



GOLDEN PLAINS SHIRE

# **ATTACHMENTS**

**Under Separate Cover  
Ordinary Council Meeting**

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**6.00pm Tuesday 26 March 2019**



## Table of Contents

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6.9	Rural Councils Transformation Projects - Lodgement of Business Cases	
	Attachment 1 Business Case for G21 .....	4



# Rural Councils Transformation Program

## G21 Councils: Regional Service Collaboration

Lead council(s) and contact details	City of Greater Geelong
Member councils / entities	Borough of Queenscliffe Colac Otway Shire Council Golden Plains Shire Council Surf Coast Shire Council
Total funding requirements:	2019-20 \$2.595 million 2020-21 \$1.130 million 2021-22 \$0.515 million 2022-23 \$0.365 million 2023-24 \$0.185 million <b>Total \$4.790 million</b>

For convenience the business case assessment criteria are reproduced below from the 'Rural Councils Transformation Program Funding Guidelines'. The Department of Environment, Land, Water and Planning reserves the right not to award funding in the case that no applications reasonably meet these criteria.

Criteria	Description	Weighting
<b>Financial sustainability</b>	Demonstrate how the proposal will deliver efficiencies / savings that will contribute to improved sustainability of involved councils	35%
	Quantify the financial benefits of the proposal in annual terms and demonstrate that there will be a positive Net Present Value (NPV) within five years, which will be sustained beyond this period	
<b>Evidence-based</b>	Clearly articulates the evidence of the need and how the proposal will address this need	25%
	Outlines a robust framework for collecting data or other evidence to assess the proposal's outcomes and, if applicable, to assess its viability as a model that can be replicated or scaled up	
<b>Impact</b>	Clearly quantifies the expected improvements from current baseline resourcing and service provision levels or council operations that will result from the proposal	25%
	Outlines how the proposal project will result in a transformation of significant scale	
	Demonstrates that the proposal project will have a positive impact on rural communities through improving service delivery quality or scope	
<b>Collaboration</b>	Demonstrates clear and comprehensible partnering arrangement governance arrangements, including roles and responsibilities for project delivery on an ongoing basis*	15%





# Rural Councils Transformation Program

## Contents

<b>1.</b>	<b>Overview .....</b>	<b>4</b>
1.1	Executive Summary .....	4
1.2	Summary Statistics .....	11
<b>2.</b>	<b>Problem identification .....</b>	<b>12</b>
2.1	Background .....	12
2.2	Definition and evidence of the problem .....	13
2.3	Timing considerations .....	18
<b>3.</b>	<b>Recommended (preferred) solution .....</b>	<b>19</b>
3.1	Details of recommended solution .....	19
3.2	Partnering – legal / governance arrangements .....	20
3.3	Evidence of the proposed solution’s effectiveness .....	21
3.4	Scalability of the recommended solution .....	23
3.5	Alternatives considered .....	24
3.6	Evaluation strategy .....	25
3.7	What are the implications of a ‘business as usual’ approach? .....	26
<b>4.</b>	<b>Benefits .....</b>	<b>28</b>
4.1	Benefits of recommended solution .....	28
4.2	Historical service performance .....	29
4.3	Estimated impact on service performance measures and sustainability .....	30
<b>5.</b>	<b>Current Council Service(s) Delivery .....</b>	<b>31</b>
5.1	Revenue history and forecasts (‘business as usual’) .....	31
5.2	Expenditure history and forecasts (‘business as usual’) .....	31
5.3	Return on investment .....	38
<b>6.</b>	<b>Revenue sought for the recommended solution .....</b>	<b>39</b>
6.1	Expenditure forecasts .....	39
6.2	Proposed revenue sources and alternatives .....	46
6.3	RCTP grant sought .....	47
6.4	Return on investment .....	49
<b>7.</b>	<b>Deliverability .....</b>	<b>50</b>
7.1	Assessment and management of risks and sensitivities .....	50
7.2	Impacts .....	52
7.3	Readiness and implementation process .....	53
7.4	Timelines and milestones .....	53
<b>8.</b>	<b>Staffing requirements .....</b>	<b>54</b>
8.1	Staff/Contractors .....	54
<b>9.</b>	<b>Attachments .....</b>	<b>57</b>



# Rural Councils Transformation Program

**Appendix A – Bibliography .....58**

**Appendix B – Completed RCTP Checklist .....59**

**Appendix C – Benefits Management Plan .....60**

**Appendix D – Council Policy Alignment .....61**

G21 regional alliance – strategic alignment.....61

Local government strategies .....61

**Appendix E – Implementation Steps .....63**

**Appendix F – Implementation Costs & Timing .....67**

**Appendix G – Benefits Summary .....70**

**Appendix H – Demonstrated success elsewhere .....71**

Strategic Asset Management at a regional level .....71

Regional Procurement .....73



# Rural Councils Transformation Program

## 1. Overview

### 1.1 Executive Summary

#### Project summary

The G21 regional services collaboration project will establish a regional centre of excellence to build regional capabilities and share expertise and insights across the five participating councils in:

- Strategic asset management
- Strategic procurement and contract management
- Capital program and project management.

The G21 regional services collaboration project will also establish a regional staff sharing framework, establishing a framework for sharing the resourcing of key positions e.g. building services; environmental health; land use planning, which are currently reliant on specific individuals and therefore pose service continuity risks.

Essentially the G21 regional services collaboration project will

- Procure a new strategic asset management system that can be utilised across the whole region
- Recruit an executive officer to lead regional collaboration activities for 3 years full-time and transition through to part-time in years 4 and 5
- Recruit a specialist project manager for 2 years to deliver procurement and implementation of a shared Strategic Asset Management system for the region, including full integration with councils' core systems
- Recruit a specialist asset manager to develop best practice methods, processes and templates for use across the region and provide analytical expertise for regional decision-making
- Recruit a specialist procurement manager for 4 years to develop best practice methods, processes and templates for use across the region, establish the regional contract register and undertake collaborative procurement
- Recruit a capital program manager for 2 years to develop best practice methods, processes and templates for capital program and project management use across the region
- Fund legal, training and other support services required for effective delivery, and
- Ensure specialist staff from the participating councils work as a regional team while remaining embedded within their home councils.

#### Project response to RCTP criteria

Criteria	Summary of how project responds
<b>Financial sustainability</b> Efficiencies/ savings that will contribute to improved sustainability	The G21 regional services collaboration project will generate financial savings by: <ul style="list-style-type: none"> <li>• Reducing the use of contractors to deliver core services, enabling full time roles to specialise across the region</li> <li>• Enabling asset investment, renewal, and maintenance efficiencies to be better informed and coordinated across the councils' collective infrastructure asset base (valued at ~\$3 billion)</li> <li>• Ensuring regional procurement activities are aligned and coordinated to maximise value for money for councils as purchasing entities.</li> </ul>
Quantify the financial benefits in annual terms and demonstrate that there will be a positive NPV within five years, which will be sustained beyond this period	Over the course of the 5 year forecast period under the business as usual scenario, \$135 million will be spent on <ul style="list-style-type: none"> <li>• Strategic asset management, procurement and project, and</li> <li>• Services where small councils are unduly reliant on individual staff/ contractors.</li> </ul> After project implementation, these 5 year costs will reduce to \$132 million.

4



# Rural Councils Transformation Program

	<p>This \$3 million savings converts to a Net Present Cost of \$1.7 million once RCTP funded project costs of \$4.8 million are deducted.</p> <p>The savings differential in year 5 is expected to be \$2.0 million and this financial dividend is expected to flow on an ongoing basis.</p>
<p><b>Evidence-based</b></p> <p>Evidence of need and how the proposal will address this need</p>	<p>The benchmarking process conducted herein clearly evidences the:</p> <ul style="list-style-type: none"> <li>Financial sustainability problems faced by the Geelong region's councils, which vary widely in terms of their size, and</li> <li>Fast paced growth and diversity of socioeconomic change expected across the region, which complicates service delivery and elevates delivery costs.</li> </ul> <p>Given this context it is unfortunate that the Geelong region's councils have underdeveloped capabilities in strategic asset management, procurement and delivery; caused by legacy systems, siloed and duplicated approaches, and difficulties in retaining specialist skills.</p> <p>The project draws from the lessons of published literature and case study experience elsewhere to create a centre of excellence for addressing these issues; ensuring capabilities are collectively built while remaining embedded in participating councils, meaning regional insights effectively inform local decisions.</p> <p>A platform for collaboratively addressing the well documented security of service issues and value for money in the region's small councils also forms a key part of the project's scope.</p>
<p>Outline a robust framework for collecting data to assess the proposal's outcomes and, if applicable, to assess its viability for replication or scaling up</p>	<p>The project's progression and effectiveness will be monitored against its:</p> <ul style="list-style-type: none"> <li>Implementation milestones, as per the detailed Implementation Plan</li> <li>Key performance indicators, as per the Benefits Management Plan</li> </ul> <p>Moreover, the regional partnership will also publish:</p> <ul style="list-style-type: none"> <li>An annual assessment of the region's development in terms of strategic asset management, procurement and delivery</li> <li>A detailed review of the regional partnership, after three years of operation, which will assess the feasibility of continuing and/ or expanding the suite of collaboratively delivered services, and the governance model adopted.</li> </ul>
<p><b>Impact</b></p> <p>Clearly quantifies the expected improvements from current baseline resourcing and service provision levels or council operations that will result from the proposal</p>	<p>The project will fund an asset management system, an executive officer and specialist roles who will collectively drive best practice identification and adoption across the participating councils in strategic asset management, procurement and delivery.</p> <p>The gains that are generated from these improved capabilities, through councils undertaking collaborative procurement, and the better-informed decisions that result, will change regional outcomes. Ultimately, the changes will filter through to headline measures such as follows after five years (when compared to business as usual outcomes):</p> <ul style="list-style-type: none"> <li>Adjusted underlying surplus - improved from -0.8% to -0.4%</li> <li>Expenditure per capita - reduced from \$1,765 to \$1,762.</li> </ul>
<p>Outlines how the proposal project will result in a transformation of significant scale</p>	<p>The project will be transformative for the Geelong region as it aims to improve council capabilities in areas that have major impacts on council expenditures: strategic asset management, procurement and service delivery.</p> <p>The project will support the establishment of common and coordinated systems across the participating councils, meaning that major efficiencies in asset and service provision should naturally flow.</p> <p>Regional capabilities will also be progressively developed in the participating councils; addressing their ongoing issues with retaining skills in these specialist disciplines.</p>





# Rural Councils Transformation Program

<p>Demonstrates that the proposal project will have a positive impact on rural communities through improving service delivery quality or scope</p>	<p>The project will improve the security and consistency of service provision across the Geelong region. The regional staff sharing framework will enable ongoing and documented service delivery disruptions, caused by staff/ contractor unavailability, to be reduced in positions which have direct impacts of the community, e.g. building services, planning and environmental health.</p>
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**Collaboration**

Demonstrates clear and comprehensible partnering arrangement governance arrangements

The project will be delivered over three years through a regional shared service partnership.

Participating councils will oversee the partnership's activities via an Executive Steering Committee (ESC), comprised by the council's CEOs. This ESC will be:

- Serviced by an executive officer responsible for overall implementation and delivery who will lead and coordinate
- An Implementation Committee comprised by lead staff from each of the participating councils, representing the four service components of the shared service partnership.

Project funding will be used to support implementation of the nominated shared services.

At the conclusion of the project implementation period, the partnership will commit for a minimum of three years of operation. It will also review the model to consider evolving the partnership to:

- Include additional shared services, and/ or
- A shared services entity.

**Underlying problems**

The councils in the Geelong region face three inter-related problems:

1. A constrained revenue base and a rapidly changing visitor and resident population threatens the financial sustainability of all G21 councils.
2. Disjointed and legacy systems hamper regional service provision efficiencies
3. Reliance by individual councils on a limited number of staff and contractors impacts on the continuity, cost and quality of services.

These problems are like those being faced by regional and rural councils across Victoria but are exacerbated in the Geelong region given the diversity of population growth rates and compositional changes, and the widely varying sizes of local government.

**Overarching benefits**

If these problems can be effectively addressed, the benefits that will be generated include:

- More productive and strategic resource allocation
- Agreed services continue to be funded into the future
- Improved community satisfaction with services
- Opportunity to build on the project's success to include other shared service functions in the future.

These benefits align strongly with both the objectives of the RCTP program and the underlying strategic objectives of each of the participating councils, as specified in each of their respective council plans.

**Business as usual outcomes**

If these benefits are not captured, the business as usual outcomes for the participating councils look bleak. Growing financial pressures will progressively diminish 1) new capital works to address currently unmet needs, 2) asset renewal efforts, and ultimately, 3) service delivery, with anticipated cutbacks having material socioeconomic consequences for the affected communities.



## Rural Councils Transformation Program

At a more specific level, essential services in the Geelong region will remain disrupted, particularly in the smaller councils, and the region's capabilities in asset management, procurement and delivery will remain undeveloped, with potentially very large savings remaining unrealised given the size of:

- Infrastructure assets currently under management (~\$3 billion), and
- Population growth and demographic change forecast across the region.

### Project options

The analysis of options for strategically responding found that only acting collaboratively across the region would make a meaningful contribution towards solving the problems being faced.

Project options were also explored in terms of the functions of local government that could be collaboratively delivered, and the governance arrangements for implementation. Based on the evidence available, the project scope targets functions that are likely to:

- Significantly lift the capabilities of all councils
- Maximise financial savings
- Promote flexibility in opting into staff sharing
- Minimise implementation risks.

The collaborative services scoped in the original EOI have been amended to reflect these considerations. The suite that features in this business case will maximise benefits and minimise risks.

### Final project scope

The project scope includes the establishment of a regional 'centre of excellence' for strategic asset management, procurement and delivery, and a regional 'staff sharing framework' for minimising service disruptions across the region.

Essentially the regional centres of excellence will:

- Procure and implement a new strategic asset management system across the five councils in the region
- Create a team environment for strategic asset management, procurement and capital project management staff
- Recruit an executive officer and specialist asset manager who will lead and coordinate the above, and
- Collaboratively develop best practice methods, processes and templates that will improve asset management, procurement and project management capabilities across the region.

Additionally, the regional 'staff sharing framework' will establish how staff resources might be shared across the region to minimise service disruptions caused by staff/ contractor unavailability. This framework will operate on an opt in basis, reflecting the evolving ability for participating councils to provide staff resources for delivering services in neighbouring councils.

Essentially the project scope (\$4.8 million) funds:

- Development of partnership's governance, funding and operating model
- Procurement and implementation of a common strategic asset management system and its effective integration within participating councils
- Standardisation of systems and processes in strategic asset management, procurement and delivery
- Establishment of a formal regional staff sharing agreements
- Recruitment of an executive officer to lead regional collaboration activities for 3 years full-time and transition through to part-time in years 4 and 5
- Recruitment of a specialist project manager for 2 years to deliver procurement and implementation of a shared Strategic Asset Management system for the region, including full integration with councils' core systems
- Recruitment of a specialist asset manager to develop best practice methods, processes and templates for use across the region and provide analytical expertise for regional decision-making



## Rural Councils Transformation Program

- Recruitment of a specialist procurement manager for 4 years to develop best practice methods, processes and templates for use across the region, establish the regional contract register and undertake collaborative procurement
- Recruitment of a capital program manager for 2 years to develop best practice methods, processes and templates for capital program and project management use across the region
- Legal, training and other support services required for effective delivery.

The participating councils commit to project implementation (years 1, 2 and part year 3), as well as a minimum of three years of operations after initial delivery (part year 3, year 4 and 5).

### Project governance/ management

The project objectives will be delivered through a regional shared service partnership, underpinned by an ongoing funding agreement based on the principles of:

- Pay for usage of opt in services (primarily for regional staff sharing or agreed projects)
- Financial transparency and equity
- Medium term financial commitment (through collaborative procurement budgets)

To ensure that all participating councils have adequate oversight of the partnership's activities an Executive Steering Committee (ESC), comprised of the CEOs from each of the member councils, will be established. The ESC will be serviced by an executive officer who will be responsible for project implementation and leading regional capability development in the strategic asset management, procurement and delivery.

An Implementation Committee will also be established, comprising the executive officer, a specialist asset manager and lead staff from each of the participating councils, i.e. senior staff that have relevant authority to commit resources, remove obstacles and make decisions about the relevant services in their home councils.

In addition to the project governance and management, councils' involvement and management of the four elements of the project scope will be as follows:

1. Two scope elements are primarily focussed on building capability and improving decision-making through the development of a common system and approach and then deploying this in their home council:
  - i. Shared strategic asset management systems and practices
  - ii. Common capital works program/project delivery framework

Each council will take the systems, processes, data and learnings from these two Centres of Excellence and deploy them on the ground in their own home council. Senior management in these home councils will be responsible for participation in the regional partnership as well as ensuring the effective deployment in their own council.

2. Two scope elements are primarily focussed on creating efficiencies and service continuity by leveraging buyer-power through collaborative procurement and by creating common frameworks and work practices whereby councils' resources can be effectively shared:
  - iii. Strategic procurement for regional services
  - iv. Regional staff sharing

iii. Strategic procurement for regional services

iv. Regional staff sharing

These activities will be undertaken by councils working directly with each other in a common framework.

### Post-project governance/ management

Every three years after initial project implementation, each council has the option of opting in or out in relation to each of the shared service categories.

Ongoing funding (beyond the three year project period) will predominantly be based around each council's:

- Contributions towards ongoing costs of common systems and shared services activities
- Staff resources participating in the regional partnership.

It is not envisaged that the partnership would employ staff directly, unless there is a decision to move to a shared services entity.



# Rural Councils Transformation Program

**Project implementation steps, costs & timeframes**

A summary of the headline implementation steps, costs (total \$4.8 million) and timeframes (practically completed after 3 years) are provided below. Additional detail is provided in the appendices.

Scope	Summary milestones	Completion date	Delivery cost \$000
Governance model	Regional service delivery partnership	2019-20	\$725
	Governance structure	2019-20	
	3 year review of governance model	2022-23	
Strategic asset management	People	2019-20	\$2,740
	Organisation	2019-20	
	Systems	2020-21	
	Processes	2020-21	
	Shared system realisation	2021-22	
Strategic procurement and contract management	Design	2019-20	\$795
	Build and test	2020-21	
	Implement and roll out	2020-21	
	Monitor and review	Ongoing	
Capital program and project management	Design	2019-20	\$380
	Build and test	2020-21	
	Implement and roll out	2020-21	
	Monitor and review	Ongoing	
Regional staff sharing	Organisation	2019-20	\$150
	People	2019-20	
	Systems, platforms and applications	2019-20	
	Processes	2019-20	
		<b>TOTAL</b>	<b>\$4,790</b>

**Anticipated project benefits**

The project is expected to generate a wide variety of benefits within the overarching benefit framework established earlier. The centres of excellence will progressively lift regional capabilities in asset management, procurement and project delivery. In the medium term, when this flows through to operational decision making, these capabilities will generate material savings in:

- The planning for and provisioning of new assets
- Renewing and maintaining existing assets
- The procurement of regional goods and services
- Creating of a regional model upon which additional services and functions can be added or evolved to a shared services entity

In terms of second round effects, improved community satisfaction with council decisions and service delivery will ultimately eventuate.

The regional staff sharing framework will ensure that service disruptions across participating councils are addressed, thereby improving the security and quality of service provision. Given the range of services that are candidates from inclusion with the framework, these service security and quality improvements could have wide ranging community benefits, particularly in the small rural councils.

**Anticipated financial savings**

With project implementation, the expenditure profile for participating councils collectively over the five year forecast period has been forecast to:

- Increase by project implementation costs (\$4.8 million)
- Reduce due to efficiency gains (10% saving) made through collaborative procurement of a minimum of 10% of total regional Materials and Services budgets (based on examples including asset condition assessments; kerbside bin collection service; local sealed road resealing )





## Rural Councils Transformation Program

- Reduce due to efficiency gains in contractor costs, i.e. by accessing staff from other councils and avoiding market contractor cost penalties (not redundancies), through regional staff sharing across capital program and project management, building, planning and environmental health services (10% saving).

Overall service delivery costs (operational) will reduce from \$135 million to \$132 million over the 5 years, generating a Net Present Cost of \$1.7 million.

While specific services benefit from regional procurement gains in the financial modelling, the participating councils are not able to commit these specific services to collaborative procurement at this stage. This is due in part because until the Strategic Procurement Centre of Excellence is established and a common register of contracts is in place, councils cannot know how current contract periods align. However, the participating councils commit to collaboratively procuring at least 10% of the regional Materials and Services budgets thereby achieving savings in these budgets of 5% in year 4 and 10% in year 5. Note that the level of 10% of total Materials and Services budgets is a significantly higher percentage of the 3<sup>rd</sup> party expenditure across the region (which could be as high as 25% for some councils).

### Scalability of project scope

The modularity and/ or scalability of the project scope is limited, given that it encompasses heavily inter-related services. Indeed, given that the project aims to introduce common, best practice systems and approaches for these services and, in doing so, build the shared capability of and within the participating councils, it does not make much sense to modularise the approach to implementation.

Having said this, the recommended solution can be envisaged as the first stage of a much larger collaboration program across the region. It is therefore potentially scalable in the longer term as it provides the basis from which to:

- Expand regional service collaboration into additional services/ functions, and
- Evolve into a separate shared service delivery entity should this be considered beneficial.

### Evaluation strategy

The evaluation strategy for the project comprises three elements:

- Monitoring and reporting of agreed implementation milestones which will form part of the proposed funds acquittal reporting
- Monitoring and reporting of identified benefits, as per the key performance indicators in the Benefits Management Plan (BMP) included in the appendices
- Consideration of establishing a separate delivery entity for the three 'centre of excellence' functions and additional services and functions that may be beneficial.

