



Southland District Council  
**LTCCP** *Budgeting Process*

New Zealand Post  
Management Excellence Awards



## Executive Summary



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Two of the essential characteristics of the Southland District are its size and strong sense of community. The Council has the responsibility for the well-being of 30 separate communities ranging from the popular seaside town of Riverton, the bustle of Te Anau a busy tourist destination to the quiet yet beautiful town of Riversdale and the tranquil beauty of Stewart Island.

The Local Government Act (2002) required Council to prepare a Long Term Council Community Plan (LTCCP) covering 10 years. The plan recognises the importance of our communities infrastructure, community issues and shows the integration between the planning areas of Council along with the levels of service and outcomes that the community aspires to. Important elements of the plan are the projected financial statements and the impact on rates.

Council's LTCCP is an amalgam of planned activities, community outcomes, policies and financial information.

The financial information required in the past for Council's statutory plans and reports has been cobbled together using excel spreadsheets for over 900 business units (departments). The information was difficult to summarise, had few linkages and was prone to error.

The LTCCP budgeting process Project created a web based budgeting platform across the whole organisation that enabled the 10 year LTCCP budgets and rates requirements to be easily accumulated by business managers in a timely and efficient fashion. The District is one of the few Council's in New Zealand to have developed this type of integrated platform which has been recognised by Audit New Zealand as an example of best practice in modelling for LTCCP finances.





## Overview

The Southland District Council (SDC) is New Zealand's southernmost Council with the largest land area of 30753km<sup>2</sup> and most dispersed constituent base, comprising about 30,000 residents.

SDCs organisational structure is arguably one of the most decentralised in New Zealand. This structure supports the promotion of local involvement in decision making with constituents taking a relatively high interest in council activities. The 30 townships set their own local rates and when combined with district-wide activities, such as roading, result in over 900 Business Units.<sup>1</sup> Within these small communities local assets are valued and many people are cognisant of the value of passing them on from one generation to the next.

The Southland District Council is divided into 12 wards, each of which elects one representative to the SDC. Representation is further supported by 12 Community Boards and 16 Community Development Area ("CDA") Committees. It is at the Community Board and CDA level that local participation is most encouraged.

The SDC produces two main Budgeting Plans, an Annual Plan, and the other a 10 year Long Term Council Community Plan (LTCCP) and an Annual Plan which devolves from the LTCCP. Information for these budgets is sourced from Budget Managers. Budget Managers are Council Staff who set and maintain expenditure on behalf of Council representatives or internal Business Units. Budget Managers can include the CEO, Department Managers and Team Leaders. As mentioned the SDC looks after many small towns, all with their own separate interests resulting in over 900 Business Units. Water suppliers provide a good example, Auckland City has one water supplier, "Metrowater", while in Southland there are 23 different water supply committees creating 23 separate Business Units.

The Local Government Act 2002 and the Local Government Rating Act 2002 have placed a greater emphasis on Councils to work more effectively and efficiently with their respective community. Traditional business practises have been challenged by advances in technology and the expectations of the community have also increased.

The old system was cumbersome, we had to streamline the processes around Councils financial planning and integrate our systems in order to comply with such things as the need to incorporate inflation for the 10 years and other LTCCP audit requirements.

### Footnote

<sup>1</sup> A "Business Unit" is a department, a separate point of expenditure for the Council. For example the Riverton water supply, Riverton Waste Management, Riverton town hall upgrade. There are 14 libraries in the district and they are all separate business units.



## Council Vision and Strategic Direction

### Council's Vision is:

- A progressive and innovative District with excellent infrastructure.
- A diverse economy creating employment opportunities in a high quality environment.
- A sustainable population based in thriving communities.
- Local services and recreational amenities that provide a good quality of life for residents.
- Using current technology to take our place on the world stage.

### The Project Teams Vision was:

- To create an environment using innovative technology to gather and report information to our Elected Representatives, Community Boards, Communities and Staff to enable them to make sound and effective decisions for the future.
- To resolve the unsustainable workload experienced by all parties involved, while producing an LTCCP/ Annual plan for the community.

