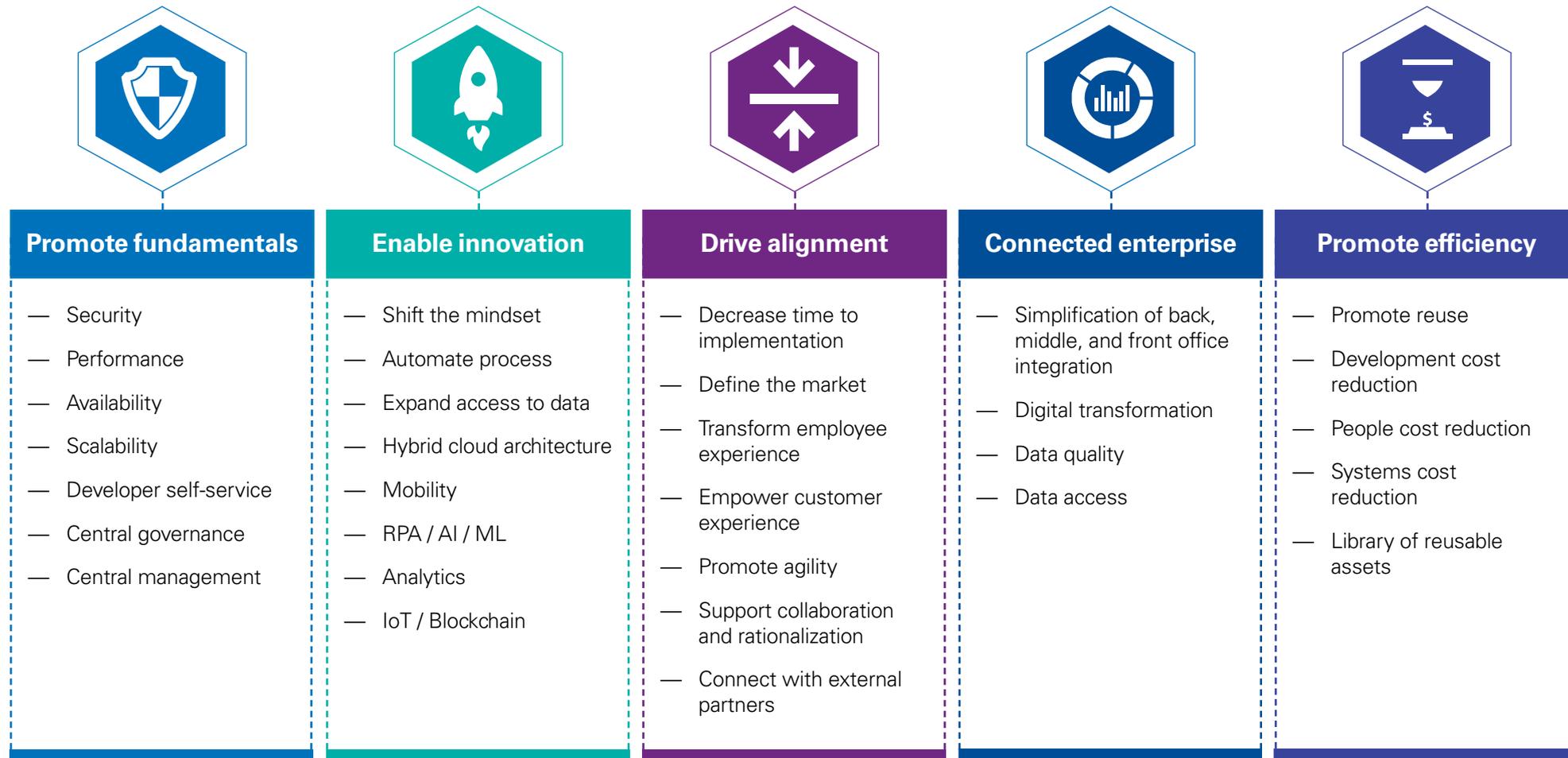
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As the illustration below shows, a modern approach to data integration can deliver an array of benefits that include enhanced fundamentals such as security, performance and scalability. Data integration can also enable innovation, drive growth and promote efficiency within a fully connected, data-driven enterprise.

Benefits of a new approach to data integration



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Trust is key to unlocking digital identity, security and data insights

A risk-based security approach can prevent, detect and respond to malicious activity



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In the physical world, individuals' rights are well-established. In general, they can walk down the street without having to fear a crime — and knowing that the police and the legal system will support them if trouble arises. But in the virtual world, such rights are still developing and digital attacks involving online fraud, data breaches, malware and beyond are all too common and not as clearly regulated.

A key signal of change is that trust is becoming the most important factor for local government organisations to address in order to make greater use of data and technology. If citizens do not trust governments to manage personal data securely, they will withhold information, decline permission for it to be shared or go back to traditional methods, ultimately undermining the impact and advantages of digital capabilities.

Identifying a better way

Digital identities can play a major role in developing trust as well as making services more convenient. At present, people have to prove their identity repeatedly, often with more personal data than is required for the transaction. An employer copying a new employee's identity document — driver's license, passport or identity card, for instance — does not need to know where the employee was born or their document number, just whether they are entitled to work.

A secure digital-identity system allows local authorities and other organisations to check only what they need to know when they need to know it, following the principle of data minimisation. Some countries, such as Estonia, now have national digital-identity systems that work across public and private sectors, while in others identity is managed at a state, province or regional level.⁷

In Australia, there is an opportunity for local government authorities to leverage the federal myGov identities as well as the various state-managed driver's license verification applications within their systems and solutions.

Local authorities should be involved in the planning of these projects, as such advances are a shared responsibility and should involve the layer of government with which citizens have the most contact.

Assurance that customers can bank on

In the absence of an authoritative public sector digital identity scheme, local government organisations should look for trusted alternatives that provide a sufficient level of assurance for the service in question. Banks and other financial services providers may be able to confirm customer identities to a sufficient degree, or at least provide the requisite 'step up' validation for higher-value transactions.

Irrespective of the digital identity chosen, it should be easy for citizens to use, particularly when support is most needed.

Local authorities across England, Scotland and Wales have voluntarily signed up to a nationally run service called Tell Us Once. When someone registers a death, a local authority responsibility, the service can be used to inform up to 30 other organisations covering tax, benefits, pensions, driver licensing and passports.⁸

This kind of connected innovation should certainly apply within local government organisations, but many are unable to do this, holding required data across an array of disconnected systems. Digital identity, combined with a well-integrated and interoperable data exchange ecosystem, is instrumental to unlocking a single unified view of disparate data.

From an inclusivity perspective, identity systems also need to work for those who make little or no use of digital technology. This means that identity systems will need to support omnichannel delivery, much like the payment industry, who ensure that customers are able to conduct transactions in person, over the phone, or digitally, which makes services accessible to all.

Common rules and standards related to the storage and processing of identity data are integral to ensure that local authorities can work together on identity, such as transferring or accepting validated information from someone moving from another part of the country. The Pan-Canadian Trust Framework, run by the Digital ID & Authentication Council of Canada, is an example of how an ecosystem of this kind can be developed.⁹

Securing sensitive data

Effective digital-identity and data-access management are essential in controlling and safeguarding access to data, unlocking only what is needed for those who have a specific requirement to see it. This can involve role-based access, so that someone providing social-support services can only view personal data on their own cases, following the need-to-know principle.

However, work to develop trust in cyber security needs to go much further. Local government organisations need to protect data wherever it resides, which can now be anywhere from a data center to a cloud environment. In order to do this, one must first understand where the critical data assets are housed. These are the data assets that malicious actors will go after, designing malware to attempt to steal confidential information or disrupt critical services.

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A 'zero-trust' model of security is needed, one that assumes networks are insecure and that protects data access via user identity rather than network location. Greater use of outsourced cloud-computing services and Software as a Service (SaaS) applications — and the proliferation of remote working during the COVID-19 pandemic — makes this even more critical.

It's also important to be pragmatic. There is no silver bullet that will solve all cyber security problems. We believe what organisations need is the right combination of people, processes and technology. While that may seem overwhelming at first, cyber security doesn't necessarily need to be overly expensive or complicated. The key is to find the right size for the local government business context, which starts with understanding how to protect critical data against the most common threats. From there, focus should be on addressing basic hygiene elements, such as patching or updating software to the latest versions, and then building a roadmap that includes the right investments toward those people, processes and technologies. Organisations should also plan for failures, not only working to prevent them but also investing in appropriate detection and response systems for when an incident inevitably occurs.