It is envisaged that the project will be fully implemented within three years (i.e. at the conclusion of 2021-22) and that councils will then move to an ongoing partnership model for a minimum of a further three years, based on learnings derived through the project. The ongoing partnership should again be evaluated after three years of operation to assess the feasibility and/ or attractiveness of continuing and/ or expanding regional service delivery collaboration; and altering governance arrangements if needed.

# Rural Councils Transformation Program

## 1.2 Summary Statistics

Group	(\$000s)						
Description	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	5-year total	Ongoing
Total operational funds	0	0	0	0	0	0	0
Total operational expenditure	1,965	1,100	485	335	155	4,040	0
Net RCTP funds sought	<b>1,965</b>	<b>1,100</b>	<b>485</b>	<b>335</b>	<b>155</b>	<b>4,040</b>	<b>0</b>
Total capital funds	0	0	0	0	0	0	0
Total capital expenditure	630	30	30	30	30	750	0
Net RCTP funds sought	<b>630</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>750</b>	<b>0</b>
<b>Total Net RCTP funds sought</b>	<b>2,595</b>	<b>1,130</b>	<b>515</b>	<b>365</b>	<b>185</b>	<b>4,790</b>	<b>0</b>
Deliverables							
Strategic Asset Management							
Strategic Procurement & Contract Management							
Capital Program and Project Management							
Regional Staff Sharing							
Performance measure impact						n/a	n/a
Adjusted underlying result						n/a	n/a
-business as usual (%)	-0.1	0.5	-0.2	-0.4	-0.8	n/a	n/a
-recommended solution (%)	-0.1	0.5	-0.2	-0.2	-0.4	n/a	n/a
Expenditure per capita						n/a	n/a
-business as usual (\$)	1,687	1,691	1,732	1,765	1,797	n/a	n/a
-recommended solution (\$)	1,687	1,691	1,732	1,762	1,791	n/a	n/a
Total existing staff (FTE)	8.2	8.2	8.2	8.2	8.2	n/a	8.2
Total existing staff change (FTE)	0.0	0.0	0.0	0.0	0.0	n/a	0.0
Total existing non-staff (FTE)	0.0	0.0	0.0	0.0	0.0	n/a	0.0
Total non-staff change (FTE)	6.0	5.0	3.0	2.5	1.4	n/a	0.0
<b>Total Labour (FTE)</b>	<b>14.2</b>	<b>13.2</b>	<b>11.2</b>	<b>10.7</b>	<b>9.6</b>	<b>n/a</b>	<b>8.2</b>



## 2. Problem identification

### 2.1 Background

The financial pressures and structural issues faced by rural and regional councils have long been recognised across Australia. In the latest attempt to effectively address these issues in Victoria, the Rural and Regional Councils Sustainability Reform Program (RRCSR), delivered through Local Government Victoria (LGV), established that to operate sustainably local government needs:

- Capability - the capacity and capability to govern effectively and deliver its functions to meet community needs
- Efficiency – the ability to deliver services and infrastructure efficiently, and deliver value for money for ratepayers
- Effectiveness – the ability to deliver the agreed level and standard of services and infrastructure in accordance with community needs and strategic objectives
- Financial performance - the ability to generate sufficient funds to provide the agreed level and standard of services of infrastructure.

However, the RRCSR found that rural and regional councils faced more barriers to sustainability than metropolitan councils, largely reflecting their limited size and dispersion of population, along with a range of location specific factors, such as remoteness, ICT connectivity, composition of population, visitor numbers, etc.

The RRCSR concluded that, looking ahead, rural and regional councils faced three overarching issues:

- Reduced ability to invest for the long term (assets, service delivery, etc.)
- Increased dependency on governments for financial support
- Continued difficulty in attracting and retaining skilled, professional and knowledgeable staff.

The RRCSR highlighted that unless material inroads are made into improving rural and regional council sustainability, the community will suffer comparatively lower standards of service than their metropolitan counterparts, deteriorating infrastructure performance (roads, bridges, water, etc.) and reducing breadth and scope of service delivery (i.e. reduced access to services, less services for the vulnerable).

The RRCSR subsequently developed a suite of reform options. Three of the key components of these reform options included the following:

- 3.1 Regional service model development and implementation: regional service delivery has the potential to create significant financial savings for local government, supporting their achievement of ongoing sustainability, together with facilitating the provision of more integrated, coordinated services to support vibrant and productive rural and regional communities.
- 4.1 Support collaboration and innovation through enabling back office transformation: a modern digital strategy leading to shared IT platforms will improve communications and knowledge sharing between councils and improve engagement and opportunities for co-production with the community.
- 6.1 Improve knowledge and capability of council staff: building the capacity of councils and their staff is a vital element of enabling local government to adopt the reforms and improvements that are needed to guarantee sustainability.

The Rural Councils Transformation Program (RCTP) was developed to respond to the recommendations of RRCSR. The RCTP seeks to incentivise the implementation of large-scale transformative projects on a regional level, such as joined-up service delivery, corporate services, procurement and asset management. Indeed, the RCTP aims include demonstrating the economies of scale and service delivery improvements that can be achieved through regional service delivery or collaborative procurement.

The G21 regional service collaboration project aims to overcome the common issues facing rural and regional councils in the Geelong region, by collaboratively partnering with City of Greater Geelong, to deliver a suite of services using a regional approach; generating cost savings, improving staff capabilities, and ultimately improving service delivery and infrastructure conditions throughout the region. Aspects of all the three reform options mentioned above (i.e. RRCSR reforms 3.1, 4.1 and 6.1) are included in the proposed project.

# Rural Councils Transformation Program

## 2.2 Definition and evidence of the problem

The problems facing local government identified in the RRCSR report are faced across the Geelong region.

The investment logic mapping (ILM) process further articulated these problems drawing from the insights of participating council CEOs, as depicted in Figure 1. Each of these problems are successively described and evidenced in the following paragraphs.

### A constrained revenue base and a rapidly changing visitor and resident population threatens the financial sustainability of all G21 councils

The RRCSR highlighted the financial pressures faced by rural and regional councils across Victoria, including their:

- Low population bases from which to raise own source revenues (e.g. rates, fees and charges)
- High reliance on government grant funding to maintain services and infrastructure provision
- Higher unit costs in maintaining assets and delivering some services, particularly in large council areas with long road lengths and dispersed populations, and
- Escalating service and infrastructure delivery costs.

As a result, rural and regional councils spend much more on than their metropolitan counterparts on depreciation and amortisation and core services (such as local roads and bridges), leaving less for other functions. They also have inferior underlying operating results, with deficits much more likely to be recorded and more likely to occur in future financial forecasts.

Table 1 overleaf draws together comparable data for the G21 councils and the metropolitan and regional city council averages, illustrating the constrained revenues and cost penalties faced by councils in the Geelong region, along with the comparative financial unsustainability that results. Of particular note in the table are the elevated levels of the following measures when compared to metropolitan councils:

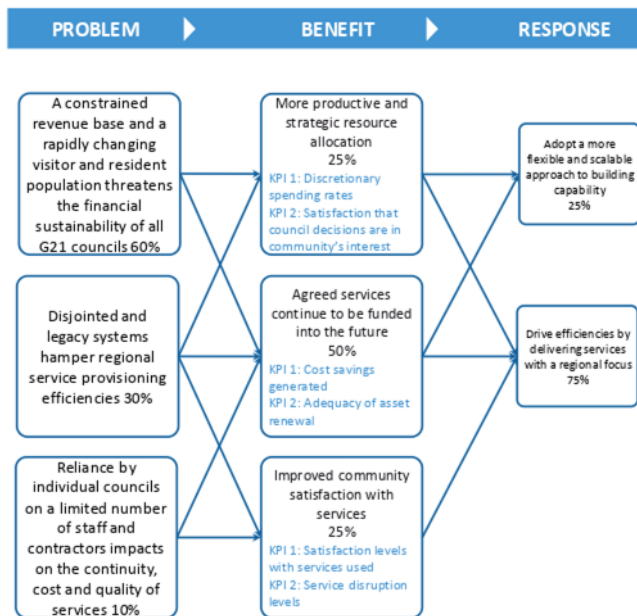
- Rates per capita (esp. in Colac Otway, Queenscliffe and Surf Coast)
- Expenditures per capita across all the Geelong region councils
- Infrastructure assets per capita for all of the rural councils throughout the region, and
- Percentage of total expenditures on a) depreciation and amortisation, and b) local roads and bridges in the large rural councils of Colac Otway and Golden Plains.

The insufficiency of asset renewal expenditures, when compared to depreciation, are widespread across the region, and the low levels of adjusted underlying surplus across are also noteworthy when compared to their metropolitan counterparts.

The G21 region councils are also facing sustainability pressures from a combination of population growth and compositional change, as well as the high level of tourist visitation. For instance:

- Population growth demands additional services and infrastructure provisioning in specific locations, and the funding gap and timing delays in recovering these provisioning costs from the served communities is undeniable.

Figure 1 Investment Logic Map







# Rural Councils Transformation Program

- The changing (e.g. ageing) population causes additional demand in some services (e.g. meal programs, home support, social support, community transport, respite, etc.) and reducing demand for some facilities, but both are concurrently met with community expectations for maintained assets and services.
- The ageing population reduces local government’s ability to raise own source revenues, due to lower retirement income levels and higher concession entitlements, and
- Coastal facilities can be pressured by significant visitor numbers experienced during holiday peaks.

Table 2 shows how the G21 regional councils are impacted by population growth and change and tourist numbers compared to their regional city and metropolitan counterparts. Of particular note in the rapidly growing region are the:

- Pockets of fast paced population growth in Surf Coast and Golden Plains, combined with a rapid ageing of the population bases in these municipalities, and
- Large divergences in forecast compositional changes in population bases, with Colac Otway and Queenscliffe expecting a reduction in population under 25 years and Golden Plains, Surf Coast and Greater Geelong conversely expecting relatively fast growth in this cohort.

The significance of tourism visitors also varies widely across the participating councils, as the ratio of tourist visitors to the population base within each of the participating councils.

**Table 1 Comparative financial indicators**

	Colac Otway	Golden Plains	Queens-cliffe	Surf Coast	Greater Geelong	Regional Cities	Metro-politan
Rates per capita <sup>(2) (3)</sup>	\$1,444	\$980	\$2,259	\$1,628	\$878	\$1,053	\$884
Rates/ adjusted underlying revenue <sup>(1)</sup>	0.59	0.55	0.65	0.69	0.59	0.58	0.66
Total expenditures per capita <sup>(2) (3)</sup>	\$2,341	\$1,657	\$3,593	\$2,254	\$1,455	\$1,814	\$1,221
Total infrastructure assets per capita <sup>(2) (3)</sup>	\$13,498	\$19,717	\$17,661	\$14,641	\$7,060	\$11,732	\$6,293
% Total expenditure on depreciation & amortisation <sup>(2)</sup>	21%	19%	11%	17%	17%	19%	14%
% Total expenditure on local roads and bridges <sup>(2)</sup>	21%	22%	5%	7%	8%	16%	8%
Asset renewal compared to depreciation <sup>(1)</sup>	1.16**	0.75	0.81	0.37	0.48	0.73	0.90
Adjusted underlying surplus <sup>(1)</sup>	1.0%	5.0%	0.7%	1.4%	2.0%	2.7%	10.2%
Current assets compared to current liabilities <sup>(1)</sup>	2.55	2.49	2.88	3.58	1.45	2.76	2.77
Loans and borrowings compared to rates <sup>(1)</sup>	0.11	0.37	0.01	0.35	0.23	0.30	0.16

Sources: <sup>(1)</sup> LGPRF, 2017; <sup>(2)</sup> VGC, 2016; <sup>(3)</sup> VIF, 2016

Notes: \*\* this number reflects the recency of Surf Coast’s urban development.



# Rural Councils Transformation Program

**Table 2 Comparative population and visitor statistics**

	Colac Otway	Golden Plains	Queens-cliffe	Surf Coast	Greater Geelong	Regional Cities	Metro-politan
Population 2016 <sup>(1)</sup>	20,142	21,216	3,018	29,386	233,349	715,798	2,796,404
Population 2036 <sup>(1)</sup>	19,969	28,964	3,061	39,577	296,360	932,580	3,676,812
AAGR population (2016-31)	-0.1%	2.1%	0.1%	2.0%	1.6%	1.8%	1.8%
Population >65 yrs (2016) <sup>(1)</sup>	4,330	2,782	1,070	4,558	42,396	112,962	395,632
Population >65 yrs (2036) <sup>(1)</sup>	5,809	5,088	1,322	8,163	64,927	200,240	646,618
AAGR population > 65 yrs (2016-31)	2.0%	4.1%	1.4%	4.0%	2.9%	3.9%	3.3%
Population <25 yrs (2016) <sup>(1)</sup>	5,777	7,379	644	9,505	72,492	239,446	855,181
Population <25 yrs (2031) <sup>(1)</sup>	5,095	9,627	558	12,168	90,005	292,098	1,058,854
AAGR population <25 yrs (2016-31)*	-0.8%	1.8%	-1.0%	1.7%	1.5%	1.3%	1.4%
Tourist visitors <sup>(2)</sup>	899,560	n.a.	393,067	2,037,069	4,137,000	n.a.	n.a.
Tourist visitors/ population <sup>(1)(2)</sup>	45	n.a.	130	69	18	n.a.	n.a.

Sources: <sup>(1)</sup> VIF, 2016; <sup>(2)</sup> TRA, 2017

### Disjointed and legacy systems hamper regional service provision efficiencies

Disjointed and legacy asset management systems exist across the region:

- Queenscliffe currently does not have a dedicated asset management system, instead council relies upon staff developing their own capability using office productivity tools, such as Excel and limited integration with the corporate systems and GIS.
- Golden Plains and Greater Geelong both report that their existing systems are no-longer fit for purpose and need replacement.
- Colac Otway and Surf Coast both use the Asset Management module in the Civic Authority software suite.

The diversity of asset management tools combined with the differing local policies, procedures and business processes acts as a significant barrier to the councils effectively and efficiently collaborating around strategic asset management.

The purpose of strategic asset management is to define a plan for council’s investment in community assets needed to deliver the required service outcomes. While each council has both the right and responsibility to determine the service outcomes that are relevant for their community, there are benefits to be gained by having continuity across the G21 network of assets, for example: in ensuring continuity in the level of service provided by the network of local roads across the G21 region.

The task of developing strategic asset management plans has and continues to be a challenge for most councils. It requires specialist skills, combining both service outcomes and asset performance knowledge. To do it effectively requires the comprehensive use of asset, service and spatial data along with data analytics. To be effective also requires good narrative skills in communicating the strategy; translating it into actions that can be endorsed and implemented by council.

Difficulties in acquiring the requisite skills and data means strategic asset management is often done poorly and almost never at the network level of the G21 region. Consequently, the benefits that could be achieved from rationalising the delivery and monitoring of assets across the G21 region are go unrealised. Legacy systems



# Rural Councils Transformation Program

seldom permit efficient export or import of data. They lack sophistication in defining service levels and asset performance, which limits councils' understanding around the timing and scope of interventions.

However, by far the biggest downside to the limitation of the existing systems is that most of the analytics is undertaken outside of any formal system. The knowledge resides in the mind of the manager/analyst. When the analyst leaves, a massive slab of knowhow is lost, resulting in potentially substantial risks in terms of making, or not making, sound investment decisions. This problem is compounded by the high relative age of the asset management workforce.

**Reliance by individual councils on a limited number of staff and contractors impacts on the continuity, cost and quality of services**

The RRCSR report (KPMG 2018) highlighted that:

- “Rural and regional councils are more at risk than metropolitan and interface councils in the event of staff losses, particularly for skilled/ technical roles due to the limited workforce pool” (p. 74).
- “Regional and rural councils face challenges in attracting and retaining skilled, professional and knowledgeable staff. This is particularly the case for councils located further from metropolitan areas, or where staff are required for specific strategic and specialist roles” (p. 74).

These challenges are consistently experienced widely across the Geelong region in terms of the ability to attract and retain staff. However, in the smaller councils where services are provided by individual staff or contractors, the risks faced are particularly acute. Indeed, even a short absence of staff members can cause service disruptions which, at times, must be filled by contractors with material cost penalties resulting.

In 2013 Golden Plains Shire undertook a review of Building Services that considered a range of industry issues, including the:

- Inability to successfully recruit qualified building surveyors and inspectors, and the
- Availability of private building surveyors in the regional cities of Ballarat and Geelong.

At the time of the review, Golden Plains was having trouble recruiting for a new Municipal Building Surveyor (MBS). The position was eventually re-banded (increased from band 7 to band 8) and a permanent MBS was appointed. The position was once again vacated and, for approximately two (2) years, Golden Plains had to rely on a contract MBS and casual Building Inspector to deliver statutory building services. The MBS contractor continues to attend the office one day per week to review and sign building documentation. An Assistant Building Surveyor (ABS) role has been created to co-ordinate the delivery of Council’s building services on a day to day basis. The ABS is responsible for undertaking the vast majority of building inspections, and has introduced a CRMS process for capturing and responding to all customer enquiries.

In addition to the MBS role, the table below demonstrates number of days in 2018 where services were not provided within Golden Plains due to the unavailability of single staff members or contractors.

**Table 3 Golden Plains Shire service disruption days (2018)**

Position	Department	Days with no service provided
Subdivision engineer	Works- indoor	130
Technical support officer	Works- indoor	151
Resource and recovery officer	Works- indoor	64
Asset management system coordinator	Works- indoor	54
Investigations officer	Local Laws	100
Municipal building surveyor	Building	156
Development admin officer	Building	66
Payroll Officer	People and Culture	42
Rates team leader	Rates	188



# Rural Councils Transformation Program

GIS	IT	TBA
Fleet officer	Finance	47
Assessment officers	Aged and disability	20
Service coordination officer	Aged and disability	75

Source: Golden Plains Shire, 2019

The Borough of Queenscliffe has also been compromised in its ability to deliver services due to staff shortages. In the 2017/18 financial year, Council experienced difficulties in filling a Senior Planner position. The position could not be filled for 96 days, during which time Council spent \$50,000 on contractors. Council has advised that the level of service provided to the community was reduced during this time as the contractor was only available at a 0.6 FTE capacity. Across five positions in Council’s Planning and Infrastructure department, there were 76 days in 2018 where no service was provided.

**Table 4 Borough of Queenscliffe service disruption days (2017-18)**

Position/ Service	Department	Days with no service provided
Heritage advice	Planning & Infrastructure	4
Environmental health	Planning & Infrastructure	18
Environmental sustainability	Planning & Infrastructure	12
Building Surveyor	Planning & Infrastructure	4
Planning	Planning & Infrastructure	38

Source: Borough of Queenscliffe, 2019

Although a larger council than Queenscliffe and Golden Plains, Surf Coast Shire has also noted that it experiences service delivery disruptions due to staff absences and ongoing recruitment difficulties in relation to key positions, some of which have had to be advertised repeatedly in 2018 for example:

- Senior Governance Officer (three rounds of advertising)
- Engineers (two rounds of advertising).

Surf Coast Shire has experienced periods without enough resources in key areas (Table 5), resulting in redirection of staff to ensure minimum service delivery continues. This generally results in reduced or delayed service provision in parts of the business beyond the directly listed departments.

**Table 5 Surf Coast Shire service disruption days (2018)**

Position	Department	Days with no service provision (without resource diverted from elsewhere)
Municipal building surveyor	Building Services	48
Asset Protection Officer	Development Engineering	20
Project Managers	Program Management Office	80
Asset Protection Officer	Development Engineering	20
Application Support Officer	Information Management	140
Design Engineer	Design and Traffic	60
Senior Governance Officer	Governance and Risk	80
Governance Administration	Governance and Risk	50

Source: Surf Coast Shire Council, 2019



The banner features a teal background with a dark blue triangle on the left side. The text "Rural Councils Transformation Program" is written in white, bold, sans-serif font on the right side of the banner.

## Rural Councils Transformation Program

### 2.3 Timing considerations

The project needs to roll out as a matter of priority in the Geelong region for two specific reasons:

- Greater Geelong is currently in the process of planning for the procurement of a new asset management system. For the participating councils and the project to benefit from Greater Geelong's procurement activity, it is essential that Greater Geelong negotiate with its preferred vendor for volume based and/ or module based system expansion capabilities. This is unlikely to come without cost or resourcing implications for Greater Geelong. The project can incentivise these outcomes, thereby entrenching future collaboration opportunities in this space.
- The difficulties faced by councils in attracting and, more importantly, retaining specialist skills in the Geelong region appears to be becoming starker. Opportunities for reaping efficiencies in strategic asset management, procurement and delivery will be further delayed without the project, as the smaller participating councils are unlikely to be able to access the specialist skills for this purpose on their own.



## Rural Councils Transformation Program

### 3. Recommended (preferred) solution

#### 3.1 Details of recommended solution

##### Regional Collaboration

The project to establish a Regional Service Collaboration partnership will be implemented over three years and will initially include the following functions and services:

1. Strategic asset management: inclusive of a common asset management system; joint procurement of asset condition assessments; asset renewal modelling, analysis and planning
2. Strategic procurement and contract management: regional spend analysis, joint procurement planning; tendering for goods and services; establishing contract management processes and templates
3. Capital program and project management: capital works planning; project management
4. Regional staff sharing: shared resourcing of key positions e.g. building services; environmental health; land use planning, where councils have the capacity to share them.

##### Regional centre of excellence

Essentially the project aims to establish and operate a regional 'centre of excellence' for the first three elements listed above, which will:

- Procure and implement a new strategic asset management system across the five councils (inclusive of project management, licences, interfaces, implementation, data mapping, conversion, testing etc); leveraging off the strategic asset management system procurement process that Greater Geelong is currently progressing.
- Recruit a specialist asset manager to lead collaboration activities in strategic asset management, procurement and delivery across the region.
- Recruit a specialist procurement manager (4 years) and capital program manager (2 years) to develop best practice methods, processes and templates for use across the region.
- Provide a team environment for specialist staff, seconded from each of the participating councils so they work as part of a specialist regional team, but remained embedded within their respective councils.
- Collaboratively develop best practice methods, processes and templates that will improve asset management, procurement, contract management and project planning and management capabilities across the region.