### **The SDC budget process and how it was managed historically.**

Prior to implementing the Long-Term Council Community Plan Budgeting Platform (“**The Budgeting Platform**”), 30-40 Budget Managers compiled Excel spreadsheets detailing the finances of over 900 Business Units. Over 1,000 spreadsheets were then forwarded to the Councils accounting team whose task was to compile the budgets into 10 summary “Cost of Service” statements. This information was then used as the basis for the annual plan and for future planning. The new Legislative requirements for a 10 year LTCCP would have taken Managers and Accountants an enormous amount of time to manage and complete. Under these circumstances planning accuracy became even more important as these Acts require Council budgets to be audited by Audit New Zealand, an unusual requirement for a business budget. There were many problems with the existing system.

#### *These included:*

- When using the data to report back to communities, managers would really just be making an educated “stab in the dark” when predicting financial forecasts. This was because the tools used were inadequate for the task.
- Accountants tried to link cells in a plethora of Excel spreadsheets and create complex financial statements from them.
- The system was prone to error and misinterpretation and contained incomprehensible formulas built up over time.
- Many people did not know how the system worked, there was a lack of transparency and inconsistency in the approach.
- An outsider couldnt see the links within the system (i.e. how expenditure in one department affected other departments or rates), or the big picture of the Councils financial situation.
- The entire process was time consuming and details were not held centrally and eventually lost over time.
- Most importantly many managers had not “bought into” the process. All the knowledge and power was in the hands of two accountants whose objective was to balance the accounts.
- Financial Staff and Accountants were under enormous pressure and stress working incredibly long hours, struggling with inadequate systems to do a complex task.
- The process to get to a stage where the rates could be struck took six to eight months.

## Expected Benefits of the Project

We proposed to produce a budgeting system that integrated the whole organisation, enabling ownership, reliability and open communication within the council to be achieved.

#### *To achieve this, the key areas of functionality sought were:*

- A Web Based easy to use budget platform for the 10 Year LTCCP, which could also be used for the Annual Plan. This would enable remote budgeting (i.e. at Community meetings to quickly rationalise any issues)
- Quicker and easier planning.
- Real time monitoring of the effect of changes in community decisions to their financial budgets
- The ability to securely Log and store detailed information against every budgeted entry.
- Set up, validate and automate allocation of funds to other departments or Business Units so that the impact of internal allocations can be realised immediately across all areas.
- Provide a dynamic and instantaneous statement of financial performance for each Business Unit or Area.
- Dynamic reporting to Community Boards and CDAs on Local Rates.
- Power to simplify and validate all data entries
- Enable appropriate staff and elected representatives access to up to date budget information using Crystal reports and Data Cubes.
- Show and Report the effect of inflation over the 10 years.
- Automated reconciliation of the LTCCP budget to the GEAC Rating system to show the effect on rates.
- To do a Virtual Rates Strike at any given time to monitor the effect on rates for any individual in the district
- Archiving data for Audit requirements and further reporting.
- Quality Assurance (QA) reporting to monitor the budgeting process.



# Project Management and Planning

The Project was undertaken by staff from the Finance and Information Management departments who formed the Project Team.

The budget platform was based on a pilot Access application project the same team undertook for completion of the 2005/2006 Annual Plan.

The pilot project enabled us to document our processes and business logic thoroughly, as this system was designed with the LTCCP in mind. This pilot project was successful. Ideas generated and lessons learnt from this experience formed the foundation for the **Budgeting Platform Application**.

In early August 2005 the Project Team started work on the New Budgeting Platform. It set out the structure and direction that the Project would take. The Information Officer and the Systems Accountant were dual Project Managers.

*The project was divided into five phases.*

## Systems Analysis

We knew that the current Excel based reporting system was inadequate. The feedback we received from users of our pilot system was very positive. The pilot Access database system could not process a Ten Year LTCCP. At the conclusion of the Pilot project, we gathered information from managers and system users and documented our system requirements for the LTCCP budgeting platform. SDC Developers had also fully documented the Access database logic. A feasibility study was conducted and a detailed project plan was provided to the Executive team. After further consultation the Project was given the Green Light.

## Conceptual Design

The Project team investigated the various types of software available in the market and chose rich internet technology. We sourced technology that was compatible with integrated information architecture for our financial systems, Rates Corporate System and our Corporate Data Warehouse, that would enable us to produce dynamic and instantaneous results. It was decided that the budget platform was to be a Adobe Flex-based web interface developed in conjunction with Straker Interactive Ltd (an external company). Detailed specifications outlining what the system was to accomplish and how the process was to be controlled was developed and documented.