Cyber security spending and the quest for a right-sized solution can be costly and there is no such thing as perfect security when connected to the internet.

Open data can lead to new opportunities

Local government organisations, given the diversity of their stakeholders, are very rich in valuable data. And while confidential personal and business data needs secure protection, local authorities also need to pursue viable opportunities for data use that will inform future service offerings and commercialisation possibilities. Enabling an open-data approach will help provide valuable new insights and decision-making toward critical future service, innovations and economic opportunities — including the ability to enhance cost and resource management in today's budget-tight, low-growth era.

Open data, published freely without restrictions on use, can also encourage commercial and academic innovation and may also unlock productive collaboration with other public-sector organisations. However, just because data is considered 'open' doesn't mean security can be ignored. While confidentiality may no longer be a top concern, integrity of the data should be top of mind if it is to be considered accurate and trustworthy. This, too, requires robust identity management to help ensure unauthorised changes or tampering cannot occur.

There are also other potential risks, such as if 'anonymised' personal data (with identifiers removed) can be traced back to individuals by combining it with other information. However, this can be tackled by running privacy impact assessments that cover all of the data that organisations are gathering and managing.



Key takeaways

- Secure digital identity will help put citizens using increasingly integrated platforms and services at the center of local government organisation processes, enhancing convenience, privacy and security.
- If you can't hold data with trust and security, you shouldn't hold it at all.
- Take a risk-based approach to protecting data: look to prioritise key assets, prevent malicious activity where possible and be ready to detect and respond to threats quickly.

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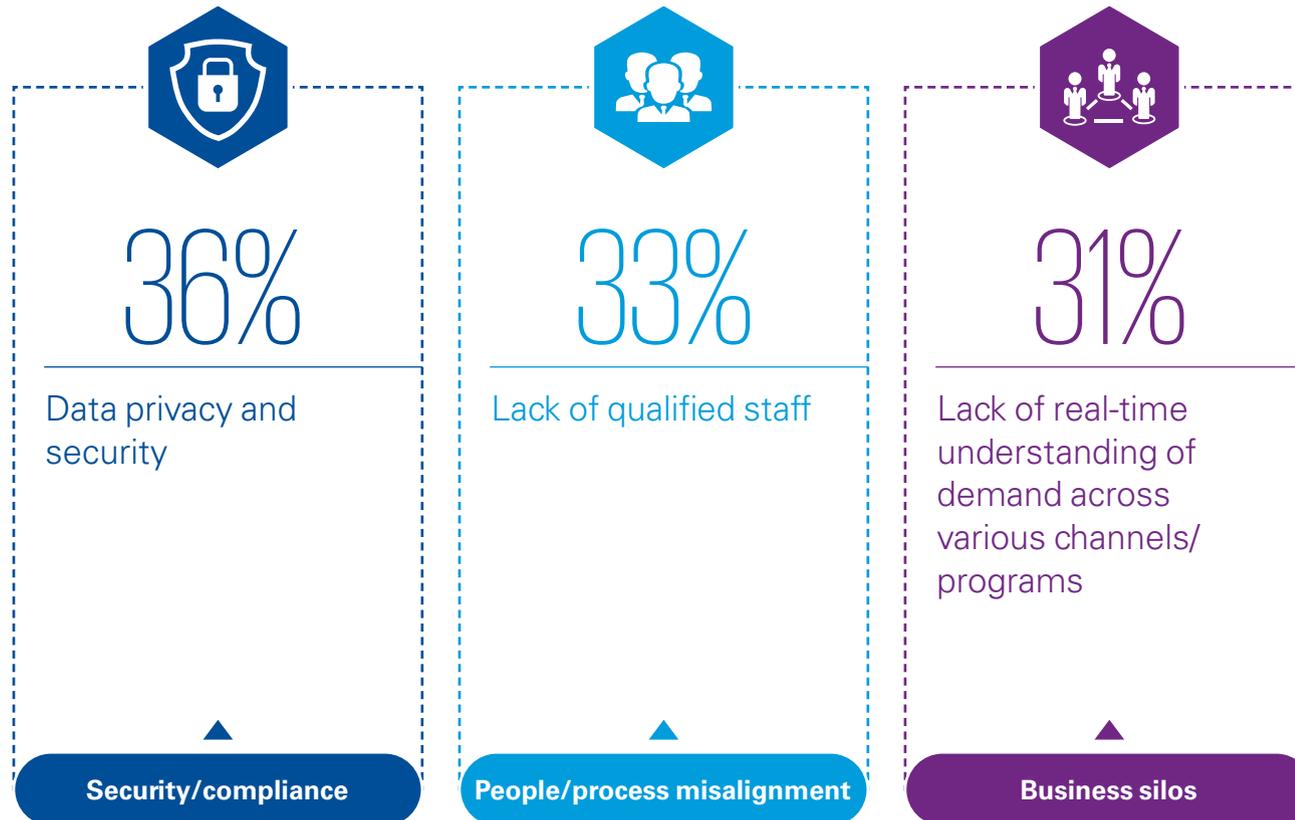
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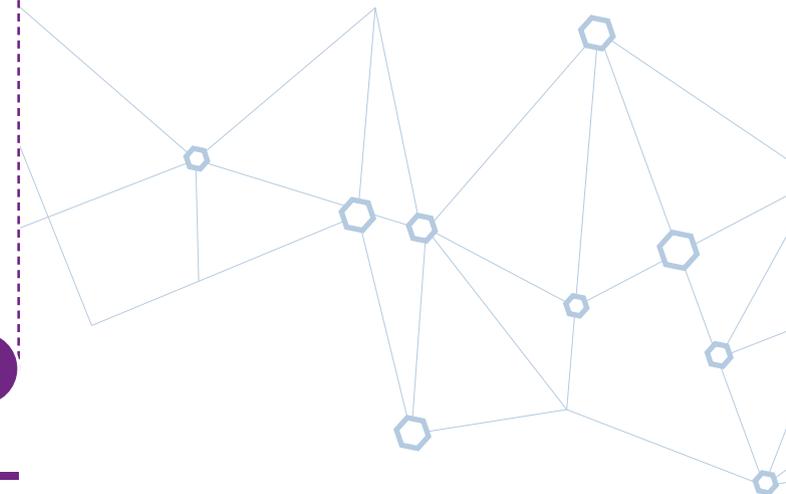
Top obstacles to success in executing a customer strategy

“What are the top obstacles to the successful execution of your organisation’s customer strategy?”



How do you govern data and make sure it is protected, but at the same time continue to enhance your digital delivery? It is a challenge.”

Director, urban local authority, Australia



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Base: 167 professionals involved with customer strategy decisions in local government
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Going 'behind the scenes' to put customers in front

An integrated back office should treat service departments as valued customers, automate work and help solve problems

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Back-office functions are the behind-the-scenes administration that are usually invisible to the public. They do not tend to get the attention they deserve from elected officials, given that the benefits cannot be easily seen and communicated in the same way as, for example, investment in physical spaces or the excitement of a new initiative. Officers outside of finance and corporate services, and elected officials, can underestimate how a well-run and integrated back office can be a key enabler to reduce costs, expand local government’s ability to collect, use and analyse data, and impact customer response and satisfaction.

Putting the back office front and center

Traditionally in local government, the organisation has been designed from a departmental perspective, and processes have been designed on the same basis, creating silos and inefficient manual efforts. Organisations have attempted to resolve this through their focus on the front end, digitalising customer transactions and customer requests, but without making the necessary investment in back-office systems that deliver the true benefits of front-office changes. This approach simply creates more pressure and demand on the middle and back office to respond to increased ‘electronic’ communication via manual processes.

Forrester research on behalf of KPMG shows that on the topic of ‘seamless interactions,’ just over half (56 percent) of organisations believe their services are integrated within and across departments and the wider ecosystem. Forrester notes that organisations that are better able to execute on objectives spanning the front, middle and back offices are 1.5 times more likely to successfully

harness data, advanced analytics and actionable insights with a real-time understanding of the customer and the business to shape integrated business decisions.¹⁰

A well-designed back office can help drive customer centricity, reduce costs and employee manual effort, improve the ability to perform more value-adding activities and analysis, and improve the employee value proposition by enabling them to do more meaningful work. It can also increase the capacity of council officers to invest in more meaningful initiatives and reinvest back into the community, ultimately driving progress that will make a difference.