##### Regional staff sharing framework

Coupled with the centre of excellence will be a 'regional staff sharing framework' for sharing staff resources across the region. This framework will be activated as needed when the 'requesting council' identifies resourcing challenges and another council in the partnership has capacity to respond through sharing staff. This framework will reflect the evolving ability through common best practice and processes for participating councils to provide staff resources for delivering services in neighbouring councils. While the regional framework is designed to be flexible, it will aim to ensure that existing service delivery disruptions or service gaps can be addressed on a collaborative basis.

Potential positions that might be included in the regional sharing framework are: heritage advice; environmental health; environmental sustainability; building surveyor; maternal child health; aged care assessors and intake officers; payroll and IT officers.

The Local Government Act 1989 includes procurement requirements that may be triggered where the scale of staff sharing is high or for extended periods of time. The project will need to explore this issue and potentially establish exemptions or alternative procurement methods. The council providing the staff to its partner council may also need to be able to demonstrate that it is compliant with National Competition Policy requirements if there are alternative service providers in the market, such as demonstrating that the costs reflect full cost recovery. The project will also explore this issue in the development of the regional staff sharing framework.

# Rural Councils Transformation Program

## Project funding

Essentially the project funds:

- Development of partnership’s governance, funding and operating model
- Procurement and implementation of a common strategic asset management system and its effective integration within participating councils
- Standardisation of systems and processes in strategic asset management, procurement, contract management and capital works program and project management
- Establishment of a formal regional staff sharing agreements
- Recruitment of essential project implementation roles including an executive officer, project manager (for strategic asset management system) and specialist asset manager, procurement manager and capital program manager (varying periods of employment to suit implementation needs)
- Legal, training and other support services required for effective delivery.

## 3.2 Partnering – legal / governance arrangements

### Regional partnership/ funding agreement

Each council commits to participating and funding the regional partnership for a period of three years after initial project delivery (i.e. up to years 5 or 6 depending upon project implementation).

This commitment comes at the aggregate level, with councils opting into the:

- Collaborative procurement activities within existing budget capacity and where alignment of contract scope and timing can be established, and
- Regional staff sharing framework, when they have the required skills and capacity to temporarily share them with neighbouring councils.

At the conclusion of the initial three year project implementation period, ongoing objectives will be delivered through a regional shared service partnership, underpinned by a funding agreement based on the principles of:

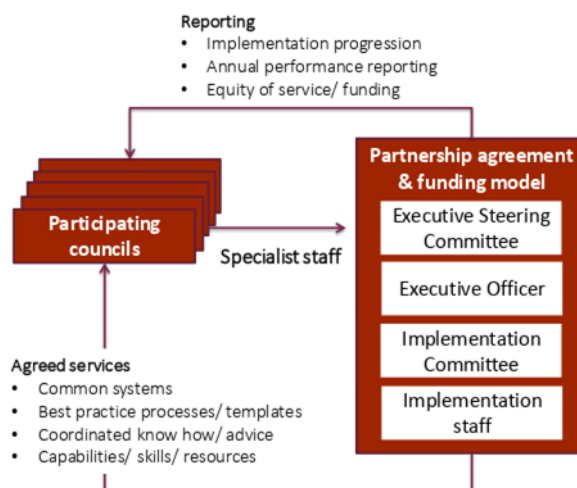
- Pay for usage of opt in services
- Financial transparency and equity
- Medium term financial commitment.

### Roles & responsibilities

To ensure that all participating councils have adequate oversight of the partnership’s activities during project implementation an Executive Steering Committee (ESC), comprised by the CEOs from each of the member councils, will be established. Responsibilities of the ESC will include:

- Providing overarching leadership and direction for the shared service partnership
- Ensuring the business plan (work program/ activities) of the partnership aligns with established direction
- Ensuring the funding, staffing and other contributions from each council are received
- Endorse the appointment of key positions, contractors and/ or external consultants
- Reviewing performance of the partnership’s activities and its funding model
- Managing partnership risks.

Figure 2 Project governance arrangements





## Rural Councils Transformation Program

The ESC will be serviced by an executive officer who will be responsible for project implementation and leading regional collaboration and capability development in strategic asset management, procurement and delivery across the region. The executive officer would:

- Be the individual who is ultimately responsible for the delivery of the partnership's services
- Act as the main contact for this region's collaboration as a group
- Work as a conduit between the ESC and the Implementation Committee (IC), and attend both committees' meetings; keeping the ESC informed of progress and ensuring that the IC's work is reflective of the ESC's decisions and intentions.

An Implementation Committee (IC) comprising of the executive officer, the specialist asset manager and lead staff from each of the participating councils will also be established.

The IC will coordinate the following, through the specialist project-funded resources:

- Migration to common system/s
- Change management, staff training and emergent issues management
- Development of best practice processes and templates
- Development of regional insights that will better inform asset provisioning, procurement and delivery decisions across the region, and which will inform decision making in their home councils.

Project specific working teams to work with the specialist project-funded resources may also be developed with seconded staff on an as needs basis.

The governance arrangements will be similar after the three year project implementation period, requiring councils' commitment to the ESC, IC and working teams to fulfil the roles described herein, albeit some project roles will transition to part-time during years 4 and 5 as the partnership will have moved to embedding the capabilities established through the project and developing a model that is not dependant on the project funding.

### **Contracting arrangements**

The regional partnership will not directly employ individuals. While the project will fund an executive officer and a specialist asset manager and other key roles, these individuals will be employed by a participating council (nominally Greater Geelong as the lead council). All other staff resources will be seconded from participating councils on a part time basis, recognising that the value that the project will bring will be underpinned by the degree to which best practice regional thinking translates to local decision making.

Greater Geelong will be responsible for contracting arrangements with the consultants and vendor of the Strategic Asset Management system, including implementation and integration across all councils.

Post implementation of the project, there may be some need for participating councils to fund some further contracted work to strengthen and expand Centre of Excellence activities, such as further template development, research work, training or other. This further work would be funded by through the partnership with one of the participating councils agreeing to be responsible for contracting arrangements.

### **3.3 Evidence of the proposed solution's effectiveness**

#### **Demonstrated success elsewhere**

Appendix H details the available evidence that strategic asset management and strategic procurement pays significant financial and non-financial dividends for participating councils across regional collaboration groups.

A range of case studies detailed in the appendix are summarised in the table below, i.e. in terms of their scope and the financial savings generated. Two key conclusions can be drawn from this table:

- Strategic asset management and procurement are regular features in regional services collaboration
- Financial savings while variable can be considerable.



## Rural Councils Transformation Program

Table 6 Summary of available evidence

Case Study	Scale of shared service	Shared Service type	Cost saving	Timespan
Local government common services joint venture	12 regional Tasmanian councils and several NT councils	Planning, finance and asset management services	\$1.2 million	1 year
Regional strategic alliance for regional asset management	3 NSW councils	Regional asset management	\$20.6 million (Total whole of life cost savings of 2%)	10 years
WBC Strategic Alliance	3 rural councils in New Zealand	IT systems and record keeping, fleet management, asset management, human resources, workforce planning and training, internal audit and business process improvement, integrated planning and reporting, global information systems, issue based regional strategies, procurement, general resource sharing	\$2.55 million	4 years
Shared procurement for GIS service in Gippsland	Two regional VIC councils	Shared procurement arrangement	\$8,000	1 year
Shared procurement for Cradle Coast councils	Nine councils in Tasmania	Shared procurement arrangement	\$2.5 million	1 year
ACT Government Shared Services	All ACT Government Departments and Agencies	ACT Government Information, communications and technology (ICT) provider, procurement solutions, records, publishing services, tactical and transactional finance, HR services	\$20 million	1 year
Hunter Councils Inc	12 councils in NSW Hunter Valley	Separate entity with environment, learning and development, regional procurement, records storage, professional grouping	\$1 million (procurement only)	1 year

Evidence relating to the benefits of regional procurement is abundant. In 2014, VAGO's report into *Shared Services in Local Government*, found that:

- There was "likely to be continued growth" in shared procurement between local governments in Victoria as it "provides a significant opportunity for the sector to realise cost savings and other benefits"
- 91% of the 58 surveyed councils were involved in shared service initiatives, with over 25% of current initiatives relating to shared procurement. Around one fifth of surveyed councils reported cost savings ranging from \$6,000 to \$1.3 million in relation to shared service activity. Most of these savings arose from shared procurement arrangements, while others were from external service delivery, including regional library corporations, waste management and immunisation services.

The *Local Government Procurement Strategy* undertaken by EY on behalf of the Minister for Local Government in 2008 concluded that adoption of better procurement practices across Victorian local governments could yield annual savings in the vicinity of \$180-350 million (or between 7.5 and 15% across expenditure categories). The



# Rural Councils Transformation Program

Minister commented that cost savings of this scale “would have a significant impact across the sector, and ultimately deliver savings to local communities” (EY, 2008).

EY (2008) also found that across the range of regional procurement ‘expenditure categories’, the key enablers for financial savings were often linked with the following:

- Establishment of regional grouping possibly aligned with expiry of existing contracts
- Common planning cycles across councils in each regional grouping
- Common tendering requirements/ specifications
- Common tendering & contract management processes
- Bundling of upgrades or maintenance into a program of work.

Given that the scope of the project aims to establish and utilise common strategic procurement systems, processes and templates across the Geelong region, then financial savings are likely to be considerable given the scale of procurement activities by the participating councils.

While the evidence for strategic asset management is not as well researched as strategic procurement (and acknowledging that the two are somewhat linked), the scale of infrastructure assets in the Geelong region managed by participating councils is approaching \$3 billion. Even the smallest efficiency gain generated through strategic asset management is likely to accumulate into very large dollar savings over time.

In terms of the broader benefits that might be generated by the project, the literature and case studies reviewed in the appendices reveal the following potential (refer Table 7).

**Table 7 Concordance of likely benefits for councils against elements of project scope**

Benefits	Strategic asset management	Strategic procurement and contract management	Capital program and project management	Regional staff sharing
Cost savings arising from economies of scale		✓		
Advice that considers wider regional perspectives	✓	✓	✓	✓
Better risk management	✓	✓	✓	✓
Consistent levels of technical support and advice	✓	✓	✓	-
Access to more specialised or higher skilled staff	✓	✓	✓	✓
Increase efficiency/ reduce procurement cycle times	✓	✓		
Increased security/ availability of services				✓
Improved communication and knowledge sharing	✓	✓	✓	✓
Innovation opportunities	✓	✓	✓	✓

### 3.4 Scalability of the recommended solution

In terms of project implementation, the modularity and/ or scalability of the recommended solution is limited, given that it encompasses heavily inter-related services: strategic asset management; strategic procurement and contract management; capital program and project management. Given that the project aims to introduce common, best practice systems and approaches for these services and, in doing so, build the shared capability of and within the participating councils, it does not make much sense to modularise the approach to implementation.

Having said this, the recommended solution can be envisaged as the first stage of a much larger collaboration program across the region. It is therefore potentially scalable in the longer term (e.g. after three years of proven operation) at it provides the basis from which to:



## Rural Councils Transformation Program

- Expand regional service collaboration into additional services/ functions, and
- Evolve into a separate shared services entity, should this be considered beneficial.

### 3.5 Alternatives considered

The participating councils have considered alternatives from a variety of perspectives:

- Different strategic response options were considered before the scope of the project was agreed
- Different project options were considered before agreeing on the scope proposed in the recommended solution.

#### Strategic response options analysis

In the strategic response options analysis, alternative strategic interventions were developed that would deliver some or all the expected benefits of solving the problems facing the participating councils. These interventions included the participating councils:

- Operating under a business as usual approach
- Acting individually to address the problems identified, and
- Acting collaboratively across the region to address the problems identified.

The strategic response options analysis found that only acting collaboratively across the region would make a meaningful contribution towards solving the problems being faced, and that acting individually would pose higher costs and socioeconomic risks for each of the participating councils. Taking a business as usual approach was considered to be a higher risk given the scale of problems facing rural and regional councils.

#### Alternative project options

Project options were also explored in terms of the services/ functions of local government that would be included, and the governance arrangements considered for implementing the project.

Originally the project canvassed a wide range of back office and customer facing services, and a range of governance arrangements. The original EOI included the following types of services that would be migrated to a separate regional services entity:

- Customer Facing
- Back Office:
- Strategic Planning:

However, as part of the business case development process, the participating councils investigated the evidence supporting the demonstrated success of such arrangements elsewhere (via literature and case study reviews), the likely overall financial savings that might be realistically generated, and the implementation difficulties and risks facing the project within each of their respective organisations.

After these deliberations, the participating councils decided to focus the project on a suite of services that are likely to:

- Significantly lift the capabilities of all councils in areas where they have historically found it hard to attract and retain skills (e.g. asset management, project management)
- Maximise financial savings given the scale of assets under management across the region, and therefore the potential gains that can be generated from best practice asset management systems and processes, and downstream collaborative procurement activities
- Promote flexibility in opting into staff sharing across roles where smaller councils consistently find it very difficult to provide service continuity due to reliance on individual staff members (e.g. building surveyors, environmental health officers)
- Minimise implementation risks (e.g. political appetite, change management, staff concerns) given the potential difficulties that would be expected in sharing services that would require the standardisation of multiple business processes, the utilisation of common back office systems, and/ or the rationalisation of assets/ staffing.



## Rural Councils Transformation Program

The participating councils have sought to identify the lowest risk and highest benefit approach that is an enabler of further expansion if successful. Councils have considered a range of alternative governance arrangements (including a separate entity, single council provider under contract to participating councils, mixed council providers under contract to participating councils) before selecting the partnership model governed by a CEO management committee. While a separate entity was attractive from a long term commitment perspective, the likely costs of establishing and governing any new entity were assessed as considerable. Finally, the potential complexity of council contracting models was noted, and potentially undermined the benefits that each of the participating councils would derive from the 'centre of excellence' aspiration that is fundamental in the recommended solution.

### 3.6 Evaluation strategy

#### Robust framework

The evaluation strategy for the project is comprised of three elements:

- Monitoring and reporting of agreed implementation milestones which will form part of the proposed funds acquittal reporting
- Monitoring and reporting of identified benefits, as per the key performance indicators in the Benefits Management Plan (BMP), which will be incorporated into a final evaluation of the project
- Production of an annual report card summarising the region's progress/ development in relation to regional asset management, procurement and delivery issues and opportunities

Post-project implementation evaluation will also occur after three years of operation to assess the feasibility and/ or attractiveness of:

- Expanding regional service delivery collaboration to additional local government services
- Changing governance/ contracting arrangements (e.g. migration to a separate entity, contracting council, etc).

#### Project implementation milestones

Key project management milestones for each of the shared service elements are clearly specified in the project implementation plan. The progression through these stages of implementation will be transparently monitored and reported to project stakeholders.

#### Benefits Management Plan (BMP)

The BMP includes the following key performance indicators:

Benefit: More productive and strategic resource allocation

- KPI 1: Discretionary spend – the proportion of total council expenditures that are regarded as discretionary given their legislative and regulatory obligations, debt servicing and contractual commitments (Source: participating councils)
- KPI 2: Satisfaction that council decisions are in community's interest - community satisfaction rating out of 100 with how council has performed in making decisions in the interests of the community (Source: LGPRF)

Benefit: Agreed services continue to be funded into the future

- KPI 1: Cost savings generated – the actual costs of delivering the services within the project scope compared to the business as usual costs for the delivery of these services across all participating councils (Source: participating councils)
- KPI 2: Adequacy of asset renewal – the expenditure on renewing existing assets or replacing existing assets to their original capability divided by the amount of depreciation on all assets (Source: LGPRF).

Benefit: Improved community satisfaction with services

- KPI 1: Satisfaction with services used – community satisfaction with the provision of services that benefit from regional staff sharing arrangements (Source: participating councils)
- KPI 2: Service disruption levels - the number of days per annum that services are disrupted because individuals or providers who provide them are unavailable (Source: participating councils)





## Rural Councils Transformation Program

### 3.7 What are the implications of a 'business as usual' approach?

#### Progressive deterioration of assets and services

If the participating councils continue with a business as usual approach, the consequences will be progressive.

- First, councils will limit new capital expenditure, meaning that growing communities or evolving community needs will remain un-serviced indefinitely.
- Second, councils faced with ongoing financial sustainability issues will limit asset renewal expenditures, gradually running down their asset bases.
- Third, councils will eventually need to scale back services, reducing their direct contributions to their communities, and potentially indirectly causing broader socioeconomic breakdowns.

While this sounds alarmist, rural councils are facing real challenges and a business as usual approach will ultimately require something to give. The recent findings documented in the 2017 RRCSFP report highlight that in small rural councils, where the financial pressures are most exacerbated:

- Capital spending focusses on asset renewal with limited new asset development
- Capital renewal spending is inadequate to meet long term asset replacement needs
- Operating budgets are directed to core services with less available for other functions, with this being manifest in relatively low spending on community planning, libraries, health and welfare services.

#### Ongoing disruption to service provision in smaller councils

At a more immediate level, essential services in the Geelong region will remain disrupted, particularly in the smaller councils, if the business as usual continues. Furthermore, the region's capabilities in asset management, procurement and delivery will remain undeveloped, with potentially very large costs being imposed on the community given the:

- Scale of existing assets under management (approaching \$3 billion), and
- Size of population growth (~80,000 between 2016 and 2031) and demographic change forecast across the region.

#### Unsustainable business as usual financial trajectories

The following table summarises how key financial metrics will deteriorate under the business as usual scenario:

- Adjusted underlying result: All councils will experience underlying deficits by the end of the five year period with the exception of Colac-Otway. The group will experience declining underlying results over the five year period.
- Asset renewal: None of the councils will achieve the asset renewal target of 100% by the end of the five year period. The group will experience declining asset renewal results over the five year period.
- Expenditure per capita: All councils will experience increasing expenditure per capita over the five year period.



# Rural Councils Transformation Program

	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24	5 Year Change
<b>Adjusted underlying result (&gt;0%)</b>						
-Queenscliffe	-3.7%	-2.6%	-1.9%	-2.4%	-2.8%	24%
-Surf Coast	1.1%	0.6%	-2.0%	-2.2%	-2.4%	-315%
-Colac Otway	1.7%	2.2%	2.7%	3.4%	4.3%	144%
-Geelong	2.8%	1.6%	2.1%	-0.9%	-1.1%	-139%
-Golden Plains	0.4%	2.0%	4.0%	3.2%	-0.4%	-200%
<b>-Group</b>	<b>-0.1%</b>	<b>0.5%</b>	<b>-0.2%</b>	<b>-0.4%</b>	<b>-0.8%</b>	<b>-700%</b>
<b>Asset renewal (&gt;100%)</b>						
-Queenscliffe	47%	81%	53%	54%	56%	20%
-Surf Coast	58%	56%	52%	52%	51%	-12%
-Colac Otway	81%	80%	79%	78%	77%	-6%
-Geelong	50%	45%	43%	42%	40%	-20%
-Golden Plains	77%	79%	52%	59%	55%	-29%
<b>-Group</b>	<b>57%</b>	<b>54%</b>	<b>49%</b>	<b>48%</b>	<b>47%</b>	<b>-18%</b>
<b>Exenditure per capita</b>						
-Queenscliffe	\$3,653	\$3,760	\$3,798	\$3,883	\$3,968	9%
-Surf Coast	\$2,348	\$2,307	\$2,369	\$2,412	\$2,457	5%
-Colac Otway	\$2,433	\$2,504	\$2,577	\$2,642	\$2,708	11%
-Geelong	\$1,510	\$1,518	\$1,558	\$1,588	\$1,619	7%
-Golden Plains	\$1,784	\$1,755	\$1,764	\$1,788	\$1,797	1%
<b>-Group</b>	<b>\$1,687</b>	<b>\$1,691</b>	<b>\$1,732</b>	<b>\$1,765</b>	<b>\$1,797</b>	<b>7%</b>

Note: Surf Coast's commitments to asset renewal reflects a funding strategy based on a 20 year renewal demand program and doesn't have a direct relationship to depreciation. Notwithstanding this, the metric should continue to be monitored for all councils.



# Rural Councils Transformation Program

## 4. Benefits

### 4.1 Benefits of recommended solution

The Investment Logic Map (ILM) depicted earlier notes three key benefits:

- More productive and strategic resource allocation
- Agreed services continue to be funded into the future
- Improved community satisfaction with services.

The project is expected to generate a wide variety of benefits within this overarching framework. The ‘centre of excellence’ will progressively lift regional capabilities in asset management, procurement and delivery. In the medium term, when this flows through to operational decision making, these capabilities will generate material savings in:

- The procurement of asset management systems (as procurement processes for updating existing systems are aligned and leveraged)
- The planning for and provisioning of new or upgraded assets (as capital investment decisions are better informed across the region)
- Renewing and maintaining existing assets (as capital renewal and maintenance decisions are better informed)
- The procurement of regional goods and services (as procurement processes are aligned and leveraged for a broad array of council expenditures).

In terms of second round effects, the financial savings generated will be invested in additional asset investment and service delivery, as determined individually by each of the participating councils. Improved community satisfaction with council decisions and service delivery are likely to eventuate.

The ‘regional sharing framework’ will ensure that service disruptions across participating councils are addressed, thereby improving the security and quality of service provision. Given the range of services that are candidates from inclusion with the framework, these security and quality improvements could have wide ranging community benefits, particularly in the small rural councils in the Geelong region. Community satisfaction with services utilised should ultimately lift and, where relevant (e.g. land use planning), investment and business confidence may also improve.