## Physical Design

We had already gone through this phase during our pilot project. We had a few modifications to the original database. The programs, files and databases were already created and well documented. New procedures were developed to train staff and security controls were built into the new system. Data Cubes were designed to enable Accountants to slice and dice data. SQL procedures were written for reporting data.

## Testing/Implementation and Conversion

During this phase the system was thoroughly tested by the project team and finance staff. We used the developers job tracking system to monitor bugs and changes throughout the project.

The functionality of the system depended not only on the Flex-based web interface but other integrated financial systems (i.e. Enterprise J.D.Edwards and Pathway). The team also used reporting tools such as Crystal Enterprise and Data Cubes to monitor the quality and accuracy of the information produced by the new system.

Two members from the team dedicated their time to QA once the project was in the testing stage. Reports for Community Boards and Finance Staff were thoroughly checked and investigated to ensure accuracy. Managers and Users were trained and given detailed documentation on system use. All system documentation was completed.

On the 1<sup>st</sup> of October 2005 the Project team delivered a fully operational "LTCCP Budgeting Platform" on time and to the delight of the Executive team, Managers and Users of the system. The system was presented to the Council.

We now had a live system fully integrated with GEAC, our financial system, and an easy to use web interface application to enable Council to improve its performance in managing the process of one of its most key functions the LTCCP and Annual Plan.

## Maintenance and Operation

We have conducted a post implementation review of the system and have identified and documented a few suggested improvements/modifications to the system. Finance and Information Management staff have been trained on maintaining certain aspects of the system (i.e. security, reporting). The system is continually monitored by IT staff.

The Project Team took into account Time, Cost, Risks, Resources required and Quality Assurance that would be needed when managing the project.

A Gantt chart was drawn up with all project activities and deadlines listed. As deadlines were met they were recorded on the chart thus at any given time it was possible to determine which activities were on schedule and which were behind. The Team met regularly to ensure deadlines were met and that the project was on track. Any deviation from the project plan was discussed and new deadlines set. The Project Managers reported to the Executive team on a regular basis.



## Buy In by all Users of the Process

The key challenge for the Project Team was to design a system that Managers and Users of the system would adapt to easily and feel comfortable using the new technology. We were well aware that even the best system would fail without the support of the people who use it. We also knew that everyone using the old spreadsheet system wanted a change; our job was to give them a system that was not only fully integrated but had a great “look and feel” about it and was easy to use. We had the support of the Council’s CEO and Executive team. We solicited user participation and always kept communication lines open with managers and users and welcomed their feedback. We kept the system simple and made sure that the users understood the system.

The System we provided was far superior to the pilot Access based system we provided them the previous year. This certainly has made the process of managing and budgeting for the LTCCP more effective and efficient.

The feedback that we have received from users of the new system has been of a high standard. Councillors, the Executive Team, Managers, Staff and Auditors (Audit NZ) have all given us positive feedback.

## Innovation and Originality

## Process Management

This process has completely revolutionised the management of financial planning in the Council, providing highly accurate data in real-time. The Budget Platform has greatly improved the efficiency of the LTCCP. It has integrated Councils Financial Systems, improving key functions such as planning and finance and has improved internal efficiency and the overall quality of the budgeting process. We believe that this is all a first for a Council in New Zealand.

### What is the Budgeting Platform capable of?

The new Budgeting Platform has facilitated the total integration of the Councils budget planning under one umbrella. It has enabled Budget Managers to take ownership of the budget planning process for their own Business Units and to see the “big picture” financially, both for their Business Units and for the Council as a whole. Importantly, managers can see how the financial decisions they make impact on other business units.

The process starts with Business Unit Managers (or financial staff) securely entering financial data and detailed comments for their Business Unit(s) into the **Budgeting Platforms** easy-to-use web-based Flex interface.

The application uses the Windows login of the user as a core parameter within the application to determine which business units the user has access to.

When budget managers are satisfied that they have completed their budgets they sign off their individual business unit budgets. Once signed off, managers have read-only access from that point on. Once all business units are signed off finance staff then address any outstanding financial issues corporate-wide.