The design of the back office in today’s digital environment should be service-oriented for customer centricity, and its processes and systems should enable rapid, reliable, secure delivery on those objectives. Adopting best practices that are common in other organizations, such as for payroll or accounts payable, and tailoring specific processes that will make a key difference for efficiency, should be encouraged. Improvement in the back office may, however, be limited without simultaneously investing in the right technology tools and systems, such as chatbots, automated processing and data integration.

Bringing diverse systems together

If local government back offices are to become better at analysing data, they should organise it better, in particular by joining records on people and organisations. Linking data on customers can enhance personalised service and identity management, as outlined in other sections. It can be a challenging task, with some local authorities



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managing multiple records on the same customer — all on separate siloed systems. A KPMG commissioned study conducted by Forrester Consulting found that 25 percent of local authorities surveyed view customer data housed in multiple databases as a significant obstacle to successfully executing a customer strategy.

Some core back-office systems, for example finance, asset management and property management, should be capable of connecting to each other. Line-of-business systems will be needed where core systems cannot provide the necessary functionality for effective service delivery, but these should be integrated into the core system to help drive the benefits of a connected enterprise. A holistic, organisation-wide approach is therefore crucial for seamless customer-centric service.

For example, a leading local government in Victoria, Australia, has invested in integration between their finance, asset, and procurement systems. When a new work contract is generated by procurement, work orders are automatically generated in the asset system. As each work order is triggered and signed off, invoices are automatically triggered in the finance system. Cost base and transactional data then flow back to the asset system to support future strategic asset decision making.

An integrated ecosystem — where lines of business and front, middle and back-office systems are interconnected — is about more than providing better data on customers. It creates an opportunity to transform core processes, increase efficiency and productivity, and realise the benefits of robust, real-time data on service and performance. Forging

strong middle-office links with front- and back-office processes will be particularly important in delivering appropriate customer-centric service.

Condition-based asset maintenance involves items such as streetlights using Internet of Things (IoT) networking technology to report when new parts are needed. But automatically sending a request with the right information to the right team requires a back office that has joined up these systems. It also opens the way to predictions covering remaining useful life for critical components and cognitive maintenance using a range of data including the availability of parts, tools and staff.



Turning the reactive into the proactive

A back office that draws on a range of linked data can make predictions beyond when a streetlight is likely to go out. For example, the ability to combine customer demographic data, asset quality or maintenance data, and demand or usage data, can provide valuable insights into the placement of future facilities or where budgets should be prioritised to meet immediate public needs. Predictive analytics using timely data can also support decision making on where to address potential future public needs or issues.

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By leveraging the right event-management technologies, end-to-end servicing can be enhanced further by automating reactive measures to predicted requirements. Take the streetlight example, the whole process of generating a maintenance work order based on sensor data, which engages the right providers all the way through to payment, can be efficiently managed with minimal human intervention.

Meanwhile, a 'digital twin' model, a virtual copy of a local government organisation from its back-office data, can enable testing of changes to services, processes and environmental factors and identify likely impacts before implementing changes. These could be used for improving internal productivity, but also to predict the level and location of demand for services.

Sharing the expertise

Back-office staff may find that a shift from passing on information to advising on improvements will enhance their employee experience by making their jobs more valuable and satisfying. However, upgrading back-office functions can be costly, particularly for smaller local authorities and those in remote rural areas, where it is harder to recruit skilled staff.

Organisations have the opportunity to reimagine their approach to shared services — creating a 'shared services 2.0' model of sorts that replaces the use of outdated centralised transaction-processing centers and serve to enhance service and efficiency, protect local jobs and connect expertise and infrastructure capabilities.

A common solution has been shared services in which either a specific organisation, or a member of a group of local authorities, commits to running a particular back-office function or functions for various organisations and departments. In the UK, for example, service-sharing platform oneSource, developed for the London boroughs of Havering, Newham and Bexley, is generating significant back-office savings by reducing management costs and work duplication, while driving efficiency gains by re-engineering traditional processes. It can provide support to HR, finance, payroll, legal, facilities management and IT operations.¹¹

A further option is to establish a skills platform of specialists accessible to a subscribing local government, helping the sector to attract talented staff, reducing competition between individual organisations, reducing costs and managing peaks and troughs of activity. Such sharing at present typically involves neighboring areas but can equally work for groups of organisations across a region, state, country or even internationally.

Specialists no longer need to work on-site, and greater use could be made of freelancers carrying out specific tasks. There are challenges to overcome, including prescriptive employment agreements, opposition from unions, and economic development policies that promote local employment, but there is a strong business case for local authorities to make more use of remote expertise.



Key takeaways

- Local government back-office services should become more customer-centric and outcome-focused.
- Integrating innovative back-office systems with core platforms, such as customer and data, can provide new levels of personalised service.
- Back-office transformation can significantly enhance the value of customer service while enhancing government efficiency.
- Data can help back offices become proactive rather than reactive, treating service departments as customers and helping them solve problems.
- Sharing expertise, whether through organisations or skills platforms, can help local government organisations meet the costs of improving back offices. Councils should educate and challenge their unions, update their workforce and employment policies, and build a strong business case for the local benefits of employing remote expertise.

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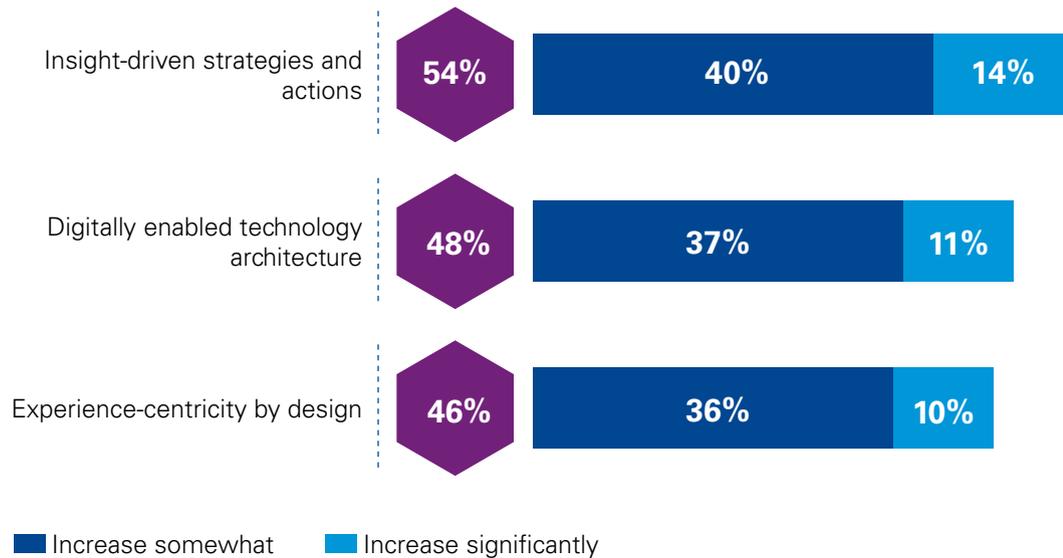
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Insight-driven strategies, digitally enabled architecture, and experience-centricity will continue to be top investment areas over the next two to three years. Integrated partner and alliance ecosystems will see a boost in ranking.

“Over the next 24 to 36 months, do you anticipate your organisation’s investment in these capabilities will increase, decrease, or remain the same?”