### Project alignment with Council plans

The project contributes to the key strategies of each of the participating councils, as summarised in the table below.

**Table 3 Project alignment with Council Plans**

Plan	Strategic priority	Priority details
Borough of Queenscliffe Council Plan 2017-21	Governance and performance	<ul style="list-style-type: none"> <li>▪ Maintain a cohesive, well governed, financially sustainable and independent Borough</li> </ul>
Colac Otway Shire Council Plan 2017- 21	Our prosperity	<ul style="list-style-type: none"> <li>▪ Strengthen partnerships with key stakeholders to benefit the whole community</li> </ul>
	Our places	<ul style="list-style-type: none"> <li>▪ Assets and infrastructure meet community needs</li> </ul>
	Leadership and management	<ul style="list-style-type: none"> <li>▪ Effectively manage financial resources</li> <li>▪ Organisational development and legislative compliance</li> <li>▪ Provide value for money services for the community</li> </ul>
City of Greater Geelong Council Plan 2018-22	Innovative finances and technology	<ul style="list-style-type: none"> <li>▪ Developing digital tools and technologies to improve service delivery and customer experience</li> <li>▪ Examining our budget to fund future initiatives</li> <li>▪ Establishing sustainable financial and infrastructure management systems for the future</li> </ul>

# Rural Councils Transformation Program

	Organisational leadership, strategy and governance	<ul style="list-style-type: none"> <li>Proactively managing assets, including land holdings</li> <li>Making processes more effective and efficient</li> <li>Leading major local organisations in collaborative projects</li> </ul>
City of Greater Geelong Clever and Creative	A leader in developing and adopting technology	<ul style="list-style-type: none"> <li>Opportunities enabled by technology</li> </ul>
Golden Plains Shire Council Plan 2017-21	Delivering good governance and leadership	<ul style="list-style-type: none"> <li>Increase trust, ensure open and transparent good governance and active engagement through Council planning and decision making in the long-term interests of the community</li> </ul>
Surf Coast Shire Council Plan 2017-21	High performing Council	<ul style="list-style-type: none"> <li>Ensure Council is financially sustainable and has the capability to deliver strategic objectives</li> <li>Provide quality customer service that is convenient, efficient, timely and responsive</li> <li>Ensure the community has access to services they need</li> </ul>

## 4.2 Historical service performance

Historic service performance (baseline performance) is summarised below for the group and each of the participating councils in terms of:

- Adjusted underlying result (% income)
- Expenditure per capita (\$).

Group								
Performance measure	Unit of Measure	2017-18 Actual	2018-19 Budget	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
<b>Adjusted underlying result</b>								
-Result	%	0.0	-2.2	-0.1	0.5	-0.2	-0.4	-0.8
-Target	%	>0	>0	>0	>0	>0	>0	>0
<b>Expenditure per capita</b>								
-Result	\$	1,631	1,632	1,687	1,691	1,732	1,765	1,797
-Target	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Queenscliffe								
Performance measure	Unit of Measure	2017-18 Actual	2018-19 Budget	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
<b>Adjusted underlying result</b>								
-Result	%	1.0	-14.4	-3.7	-2.6	-1.9	-2.4	-2.8
-Target	%	>0%	>0%	>0%	>0%	>0%	>0%	>0%
<b>Expenditure per capita</b>								
-Result	\$	3,593	3,831	3,653	3,760	3,798	3,883	3,968
-Target	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Surf Coast								
Performance measure	Unit of Measure	2017-18 Actual	2018-19 Budget	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
<b>Adjusted underlying result</b>								
-Result	%	-7.0	0.5	1.1	0.6	-2.0	-2.2	-2.4
-Target	%	>0%	>0%	>0%	>0%	>0%	>0%	>0%
<b>Expenditure per capita</b>								
-Result	\$	2,254	2,339	2,348	2,307	2,369	2,412	2,457
-Target	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

# Rural Councils Transformation Program

Colac-Otway								
Performance measure	Unit of Measure	2017-18 Actual	2018-19 Budget	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
<b>Adjusted underlying result</b>								
-Result	%	1.0	-5.1	1.7	2.2	2.7	3.4	4.3
-Target	%	>0%	>0%	>0%	>0%	>0%	>0%	>0%
<b>Expenditure per capita</b>								
-Result	\$	2,362	2,370	2,433	2,504	2,577	2,642	2,708
-Target	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Geelong								
Performance measure	Unit of Measure	2017-18 Actual	2018-19 Budget	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
<b>Adjusted underlying result</b>								
-Result	%	2.0	1.0	2.8	1.6	2.1	-0.9	-1.1
-Target	%	>0%	>0%	>0%	>0%	>0%	>0%	>0%
<b>Expenditure per capita</b>								
-Result	\$	1,455	1,446	1,510	1,518	1,558	1,588	1,619
-Target	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Golden Plains								
Performance measure	Unit of Measure	2017-18 Actual	2018-19 Budget	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
<b>Adjusted underlying result</b>								
-Result	%	5.0	0.9	0.4	2.0	4.0	3.2	-0.4
-Target	%	>0%	>0%	>0%	>0%	>0%	>0%	>0%
<b>Expenditure per capita</b>								
-Result	\$	1,657	1,729	1,784	1,755	1,764	1,788	1,797
-Target	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

### 4.3 Estimated impact on service performance measures and sustainability

The table below shows how the sustainability measures for the group, outlined in Section 4.2, are expected to change if the project is implemented.

Group								
Performance measure	Existing/ New	Unit of Measure	Baseline	Change in target from section 4.2 if proposal endorsed				
			2018-19 Budget	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
<b>Adjusted underlying result</b>								
-Result	Existing	%	-2.2	-0.1	0.5	-0.2	-0.2	-0.4
-Target		%	>0	>0	>0	>0	>0	>0
<b>Expenditure per capita</b>								
-Result	Existing	\$	1,632	1,687	1,691	1,732	1,762	1,791
-Target		N/A	N/A	N/A	N/A	N/A	N/A	N/A





## 5. Current Council Service(s) Delivery

### 5.1 Revenue history and forecasts ('business as usual')

Revenue history and forecasts are not relevant for the services that will be shared under the envisaged project scope, as they are not revenue generating services.

Group	(\$000s)						
Revenue	2017-18 Actual	2018-19 Budget	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
<b>Service: Strategic Asset Management</b>							
1. User fees and charges	0	0	0	0	0	0	0
2. Specific purpose grants	0	0	0	0	0	0	0
3. Proceeds from sale/leaseback	0	0	0	0	0	0	0
4. Internal reserves	0	0	0	0	0	0	0
5. Loan funds	0	0	0	0	0	0	0
6. Other	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Service: Strategic Procurement &amp; Contract Management</b>							
1. User fees and charges	0	0	0	0	0	0	0
2. Specific purpose grants	0	0	0	0	0	0	0
3. Proceeds from sale/leaseback	0	0	0	0	0	0	0
4. Internal reserves	0	0	0	0	0	0	0
5. Loan funds	0	0	0	0	0	0	0
6. Other	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Service: Capital Program and Project Management</b>							
1. User fees and charges	0	0	0	0	0	0	0
2. Specific purpose grants	0	0	0	0	0	0	0
3. Proceeds from sale/leaseback	0	0	0	0	0	0	0
4. Internal reserves	0	0	0	0	0	0	0
5. Loan funds	0	0	0	0	0	0	0
6. Other	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Service: Regional Staff Sharing (building, planning, env health)</b>							
1. User fees and charges	0	0	0	0	0	0	0
2. Specific purpose grants	0	0	0	0	0	0	0
3. Proceeds from sale/leaseback	0	0	0	0	0	0	0
4. Internal reserves	0	0	0	0	0	0	0
5. Loan funds	0	0	0	0	0	0	0
6. Other	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Note: None of the services are revenue generating

### 5.2 Expenditure history and forecasts ('business as usual')

#### Participating councils individually

The expenditure history and forecasts for the services within the project scope are detailed by participating council and by the participating councils as a regional group in the tables overleaf. Collectively the results indicate that, under a business as usual scenario, the participating councils are expected to spend \$135 million over the five year forecast period to 2023-24.

It is noted that, under the regional staff sharing framework, building, planning and environmental health services have been used for indicative purposes, it is recognised that these are opt in arrangements for the councils.

# Rural Councils Transformation Program

Queenscliffe							(\$000s)
Operational Expenditure	2017-18 Actual	2018-19 Budget	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
<b>Service: Strategic Asset Management</b>							
1. Staffing (including oncosts)	65	67	69	70	72	74	76
2. Contractor/Consultants	0	0	0	0	0	0	0
3. External service providers	19	25	25	0	25	25	0
4. IT Operating	0	0	0	0	0	0	0
5. Plant, vehicles and equipment	2	2	2	2	2	2	2
6. Materials and consumables	0	0	0	0	0	0	0
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution of corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>86</b>	<b>94</b>	<b>95</b>	<b>72</b>	<b>99</b>	<b>101</b>	<b>78</b>
<b>Service: Strategic Procurement &amp; Contract Management</b>							
1. Staffing (including oncosts)	108	111	114	117	119	122	125
2. Contractor/Consultants	1	1	1	1	1	1	1
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	0	0	0	0	0	0	0
5. Plant, vehicles and equipment	2	2	3	3	3	3	3
6. Materials and consumables	559	573	503	518	515	528	541
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution of corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>670</b>	<b>687</b>	<b>620</b>	<b>638</b>	<b>638</b>	<b>654</b>	<b>670</b>
<b>Service: Capital Program and Project Management</b>							
1. Staffing (including oncosts)	131	134	138	141	145	148	152
2. Contractor/Consultants	0	0	0	0	0	0	0
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	0	0	0	0	0	0	0
5. Plant, vehicles and equipment	0	0	0	0	0	0	0
6. Materials and consumables	0	0	0	0	0	0	0
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution to corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>131</b>	<b>134</b>	<b>138</b>	<b>141</b>	<b>145</b>	<b>148</b>	<b>152</b>
<b>Service: Regional Staff Sharing</b>							
1. Staffing (including oncosts)	0	0	0	0	0	0	0
2. Contractor/Consultants	94	54	55	57	58	60	61
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	0	0	0	0	0	0	0
5. Plant, vehicles and equipment	0	0	0	0	0	0	0
6. Materials and consumables	0	0	0	0	0	0	0
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution of corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>94</b>	<b>54</b>	<b>55</b>	<b>57</b>	<b>58</b>	<b>60</b>	<b>61</b>
<b>Total</b>	<b>981</b>	<b>969</b>	<b>909</b>	<b>909</b>	<b>940</b>	<b>963</b>	<b>961</b>



# Rural Councils Transformation Program

Surf Coast		(\$000s)						
Operational Expenditure		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
		Actual	Budget	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Service: Strategic Asset Management</b>								
1. Staffing (including oncosts)		199	203	208	212	217	222	227
2. Contractor/Consultants		12	8	8	8	9	9	9
3. External service providers		98	100	120	110	118	150	150
4. IT Operating		5	5	5	5	5	6	6
5. Plant, vehicles and equipment		2	2	2	2	2	2	2
6. Materials and consumables		3	2	2	3	3	3	3
7. Imputed accommodation		0	0	0	0	0	0	0
8. Contribution of corporate governance		0	0	0	0	0	0	0
9. Annualised cost of capital		0	0	0	0	0	0	0
<b>Sub-total</b>		<b>318</b>	<b>320</b>	<b>345</b>	<b>340</b>	<b>353</b>	<b>390</b>	<b>396</b>
<b>Service: Strategic Procurement &amp; Contract Management</b>								
1. Staffing (including oncosts)		137	231	236	241	247	252	258
2. Contractor/Consultants		1	4	4	4	4	4	5
3. External service providers		0	0	0	0	0	0	0
4. IT Operating		0	2	2	2	2	2	2
5. Plant, vehicles and equipment		0	0	0	0	0	0	0
6. Materials and consumables		2,481	2,543	2,451	2,478	2,682	2,828	2,983
7. Imputed accommodation		0	0	0	0	0	0	0
8. Contribution of corporate governance		0	0	0	0	0	0	0
9. Annualised cost of capital		0	0	0	0	0	0	0
<b>Sub-total</b>		<b>2,618</b>	<b>2,779</b>	<b>2,693</b>	<b>2,725</b>	<b>2,934</b>	<b>3,087</b>	<b>3,247</b>
<b>Service: Capital Program and Project Management</b>								
1. Staffing (including oncosts)		981	1,028	1,051	1,074	1,098	1,122	1,147
2. Contractor/Consultants		124	93	95	98	100	102	105
3. External service providers		0	0	0	0	0	0	0
4. IT Operating		0	1	1	1	1	1	1
5. Plant, vehicles and equipment		0	32	33	34	35	36	37
6. Materials and consumables		15	78	80	82	84	86	88
7. Imputed accommodation		0	0	0	0	0	0	0
8. Contribution to corporate governance		0	0	0	0	0	0	0
9. Annualised cost of capital		0	0	0	0	0	0	0
<b>Sub-total</b>		<b>1,120</b>	<b>1,232</b>	<b>1,260</b>	<b>1,288</b>	<b>1,317</b>	<b>1,347</b>	<b>1,377</b>
<b>Service: Regional Staff Sharing</b>								
1. Staffing (including oncosts)		0	0	0	0	0	0	0
2. Contractor/Consultants		48	20	20	21	21	22	22
3. External service providers		0	0	0	0	0	0	0
4. IT Operating		0	0	0	0	0	0	0
5. Plant, vehicles and equipment		0	0	0	0	0	0	0
6. Materials and consumables		0	0	0	0	0	0	0
7. Imputed accommodation		0	0	0	0	0	0	0
8. Contribution of corporate governance		0	0	0	0	0	0	0
9. Annualised cost of capital		0	0	0	0	0	0	0
<b>Sub-total</b>		<b>48</b>	<b>20</b>	<b>20</b>	<b>21</b>	<b>21</b>	<b>22</b>	<b>22</b>
<b>Total</b>		<b>4,105</b>	<b>4,351</b>	<b>4,318</b>	<b>4,374</b>	<b>4,626</b>	<b>4,846</b>	<b>5,042</b>





# Rural Councils Transformation Program

Colac-Otway		(\$000s)					
Operational Expenditure	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Actual	Budget	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Service: Strategic Asset Management</b>							
1. Staffing (including oncosts)	490	726	748	770	794	817	842
2. Contractor/Consultants	45	47	48	49	51	52	54
3. External service providers	338	0	0	346	0	0	355
4. IT Operating	0	0	0	0	0	0	0
5. Plant, vehicles and equipment	16	16	17	17	18	19	19
6. Materials and consumables	40	34	35	36	37	38	39
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution of corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>929</b>	<b>823</b>	<b>847</b>	<b>1,219</b>	<b>899</b>	<b>926</b>	<b>1,308</b>
<b>Service: Strategic Procurement &amp; Contract Management</b>							
1. Staffing (including oncosts)	157	161	166	171	176	181	187
2. Contractor/Consultants	0	0	0	0	0	0	0
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	0	0	0	0	0	0	0
5. Plant, vehicles and equipment	0	0	0	0	0	0	0
6. Materials and consumables	1,522	1,560	1,599	1,639	1,680	1,713	1,747
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution of corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>1,679</b>	<b>1,721</b>	<b>1,764</b>	<b>1,809</b>	<b>1,855</b>	<b>1,894</b>	<b>1,934</b>
<b>Service: Capital Program and Project Management</b>							
1. Staffing (including oncosts)	572	586	604	622	641	660	680
2. Contractor/Consultants	132	135	139	143	148	152	157
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	0	0	0	0	0	0	0
5. Plant, vehicles and equipment	21	22	22	23	24	24	25
6. Materials and consumables	21	21	22	23	23	24	25
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution to corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>746</b>	<b>764</b>	<b>787</b>	<b>811</b>	<b>835</b>	<b>860</b>	<b>886</b>
<b>Service: Regional Staff Sharing</b>							
1. Staffing (including oncosts)	0	0	0	0	0	0	0
2. Contractor/Consultants	110	33	34	35	36	37	38
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	0	0	0	0	0	0	0
5. Plant, vehicles and equipment	0	0	0	0	0	0	0
6. Materials and consumables	0	0	0	0	0	0	0
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution of corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>110</b>	<b>33</b>	<b>34</b>	<b>35</b>	<b>36</b>	<b>37</b>	<b>38</b>
<b>Total</b>	<b>3,463</b>	<b>3,340</b>	<b>3,433</b>	<b>3,874</b>	<b>3,626</b>	<b>3,718</b>	<b>4,167</b>

# Rural Councils Transformation Program

Geelong								(\$000s)
Operational Expenditure	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	
	Actual	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	
<b>Service: Strategic Asset Management</b>								
1. Staffing (including oncosts)	85	0	0	0	0	0	0	
2. Contractor/Consultants	129	183	188	192	197	202	207	
3. External service providers	858	708	977	997	875	722	977	
4. IT Operating	32	33	34	35	36	36	37	
5. Plant, vehicles and equipment	0	0	0	0	0	0	0	
6. Materials and consumables	0	0	0	0	0	0	0	
7. Imputed accommodation	0	0	0	0	0	0	0	
8. Contribution of corporate governance	0	0	0	0	0	0	0	
9. Annualised cost of capital	0	0	0	0	0	0	0	
<b>Sub-total</b>	<b>1,105</b>	<b>924</b>	<b>1,199</b>	<b>1,224</b>	<b>1,108</b>	<b>961</b>	<b>1,222</b>	
<b>Service: Strategic Procurement &amp; Contract Management</b>								
1. Staffing (including oncosts)	239	583	601	619	637	656	676	
2. Contractor/Consultants	174	23	24	24	25	25	26	
3. External service providers	0	0	0	0	0	0	0	
4. IT Operating	0	0	0	0	0	0	0	
5. Plant, vehicles and equipment	0	0	0	0	0	0	0	
6. Materials and consumables	10,260	10,517	11,099	11,488	11,877	12,281	12,698	
7. Imputed accommodation	0	0	0	0	0	0	0	
8. Contribution of corporate governance	0	0	0	0	0	0	0	
9. Annualised cost of capital	0	0	0	0	0	0	0	
<b>Sub-total</b>	<b>10,674</b>	<b>11,123</b>	<b>11,723</b>	<b>12,131</b>	<b>12,539</b>	<b>12,962</b>	<b>13,400</b>	
<b>Service: Capital Program and Project Management</b>								
1. Staffing (including oncosts)	368	186	192	197	203	209	216	
2. Contractor/Consultants	22	21	22	22	23	24	24	
3. External service providers	0	0	0	0	0	0	0	
4. IT Operating	0	0	0	0	0	0	0	
5. Plant, vehicles and equipment	98	108	110	113	116	119	122	
6. Materials and consumables	123	160	163	168	172	176	180	
7. Imputed accommodation	0	0	0	0	0	0	0	
8. Contribution to corporate governance	0	0	0	0	0	0	0	
9. Annualised cost of capital	0	0	0	0	0	0	0	
<b>Sub-total</b>	<b>611</b>	<b>475</b>	<b>487</b>	<b>501</b>	<b>514</b>	<b>528</b>	<b>542</b>	
<b>Service: Regional Staff Sharing</b>								
1. Staffing (including oncosts)	0	0	0	0	0	0	0	
2. Contractor/Consultants	828	497	400	350	300	300	300	
3. External service providers	0	0	0	0	0	0	0	
4. IT Operating	0	0	0	0	0	0	0	
5. Plant, vehicles and equipment	0	0	0	0	0	0	0	
6. Materials and consumables	0	0	0	0	0	0	0	
7. Imputed accommodation	0	0	0	0	0	0	0	
8. Contribution of corporate governance	0	0	0	0	0	0	0	
9. Annualised cost of capital	0	0	0	0	0	0	0	
<b>Sub-total</b>	<b>828</b>	<b>497</b>	<b>400</b>	<b>350</b>	<b>300</b>	<b>300</b>	<b>300</b>	
<b>Total</b>	<b>13,218</b>	<b>13,019</b>	<b>13,809</b>	<b>14,206</b>	<b>14,461</b>	<b>14,751</b>	<b>15,464</b>	