We have built strong integrated information architecture for our Financial systems, Rates Corporate System and our Corporate Data Warehouse that enable us to produce dynamic and instantaneous results and reports.

Some of the innovative and original processes that came out of this project were:

- A rich internet technology written in Flex, a brand new platform with the look and feel of client server based technology. A technology flexible enough to allow future modifications.
- An easy to use interface.
- Automated balancing of all Councils Business Units and Budgets.
- Automation of previously complex allocation of funds between Business Units to ensure managers are well aware of any internal overheads.
- Real-time management of all Council Reserve accounts. Council can now see the effect of every change in the budget on the Reserve accounts.
- The calculation of Rates is instantaneous. The processes in place allow us to balance the Budget to the Rating System and enable us to do a Virtual Rates Strike.
- Reporting to Community Boards and CDAs for Local Rates is dynamic.
- The System allows for the modelling of rates outcomes. We can now calculate the rates for an individual rate payer and how their rates might be affected by any financial decision the council might make, by simply pushing a button. To the best of our knowledge no other council in New Zealand has achieved this.

Once the LTCCP process is completed the figures from the budgeting platform are bulk loaded into the Council’s Financial System, J.D.Edwards, and archived. The managers can now continue to use the budgeting platform as a planning tool for future budgets.



## Measures of Success

The sought after benefits of the project were definitely achieved. The most important measure of success was the acceptance and adoption of the new application throughout the whole organisation. We replaced a complex array of existing spreadsheets, with an easy to use web interface that provided security and accuracy. Business Managers can now take increased ownership and participation in the budgeting process. These objectives have been achieved beyond our expectations.

Business Managers now have far greater control over the budget planning process and understanding of the impact their financial decisions have on the organisation as a whole. They like the simplicity and transparency that the system offers. They can now see the big picture, (i.e. financial projections for their business unit for the next 10 years) figures and comments that they can rely on and report to councillors or the community with confidence. A major spin-off has been that Business Managers now have a greater understanding of their job. Managers are now thinking ahead about the lifespan and condition of Councils infrastructural assets as the **Budgeting Platform** enables them to realistically plan for the cost of upgrades.

The **Budgeting Platform** has also helped to highlight some future infrastructural needs that communities should plan for and has encouraged greater interaction. We now have a financial system that enables us to provide accurate and reliable information to our communities to help make effective and informed decisions for the future.

We were given a commendation from Audit NZ about our LTCCP in relation to the LTCCPs of other Councils. We believe that the "LTCCP Budgeting Platform" and the processes architecture around this platform were instrumental tools in ensuring our success.

Financially we estimate the cost of the project to be \$80,000, a small price to pay compared to the benefits it provided and will continue to provide the Council in the future. As most of the work was done in-house the costs were shared by all departments. All departments were encouraged to be involved in the entire process and costs were discussed in the conceptual stage of the project.

## Was the Project the right thing to do?

*The project was definitely the right thing to do.*

- The **Budgeting Platform** enabled the SDC to have a truly integrated budgeting system for the whole organisation, with Business Managers now able to utilise reliable real-time information when reporting to their communities and elected representatives. It has brought transparency to the budgeting and planning process and increased Council efficiency in determining funding for their communities.
- We have improved our business process by removing the need for complex spreadsheets and manually manipulating figures.
- We have saved significant amounts of time by automating key functions such as allocation of internal funds and instantaneous balancing of rates and reserves.
- We have enabled Managers and elected representatives to concentrate on and resolve key issues by dynamically showing the effect of their decisions on Rates and Reserves over the 10 years of the LTCCP. They can also reproduce the pending rates billing information to see the effect on the at risk areas of the community.
- As all financial figures and details are stored centrally there is openness and lot less room for error and misunderstanding.
- Ownership and Responsibility is now in the hands of the people concerned.
- As a truly integrated system, the council can now compare its Actual to its projected Budgets more accurately and effectively.

We hope this project will encourage other local authorities to follow a similar path. The potential is there to rapidly speed the turn around time in a budgeting process to enable more time for community consultation and also provide excellent communication to all stakeholders. Given that the business of local government is coming under increasing scrutiny from central government and the public, we must find smarter ways to operate in order to provide accountability and transparency in the use of public funds.