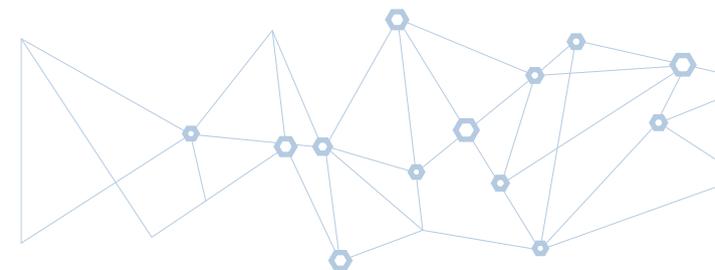


Base: 167 professionals involved with customer strategy decisions in local government
Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, November 2020



We’re transforming our HR practices and implementing new systems. It will mean that we can then spend less time from an administrative perspective, doing those small, menial tasks that are very manual at the moment, and we can get onto some more automation, and that will help us direct our resources appropriately to better serve the community. ”

Chief Financial Officer, urban local authority, Australia



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Connecting and empowering employees to deliver on customer-centric experiences



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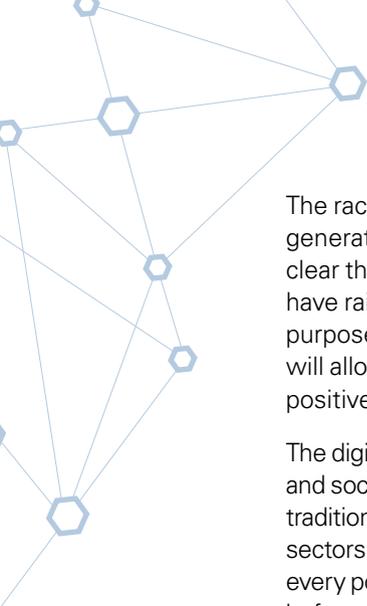
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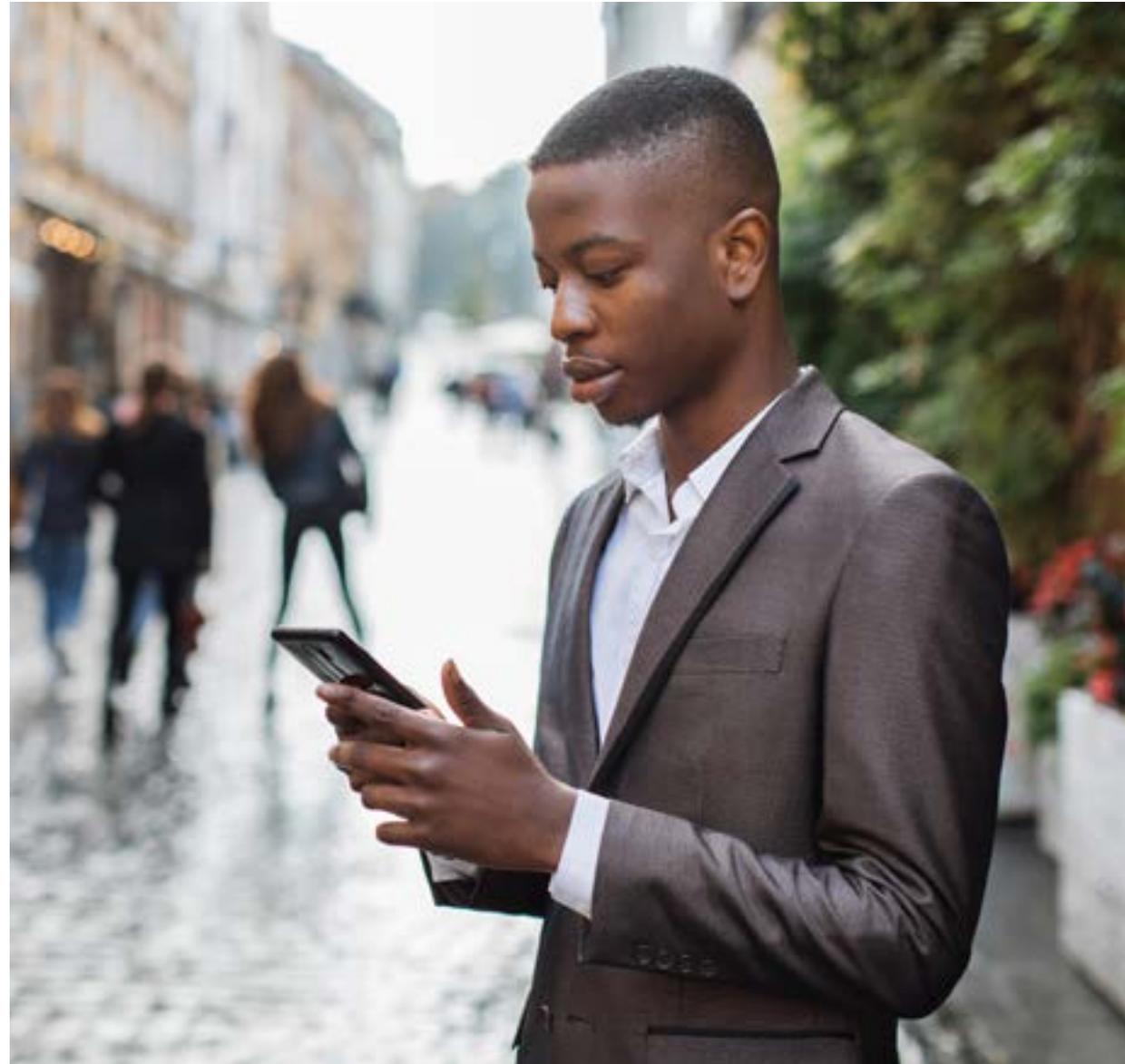


The race is on to recruit and develop the next generation of skilled employees and it's abundantly clear that today's young and emerging professionals have raised the bar in their pursuit of meaningful, purpose-led, socially conscious careers that ideally will allow them to have an impact in driving a future of positive social change.

The digital era and its massive cohort of passionate and socially conscious young workers are reshaping traditional workplace cultures across many different sectors. Talented professionals are looking closely at every potential employer's 'brand' in the job market before making an informed leap to new employment opportunities, typically choosing modern, digitally enabled, socially aware workplaces that align with their expectations, values and aspirations.

In our view, there is no doubt that today's local government organisations will do well to proactively heighten their brand as 'employers of choice' in order to keep up with today's fierce competition for talent. This will demand reskilling of current workforces for success in a new era of digital, customer-centric services and capabilities, while also recruiting skilled professionals who can quickly deliver critical new capabilities, such as data scientists and customer experience specialists.

This is becoming more important amid today's ongoing war for talent, as millions of skilled workers exit the workforce for retirement, and amid limitations on the mobility of resources across borders. Both new and reskilled employees will need to be fully prepared to work and interact collaboratively with emerging technologies — including automation and robotics — that are being positioned to deliver increasingly personalised and seamless customer experiences.



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As KPMG's 2020 Global HR of the Future report revealed, human resources executives we surveyed agreed that preparing their workforce for automation and artificial intelligence capabilities will be the biggest workplace challenge.¹²

Unfortunately, our research also reveals that government organisations are giving the need for evolved cultures offering employee learning, development and new skills a low priority — despite the increasing importance amid today's rapid and accelerating changes. Forrester Consulting and KPMG asked local authorities for their most important investment areas supporting customer strategy over the next year and an 'aligned and empowered workforce' came last among eight choices.¹³

The aim should be a culture of continuous improvement where staff can fail fast, learn and evolve, bringing greater value to their roles and to the organisation. We believe investment in employee development will be crucial to attracting and retaining staff and forging a culture of continuous learning, ultimately enabling employees to focus on more valuable, customer-focused tasks and services.

'In the office' takes on new meaning

Some local government organisations are returning to their offices as COVID-19 recedes in their areas, often developing recovery plans that provide an opportunity to change how they work. The pandemic has been a signal of change like no other, but how organisations adopt flexible and remote working beyond the pandemic may depend on the type of area they serve.

Some work practices that have emerged from the pandemic, particularly virtual meetings, are likely to be retained given that local authorities work extensively with partner organisations in both the public and private sectors, which previously meant a lot of time traveling between meetings.

Also, the ability to hold virtual meetings can also prove to be a more valuable form of engagement for some customers. COVID-19 has led to increased use of collaboration tools and cloud-based applications, which along with the capacity for more virtual work models provides local authorities with the opportunity to think more flexibly about how and where many of their employees work. It also creates the opportunity to convert existing accommodations into 'drop in' office and collaboration spaces.

Disruption to work practices has not been confined to council employees. Elected officials have also had to adapt and adjust to more digitally enabled and flexible ways of conducting business. COVID-19 really pushed the online meeting management and streamlining of council meetings and committees in both urban areas (e.g. Brisbane City Council in Queensland, Australia) and regional areas (e.g. Baw in Victoria, Australia).

Through mobile technology and work-from-home models, many local government teams are now finding greater work-life balance. For example, in Victoria, local government asset officers relying on new mobile capabilities can now process all information in the field, allowing for greater efficiency for the local council and unprecedented flexibility for staff.

A new sense of 'purpose' is essential

Local authorities exist to support their local communities and the need to demonstrate a strong sense of purpose that aligns with modern values is essential. It is often a motivating factor, particularly for younger workers, and we believe progress here can improve the sector's historically poor record in recruiting and retaining young talent, particularly in technology and data-focused roles today. This will be enhanced if the day-to-day experience for employees is strong.