# Rural Councils Transformation Program

Golden Plains								(\$000s)
Operational Expenditure	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	
	Actual	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	
<b>Service: Strategic Asset Management</b>								
1. Staffing (including oncosts)	304	317	323	330	337	344	351	
2. Contractor/Consultants	0	0	0	0	0	0	0	
3. External service providers	0	124	0	0	127	0	0	
4. IT Operating	23	16	17	17	18	18	19	
5. Plant, vehicles and equipment	4	4	4	4	4	4	4	
6. Materials and consumables	0	0	0	0	0	0	0	
7. Imputed accommodation	0	0	0	0	0	0	0	
8. Contribution of corporate governance	0	0	0	0	0	0	0	
9. Annualised cost of capital	0	0	0	0	0	0	0	
<b>Sub-total</b>	<b>330</b>	<b>461</b>	<b>344</b>	<b>352</b>	<b>486</b>	<b>367</b>	<b>374</b>	
<b>Service: Strategic Procurement &amp; Contract Management</b>								
1. Staffing (including oncosts)	222	283	288	294	301	307	313	
2. Contractor/Consultants	31	9	9	9	10	10	10	
3. External service providers	0	0	0	0	0	0	0	
4. IT Operating	9	12	12	12	12	13	13	
5. Plant, vehicles and equipment	0	0	0	0	0	0	0	
6. Materials and consumables	1,773	1,818	1,874	1,942	2,011	2,083	2,156	
7. Imputed accommodation	0	0	0	0	0	0	0	
8. Contribution of corporate governance	0	0	0	0	0	0	0	
9. Annualised cost of capital	0	0	0	0	0	0	0	
<b>Sub-total</b>	<b>2,035</b>	<b>2,121</b>	<b>2,184</b>	<b>2,258</b>	<b>2,334</b>	<b>2,412</b>	<b>2,493</b>	
<b>Service: Capital Program and Project Management</b>								
1. Staffing (including oncosts)	411	441	450	460	469	479	489	
2. Contractor/Consultants	0	0	0	0	0	0	0	
3. External service providers	0	0	0	0	0	0	0	
4. IT Operating	0	0	0	0	0	0	0	
5. Plant, vehicles and equipment	0	0	0	0	0	0	0	
6. Materials and consumables	0	0	0	0	0	0	0	
7. Imputed accommodation	0	0	0	0	0	0	0	
8. Contribution to corporate governance	0	0	0	0	0	0	0	
9. Annualised cost of capital	0	0	0	0	0	0	0	
<b>Sub-total</b>	<b>411</b>	<b>441</b>	<b>450</b>	<b>460</b>	<b>469</b>	<b>479</b>	<b>489</b>	
<b>Service: Regional Staff Sharing</b>								
1. Staffing (including oncosts)	0	0	0	0	0	0	0	
2. Contractor/Consultants	30	21	22	22	23	23	24	
3. External service providers	0	0	0	0	0	0	0	
4. IT Operating	0	0	0	0	0	0	0	
5. Plant, vehicles and equipment	0	0	0	0	0	0	0	
6. Materials and consumables	0	0	0	0	0	0	0	
7. Imputed accommodation	0	0	0	0	0	0	0	
8. Contribution of corporate governance	0	0	0	0	0	0	0	
9. Annualised cost of capital	0	0	0	0	0	0	0	
<b>Sub-total</b>	<b>30</b>	<b>21</b>	<b>22</b>	<b>22</b>	<b>23</b>	<b>23</b>	<b>24</b>	
<b>Total</b>	<b>2,806</b>	<b>3,044</b>	<b>3,000</b>	<b>3,091</b>	<b>3,312</b>	<b>3,281</b>	<b>3,380</b>	

# Rural Councils Transformation Program

**Participating councils collectively**

Group	(\$000s)						
Operational Expenditure	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Actual	Budget	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Service: Strategic Asset Management</b>							
1. Staffing (including oncosts)	1,142	1,313	1,348	1,383	1,420	1,457	1,496
2. Contractor/Consultants	187	238	244	250	257	263	270
3. External service providers	1,312	957	1,122	1,453	1,145	897	1,482
4. IT Operating	60	54	56	57	59	60	62
5. Plant, vehicles and equipment	24	24	24	25	26	26	27
6. Materials and consumables	43	36	37	38	39	40	42
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution to corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>2,768</b>	<b>2,621</b>	<b>2,831</b>	<b>3,207</b>	<b>2,945</b>	<b>2,744</b>	<b>3,378</b>
<b>Service: Strategic Procurement &amp; Contract Management</b>							
1. Staffing (including oncosts)	863	1,369	1,405	1,442	1,480	1,519	1,559
2. Contractor/Consultants	207	37	38	39	40	41	42
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	9	13	14	14	14	15	15
5. Plant, vehicles and equipment	2	2	3	3	3	3	3
6. Materials and consumables	16,595	17,010	17,525	18,064	18,764	19,432	20,126
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution to corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>17,676</b>	<b>18,431</b>	<b>18,984</b>	<b>19,561</b>	<b>20,301</b>	<b>21,010</b>	<b>21,745</b>
<b>Service: Capital Program and Project Management</b>							
1. Staffing (including oncosts)	2,463	2,376	2,435	2,494	2,556	2,619	2,683
2. Contractor/Consultants	278	249	256	263	270	278	286
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	0	1	1	1	1	1	1
5. Plant, vehicles and equipment	119	162	166	170	175	179	184
6. Materials and consumables	158	258	265	272	279	286	293
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution to corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>3,019</b>	<b>3,047</b>	<b>3,123</b>	<b>3,201</b>	<b>3,281</b>	<b>3,363</b>	<b>3,447</b>
<b>Service: Regional Staff Sharing</b>							
1. Staffing (including oncosts)	0	0	0	0	0	0	0
2. Contractor/Consultants	1,110	625	531	484	438	442	445
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	0	0	0	0	0	0	0
5. Plant, vehicles and equipment	0	0	0	0	0	0	0
6. Materials and consumables	0	0	0	0	0	0	0
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution to corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>1,110</b>	<b>625</b>	<b>531</b>	<b>484</b>	<b>438</b>	<b>442</b>	<b>445</b>
<b>Total</b>	<b>24,573</b>	<b>24,724</b>	<b>25,468</b>	<b>26,453</b>	<b>26,964</b>	<b>27,558</b>	<b>29,015</b>



# Rural Councils Transformation Program

Group	(\$000s)						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Capital Expenditure	Actual	Budget	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Service: Strategic Asset Management</b>							
1. Capital component 'a'	0	0	0	0	0	0	0
2. Capital component 'b'	0	0	0	0	0	0	0
3. Contingency/risk allocation	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Service: Strategic Procurement &amp; Contract Management</b>							
1. Capital component 'a'	0	0	0	0	0	0	0
2. Capital component 'b'	0	0	0	0	0	0	0
3. Contingency/risk allocation	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Service: Capital Program and Project Management</b>							
1. Capital component 'a'	0	0	0	0	0	0	0
2. Capital component 'b'	0	0	0	0	0	0	0
3. Contingency/risk allocation	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Service: Regional Staff Sharing (building, planning, env health)</b>							
1. Capital component 'a'	0	0	0	0	0	0	0
2. Capital component 'b'	0	0	0	0	0	0	0
3. Contingency/risk allocation	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Note: None of the services have capital expenditure

### 5.3 Return on investment

Given that the services within the project scope are non-revenue earning, the business as usual's return on investment equates with the forecast expenditures under the baseline (Section 5.2), that is:

- A collective spend of \$135 million over the five year forecast period to 2023-24.
- A Present Value spend of \$125 million (using a 2.5% discount rate).



The logo for the Rural Councils Transformation Program features a teal background with a dark blue triangle on the left and a red triangle on the right, both pointing towards the center. The text "Rural Councils Transformation Program" is written in white, bold, sans-serif font across the teal background.

## Rural Councils Transformation Program

### 6. Revenue sought for the recommended solution

#### 6.1 Expenditure forecasts

Based on the evidence summarised in Section 3.3, the expenditure profile under the project scenario for participating councils will change to include:

- Project implementation costs (for which a RCTP grant is being sought)
- Regional asset management:
  - Cost of asset condition assessments – 10% efficiency gains assumed
- Regional procurement (of up to 10% of total Materials and Services spend, with two example contracts below):
  - Cost of kerbside bin collection service – 10% efficiency gains assumed
  - Cost of sealed road resealing – 10% efficiency gains assumed
  - Costs of other 3<sup>rd</sup> party spend budgets to make up the total spend of 10% of Materials and Services – 10% efficiency gains assumed
- Capital project management – 10% efficiencies in contractor costs due to accessing staff from other councils market-provided contractor cost penalties (not redundancies)
- Regional staff sharing – 10% efficiencies in contractor costs due to accessing staff from other councils market-provided contractor cost penalties (not redundancies) associated with building, planning and environmental health services.

These underlying assumptions are conservative given the findings of EY (2008), who found that collaborative procurement could generate savings between 7.5%-15% across all council expenditure categories, combined with the known penalties that are paid by participating councils for contractors that can be insourced as staff members.

In the tables overleaf, collective expenditure forecasts under the project scenario total to \$132 million over the five year forecast period.

# Rural Councils Transformation Program

## Participating councils individually

Queenscliffe		(\$000s)						
Operational Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24	5-year total	Ongoing	
	Forecast	Forecast	Forecast	Forecast	Forecast			
<b>Service: Strategic Asset Management</b>								
1. Staffing (including oncosts)	69	70	72	74	76	361	76	
2. Contractor/Consultants	0	0	0	0	0	0	0	
3. External service providers	25	0	25	24	0	74	0	
4. IT Operating	0	0	0	0	0	0	0	
5. Plant, vehicles and equipment	2	2	2	2	2	9	2	
6. Materials and consumables	0	0	0	0	0	0	0	
7. Imputed accommodation	0	0	0	0	0	0	0	
8. Contribution of corporate governance	0	0	0	0	0	0	0	
9. Annualised cost of capital	0	0	0	0	0	0	0	
<b>Sub-total</b>	<b>95</b>	<b>72</b>	<b>99</b>	<b>100</b>	<b>78</b>	<b>444</b>	<b>78</b>	
<b>Service: Strategic Procurement &amp; Contract Management</b>								
1. Staffing (including oncosts)	114	117	119	122	125	597	125	
2. Contractor/Consultants	1	1	1	1	1	6	1	
3. External service providers	0	0	0	0	0	0	0	
4. IT Operating	0	0	0	0	0	0	0	
5. Plant, vehicles and equipment	3	3	3	3	3	13	3	
6. Materials and consumables	503	518	515	502	492	2,530	492	
7. Imputed accommodation	0	0	0	0	0	0	0	
8. Contribution of corporate governance	0	0	0	0	0	0	0	
9. Annualised cost of capital	0	0	0	0	0	0	0	
<b>Sub-total</b>	<b>620</b>	<b>638</b>	<b>638</b>	<b>629</b>	<b>621</b>	<b>3,146</b>	<b>621</b>	
<b>Service: Capital Program and Project Management</b>								
1. Staffing (including oncosts)	138	141	145	148	152	724	152	
2. Contractor/Consultants	0	0	0	0	0	0	0	
3. External service providers	0	0	0	0	0	0	0	
4. IT Operating	0	0	0	0	0	0	0	
5. Plant, vehicles and equipment	0	0	0	0	0	0	0	
6. Materials and consumables	0	0	0	0	0	0	0	
7. Imputed accommodation	0	0	0	0	0	0	0	
8. Contribution to corporate governance	0	0	0	0	0	0	0	
9. Annualised cost of capital	0	0	0	0	0	0	0	
<b>Sub-total</b>	<b>138</b>	<b>141</b>	<b>145</b>	<b>148</b>	<b>152</b>	<b>724</b>	<b>152</b>	
<b>Service: Regional Staff Sharing</b>								
1. Staffing (including oncosts)	0	0	0	0	0	0	0	
2. Contractor/Consultants	55	52	53	54	56	270	56	
3. External service providers	0	0	0	0	0	0	0	
4. IT Operating	0	0	0	0	0	0	0	
5. Plant, vehicles and equipment	0	0	0	0	0	0	0	
6. Materials and consumables	0	0	0	0	0	0	0	
7. Imputed accommodation	0	0	0	0	0	0	0	
8. Contribution of corporate governance	0	0	0	0	0	0	0	
9. Annualised cost of capital	0	0	0	0	0	0	0	
<b>Sub-total</b>	<b>55</b>	<b>52</b>	<b>53</b>	<b>54</b>	<b>56</b>	<b>270</b>	<b>56</b>	
<b>Total</b>	<b>909</b>	<b>903</b>	<b>935</b>	<b>931</b>	<b>906</b>	<b>4,584</b>	<b>906</b>	

# Rural Councils Transformation Program

Surf Coast		(\$000s)					
Operational Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24	5-year total	Ongoing
	Forecast	Forecast	Forecast	Forecast	Forecast		
<b>Service: Strategic Asset Management</b>							
1. Staffing (including oncosts)	208	212	217	222	227	1,085	227
2. Contractor/Consultants	8	8	9	9	9	43	9
3. External service providers	120	110	118	143	136	627	136
4. IT Operating	5	5	5	6	6	27	6
5. Plant, vehicles and equipment	2	2	2	2	2	9	2
6. Materials and consumables	2	3	3	3	3	13	3
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution of corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>345</b>	<b>340</b>	<b>353</b>	<b>383</b>	<b>382</b>	<b>1,804</b>	<b>382</b>
<b>Service: Strategic Procurement &amp; Contract Management</b>							
1. Staffing (including oncosts)	236	241	247	252	258	1,234	258
2. Contractor/Consultants	4	4	4	4	5	22	5
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	2	2	2	2	2	9	2
5. Plant, vehicles and equipment	0	0	0	0	0	0	0
6. Materials and consumables	2,451	2,478	2,682	2,694	2,712	13,016	2,712
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution of corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>2,693</b>	<b>2,725</b>	<b>2,934</b>	<b>2,952</b>	<b>2,976</b>	<b>14,280</b>	<b>2,976</b>
<b>Service: Capital Program and Project Management</b>							
1. Staffing (including oncosts)	1,051	1,074	1,098	1,122	1,147	5,491	1,147
2. Contractor/Consultants	95	98	91	93	96	472	96
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	1	1	1	1	1	5	1
5. Plant, vehicles and equipment	33	34	35	36	37	175	37
6. Materials and consumables	80	82	84	86	88	418	88
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution of corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>1,260</b>	<b>1,288</b>	<b>1,308</b>	<b>1,338</b>	<b>1,368</b>	<b>6,562</b>	<b>1,368</b>
<b>Service: Regional Staff Sharing</b>							
1. Staffing (including oncosts)	0	0	0	0	0	0	0
2. Contractor/Consultants	20	19	19	20	20	98	20
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	0	0	0	0	0	0	0
5. Plant, vehicles and equipment	0	0	0	0	0	0	0
6. Materials and consumables	0	0	0	0	0	0	0
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution of corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>20</b>	<b>19</b>	<b>19</b>	<b>20</b>	<b>20</b>	<b>98</b>	<b>20</b>
<b>Total</b>	<b>4,318</b>	<b>4,372</b>	<b>4,615</b>	<b>4,693</b>	<b>4,746</b>	<b>22,744</b>	<b>4,746</b>

# Rural Councils Transformation Program

Colac-Otway		(\$000s)					
Operational Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24	5-year total	Ongoing
	Forecast	Forecast	Forecast	Forecast	Forecast		
<b>Service: Strategic Asset Management</b>							
1. Staffing (including oncosts)	748	770	794	817	842	3,971	842
2. Contractor/Consultants	48	49	51	52	54	254	54
3. External service providers	0	346	0	0	322	668	322
4. IT Operating	0	0	0	0	0	0	0
5. Plant, vehicles and equipment	17	17	18	19	19	90	19
6. Materials and consumables	35	36	37	38	39	183	39
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution of corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>847</b>	<b>1,219</b>	<b>899</b>	<b>926</b>	<b>1,276</b>	<b>5,167</b>	<b>1,276</b>
<b>Service: Strategic Procurement &amp; Contract Management</b>							
1. Staffing (including oncosts)	166	171	176	181	187	880	187
2. Contractor/Consultants	0	0	0	0	0	0	0
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	0	0	0	0	0	0	0
5. Plant, vehicles and equipment	0	0	0	0	0	0	0
6. Materials and consumables	1,599	1,639	1,680	1,632	1,589	8,137	1,589
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution of corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>1,764</b>	<b>1,809</b>	<b>1,855</b>	<b>1,813</b>	<b>1,775</b>	<b>9,017</b>	<b>1,775</b>
<b>Service: Capital Program and Project Management</b>							
1. Staffing (including oncosts)	604	622	641	660	680	3,206	680
2. Contractor/Consultants	139	143	134	138	142	697	142
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	0	0	0	0	0	0	0
5. Plant, vehicles and equipment	22	23	24	24	25	119	25
6. Materials and consumables	22	23	23	24	25	116	25
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution of corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>787</b>	<b>811</b>	<b>822</b>	<b>846</b>	<b>872</b>	<b>4,138</b>	<b>872</b>
<b>Service: Regional Staff Sharing</b>							
1. Staffing (including oncosts)	0	0	0	0	0	0	0
2. Contractor/Consultants	34	32	33	34	35	167	35
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	0	0	0	0	0	0	0
5. Plant, vehicles and equipment	0	0	0	0	0	0	0
6. Materials and consumables	0	0	0	0	0	0	0
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution of corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>34</b>	<b>32</b>	<b>33</b>	<b>34</b>	<b>35</b>	<b>167</b>	<b>35</b>
<b>Total</b>	<b>3,433</b>	<b>3,871</b>	<b>3,609</b>	<b>3,619</b>	<b>3,958</b>	<b>18,489</b>	<b>3,958</b>

# Rural Councils Transformation Program

Geelong		(\$000s)					
Operational Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24	5-year total	Ongoing
	Forecast	Forecast	Forecast	Forecast	Forecast		
<b>Service: Strategic Asset Management</b>							
1. Staffing (including oncosts)	0	0	0	0	0	0	0
2. Contractor/Consultants	188	192	197	202	207	987	207
3. External service providers	977	997	875	688	888	4,425	888
4. IT Operating	34	35	36	36	37	178	37
5. Plant, vehicles and equipment	0	0	0	0	0	0	0
6. Materials and consumables	0	0	0	0	0	0	0
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution of corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>1,199</b>	<b>1,224</b>	<b>1,108</b>	<b>926</b>	<b>1,133</b>	<b>5,590</b>	<b>1,133</b>
<b>Service: Strategic Procurement &amp; Contract Management</b>							
1. Staffing (including oncosts)	601	619	637	656	676	3,189	676
2. Contractor/Consultants	24	24	25	25	26	124	26
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	0	0	0	0	0	0	0
5. Plant, vehicles and equipment	0	0	0	0	0	0	0
6. Materials and consumables	11,099	11,488	11,877	11,696	11,544	57,703	11,544
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution of corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>11,723</b>	<b>12,131</b>	<b>12,539</b>	<b>12,378</b>	<b>12,246</b>	<b>61,017</b>	<b>12,246</b>
<b>Service: Capital Program and Project Management</b>							
1. Staffing (including oncosts)	192	197	203	209	216	1,017	216
2. Contractor/Consultants	22	22	21	21	22	108	22
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	0	0	0	0	0	0	0
5. Plant, vehicles and equipment	110	113	116	119	122	581	122
6. Materials and consumables	163	168	172	176	180	859	180
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution of corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>487</b>	<b>501</b>	<b>512</b>	<b>526</b>	<b>540</b>	<b>2,566</b>	<b>540</b>
<b>Service: Regional Staff Sharing</b>							
1. Staffing (including oncosts)	0	0	0	0	0	0	0
2. Contractor/Consultants	400	318	273	273	273	1,536	273
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	0	0	0	0	0	0	0
5. Plant, vehicles and equipment	0	0	0	0	0	0	0
6. Materials and consumables	0	0	0	0	0	0	0
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution of corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>400</b>	<b>318</b>	<b>273</b>	<b>273</b>	<b>273</b>	<b>1,536</b>	<b>273</b>
<b>Total</b>	<b>13,809</b>	<b>14,174</b>	<b>14,431</b>	<b>14,102</b>	<b>14,191</b>	<b>70,708</b>	<b>14,191</b>



# Rural Councils Transformation Program

Golden Plains		(\$000s)					
Operational Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24	5-year total	Ongoing
	Forecast	Forecast	Forecast	Forecast	Forecast		
<b>Service: Strategic Asset Management</b>							
1. Staffing (including oncosts)	323	330	337	344	351	1,686	351
2. Contractor/Consultants	0	0	0	0	0	0	0
3. External service providers	0	0	127	0	0	127	0
4. IT Operating	17	17	18	18	19	88	19
5. Plant, vehicles and equipment	4	4	4	4	4	21	4
6. Materials and consumables	0	0	0	0	0	0	0
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution of corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>344</b>	<b>352</b>	<b>486</b>	<b>367</b>	<b>374</b>	<b>1,922</b>	<b>374</b>
<b>Service: Strategic Procurement &amp; Contract Management</b>							
1. Staffing (including oncosts)	288	294	301	307	313	1,504	313
2. Contractor/Consultants	9	9	10	10	10	48	10
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	12	12	12	13	13	62	13
5. Plant, vehicles and equipment	0	0	0	0	0	0	0
6. Materials and consumables	1,874	1,942	2,011	1,983	1,960	9,770	1,960
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution of corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>2,184</b>	<b>2,258</b>	<b>2,334</b>	<b>2,313</b>	<b>2,297</b>	<b>11,385</b>	<b>2,297</b>
<b>Service: Capital Program and Project Management</b>							
1. Staffing (including oncosts)	450	460	469	479	489	2,348	489
2. Contractor/Consultants	0	0	0	0	0	0	0
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	0	0	0	0	0	0	0
5. Plant, vehicles and equipment	0	0	0	0	0	0	0
6. Materials and consumables	0	0	0	0	0	0	0
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution of corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>450</b>	<b>460</b>	<b>469</b>	<b>479</b>	<b>489</b>	<b>2,348</b>	<b>489</b>
<b>Service: Regional Staff Sharing</b>							
1. Staffing (including oncosts)	0	0	0	0	0	0	0
2. Contractor/Consultants	22	20	21	21	22	105	22
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	0	0	0	0	0	0	0
5. Plant, vehicles and equipment	0	0	0	0	0	0	0
6. Materials and consumables	0	0	0	0	0	0	0
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution of corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>22</b>	<b>20</b>	<b>21</b>	<b>21</b>	<b>22</b>	<b>105</b>	<b>22</b>
<b>Total</b>	<b>3,000</b>	<b>3,089</b>	<b>3,310</b>	<b>3,180</b>	<b>3,182</b>	<b>15,761</b>	<b>3,182</b>