While in many countries, including Australia and the UK, the sector struggles to compete with others on pay for technology and data specialists, it needs to get the basics right to retain staff, including good-quality technology and offices that are pleasant to work in. The ability to work flexibly, whether at home or in a satellite office, can cut commuting times. It can also make jobs more accessible for those with caring responsibilities. Staff also need opportunities to develop their careers. While customer experience is vital, local authorities should think about employee experience as well.

Another example from a local entity acting with a sense of purpose comes from an initiative by the Royal Commission for AlUla (RCU) in Saudi Arabia, a relatively new entity with the authority to develop and govern a historic region in the Kingdom. The Hammayah program is a social responsibility initiative to encourage community engagement and provides 2,500 employment opportunities for AlUla governorate locals and inspires them to become representatives of the region's historic heritage.

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The program is structured such that locals have a say in the protection and promotion of the archaeological and heritage sites in AIUla. This empowers them to take ownership over their livelihoods and spread awareness within their community while also promoting AIUla as a tourist destination for regional and global visitors.

More generally, COVID-19 has acted as a catalyst for councils to adopt new ways of working already used by other industries. A culture and mindset of flexibility, improvement and purpose would mean moving away from the hierarchical organisational model traditionally used by local authorities in favor of agile decision making and collaborative ways of working. This would help staff in adopting a more data-driven approach and being more comfortable with frequent change.

Creating flexible work environments

One way in which local authorities can enable career development and increase flexibility is to make job roles more flexible. This has happened during the pandemic, such as with librarians making support calls to vulnerable citizens, but is unusual within a sector that often has rigid terms, responsibilities and reporting lines.

Leaders should make it clear that it is everyone's job to help the organisation achieve its desired outcomes, and teams need to show flexibility in supporting each other as needed to serve customers.

Linked to this is the government sector's typically cautious approach, which is appropriate in work that involves protecting vulnerable individuals, but it can discourage innovation and flexibility. Individuals

within the workforce can be a significant and valuable resource across teams and processes, however, as discussed in *Redesigning services using timely customer data, analytics and insights*.

Engaging the broader workforce

In many countries, COVID-19 has seen an increase in civic spirit, with more people willing to volunteer to serve their communities, and local authorities are an obvious conduit. However, the sector needs to provide professional oversight, ensuring work is carried out properly and safely with a light enough touch so that people are not put off.

Those managing volunteers need to consider consistency and accountability — if a volunteer stops carrying out a task or does it badly, it may be that the local authority is blamed or is liable. Volunteers need to be attracted, managed, retained and performance managed like other parts of the workforce.

Elected officials are an essential part of local government organisations, giving it democratic legitimacy, but are also a part of its workforce. As mentioned earlier, councilors are increasingly benefiting from the technologies used by paid staff, particularly remote meetings. Streaming and remote participation in public events have helped broaden participation in democracy during the pandemic and can continue to do so, particularly helping those with caring commitments by removing the need to travel. Councilors should also be offered access to data analysis technology such as dashboards to help them become more effective in overseeing performance and decision making.



Key takeaways

- A local government organisation's sense of purpose as an employer can be a key differentiator in recruiting and retaining talent, particularly younger people seeking a modern digital workplace culture and the working conditions they expect.
- Local authorities will also need to support and reskill existing staff for the digital era, including the ability to interact with emerging automation capabilities.
- Employee experience and branding are important and can also act as a differentiator that helps attract people to move into a community.
- Volunteers and elected officials need to be supported in similar ways to employees — they are all part of the local government workforce.

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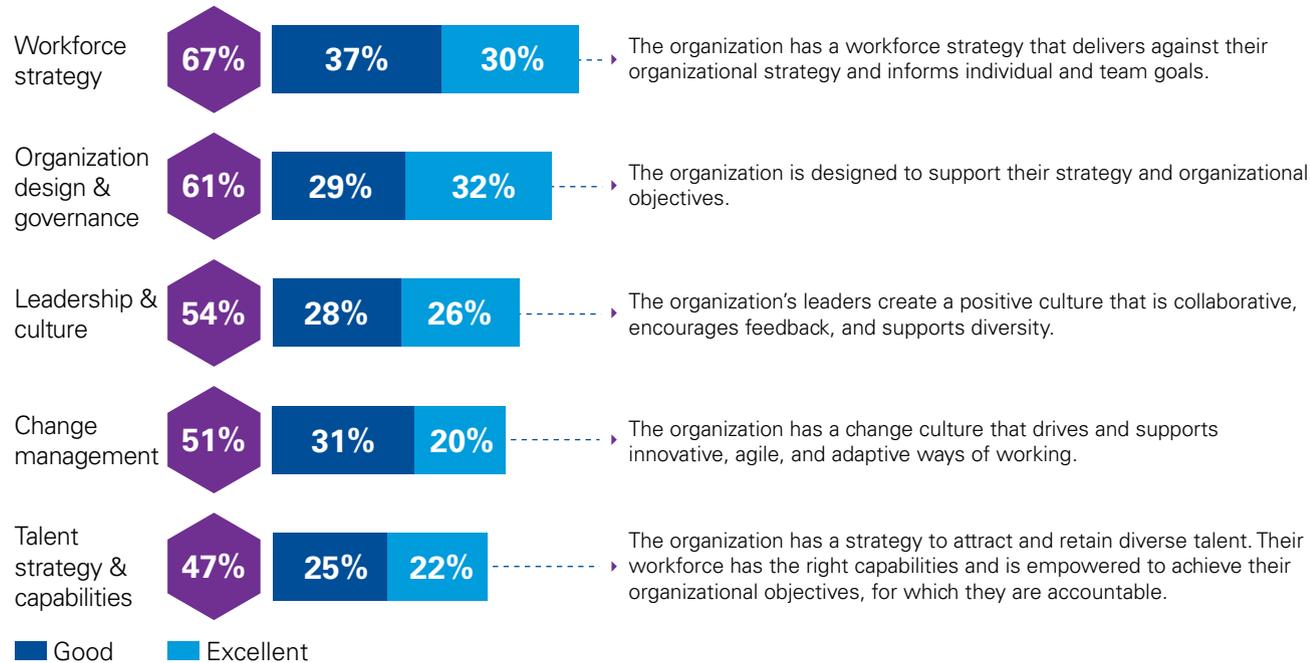
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Aligned and empowered workforce

Most organisations interviewed have a workforce strategy that they feel does a good job delivering against organisational strategy and informing individual and team goals. But for that strategy to thrive, organisations need to better align and empower their workforce from the top-down, starting with leadership and culture that promotes a collaboration, diversity, adaptive ways of working, and attracting and retaining top talent.

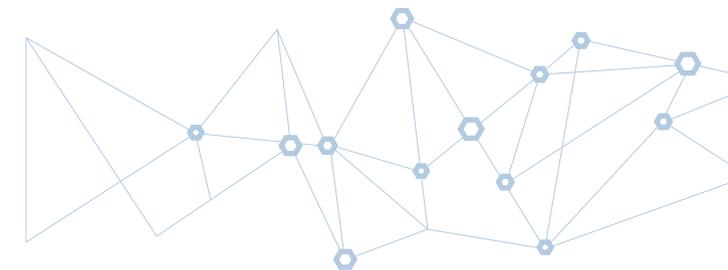
“Please rate your organization on its ability to execute on the following objectives as they relate to an aligned and empowered workforce.”

The following graphic illustrates progress being reported by some organizations in creating an aligned and empowered workforce that is positioned for future success:



The right skilled workforce is really challenging in a regional area. But then on the flip side of that, having COVID-19 and having more flexible working arrangements and people working from home means that we can tap into some people that otherwise wouldn't want to travel out here. Our opportunities have grown in this environment as well, so it's not all bad, but it's a challenge.”

General Manager, rural local authority, Australia



Base: 167 professionals involved with customer strategy decisions in local government
 Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, November 2020

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The path to a greener future can begin with leaders at the local level

The journey includes innovative social and governance initiatives

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As environmental, social and government (ESG) issues and initiatives climb higher on corporate agendas amid growing public awareness and expectations, it has become clear that local authorities also have a critical role to play in driving progress on the ESG front.

In many ways, local government has been at the forefront of social and governance developments and driving change with innovative initiatives — due in part to the reality that as leading organisations, the parameters and requirements of their social and governance roles are typically grounded in law.

But amid evolving public values and soaring awareness — and activism — on environmental issues, local authorities should respond with a broader spectrum of green initiatives. Customers want their local authorities to take a lead on ESG and local authorities are ideally positioned to do so.

Simply put, in addition to continuing the drive for progress on social and governance initiatives and outcomes that cater to specific or unique local needs via a ‘place-based’ approach, giving equal weight to the ‘E’ in ESG is now an important order of the day. Forward-looking governments will likely realise that action, results and progress on the environment should be considered part of the customer experience for all of their stakeholders. Business leaders participating in KPMG’s 2021 CEO Outlook Pulse Survey, for example, cited environmental and climate change risks as a leading threat to business growth over the next three years.¹⁴

Local government organisations have, of course, been actively pursuing sustainability targets and working to meet regulations handed down by their various

regional, central or federal governments — including, for example, the need for more responsible energy use, efficient waste management, modern traffic infrastructure, ‘clean’ business practices and more.

The time has come, however, for local government organisations to expand their view and help drive significant gains in all areas that are indispensable to sustainability, including net zero of course. They should also pay attention to managing population growth impact, driving urban planning for a new era, supporting ecological diversity, and managing the impact of climate change — floods, fires, rising sea levels, natural catastrophes, and their growing threat to local government’s customers and assets. A key is to align government capabilities, resources, services and stakeholders enterprise-wide via a fully connected, end-to-end ecosystem that precisely tracks customer needs, responses, performance and outcomes.

As part of Saudi Arabia’s efforts to increase environmental protection and improve general liveability in its cities, the capital city launched the Green Riyadh project. This mega project, with a total investment of US\$11 billion over the next 10 years, targets to plant 7.5 million trees and develop more than 3,300 new parks and gardens to improve air quality and reduce the average ambient temperature, while increasing the city’s per capita green space. Green Riyadh further promotes the preservation of natural areas and biodiversity within the city while also spreading awareness among its constituents about sustainability.

Innovative partnerships with business will help drive progress

Some local authorities are already pursuing this journey, spurred on not only by public needs and expectations, but by the guidance of the 17 Sustainable Development Goals (SDGs) as defined in the UN’s 2030 Agenda for Sustainable Development. The SDGs set out aspirations for a sustainable future and encompass an array of crucial themes, including climate change commitments, labor and workplace standards, social equality, industry innovation, infrastructure, health, clean growth and more.



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The UN's SDGs can ideally provide a metric or benchmark for embedding sustainability into local agendas and bring today's environmental issues into the mainstream of awareness and local action. Success along the way will require a more strategic 'economic view' among local authorities, one that includes innovative and productive new partnerships and collaboration with the private sector to ensure the required transition regarding SDGs and the global goal of net zero carbon emissions by 2050. Local public and private-sector leaders will need to work together to drive progress on what is clearly a shared mission.

The SDGs can provide a valuable overarching framework for action at a number of levels and local government organisations are ideally positioned to play a leading role in designing, implementing and tracking progress on SDGs and related programs. This includes embedding the notion of 'social value' organisation-wide, including across the network of supply chain partners, proactively encouraging them to align their practices with the government's stated values, mission and objectives.

Taking it a step further, some local authorities are now being required by senior levels of government to proactively increase sustainability within their supply chains. In the UK, for example, greater progress on carbon reduction is the target of a new requirement that the national government has enacted. It requires bidding suppliers across all levels of government to provide a carbon-reduction plan that confirms the supplier's commitment to achieving net zero by 2050, and that sets out the supplier's environmental-management measures. This will no doubt have a progressive impact at the local level as suppliers raise their game on the environmental front.

Meanwhile, it is significant that across the UK, 230 local government councils — about 75 percent of councils nationwide — have declared a climate emergency and are taking action to reduce their own carbon emissions, according to the UK's Local Government Association, representing local councils in England and Wales as the 'the national voice of local government'.¹⁵ Meanwhile, half of the UK's local government councils have committed to reaching net zero by 2030 or sooner, in advance of the UN's 2050 target date.¹⁶

Progressive new local initiatives continue to emerge globally as well, particularly in response to the pandemic and fast-evolving public needs. Many local councils have implemented innovative programs to support and encourage greener travel, including the rapid creation of bike lanes and targets for low-traffic neighbourhoods and greener home-building standards. For example, in the UK, Essex County Council's COVID-19 Recovery Transport Plan has set goals to reduce speed limits in agreed locations, improve existing pedestrian and cycle routes, and provide more electric-vehicle charging points. These local government organisations are committed to working with partners and local communities to drive greater progress in combating the impact of climate change in their localities — ultimately improving the lives of their customers.¹⁷

Ultimately, progress by local government organizations across the spectrum of ESG issues, needs and customer expectations will be critical to serving their communities and positioning them for future growth and prosperity. Pursuing an outcomes-based approach to strategies and program delivery — via a fully connected and newly responsive enterprise — is a way forward.



Key takeaways

- Local authorities are ideally positioned to deliver real progress on environmental initiatives and outcomes. While they will likely continue driving progress on social and governance initiatives, governments should also increase their focus on environmental programs that make a difference.
- Governments and their partners should focus on performance management, closely aligning it to ESG initiatives and goals.
- Making real progress on the green agenda is crucial.
- Local leaders should set a progressive industrial strategy that is low carbon.

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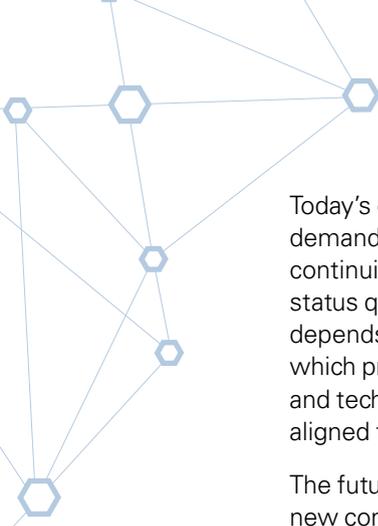
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Today's customers are better informed and more demanding. Economic markets are unstable — with continuing disruption and upstart challenges to the status quo. Sustainable growth in a digital world depends on a new order of customer centricity in which processes are aligned across all functions — and technology, talent and external partners are aligned to serve customers efficiently.

The future is about breaking down silos and forging new connections among people, processes and technologies. Traditional divisions between front, middle and back offices are collapsing. Future-focused organisations are shaping new operating models in which every part of the organisation, end to end, is working together seamlessly to deliver against the big picture.

KPMG's Connected Enterprise for local government framework features a well-established toolkit to support and help accelerate government transformation initiatives. We have used it with local leaders to achieve successful digital transformation globally, including in the UK, Canada, Sweden, the US, South Africa and Australia. The framework strategically addresses core business drivers with a focus on these key areas and requirements:

The customer experience: The needs and preferences of customers should be understood and used to help drive the design of the underlying service delivery model.

Service delivery: Customer-centric service design should be innovative and seamless across the end-to-end customer journey.

The KPMG Connected Enterprise for local government framework also addresses 'back-office enablers':

Enabling processes and functions: Helping to ensure that the enabling processes and organisational functions can support a seamless customer experience and leverage better practices.

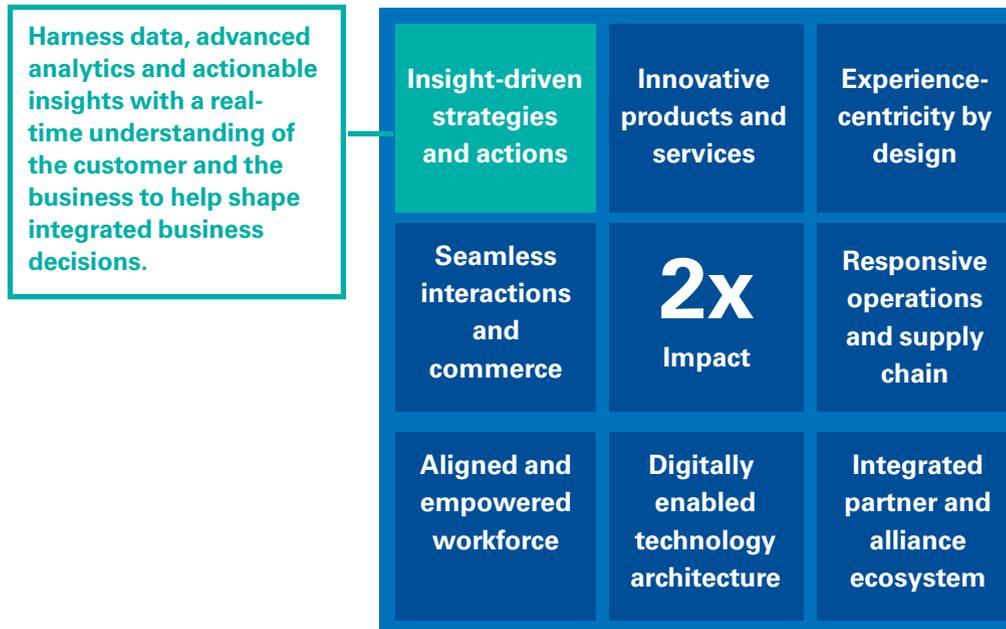
The required IT capabilities and data architecture: Investing in 'fit for purpose' technology is needed to help support the delivery of customer services and organisational efficiency.