# Rural Councils Transformation Program

**Participating councils collectively**

Group	(\$000s)						
Operational Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24	5-year total	Ongoing
	Forecast	Forecast	Forecast	Forecast	Forecast		
<b>Service: Strategic Asset Management</b>							
1. Staffing (including oncosts)	1,348	1,383	1,420	1,457	1,496	7,103	1,496
2. Contractor/Consultants	244	250	257	263	270	1,284	270
3. External service providers	1,122	1,453	1,145	854	1,347	5,921	1,347
4. IT Operating	56	57	59	60	62	293	62
5. Plant, vehicles and equipment	24	25	26	26	27	129	27
6. Materials and consumables	37	38	39	40	42	196	42
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution to corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>2,831</b>	<b>3,207</b>	<b>2,945</b>	<b>2,702</b>	<b>3,243</b>	<b>14,927</b>	<b>3,243</b>
<b>Service: Strategic Procurement &amp; Contract Management</b>							
1. Staffing (including oncosts)	1,405	1,442	1,480	1,519	1,559	7,405	1,559
2. Contractor/Consultants	38	39	40	41	42	199	42
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	14	14	14	15	15	71	15
5. Plant, vehicles and equipment	3	3	3	3	3	13	3
6. Materials and consumables	17,525	18,064	18,764	18,507	18,296	91,156	18,296
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution to corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>18,984</b>	<b>19,561</b>	<b>20,301</b>	<b>20,084</b>	<b>19,915</b>	<b>98,845</b>	<b>19,915</b>
<b>Service: Capital Program and Project Management</b>							
1. Staffing (including oncosts)	2,435	2,494	2,556	2,619	2,683	12,787	2,683
2. Contractor/Consultants	256	263	246	253	260	1,278	260
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	1	1	1	1	1	5	1
5. Plant, vehicles and equipment	166	170	175	179	184	874	184
6. Materials and consumables	265	272	279	286	293	1,394	293
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution to corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>3,123</b>	<b>3,201</b>	<b>3,256</b>	<b>3,338</b>	<b>3,421</b>	<b>16,338</b>	<b>3,421</b>
<b>Service: Regional Staff Sharing</b>							
1. Staffing (including oncosts)	0	0	0	0	0	0	0
2. Contractor/Consultants	531	440	398	401	405	2,176	405
3. External service providers	0	0	0	0	0	0	0
4. IT Operating	0	0	0	0	0	0	0
5. Plant, vehicles and equipment	0	0	0	0	0	0	0
6. Materials and consumables	0	0	0	0	0	0	0
7. Imputed accommodation	0	0	0	0	0	0	0
8. Contribution to corporate governance	0	0	0	0	0	0	0
9. Annualised cost of capital	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>531</b>	<b>440</b>	<b>398</b>	<b>401</b>	<b>405</b>	<b>2,176</b>	<b>405</b>
<b>Total</b>	<b>25,468</b>	<b>26,409</b>	<b>26,900</b>	<b>26,525</b>	<b>26,984</b>	<b>132,286</b>	<b>26,984</b>

# Rural Councils Transformation Program

Group	(\$000s)						
Capital Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24	5-year total	Ongoing
	Forecast	Forecast	Forecast	Forecast	Forecast		
<b>Service: Strategic Asset Management</b>							
1. Capital component 'a'	0	0	0	0	0	0	0
2. Capital component 'b'	0	0	0	0	0	0	0
3. Contingency/risk allocation	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Service: Strategic Procurement &amp; Contract Management</b>							
1. Capital component 'a'	0	0	0	0	0	0	0
2. Capital component 'b'	0	0	0	0	0	0	0
3. Contingency/risk allocation	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Service: Capital Program and Project Management</b>							
1. Capital component 'a'	0	0	0	0	0	0	0
2. Capital component 'b'	0	0	0	0	0	0	0
3. Contingency/risk allocation	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Service: Regional Staff Sharing (building, planning, env health)</b>							
1. Capital component 'a'	0	0	0	0	0	0	0
2. Capital component 'b'	0	0	0	0	0	0	0
3. Contingency/risk allocation	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 6.2 Proposed revenue sources and alternatives

Group	(\$000s)						
Revenue	2019-20	2020-21	2021-22	2022-23	2023-24	5-year total	Ongoing
	Forecast	Forecast	Forecast	Forecast	Forecast		
<b>Service: Strategic Asset Management</b>							
1. User fees and charges	0	0	0	0	0	0	0
2. Specific purpose grants	0	0	0	0	0	0	0
3. Proceeds from sale/leaseback	0	0	0	0	0	0	0
4. Internal reserves	0	0	0	0	0	0	0
5. Loan funds	0	0	0	0	0	0	0
6. Other	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Service: Strategic Procurement &amp; Contract Management</b>							
1. User fees and charges	0	0	0	0	0	0	0
2. Specific purpose grants	0	0	0	0	0	0	0
3. Proceeds from sale/leaseback	0	0	0	0	0	0	0
4. Internal reserves	0	0	0	0	0	0	0
5. Loan funds	0	0	0	0	0	0	0
6. Other	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Service: Capital Program and Project Management</b>							
1. User fees and charges	0	0	0	0	0	0	0
2. Specific purpose grants	0	0	0	0	0	0	0
3. Proceeds from sale/leaseback	0	0	0	0	0	0	0
4. Internal reserves	0	0	0	0	0	0	0
5. Loan funds	0	0	0	0	0	0	0
6. Other	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Service: Regional Staff Sharing (building, planning, env health)</b>							
1. User fees and charges	0	0	0	0	0	0	0
2. Specific purpose grants	0	0	0	0	0	0	0
3. Proceeds from sale/leaseback	0	0	0	0	0	0	0
4. Internal reserves	0	0	0	0	0	0	0
5. Loan funds	0	0	0	0	0	0	0
6. Other	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

# Rural Councils Transformation Program

## 6.3 RCTP grant sought

An RCRP grant is sought for \$4.8 million, with the vast bulk of this expended in the first 3 years, enabling financial dividends to be recouped in the later years.

Group		(\$000s)						
RCTP Grant		2019-20	2020-21	2021-22	2022-23	2023-24	5-year total	Ongoing
		Forecast	Forecast	Forecast	Forecast	Forecast		
<b>RCTP Grant Proceeds</b>	<b>Total</b>	<b>2,595</b>	<b>1,130</b>	<b>515</b>	<b>365</b>	<b>185</b>	<b>4,790</b>	<b>0</b>
<b>Service: Governance Model</b>								
<b>RCTP Budget Allocation</b>								
1. Staffing management/admin		150	150	150	100	50	600	0
2. Accommodation		0	0	0	0	0	0	0
3. Consultancies		0	0	0	0	0	0	0
4. Training and development		0	0	0	0	0	0	0
5. Legal		75	0	50	0	0	125	0
6. Leases		0	0	0	0	0	0	0
7. Other direct council resources		0	0	0	0	0	0	0
<b>Capital</b>								
8. Vehicles		0	0	0	0	0	0	0
9. Equipment		0	0	0	0	0	0	0
10. IT Software		0	0	0	0	0	0	0
11. IT Hardware		0	0	0	0	0	0	0
12. [Other]		0	0	0	0	0	0	0
	<b>Sub-total</b>	<b>225</b>	<b>150</b>	<b>200</b>	<b>100</b>	<b>50</b>	<b>725</b>	<b>0</b>
<b>Service: Strategic Asset Management</b>								
<b>RCTP Budget Allocation</b>								
1. Staffing management/admin		300	300	150	100	50	900	0
2. Accommodation		0	0	0	0	0	0	0
3. Consultancies		800	300	0	0	0	1,100	0
4. Training and development		50	50	0	0	0	100	0
5. Legal		50	0	0	0	0	50	0
6. Leases		0	0	0	0	0	0	0
7. Other direct council resources		0	0	0	0	0	0	0
<b>Capital</b>								
8. Vehicles		0	0	0	0	0	0	0
9. Equipment		0	0	0	0	0	0	0
10. IT Software		550	10	10	10	10	590	0
11. IT Hardware		0	0	0	0	0	0	0
12. [Other]		0	0	0	0	0	0	0
	<b>Sub-total</b>	<b>1,750</b>	<b>660</b>	<b>160</b>	<b>110</b>	<b>60</b>	<b>2,740</b>	<b>0</b>
<b>Service: Strategic Procurement &amp; Contract Management</b>								
<b>RCTP Budget Allocation</b>								
1. Staffing management/admin		135	135	135	135	55	595	0
2. Accommodation		0	0	0	0	0	0	0
3. Consultancies		50	0	0	0	0	50	0
4. Training and development		25	25	0	0	0	50	0
5. Legal		20	0	0	0	0	20	0
6. Leases		0	0	0	0	0	0	0
7. Other direct council resources		0	0	0	0	0	0	0
<b>Capital</b>								
8. Vehicles		0	0	0	0	0	0	0
9. Equipment		0	0	0	0	0	0	0
10. IT Software		40	10	10	10	10	80	0
11. IT Hardware		0	0	0	0	0	0	0
12. [Other]		0	0	0	0	0	0	0
	<b>Sub-total</b>	<b>270</b>	<b>170</b>	<b>145</b>	<b>145</b>	<b>65</b>	<b>795</b>	<b>0</b>

# Rural Councils Transformation Program

	2019-20	2020-21	2021-22	2022-23	2023-24	5-year total	Ongoing
	Forecast	Forecast	Forecast	Forecast	Forecast		
<b>Service: Capital Program and Project Management</b>							
<b>RCTP Budget Allocation</b>							
1. Staffing management/admin	115	115	0	0	0	230	0
2. Accommodation	0	0	0	0	0	0	0
3. Consultancies	0	0	0	0	0	0	0
4. Training and development	25	25	0	0	0	50	0
5. Legal	20	0	0	0	0	20	0
6. Leases	0	0	0	0	0	0	0
7. Other direct council resources	0	0	0	0	0	0	0
<b>Capital</b>							
8. Vehicles	0	0	0	0	0	0	0
9. Equipment	0	0	0	0	0	0	0
10. IT Software	40	10	10	10	10	80	0
11. IT Hardware	0	0	0	0	0	0	0
12. [Other]	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>200</b>	<b>150</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>380</b>	<b>0</b>
<b>Service: Regional Staff Sharing</b>							
<b>RCTP Budget Allocation</b>							
1. Staffing management/admin	110	0	0	0	0	110	0
2. Accommodation	0	0	0	0	0	0	0
3. Consultancies	0	0	0	0	0	0	0
4. Training and development	20	0	0	0	0	20	0
5. Legal	20	0	0	0	0	20	0
6. Leases	0	0	0	0	0	0	0
7. Other direct council resources	0	0	0	0	0	0	0
<b>Capital</b>							
8. Vehicles	0	0	0	0	0	0	0
9. Equipment	0	0	0	0	0	0	0
10. IT Software	0	0	0	0	0	0	0
11. IT Hardware	0	0	0	0	0	0	0
12. [Other]	0	0	0	0	0	0	0
<b>Sub-total</b>	<b>150</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>150</b>	<b>0</b>
<b>Total</b>	<b>2,595</b>	<b>1,130</b>	<b>515</b>	<b>365</b>	<b>185</b>	<b>4,790</b>	<b>0</b>

Greater Geelong, as lead Council, will be the recipient of the project funds on behalf of the partnership of regional councils. Greater Geelong will ensure that all the participation costs of all councils will be supported through the grant, noting that the majority of costs will be used for:

- Recruitment of an executive officer to lead project implementation as well as a specialist asset manager, procurement manager and capital program manager to establish targeted Centres of Excellence, and
- Allowance for a common Strategic Asset Management System procurement, implementation and integration (inclusive of project management and consulting costs).





# Rural Councils Transformation Program

## 6.4 Return on investment

### Financial returns

Given that the services within the project scope are non-revenue earning, the project’s return on investment equates with the difference in between project (Section 6.1) and baseline expenditure profiles (Section 5.2), after accounting for project implementation costs (Section 6.3), that is:

- A collective operational spend of \$135 million over the five year forecast period to 2023-24, compared to a \$132 million spend under the business as usual scenario.
- RCTP funded project costs of \$4.8 million
- A Net Present Value cost of \$1.7 million.

### Sensitivity analysis

In the table below a sensitivity analysis tabulated below:

- Column A summaries the assumptions and results generated by the project documented above, assuming that 10% of the participating council’s collective materials and services budgets are subject to collaborative procurement
- Column B presents a more optimistic scenario, as per Column A, assuming that 20% of the participating council’s collective materials and services budgets are subject to collaborative procurement
- Column C presents a more pessimistic scenario, as per Column A, assuming that 5% of the participating council’s collective materials and services budgets are subject to collaborative procurement

**Table 8 Sensitivity analysis**

Savings	A Proposed	B Optimistic	C Pessimistic
Materials and services* spend %	10%	20%	5%
5 yr BAU (\$m)	135.5	229.4	88.5
5yr Proposed (\$m)	132.3	223.4	86.7
RCTP Grant (\$m)	-4.8	-4.8	-4.8
<b>NPV (\$m)</b>	<b>-1.7</b>	<b>0.7</b>	<b>-3.0</b>

*\*Total forecast materials and services for all councils*

### Non-financial returns

Improved quality of assets is a direct outcome from the joint asset management system across the region, which has not been quantified. In this case, the non-financial return stems from the fact that most councils will now gain access to a superior system which they would otherwise not have been able to afford.

The increased levels of collaboration through this process across the councils is not a quantifiable return. However, just having the CEOs and key staff work through important issues such as staff resourcing and asset management is likely to build a deeper working relationship which will transcend beyond current levels of collaboration; they will have actual systems and staff to embed and share across the councils – which could be extended to other important operational functions in the future.



# Rural Councils Transformation Program

## 7. Deliverability

### 7.1 Assessment and management of risks and sensitivities

The key risks to project delivery have been identified by the CEOs of the participating councils, as well as by drawing from evidence elsewhere regarding the potential threats to shared services arrangements. These key risks are identified below, as are their respective:

- Likelihood of occurrence
- Impact if they do occur
- Mitigation strategy
- Residual risk after mitigation strategies are employed.

**Table 9 Risk mitigation**

Risk	Likelihood*	Impact^	Mitigation strategy	Residual risk#
Ongoing commitment: Existing and potentially new CEOs of participating councils continue to support project.	Possible	Major	Councils will be required to contractually commit to three years of operations following initial project implementation, effectively 5 to 6 full years.  CEOs to continue to meet regularly to ensure relationships are confirmed and nurtured.  Baseline vs project resourcing and outcomes monitored and assessed both annually, via Benefits Management Plan, and on rolling 3 year bases (overall evaluation).	Low
Ongoing commitment: Councillors: Existing and potentially new councillors of participating councils continue to support project.	Unlikely	Major	Governance model has been developed at the management level.  Service levels and qualities still to be determined by elected councillors.  Ongoing councillor briefing sessions planned as well as regular reporting on partnership progress and achievements.	Low
Ineffective project governance/ management: Governance model does not fairly and reasonably match participation costs and benefits	Unlikely	Moderate	Overall review after three year periods provides an inbuilt opportunity to refine any unintended governance issues.  Collaborative nature of governance model will enable ongoing scope and operational refinements	Low
Staff resistance: Relevant staff members resist proposed changes	Low	Moderate	Ongoing staff engagement program commenced.  Change management expertise and processes to be used throughout	Low



# Rural Councils Transformation Program

implementation program.				
Partial implementation: Standardisation of systems and processes for relevant services is compromised by opt in arrangements	Possible	Moderate	<p>Services included in project scope selected due to ongoing difficulties recognised by all CEOs. That is, scope is limited but considered practical and highly beneficial.</p> <p>Baseline vs project resourcing and outcomes monitored and assessed annually as per Benefits Management Plan.</p> <p>Project funding provides for standardisation and integration of systems and processes across all councils.</p>	Low
Benefits unrealised: the envisaged benefits are not generated	Possible	Moderate	<p>Baseline vs project resourcing and outcomes monitored and assessed annually as per Benefits Management Plan.</p> <p>Collaborative nature of governance model will enable ongoing scope and operational refinements.</p> <p>Project funding provides for standardisation and integration of systems and processes across all councils.</p>	Low
Contractor selection: Contractor selected to provide common systems/ integration services fails to deliver	Unlikely	Major	<p>Internal and external technical and procurement experts will be recruited to assist with selection and management of preferred contractor.</p> <p>Engagement contract with preferred contractor will have clear performance expectations regarding documentation of process and progression milestones, enabling contract to be effectively supervised.</p>	Low
Time delays: Timelines estimated for delivering project milestones are not met	Likely	Moderate	Specialist project management resources to be used throughout implementation program.	Medium
Cost blowouts: Costs estimated for delivering project milestones are insufficient	Likely	Moderate	<p>Specialist project management resources to be used throughout implementation program.</p> <p>Major cost items are participating council staff and asset management system, which is a necessary upgrade for all participating councils.</p>	Medium

\*Ranging from 1) Rare, 2) Unlikely, 3) Possible, 4) Likely to 5) Almost certain.

^Ranging from 1) Negligible, 2) Minor, 3) Moderate, 4) Major to 5) Catastrophic.

# Ranging from 1) Very Low, 2) Low, 3) Medium, 4 High and 5) Very High.



# Rural Councils Transformation Program

Once funding is sourced from the RCTP, the participating councils will appoint a dedicated executive officer whose task it will be to develop documented project governance including a detailed risk register and to monitor and report how project risks evolve throughout its progressive delivery.

## 7.2 Impacts

The suite of social, environmental and economic impacts of this project versus the business-as-usual scenario are outlined below. A basis for their inclusion, as well as the significance their impacts are also described.

The identified impacts of the project versus the business as usual, segmented on a triple bottom line basis, are summarised in the following table.

**Table 10 Implementation impacts by stakeholder group**

Impact	Affected groups	Type	Scale/direction	Key issues
Community perception of a loss of local control and influence	Councillors/Community	Social	Small/negative	A greater level of regional collaboration could be perceived by some sections of the community as an attempt to reduce the independence of local councils from an operational perspective.
Potential increased travel between councils for all the activities involved in collaboration	Councils/community	Environmental	Small/negative	The ESC and IC meetings plus all the project specific collaborations would require significant face to face contact and that necessitates travel.
Transaction costs in implementation	Councils	Financial	Small/negative	The financial and/or resourcing cost associated with all the governance, legal and implementation aspects of putting the shared services into practice.
Some existing systems which may still have had a life are written off the books	Councils	Financial	Small/negative	Sunk cost associated with the loss of utility from asset management systems which may still have had some time to run. That said, most participating councils appear to have already commenced looking into upgrading to a new system.
Improved provisioning of assets and asset renewal program	Councils	Financial	Large/positive	Being able to plan assets with a regional perspective, better monitor asset conditions, and respond more effectively when intervention is required will improve the quality of the asset stock and efficiency of capital expenditures.
Reduced cost of procurement across the region	Councils	Financial	Large/positive	Cost savings to be generated through joint procurement, at least in the negotiation of price with private providers, but also likely in the efficiency of the providers delivering the service across a region.
Financial savings and sustainability	Councils	Financial	Medium/positive	The main direct benefit is the reduction in costs which directly contributes to the financial sustainability of councils over the medium and long term
More productive and strategic resource allocation	Councils/Community	Financial/ Social/ Economic	Large/positive	The financial savings should support ongoing service delivery given financial constraints asset renewal activities.



# Rural Councils Transformation Program

### 7.3 Readiness and implementation process

The participating councils are ready to implement but await seed funding given the resourcing required to deliver the project scope.

The working arrangements between the CEOs of participating councils are informally in place and can quickly be formalised.

An implementation process, budget and time frame has been developed in preparation for this RCTP funding bid and are included in the appendices for reference purposes.

### 7.4 Timelines and milestones

Each of the key elements within the project scope generally have four key milestones: design; build and test; implement and roll out; and monitor and review. Consequently, monitoring project delivery progression should be relatively straightforward at a key milestone level. Refer table below.