Meanwhile, as the graphic below illustrates, KPMG is also helping to unlock innovative new levels of

customer-centric capabilities and services with the proven KPMG Connected Enterprise framework.

Forrester Consulting research commissioned by KPMG shows that organizations investing in all eight critical capabilities of the KPMG Connected Enterprise framework are over twice as likely to deliver customer experiences that exceed expectations, successfully execute on one or more customer-centric objectives, and achieve a return on investment for one or more metrics.¹⁸ Each of these capabilities can help drive improvement — and when combined, the impact of transformation is strengthened.

Eight critical capabilities of a connected enterprise



*Base: 1,299 professionals involved with customer-centric strategy decisions. Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, every year since 2018.

The research is conducted on a sector specific basis. Each capability is enabled by five level two capabilities. Maturity statements on each one are gathered and provide the quantified evidence base

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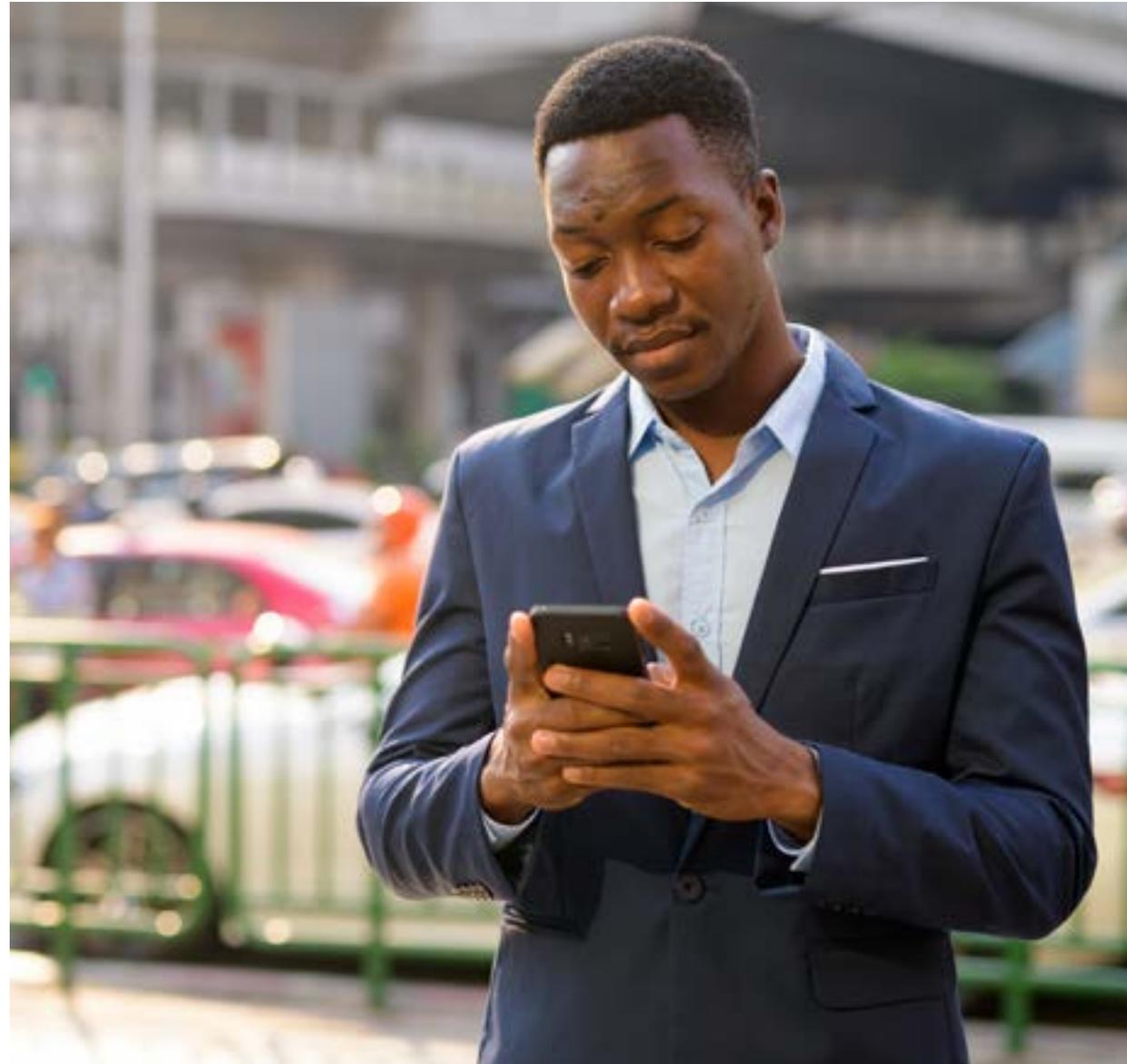
At the same time, Forrester research commissioned by KPMG also shows that most departments' investment priorities need to be more closely aligned. The areas they are focused on, or will invest in, are not those that will best meet the objectives of customer centered services. The three capabilities that are most important for high customer centricity — *responsive operations, innovative services, and an aligned and empowered workforce* — are not among the three capabilities in which the most organisations plan to make significant investments. In fact, an aligned and empowered workforce ties for the capability in which the fewest organisations plan to invest. As a result, many departments will likely fail to focus scarce resources where they will have the biggest effect on customer centricity.¹⁹

Looking through five lenses

There are five lenses we believe organisations should look through when considering future success in an enterprise-wide transformation. High-performing local government organisations are recognising the inevitable need to:

- Connect customers with compelling opportunities and interactions
- Connect and empower employees to deliver on the customer-centric experience
- Connect front, middle and back offices to execute on the customer-centric agenda
- Connect ecosystems of partners to jointly deliver on commitments to customers
- Connect to market dynamics and digital signals

Bringing entire, organisation-wide operations into a single line of sight can create a unique view of the various journeys required by stakeholders across diverse government functions.



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Global examples of the eight critical capabilities of a connected enterprise and public-sector digital innovation

Capability	Definition	Global innovator
Aligned and empowered workforce 	The ability to build a customer-centric organisation and culture that inspires people to deliver on customer outcomes.	Citizens in the London Borough of Barking and Dagenham now enjoy easier access to multiple municipal services after local leaders there consolidated 17 separate government teams into one community-solutions team with shared access to citizens' data. This workforce-alignment initiative is raising the bar on the borough's service efficiency and customer-centric capabilities.
Experience-centricity by design 	The ability to design seamless experiences for customers, employees, and partners, supporting the customer value propositions and delivering business objectives.	Citizen-focused applications like Amana 940 are also examples of platforms that strive for citizen-centricity and creating value. Amana 940 was developed by Saudi Arabia's Ministry of Municipalities, Rural Affairs and Housing (MOMRAH), and provides citizens with the opportunity to report any violations related to municipal services in neighborhoods and roads around the Kingdom through a snap and send system; taking a photo of the incident and sending it through the app. The incident is then transferred to the MOMRAH to take the needed course of action.
Seamless interactions and transactions 	The ability to interact and transact with customers, partners and stakeholders across policy, services, and communication channels and achieve measurable results.	The City of Port Phillip in Victoria, Australia, had an acknowledged pain point: licensing and permit forms. Several of these forms spanned multiple pages and required physical submission and / or multiple supporting forms. Using a set of principles built around value exchange, unique assets and partnerships, physical, people and digital touchpoints and data, the local council utilised cross-functional, collaborative design sprints (with cross-sections of council subject matter experts, and strategic design and writing teams) to create initial designs that were then tested and validated with customers. This improved customer experience, reducing legally required fields, and created a more streamlined and intuitive entry system.
Responsive operations and supply chain 	The ability to operate the enterprise with efficiency and agility to fulfill the customer promise in an efficient and effective way.	Amid the public's urgent need for COVID-19 vaccines in the face of pandemic-related disruptions of medical supply chains and timelines for vaccine distribution to citizens, the government of India is making its innovative CoWIN open-source vaccination platform available to nations worldwide. The online platform's software can be customised as needed to accelerate and support local vaccination drives, in addition to tracking local vaccine usage and minimising wastage. CoWIN's agile capabilities are helping local government organizations enhance response times and efficiency during the current health emergency.