**Table 11 Summary implementation timeframes**

Scope	Summary milestones	Completion date	Delivery cost \$000
Governance model	Regional service delivery partnership	2019-20	\$725
	Governance structure	2019-20	
	3 year review of governance model	2022-23	
Strategic asset management	People	2019-20	\$2,740
	Organisation	2019-20	
	Systems	2020-21	
	Processes	2020-21	
	Shared system realisation	2021-22	
Strategic procurement and contract management	Design	2019-20	\$795
	Build and test	2020-21	
	Implement and roll out	2020-21	
	Monitor and review	Ongoing	
Capital program and project management	Design	2019-20	\$380
	Build and test	2020-21	
	Implement and roll out	2020-21	
	Monitor and review	Ongoing	
Regional staff sharing	Organisation	2019-20	\$150
	People	2019-20	
	Systems, platforms and applications	2019-20	
	Processes	2019-20	
		TOTAL	\$4,790





## **8. Staffing requirements**

### **8.1 Staff/Contractors**



# Rural Councils Transformation Program

Group	(FTE)					
Functional category	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	Ongoing
<b>Service: Governance Model</b>						
<b>RCTP Budget Allocation</b>						
<b>New staff</b>						
1. Frontline	0.0	0.0	0.0	0.0	0.0	0.0
2. Back office	0.0	0.0	0.0	0.0	0.0	0.0
3. Contractor	0.0	0.0	0.0	0.0	0.0	0.0
	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Existing staff</b>						
1. Frontline	0.0	0.0	0.0	0.0	0.0	0.0
2. Back office	0.0	0.0	0.0	0.0	0.0	0.0
3. Contractor	0.0	0.0	0.0	0.0	0.0	0.0
	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Non-staff (category)</b>						
1. Frontline	0.0	0.0	0.0	0.0	0.0	0.0
2. Back office	1.0	1.0	1.0	0.8	0.5	0.0
3. Contractor	0.0	0.0	0.0	0.0	0.0	0.0
<b>Sub-total</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>0.8</b>	<b>0.5</b>	<b>0.0</b>
<b>Total</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>0.8</b>	<b>0.5</b>	<b>0.0</b>
<b>Service: Strategic Asset Management</b>						
<b>New staff</b>						
1. Frontline	0.0	0.0	0.0	0.0	0.0	0.0
2. Back office	0.0	0.0	0.0	0.0	0.0	0.0
3. Contractor	0.0	0.0	0.0	0.0	0.0	0.0
<b>Sub-total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Existing staff</b>						
1. Frontline	0.0	0.0	0.0	0.0	0.0	0.0
2. Back office	2.4	2.4	2.4	2.4	2.4	2.4
3. Contractor	0.0	0.0	0.0	0.0	0.0	0.0
<b>Sub-total</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>
<b>Non-staff (category)</b>						
1. Frontline	0.0	0.0	0.0	0.0	0.0	0.0
2. Back office	2.0	2.0	1.0	0.8	0.5	1.0
3. Contractor	0.0	0.0	0.0	0.0	0.0	0.0
<b>Sub-total</b>	<b>2.0</b>	<b>2.0</b>	<b>1.0</b>	<b>0.8</b>	<b>0.5</b>	<b>1.0</b>
<b>Location: Geelong</b>	<b>4.4</b>	<b>4.4</b>	<b>3.4</b>	<b>3.2</b>	<b>2.9</b>	<b>3.4</b>
<b>Service: Strategic Procurement &amp; Contract Management</b>						
<b>New staff</b>						
1. Frontline	0.0	0.0	0.0	0.0	0.0	0.0
2. Back office	0.0	0.0	0.0	0.0	0.0	0.0
3. Contractor	0.0	0.0	0.0	0.0	0.0	0.0
<b>Sub-total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Existing staff</b>						
1. Frontline	0.0	0.0	0.0	0.0	0.0	0.0
2. Back office	2.2	2.2	2.2	2.2	2.2	2.2
3. Contractor	0.0	0.0	0.0	0.0	0.0	0.0
<b>Sub-total</b>	<b>2.2</b>	<b>2.2</b>	<b>2.2</b>	<b>2.2</b>	<b>2.2</b>	<b>2.2</b>
<b>Non-staff (category)</b>						
1. Frontline	0.0	0.0	0.0	0.0	0.0	0.0
2. Back office	1.0	1.0	1.0	1.0	0.4	0.0
3. Contractor	0.0	0.0	0.0	0.0	0.0	0.0
<b>Sub-total</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>0.4</b>	<b>0.0</b>
<b>Location: At individual councils</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>	<b>2.6</b>	<b>2.2</b>

# Rural Councils Transformation Program

Functional category	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	Ongoing
<b>Service: Capital Program and Project Management</b>						
<b>New staff</b>						
1. Frontline	0.0	0.0	0.0	0.0	0.0	0.0
2. Back office	0.0	0.0	0.0	0.0	0.0	0.0
3. Contractor	0.0	0.0	0.0	0.0	0.0	0.0
<b>Sub-total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Existing staff</b>						
1. Frontline	0.0	0.0	0.0	0.0	0.0	0.0
2. Back office	2.8	2.8	2.8	2.8	2.8	2.8
3. Contractor	0.0	0.0	0.0	0.0	0.0	0.0
<b>Sub-total</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>
<b>Non-staff (category)</b>						
1. Frontline						
2. Back office	1.0	1.0	0.0	0.0	0.0	0.0
3. Contractor	0.0	0.0	0.0	0.0	0.0	0.0
<b>Sub-total</b>	<b>1.0</b>	<b>1.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total</b>	<b>3.8</b>	<b>3.8</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>
<b>Location: At individual councils</b>						
<b>Service: Regional Staff Sharing</b>						
<b>New staff</b>						
1. Frontline	0.0	0.0	0.0	0.0	0.0	0.0
2. Back office	0.0	0.0	0.0	0.0	0.0	0.0
3. Contractor	0.0	0.0	0.0	0.0	0.0	0.0
<b>Sub-total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Existing staff</b>						
1. Frontline	0.0	0.0	0.0	0.0	0.0	0.0
2. Back office	0.8	0.8	0.8	0.8	0.8	0.8
3. Contractor	0.0	0.0	0.0	0.0	0.0	0.0
<b>Sub-total</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>
<b>Non-staff (category)</b>						
1. Frontline	0.0	0.0	0.0	0.0	0.0	0.0
2. Back office	1.0	0.0	0.0	0.0	0.0	0.0
3. Contractor	0.0	0.0	0.0	0.0	0.0	0.0
<b>Sub-total</b>	<b>1.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total</b>	<b>1.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>
<b>Grand total</b>	<b>14.2</b>	<b>13.2</b>	<b>11.2</b>	<b>10.7</b>	<b>9.6</b>	<b>9.2</b>

The banner features a teal background with a dark blue triangle on the left side. The text "Rural Councils Transformation Program" is written in white, bold, sans-serif font.

## Rural Councils Transformation Program

### **9. Attachments**

Appendix A – Bibliography

Appendix B - Completed RCTP Checklist

Appendix C – Benefits Management Plan

Appendix D – Council Policy Alignment

Appendix E – Implementation Steps

Appendix F – Implementation Costs & Timeframes

Appendix G – RCTP Benefits Summary

Appendix H – Demonstrated success elsewhere



## Appendix A – Bibliography

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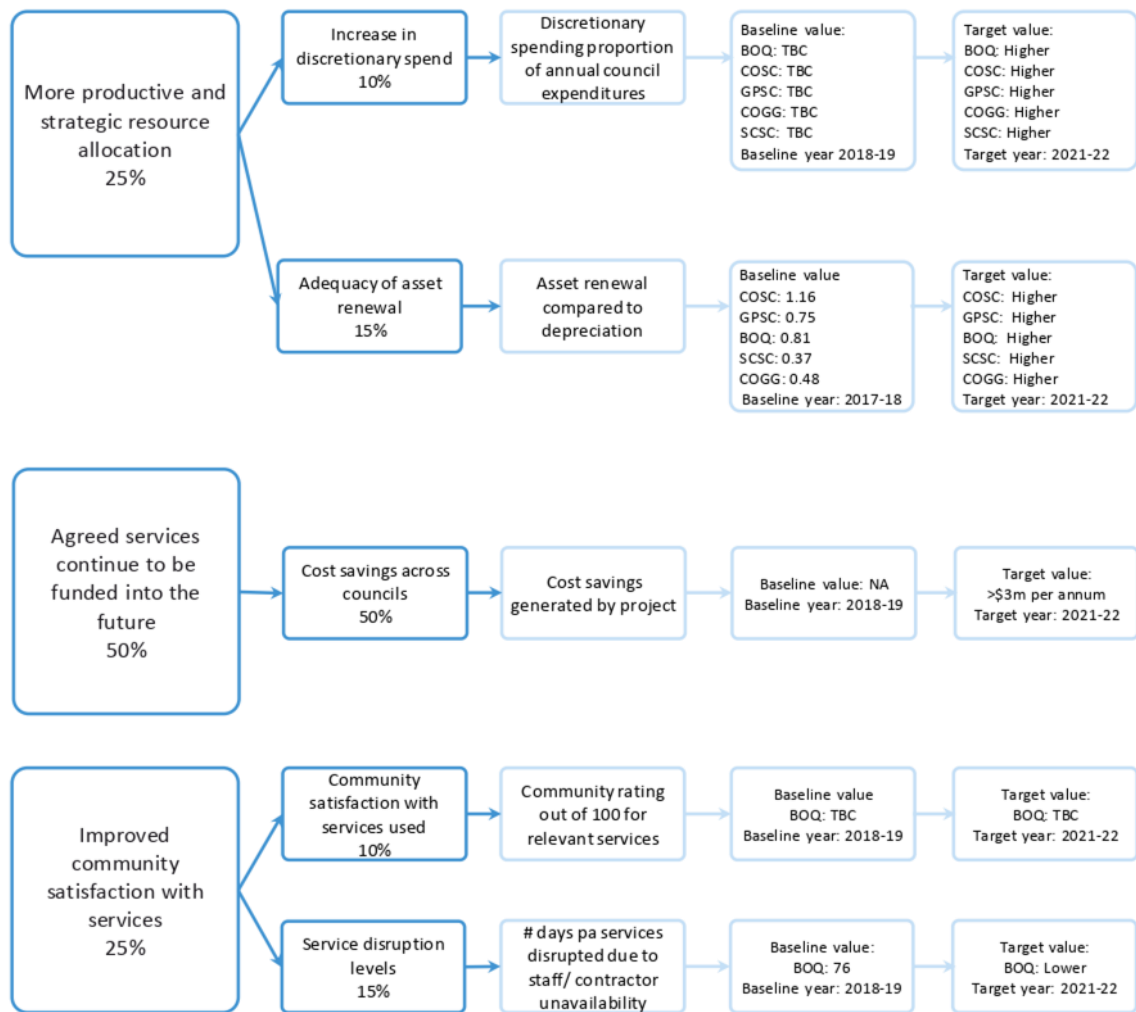
# Rural Councils Transformation Program

## Appendix B – Completed RCTP Checklist

<i>Initiative title:</i>	<i>Rural Councils Transformation Program business case template</i>	
<i>Department:</i>	<i>Surf Coast Shire</i>	Yes
1.	Is the problem clearly defined?	<input checked="" type="checkbox"/>
2.	Is it clear what the RCTP is purchasing?	<input checked="" type="checkbox"/>
3.	Are the links to policy(ies) and contributions explicit?	<input checked="" type="checkbox"/>
4.	Are impacts on performance measures specified?	<input checked="" type="checkbox"/>
5.	If the submission has multiple components, have these been described separately and is the impact of each component clearly articulated in the costings, staffing and performance measures sections?	<input checked="" type="checkbox"/>
6.	Has Local Government Victoria (LGV) been engaged on the development of the draft business case?	<input checked="" type="checkbox"/>
7.	Has the <i>Business case</i> been completed in the form of the business case template?	<input checked="" type="checkbox"/>
8.	Have costings been agreed with LGV?	<input checked="" type="checkbox"/>
9.	Have detailed costings been provided in Excel?	<input checked="" type="checkbox"/>

# Rural Councils Transformation Program

## Appendix C – Benefits Management Plan





# Rural Councils Transformation Program

## Appendix D – Council Policy Alignment

### G21 regional alliance – strategic alignment

Plan	Direction	Policy	Regional objectives
The Geelong Region Plan	Refocus our economy	Reduce skills gaps and shortages	<ul style="list-style-type: none"> <li>Decrease skills shortages and close skills gaps through region driven, whole of government, collaborative responses to meeting (well researched), current and future industry needs</li> <li>Align education, training, career migration and employment initiatives to support current and future industry skill requirements and job opportunities</li> <li>Meet the challenges of an economy in transition and increasingly driven by knowledge and innovation through improved skills, technological knowledge and ICT capability.</li> </ul>
		Improve the operating environment for business	<ul style="list-style-type: none"> <li>Support the collaborative planning, shared resourcing and implementation of sustainable economic development projects in the region</li> <li>Invest in programs and infrastructure that develop the region's Information, Communications and Technology (ICT) capability</li> </ul>
		Influence the way we think and act	<ul style="list-style-type: none"> <li>Develop an environment where visionary leadership, strategic thinking, change, innovation and creativity is embraced and considered a region wide strength</li> </ul>
	Make it happen	Work together to deliver region wide community benefits	<ul style="list-style-type: none"> <li>Continuously improve the governance, structures, funding, consultation, engagement and operating arrangements needed to secure the region's future and achieve the G21 region vision</li> <li>Develop better ways for the region to work together and engage with the State and Federal Government</li> </ul>
		Use data to plan and measure progress	<ul style="list-style-type: none"> <li>Minimise costs and improve the quality and access to regional level research data</li> </ul>

### Local government strategies

Plan	Strategic priority	Priority details	Aims/ actions
Borough of Queenscliffe Council Plan 2017-21	Governance and performance	Maintain a cohesive, well governed, financially sustainable and independent Borough	<ul style="list-style-type: none"> <li>Ensure the continuing financial sustainability and independence of the Borough</li> <li>Continually review and plan to meet corporate needs while enhancing organisational capacity and performance</li> <li>Maximise the return on Council assets and leverage external funding opportunities</li> <li>Strengthen and promote the Borough as a place to explore and implement innovative approaches to environmental, technological, social and economic initiatives</li> <li>Foster partnerships with community organisations, business, neighbouring Councils, Statutory Organisations and other levels of government</li> </ul>
		Strengthen partnerships with key stakeholders to benefit the whole community	<ul style="list-style-type: none"> <li>Develop and maintain regional partnerships and joint advocacy</li> </ul>
Colac Otway Shire Council Plan 2017-21	Our prosperity	Strengthen partnerships with key stakeholders to benefit the whole community	<ul style="list-style-type: none"> <li>Develop and maintain regional partnerships and joint advocacy</li> </ul>
	Our places	Assets and infrastructure meet community needs	<ul style="list-style-type: none"> <li>Develop and maintain constructive partnerships to access appropriate levels of funding, coordination, infrastructure and services</li> </ul>



# Rural Councils Transformation Program

	<ul style="list-style-type: none"> <li>Leadership and management</li> </ul>	<ul style="list-style-type: none"> <li>Effectively manage financial resources</li> <li>Organisational development and legislative compliance</li> <li>Provide value for money services for the community</li> </ul>	<ul style="list-style-type: none"> <li>Conduct an ongoing program of service reviews to guide planning for infrastructure</li> <li>Manage the short- and long-term financial sustainability of the shire through prudent financial management</li> <li>Identify new income opportunities</li> <li>Support organisational development to ensure key organisational capability areas support the organisation to deliver on Council priorities</li> <li>Implement a program of ongoing service reviews to ensure services and efficient and effective and are valued by the community</li> <li>Develop partnerships to procure services and materials on a regional basis</li> </ul>
City of Greater Geelong Council Plan 2018-22	<ul style="list-style-type: none"> <li>Innovative finances and technology</li> </ul>	<ul style="list-style-type: none"> <li>Developing digital tools and technologies to improve service delivery and customer experience</li> <li>Examining our budget to fund future initiatives</li> <li>Establishing sustainable financial and infrastructure management systems for the future</li> </ul>	<ul style="list-style-type: none"> <li>Drive digital transformation in the organisation</li> <li>Review the efficiency of service delivery</li> </ul>
	<ul style="list-style-type: none"> <li>Organisational leadership, strategy and governance</li> </ul>	<ul style="list-style-type: none"> <li>Proactively managing assets, including land holdings</li> <li>Making processes more effective and efficient</li> <li>Leading major local organisations in collaborative projects</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen relationships with neighbouring councils, including G21 region councils and City of Wyndham</li> <li>Strengthen strategic governance and communication frameworks</li> </ul>
City of Greater Geelong Clever and Creative	<ul style="list-style-type: none"> <li>A leader in developing and adopting technology</li> </ul>	<ul style="list-style-type: none"> <li>Opportunities enabled by technology</li> </ul>	<ul style="list-style-type: none"> <li>n/a</li> </ul>
Golden Plains Shire Council Plan 2017-21	<ul style="list-style-type: none"> <li>Delivering good governance and leadership</li> </ul>	<ul style="list-style-type: none"> <li>Increase trust, ensure open and transparent good governance and active engagement through Council planning and decision making in the long-term interests of the community</li> </ul>	<ul style="list-style-type: none"> <li>Maintain active regional partnerships with a focus on economic development, wellbeing, environmental sustainability and shared services</li> </ul>
Surf Coast Shire Council Plan 2017-21	<ul style="list-style-type: none"> <li>High performing Council</li> </ul>	<ul style="list-style-type: none"> <li>Ensure Council is financially sustainable and has the capability to deliver strategic objectives</li> <li>Provide quality customer service that is convenient, efficient, timely and responsive</li> <li>Ensure the community has access to services they need</li> </ul>	<ul style="list-style-type: none"> <li>Develop and implement an organisational capability and capacity program</li> <li>Develop innovative funding partnerships with community, business and government</li> <li>Build on relationships with agencies and key stakeholders for the benefit of the community</li> <li>Implement Digital Transformation Program, including opportunities for customer self service</li> <li>Investigate the feasibility of a certified quality system</li> <li>Continued reforms in statutory planning service delivery</li> <li>Review Council delivered services to ensure they are of high quality and delivering best value</li> <li>Conduct service reviews to identify best service delivery model</li> <li>Advocate for services that are best delivered by others</li> <li>Review arrangements for governance of the coast</li> </ul>



# Rural Councils Transformation Program

## Appendix E – Implementation Steps

What		Key Steps
Governance model	Regional service delivery	Regional service delivery partnership <ul style="list-style-type: none"> <li>• Draft agreement/MOU</li> <li>• Sign agreement/MOU</li> </ul> Governance structure <ul style="list-style-type: none"> <li>• Establish Executive Steering Committee comprising CEOs</li> <li>• Develop project implementation, monitoring and reporting framework</li> <li>• Engage executive officer</li> </ul> 3 year review of governance structure <ul style="list-style-type: none"> <li>• Investigate feasibility of separate entity</li> <li>• Investigate feasibility of different or additional functions and services</li> <li>• Establish ongoing governance bodies</li> <li>• Draft governance documentation</li> <li>• Draft operating procedures</li> </ul>
Strategic asset management: asset management system; asset condition assessments; asset renewal planning	Common asset management system Standardised systems/processes Shared staff resources Shared assets	People <ul style="list-style-type: none"> <li>• Create project team                             <ul style="list-style-type: none"> <li>○ Recruit specialist asset manager</li> <li>○ Recruit system project manager</li> <li>○ Roles, responsibilities and accountabilities</li> <li>○ Potential for matrix reporting to both the specialist function and the council</li> <li>○ Engage specialist roles from participating councils: Strategic Asset Management system, Engineering, GIS Data collection and data analytics</li> <li>○ Skills and competency requirements vs actual</li> <li>○ Training and development needs; immediate and ongoing</li> <li>○ Staff attraction, retention and rationalisation</li> </ul> </li> <li>• Accommodation, communication and normal mode of working</li> </ul> Organisation <ul style="list-style-type: none"> <li>• Negotiate council service level agreements (SLAs)                             <ul style="list-style-type: none"> <li>○ Resource sharing agreements</li> <li>○ Performance expectations</li> </ul> </li> </ul>





## Rural Councils Transformation Program

- Locations

### Systems

- Develop preferred system and business architecture<sup>1</sup>
  - Determine which of the council systems the asset data will need to be integrated/interfaced with in order to ensure operational, financial and reporting integrity within each of the councils.
- Develop agreed common data schema
  - Develop mappings of existing data into the agreed schema.
- Establish API's and integration for councils other than Greater Geelong

### Processes

- Develop common templates for key strategic asset management documents including:
  - Strategic asset management policies
  - Asset management strategies
  - Asset management plans
  - Asset recognition rules
  - Asset condition measurement methodologies
  - Asset management funding strategies
- Develop common processes for strategic asset management, including:
  - Inventory
  - Condition monitoring
  - Level of Service
  - Useful Life
  - New and retirement
  - Innovation and research opportunities

### Shared System Realisation

- Procurement
  - Develop specification
  - Tender for systems/services
  - Negotiate/sign contracts
- Implementation
  - Implementation Core System
  - Initial Data Ingestion
  - Implementation of API interfaces

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<sup>1</sup> For example: in a multi-tenanted cloud implementation of the Asset Management Systems, the IT infrastructure, platform and software services could all be shared with the platform and software services providing a common data schema and shared business rules but retaining the council's data as separate tenancies. Taking it a step further the councils could co-mingle their data, developing business rules based on the G21 regional data. business rules



# Rural Councils Transformation Program

- Testing and Signoff
- Training and Change Management
- Go Live
- Continuous Improvement
  - Monitor and review
  - Refine

<p>Strategic Procurement and Contract Management: joint procurement planning; tendering for goods and services; contract management</p>	<p>Common contract register Standardised systems/processes Shared staff resources</p>	<p>Design</p> <ul style="list-style-type: none"> <li>● Create project team including recruitment of specialist roles</li> <li>● Develop plans (project; transition; change management; communication)</li> <li>● Develop detailed system/process designs</li> <li>● Develop operating model (resources; location)</li> <li>● Develop specification (contract register)</li> <li>● Tender for system</li> <li>● Negotiate/sign contract</li> <li>● Negotiate service level agreements (SLAs)</li> </ul> <p>Build and test</p> <ul style="list-style-type: none"> <li>● Create detailed system/process maps</li> <li>● Create user documentation (procurement policy/procedures; standard tenders/standard contract conditions)</li> <li>● Build custom programs/interfaces</li> <li>● Prepare data for conversion</li> <li>● Test technology components</li> <li>● Conduct training</li> </ul> <p>Implement and roll out</p> <ul style="list-style-type: none"> <li>● Implement plans (transition; change management; communication)</li> <li>● Testing phase/go live</li> <li>● Monitor and review</li> </ul>
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<p>Capital Program and Project Management: capital works planning; capital works procurement; project management</p>	<p>Common project management framework Standardised systems/processes Shared staff resources</p>	<p>Design</p> <ul style="list-style-type: none"> <li>● Create project team including recruitment of specialist roles</li> <li>● Develop plans (project; transition; change management; communication)</li> <li>● Develop detailed system/process designs</li> <li>● Develop operating model (resources; location)</li> <li>● Develop specifications (project management system)</li> <li>● Tender for system</li> <li>● Negotiate/sign contract</li> <li>● Negotiate service level agreements (SLAs)</li> </ul> <p>Build and test</p> <ul style="list-style-type: none"> <li>● Create detailed system/process maps</li> <li>● Create user documentation (contract management)</li> </ul>
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# Rural Councils Transformation Program