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Capability

Definition

Global innovator

Insight-driven strategies and actions



The ability to harness data, advanced analytics and actionable insights with a real-time understanding of the customer and the business to shape integrated business decisions.

City Competitiveness Index, developed by KPMG in Canada, utilises multi-dimensional analysis that harnesses 55 data sources over 300 metrics to provide in-depth insights about the best city for a business to locate. These insights are generated based on diverse factors, including business costs and environment, cost of living and quality of life. The range of factors are calibrated to the different requirements for each business. This data-driven approach provides investors with in-depth business costs and location information and gives policymakers a sharp understanding of how best to tailor future investment.

Digitally enabled technology architecture



The ability to create intelligent and agile services, technologies and platforms, enabling the customer agenda with solutions that are secure, scalable and cost-effective.

In Germany, an innovative partnership has brought a local government authority, private business and a football club together on a 'winning' gameplan to modernize a 50,000-seat stadium with digital capabilities that are aligned with local Smart City developments. The 'Smart Stadium' features digital capabilities related to energy management, environmentally friendly green practices, fan mobility and logistics, security management and more. Digital technology is significantly enhancing stadium management during sports events, and is being used between events to test potential future advancements.

Innovative services



The ability to develop compelling and innovative policies and services to deliver outcomes and drive a positive customer experience.

KPMG in Norway, KPMG in Canada and United Cities have established a new partnership and program, Step Up Now, to evaluate cities and local government organisations on their performance in achieving net zero targets and SDGs. United Cities has a defined methodology to evaluate city and local government performance, based on 200 plus KPIs endorsed by the United Nations. Analysing performance on net zero targets and SDGs allows public officials to target resources toward strategic priorities, communicate with the public and engage private-sector partners in achieving defined goals.

Integrated partner and alliance ecosystem



The ability to engage, integrate and manage partners to help increase speed, reduce costs, mitigate risk and close capability gaps to deliver customer outcomes.

The city of Lafayette, Louisiana, is taking connected public service to a new level, implementing digital technology to replace traditional silos and departmental barriers with seamless connections and speedy processes. The goal is to get the city 'moving forward in collaborative new ways.' Lafayette's Smart City program has seen it launch a 311 portal to encourage and manage service requests from citizens, a traffic-monitoring system to inform drivers and alleviate congested roadways, and a blockchain application that manages maintenance and safety services for the city's fleet of vehicles. Lafayette's holistic innovation program is forging powerful new connections to enhance customer engagement and satisfaction while helping to reduce operational costs.

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The KPMG Connected Enterprise for local government framework is designed from the ground up to enable a rich discussion at the leadership level about an entire organisation helping to provide a strong starting point for a digital engagement by:

- Focusing on pain points;
- Establishing a target operating model;
- Tailoring the model to specific and unique organisational needs;
- Simplifying and accelerating the process of transforming organisations for the digital future.

The framework ideally offers local government organisations the potential to ‘leapfrog’ toward transformation, versus incremental change. How? By bringing, organisation-wide operations into a single line of sight, thereby helping to provide a unique view of the various journeys required by all stakeholders across diverse government functions.

From there, local authorities are positioned to identify the various points of intervention for change and where to enhance return on investment. KPMG Connected Enterprise for local government helps bring disparate parts of the organisation together into an integrated whole, revealing the organisation’s operating system as it is intended and cutting across traditional functional verticals, silos and boundaries. The results we strive for is a different lens and better guidance on where to invest in digital innovation and how it shapes the ‘customer experience.’

Forward-looking local government organisations are already planning and designing services across government entities, replacing the

traditional ‘siloes’ approach that typically separates individual departments and agencies. In our view, such connected organisation ultimately enable unprecedented new levels of constructive enterprise-wide dialogue and decision making. Such comprehensive innovation should begin from the top down via leadership that adopts the required ‘enterprise-level thinking.’

In our view, the future, then, is about responsive operations that offer seamless interactions through

innovative services. We believe there is no going back to the old ways of doing things, post-pandemic.

The KPMG Connected Enterprise for local government framework provides sector insights and maturity diagnostics that can assess a department’s digital maturity and compare it against industry and country standards. The framework also has sector blueprints that can map the department’s entire enterprise and technology architecture.



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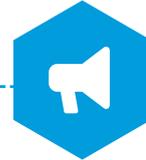
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Customers

- Residents
- Businesses
- Visitors
- Non-governmental organisations (NGOs)
- Elected members
- Employees
- Other levels of government



Channels

- Face-to-face
- Social media
- Digital
- Phone
- Mail / E-mail



Enterprise strategy

- Strategic ambition
- Policy definition
- Budgeting and business plans
- Performance measurement



Core business practices

- Customer contact
- Referral and assessment
- Service planning and coordination
- Mobilisation of services
- Service delivery
- Payment and funding
- Workforce development
- Quality management
- Advice to elected members
- Support to other levels of government
- Policy and performance reporting



Advanced data and analytics

- Technology and architecture
- Data collection and storage
- Governance and compliance
- Transformation and algorithms
- Analytics
- Visualisation and insights



Enabling business practices

- Enterprise technology
- Enterprise operations

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Primary actors

Customers / citizens, visitors, businesses, communities, workforces, elected members, other levels of government



Secondary actors

Industry / partners, interested parties, journalists/media



Interaction hubs

- Self-service portal
- Personalisation
- Omnichannel



Capabilities

- Community engagement
- Information exchange
- Data services
- App services, including experience and customer mapping
- Payments engine
- CRM
- Assessment
- Statutory enforcement
- Program and project management
- Property and asset management
- Mobility services
- Agile workforce
- Intelligent automation
- Everything as a service
- ERP



Process / Orchestration

- Integrated business process management



Front-office business practices

- Customer contact
- Referrals and assessments
- Service planning and coordination
- Payment funding
- Service delivery



Middle-office business practices

- Advice to elected members
- Quality management
- Mobilisation of services
- Policy and performance reporting
- Support to other levels of government
- Workforce development



Back-office practices (enterprise operations)

- Governance and performance management
- Customer experience
- Financial planning, management and reporting
- Health and safety
- HR, payroll and people management
- Communication, marketing and media
- Commission, procure and contract management
- Legal, risk and compliance
- Asset and facilities management
- Security and privacy
- Program, project and portfolio management
- IT support and operations
- Environmental and sustainability planning
- Ethics, conduct and integrity

Stakeholder management

Advanced data, analytics and insights

Catalysts for change

Advances in digital technologies and processes

- Advanced sensors
- Augmented reality
- Artificial intelligence
- Robotics
- Cognitive computing
- Blockchain

Advances in data science

- Natural language processing
- Machine learning
- Deep learning
- Advanced analytics
- Quantum computing
- Pervasive modeling
- 3D modeling
- Drone technology
- Hyper-connectivity convergence
- Digital twinning/modeling

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Why KPMG?

When undertaking strategic, holistic, end-to-end digital transformation, today's local authorities should understand how change can affect members of their communities, in addition to evolving processes and technologies. The transformation journey unfolding is about breaking down traditional silos and becoming fully connected — organisation and community-wide — in ways that put the customer at the very center of everything modern local government organisations do. KPMG's Government and Public Sector professionals are using our eight critical capabilities of a connected enterprise to help guide and support future-focused local authorities on the journey to becoming connected, data-driven organisations with a critical new focus on personalised, customer-centric service.

KPMG professionals also know how governments work because many have held senior public sector roles and consistently combine their practical, hands-on local experience with global insights. Our deep knowledge of the government sector gives us insights into current trends as well as future challenges — be they disruptions, opportunities, or innovations.

We can assess where your organisation ranks in each of the eight critical capabilities of a connected enterprise compared to the leading benchmarks and provide a clear roadmap that can help advance your organization on its journey to modernisation. To get started, complete the [KPMG Connected Enterprise Maturity Assessment Diagnostic](#) or contact us today to get insights into how your organization can become more connected.

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