		<p>policy/procedures)</p> <ul style="list-style-type: none"> <li>• Build custom programs/interfaces</li> <li>• Prepare data for conversion</li> <li>• Test technology components</li> <li>• Recruit/rationalise staff</li> <li>• Conduct training</li> <li>• Implement physical infrastructure</li> </ul> <p>Implement and roll out</p> <ul style="list-style-type: none"> <li>• Implement plans (transition; change management; communication)</li> <li>• Testing phase/go live</li> <li>• Sign SLAs</li> </ul> <p>Monitor and review</p> <ul style="list-style-type: none"> <li>• Initiate shared service management</li> </ul>
<p>Regional staff sharing: key positions e.g. building services; environmental health; land use planning</p>	<p>Standardised systems/processes</p> <p>Shared staff resources</p>	<p>Organisation</p> <ul style="list-style-type: none"> <li>• Negotiate council service level agreements (SLAs)             <ul style="list-style-type: none"> <li>○ Resource sharing agreements</li> <li>○ Performance expectations</li> <li>○ Locations</li> </ul> </li> </ul> <p>People</p> <ul style="list-style-type: none"> <li>• Resource Sharing Co-ordinator             <ul style="list-style-type: none"> <li>○ Roles, responsibilities and accountabilities</li> <li>○ Skills and competency requirements</li> <li>○ Training and development needs; immediate and ongoing</li> </ul> </li> <li>• Accommodation, communication and mode of remote working</li> </ul> <p>Systems and Platform and Applications</p> <ul style="list-style-type: none"> <li>• Identity and Access Management</li> <li>• Remote Access</li> </ul> <p>Processes</p> <ul style="list-style-type: none"> <li>• Standardise common processes</li> </ul>



# Rural Councils Transformation Program

## Appendix F – Implementation Costs & Timing

	Headline	SubCategory	Y1	Y2	Y3	Y4	Y5
<b>Governance model: Regional service delivery</b>							
Staffing management/admin	600	-					
o Executive officer (5 years FT)		600	150	150	150	100	50
Accommodation	-	-					
Consultancies	-	-					
Training and development	-	-					
Legal	125	-					
o Agreement/MOU		75	75				
o Develop agreement for ongoing model		50			50		
Leases	-	-					
Other council resources	-	-					
Vehicles	-	-					
Equipment	-	-					
IT Software	-	-					
IT Hardware	-	-					
	<b>725</b>	<b>725</b>	<b>225</b>	<b>150</b>	<b>200</b>	<b>100</b>	<b>50</b>
<b>Strategic asset management: asset management system; asset condition assessments; asset renewal planning</b>							
Staffing management/admin	900	-					
o Project Manager (2years FT)		300	150	150			
§ Plan		-					
§ AMS procurement and implementation		-					
o Lead Specialist Strategic Asset Manager (5 years FT)		600	150	150	150	100	50
§ Data Mapping		-					
§ Process Design and documentation		-					
Accommodation	-	-					
Consultancies	1100	-					
o SAMS SaaS specifications		250	250				
o SAM SaaS and integration services procurement		250	250				
o Integration API implementation		-					
§ Asset Data (4 Councils @100k)		400	200	200			
§ GIS Integration		200	100	100			
Training and development	100	-					
o Staff training		100	50	50			
Legal	50	-					
o Contracts/agreements		50	50				
Leases	-	-					
Other council resources	-	-					
Vehicles	-	-					
Equipment	-	-					
IT Software	590	-					
o Asset management system contribution		500	500				
o Civica API Licence for Asset Management		90	50	10	10	10	10
IT Hardware	-	-					
	<b>2740</b>	<b>2740</b>	<b>1750</b>	<b>660</b>	<b>160</b>	<b>110</b>	<b>60</b>



# Rural Councils Transformation Program

	Headline	SubCategory	Y1	Y2	Y3	Y4	Y5
<b>Strategic Procurement and Contract Management: joint procurement planning; tendering for goods and services; contract manag</b>							
Staffing management/admin (backfill)	595	-					
o Specialist Procurement Manager		595	135	135	135	135	55
§ Plans		-					
§ System/process design/mapping		-					
§ System specification		-					
§ System procurement		-					
§ Documentation		-					
Accommodation	-	-					
Consultancies	-	-					
Training and development	50	-					
o Staff training		50	25	25			
Legal	70	-					
o Contracts/service agreements		20	20				
o Common documentation		50	50				
Leases	-	-					
Other council resources	-	-					
Vehicles	-	-					
Equipment	-	-					
IT Software	80	-					
o Contract register system		80	40	10	10	10	10
IT Hardware	-	-					
	<b>795</b>	<b>795</b>	<b>270</b>	<b>170</b>	<b>145</b>	<b>145</b>	<b>65</b>
<b>Capital Program and Project Management: capital works planning; capital works procurement; project management</b>							
Staffing management/admin (backfill)	230	-					
o Specialist Capital Program Manager		230	115	115			
§ Plans		-					
§ System/process design/mapping		-					
§ System specification		-					
§ System procurement		-					
§ Documentation		-					
Accommodation	-	-					
Consultancies	-	-					
Training and development	50	-					
o Staff training		50	25	25			
Legal	20	-					
o Contracts/service agreements		20	20				
Leases	-	-					
Other council resources	-	-					
Vehicles	-	-					
Equipment	-	-					
IT Software	80	-					
o Project management system		80	40	10	10	10	10
IT Hardware	-	-					
	<b>380</b>	<b>380</b>	<b>200</b>	<b>150</b>	<b>10</b>	<b>10</b>	<b>10</b>





# Rural Councils Transformation Program

	Headline	SubCategory	Y1	Y2	Y3	Y4	Y5
<b>Regional staff sharing: key positions e.g. building services; environmental health; land use planning</b>							
Staffing management/admin (backfill)	110	110	110				
o Plans		-					
o Process Design		-					
o Policy and Procedures		-					
Accommodation	-	-					
Consultancies	-	-					
Training and development	20	-					
o Staff training		20	20				
Legal	20	-					
o Contracts/ service agreements		20	20				
Leases	-	-					
Other council resources	-	-					
Vehicles	-	-					
Equipment	-	-					
IT Software	-	-					
IT Hardware	-	-					
	<b>150</b>	<b>150</b>	<b>150</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

# Rural Councils Transformation Program

## Appendix G – Benefits Summary

	Option 1: Existing service arrangements						Option 2: Recommended new service arrangements					
	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	Ongoing	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	Ongoing
Analysis period (years)	5 years						5 years					
Capital costs (\$m)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operational costs (\$m)	25.5	26.5	27.0	27.6	29.0	29.0	25.5	26.4	26.9	26.5	27.0	27.0
<b>Cost benefit analysis (of monetised costs and benefits)</b>												
Discount factor	2.5%	2.5%	2.5%	2.5%	2.5%	N/A	2.5%	2.5%	2.5%	2.5%	2.5%	N/A
Present value of benefits (\$m)	0.0	0.0	0.0	0.0	0.0	N/A	0.0	0.0	0.1	0.9	1.8	N/A
Present value of costs (\$m)	0.0	0.0	0.0	0.0	0.0	N/A	2.5	1.1	0.5	0.3	0.2	N/A
<b>Net Present Value (\$m)</b>	0.0	0.0	0.0	0.0	0.0	N/A	(2.5)	(1.0)	(0.4)	0.6	1.6	N/A
<b>Other important considerations</b>												
<b>Scenario analysis (in NPV)</b>												
Pessimistic scenario (\$m)	0.0	0.0	0.0	0.0	0.0	N/A	(2.5)	(1.0)	(0.4)	0.2	0.8	N/A
Optimistic scenario (\$m)	0.0	0.0	0.0	0.0	0.0	N/A	(2.5)	(1.0)	(0.4)	1.4	3.2	N/A
Non-monetised disbenefits/benefits (e.g. small, med, large)						N/A						N/A
Impacts (e.g. small, med, large)						N/A						N/A
<b>Preferred option</b>												
Justification of preferred option summary	The business as usual option has operating expenditure over the 5 year period of \$135 million or PV of \$126 million.						The recommended option has operating expenditure over the 5 year period of \$132 million or PV of \$123million. The recommended option provides savings of \$3.2 million or PV of \$2.8 million compared to the RCTP investment of \$4.8 million or PV of \$4.6 million. This provides an NPV cost of \$1.7 million over the 5 year period. By comparison, the optimistic scenario provides an NPV benefit of \$0.7 million and the pessimistic scenario provides an NPV cost of \$3.0 million.					



## Appendix H – Demonstrated success elsewhere

### Strategic Asset Management at a regional level

#### *Case Study: Local Government Common Services Joint Venture (Tasmania and NT councils)*

A Local Government Common Services Joint Venture has been operating for around three years among 12 regional Tasmanian councils and several NT councils. Planning, finance and asset management services are exchanged each month between the councils, equating to approximately nine full-time equivalent staff members (Local Government Focus, 2014). An estimated 15,000 hours were expected to be exchanged in 2015-16, providing \$1.2 million in savings to the group.

The independent chairman of the Local Government Common Services Joint Venture, Peter Murfett, recognised the value of the arrangement in terms of increased efficiency, improved learning and the expansion of previous ad hoc shared knowledge and skills arrangements (Local Government Focus, 2014).

#### *Case study: Regional Strategic Alliance (RSA) for Regional Asset management*

In March 2018, Blue Mountains City Council, Hawkesbury City Council and Penrith City Council developed a business case on options for developing an alliance to deliver several shared services, including:

Regional 'asset' strategic planning

- Common asset data collection
- Shared strategic asset management expertise
- Local asset management systems, and
- Contract management and tendering.

In the 2017 business case, Morrison Low estimated that the potential savings from the three opportunities over ten years at 2% of whole of life costs for each council were likely to be:

- Blue Mountains \$18.5 million
- Hawkesbury \$7.3 million
- Penrith \$10.9 million.

Total whole of life cost savings of 2% over a ten year period at an NPV of 7% would generate \$20.6 million (Morrison Low, 2017, and Blue Mountains City Council, 2018).

The financial benefits would arise from:

- **Regional facilities strategy:** through closing duplicated regional facilities, avoided costs in not building facilities that duplicate others or lower individual costs by sharing the capital cost and/or saving in capital, renewal and maintenance costs. The initiative will also lead to greater efficiency as a result of a move to planned rather than reactive maintenance.
- **Joint data collection:** procurement savings for larger data collection and analysis contracts that offer increased surety for a contractor once an agreed regional asset data collection strategy has been adopted.
- **Staff collaboration:** staff working collaboratively ensures that consistent and appropriate systems and procedures in place across the region that ensure best value for each organisation and its communities.

Other financial benefits include increased asset management maturity, improved systems and processes, better information and ultimately better decision making, improvement of asset life and lifecycle management (Morrison Low, 2017 and Blue Mountains City Council, 2018).

The councils also listed a number of non-financial benefits, including

- **Improved knowledge and innovation opportunities:** collaborations between council staff on asset management planning will improve individual and collective knowledge, effectiveness and enable innovation and innovative practices in asset management particularly for individual councils.

71



## Rural Councils Transformation Program

- **Ownership of knowledge:** The collaborative approach to asset management retains the ownership of critical responsibilities by the individual councils and alleviates concerns over risks of devolution of ownership of core functions.
- **Common processes:** all three councils will be able to develop a single set of common processes (including audit) that each will benefit from.
- **Improved staff capability and capacity:** the development of a skills matrix for each council's asset management staff will enable the councils to share skills and expertise. The initiative will also assist in resourcing across the Councils when staff positions are vacant.
- **Increased satisfaction of council customers:** through better asset condition, more transparent maintenance programs and better asset outcomes.
- **Increased satisfaction of management and operations staff:** through opportunity to work across organizational groups and work with better maintained assets.
- **Risk management:** sharing risk between councils and collaborative approaches improving risk management processes (Morrison Low, 2017 and Blue Mountains City Council, 2018).

### **Case Study: WBC Strategic Alliance (also includes regional procurement)**

The WBC Strategic Alliance was developed in 2003 as a voluntary partnership between three rural councils in New Zealand - Wellington Council, Blayney Shire Council and Cabonne Shire Council. Central Tablelands Water subsequently joined the Alliance in 2005.

Two of the goals of the WBC Alliance include to reduce costs to member councils by aggregating the demand for goods and services by joint procurement, and to reduce the cost to member councils by sharing knowledge, skills and methods (KPMG, 2015).

Activities and projects initiated by the alliance include both front line services and corporate functions of the member organisations, namely;

- IT systems and record keeping
- Fleet management and asset management
- Human resources, workforce planning and training
- Internal audit and business process improvement
- Integrate planning and reporting
- Global information systems
- Issue based regional strategies (such as climate change)
- Procurement of goods and services
- General resource sharing (ad hoc basis).

Literature and reviews of the WBC Strategic Alliance point to three principal benefits to members and their communities:

- Improve communication and sharing of experience and knowledge
- Access to more specialised or higher skilled staff
- Efficiency savings through process improvement and joint purchasing.

Examples of project benefits generated by this alliance include a road resealing project with an estimated savings of \$440,000 over two financial years across 2013 and 2014, and an IT implementation project with estimated savings of \$440,000 in 2010 (KPMG, 2015).

For the year 2013/2014, the reported annual savings of the alliance were \$520,000. Based on KPMG's analysis of the alliance's annual reports since 2003, the reported aggregate savings generated from the alliance led initiatives exceeded \$5.71 million to 2015 (not adjusted for inflation) (KPMG, 2015). Between 2010-11 and 2013- 14, \$2.55 million in savings were reported, with the nature of savings being from initiatives within:

72



# Rural Councils Transformation Program

- Resource sharing 14% (~ \$360,000)
- Knowledge sharing 19% (~ \$480,000)
- Joint procurement 28% (~ \$710,000)
- It and records management 26% (~ \$660,000)
- Grant funding 10% (~ 250,000)
- Governance and admin 3%. (~80,000) (KPMG, 2015).

## Regional Procurement

In the Victorian Auditor General’s report on Shared Services in Local Government, Auditor General John Doyle notes that there is “likely to be continued growth” in shared procurement between local governments in Victoria as it “provides a significant opportunity for the sector to realise cost savings and other benefits” (Victorian Auditor General’s Office, 2014).

Ninety-one per cent of the 58 surveyed councils by the Auditor General are currently involved in shared service initiatives, with over 25 per cent of current initiatives relating to shared procurement. Around one fifth of surveyed councils reported cost savings ranging from \$6,000 to \$1.3 million in relation to shared service activity. Most of these savings arose from shared procurement arrangements, while others were from external service delivery, including regional library corporations, waste management and immunisation services (Victorian Auditor General’s Office, 2014).

The *Local Government Procurement Strategy* undertaken by EY on behalf of the Minister for Local Government in 2008 concluded that adoption of better procurement practices across Victorian local governments has the potential to yield annual savings in the vicinity of \$180-350 million (EY, 2008). The Minister commented that cost savings of this scale “would have a significant impact across the sector, and ultimately deliver savings to local communities” (EY, 2008). This figure is broken down into service categories in the table below.

Category	Estimated Victorian sector spending	Estimated savings potential	Key enablers
Roads and streets	\$630-690m pa	7.5-15%, \$50-100m	<ul style="list-style-type: none"> <li>Common tendering &amp; contract management processes</li> <li>Common planning cycles across councils in each cluster</li> <li>Good relationships with major suppliers</li> <li>Bundling of upgrades or maintenance into a program of work</li> </ul>
Facilities maintenance	\$125-140m pa	7.5-15%, \$10-20m	<ul style="list-style-type: none"> <li>Establishment of cluster possibly aligned with expiry of existing contracts</li> <li>Presence of cleaning / maintenance companies across geographies</li> <li>Ability / flexibility of suppliers to service different types of facilities e.g. office versus town hall</li> </ul>
Waste collection	\$120-130m pa	7.5-15%, \$10-19m	<ul style="list-style-type: none"> <li>Standardisation of planning cycles and specifications across councils in cluster</li> <li>Establishment of clusters may be aligned with expiry of existing contracts with suppliers</li> <li>Continuing competition among the big waste management companies; state wide review to identify potential monopolies forming</li> <li>Capability of waste collection companies to service the wide</li> </ul>





# Rural Councils Transformation Program

geography			
Professional services- legal	\$38-42m pa	7.5-15%, \$3-6m	<p>Improved controls for legal spend for councils going forward</p> <p>Strong internal legal capabilities, reducing requirement to outsource legal services</p> <p>Internal legal resources, potentially shared across multiple councils</p> <p>Continuing competition amongst top tier legal firms</p>
Professional services- engineering	\$19-21m pa	7.5-15%, \$2-4m	<p>Standardisation of requirements</p> <p>Similar planning cycles</p> <p>Continuing competition amongst top engineering services firms</p> <p>Ability of construction companies to effectively implement plans of engineering companies</p>
Plant and equipment	\$100-105m	7.5-15%, \$10-20m	<p>Standardisation of specifications</p> <p>Common planning cycles across councils with similar needs</p> <p>Common tendering &amp; contract management processes</p> <p>Direct negotiations and good relationships with manufacturers</p> <p>Bundling of upgrades/maintenance into a program of work</p>
Vehicles	\$68-70m pa	7.5-15%, \$5-10m	<p>Standardisation of vehicles</p> <p>Approved list of car manufacturers and partnership with these manufacturers</p> <p>Personal preference of staff</p> <p>Fuel efficiency/Carbon</p> <p>Safety</p> <p>Potential re-sale value</p> <p>Local businesses</p>
Utilities	\$78-82m pa	Cost Containment	Long term contracts with energy providers
Computers & Equipment - Software	\$30-34m pa	7.5-15%, \$2-5m	<p>Improve specification to ensure that software requirements are fully specified and are fit for purpose</p> <p>Use of remote system maintenance with software suppliers to lower maintenance costs</p> <p>Complete detailed business case before initiating additional systems development</p>
Computers & Equipment - Hardware	\$13-15m pa	5-10%, \$1-1.5m	n/a

Source: EY 2008



## Rural Councils Transformation Program

### ***Case Study: Shared Procurement for GIS Service in Gippsland***

Latrobe City Council and East Gippsland Shire entered into a shared procurement arrangement for a GIS service called Intramaps. The collaboration achieved a five per cent cost saving (approximately \$8,000 total) compared to what the councils would have paid if they upgraded to a superior product on their own (Victorian Auditor General's Office, 2014).

### ***Case Study: Shared Procurement for all South Australian Councils***

LGA Procurement was established to provide South Australian councils purchasing and procurement services and advice for a number of contract types, including professional services, IT, corporate, outdoor and plant supplies and equipment, utilities, vehicles, and state government contracts. LGA Procurement is a commercial entity, solely owned by the Local Government Association of South Australia.

The benefits for South Australian Councils of LGA Procurement managing contracts on their behalf are cost savings arising from economies of scale, and being able to access advice that considers wider metropolitan or regional perspectives. The main benefit for suppliers in partnering with LGA procurement is the reduction in tender writing, coordination and administrative costs due to only needing to respond to one tenderer in a consistent format. Contractors also enjoy a reduction in risk by having ensured compliance with the Local Government Act (SA) and consistent levels of advice and technical support (Local Government Association of South Australia, 2015).

### ***Case Study: Shared Procurement for Cradle Coast Councils***

Third Horizon was engaged to provide an objective and independent point of view on whether any benefits existed for further sharing arrangements across the nine Cradle Coast Councils in Tasmania.

Third Horizon concluded that an increase in sharing arrangements across the Cradle Coast Councils could provide significant qualitative and quantitative gains. Specifically, they suggested that shared arrangements for regional procurement would amount to the following benefits:

- Standardising processes would increase efficiencies and reduce procurement cycle times
- Increased sharing would also provide a capability uplift
- Third Horizon estimated that the potential quantitative benefits of shared procurement could be worth more than \$2.5 million in savings per year (Third Horizon, 2016).

### ***Case study: Shared Services in the ACT Government***

The ACT Government Shared Services (Shared Services) became operational on 1 February 2007. It included the existing ACT Government Information, Communications and Technology (ICT) provider, InTACT, as well as Procurement Solutions, records and publishing services and tactical and transactional finance and human resources services for all ACT Government departments and agencies.

The initiative achieved its target of saving the ACT Government \$20 million per year.

It was observed by the staff involved that the quality of corporate services had improved as a result of the initiatives, but that it had done so gradually over time and that some functions work better than others in a shared arrangement. Some staff noted also that they thought the expectations of receivers of services are now much higher than they were when the services were provided within the separate agencies (Australian Institute of Management, 2012).

### ***Case Study- Hunter Councils Inc***

Hunter Councils Inc represents the twelve local government areas of the Hunter Valley. The shared service entity, Hunter Councils Inc and its trading arm, Hunter Councils Ltd, generates a turnover of \$4 million per annum and delivers cost savings and efficiencies to its member councils at no direct cost whilst delivering an annual reduction in membership fees (NSW Department of Local Government, 2007).

75



## Rural Councils Transformation Program

Through this entity, the councils have the ability to share a range of resources including professional staff and plans between councils, and undertake a range of projects including running a regional airport and a waste recycling facility.

The organisation comprises:

- An environment division
- Learning and development
- Regional procurement (providing an average saving of 10% - \$1 million annually)
- Records storage
- Professional groups (NSW Department of Local Government, 2007).

### ***Case study: The Waikato Road Asset Technical Accord (RATA)***

The Waikato Road Asset Technical Accord (RATA) is a collaboration that was established to improve the management of the participating Waikato Council's road assets (The Road Efficiency Group, 2015).

RATA comprises of the New Zealand district Councils of Hauraki, Matamata-Piako, Otorohanga, South Waikato, Thames- Coromandel, Waikato, Waipa, Waitomo, and Hamilton City Council, and is supported by the NZ Transport Agency. The collaboration is led by the Waikato Mayoral Forum and the Road Advisory Group. The Waikato Mayoral Forum was created in 2011 in order to explore efficiency opportunities within local government (The Road Efficiency Group, 2015).

In its first twelve months of implementation, RATA achieved financial savings for the participating councils of an estimated \$170,000 combined. The benefits of the collaboration included procurement savings, improved data collection and analysis, deferral of renewals work (where appropriate), skills and knowledge development and the sharing of innovation and expertise (The Road Efficiency Group, 2015).