
8.7 RURAL COUNCILS TRANSFORMATION PROGRAM - HUME REGION BUSINESS CASE

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File No: LG/04/010

Attachments: 1. Rural Councils Transformation Hume Region Business Case
2. Hume Regions Cost Spreadsheet

Following an Expression of Interest process in November 2018, the Hume Region was successful in gaining support from the State Government to develop a business case to provide further justification for investment in 5 planned transformation initiatives to be implemented across 11 municipalities in the Hume Region.

The attached "Hume Region Transformation Program – Business Case" was subsequently developed in collaboration with the 11 municipalities and submitted to Local Government Victoria. It is now being presented to Council for consideration. A Council resolution in the form presented is a mandatory requirement of State Government in order for the project to be potentially approved.

The business case details a number of proposed transformations across five service areas and spanning all eleven councils of the Hume region. Whilst the changes that are proposed in the business case are operational in nature, the scale of this combined proposal is such that Council endorsement is appropriate in this case.

The recommended resolution meets the requirements of the funding body, Local Government Victoria, and Council's approval is a requirement of the application.

RECOMMENDATION – PART A

THAT Council:

1. Notes that Mitchell Shire Council is a participant in a grouping of councils that have made an application for funding under the Victorian Government Rural Councils Transformation Program (RCTP) for the following initiative:
 - a. Hume Region Councils Transformation Program, in conjunction with Wodonga, Wangaratta, Moira, Towong, Benalla, Strathbogio, Murrindindi, Mansfield, Alpine shires and Indigo Shire Council (lead council)
2. Notes that for an RCTP application to be eligible for consideration, the following criteria must be met:
 - a. Submission of a joint business case by 31st March 2019.
 - b. Each Council must pass an accompanying resolution committing to implement the business case, if approved for funding. The resolution must be lodged with Local Government Victoria by 30th April 2019.
3. Approves the submission of the business case by Indigo Shire Council on behalf of Mitchell Shire Council.

RURAL COUNCILS TRANSFORMATION PROGRAM - HUME REGION BUSINESS CASE (CONT.)

4. Approves implementation of projects and initiatives within the submitted business case by Mitchell Shire Council, subject to the application being approved for RCTP funding.

RECOMMENDATION – PART B**THAT Council:**

As a pre-requisite of its participation, require the subsequent process to include opportunities to consider its ongoing participation if for legitimate business reasons it is not feasible or otherwise appropriate.

BACKGROUND

For many years Victorian Councils have explored ways of improving the sustainability and service delivery of Council operations. In many cases this has involved working in a collaborative way with other municipalities to share resourcing or combine together in some way and enhance services to the community.

A number of examples of this exist in the Hume region with Councils sharing services and working together on collaborative projects. Often these efforts are constrained by the limited resourcing that is available to make transformational change to processes or systems.

In December 2017 a report prepared by KPMG advised the state government that significant investment into the Victorian local government sector would be required to facilitate change in business practices and to provide the funding needed to transition to new models of service delivery.

Rural Councils Victoria (of which Council is a member) formalised this request in their “Victorian Budget Submission 2018-2019” document, stating that;

Rural councils want to be more efficient to keep rates low for residents, spend revenue responsibly and deliver fantastic liveability. By investing in shared service provision, energy saving programs and collaborative procurement, councils will be able to make every dollar go further, but we need the state government’s help to get there.

The costs of setting up shared service provision are beyond the means of rural councils despite the long-term savings. With state government support to combine services and invest in cost-saving measures, rural councils will gain long term sustainability and rural Victorians will continue to enjoy the service provision they deserve.

As part of the 2018-2019 Victorian State Budget, \$20 million was committed to the Rural Councils Transformation Program to explore and implement options to improve the long-term financial and operational sustainability for rural and regional councils. The program aims to:

RURAL COUNCILS TRANSFORMATION PROGRAM - HUME REGION BUSINESS CASE (CONT.)

- 1. Improve the financial sustainability of rural and regional councils by achieving economies of scale including through regional service delivery or collaborative procurement;**
- 2. Promote more efficient and improved service delivery through collaboration and innovation;**
- 3. Facilitate benefits for rural and regional communities, with priority given to those for rural communities; and**
- 4. Demonstrate potential efficiencies to be gained through regional service delivery.**

This is a significant allocation of unmatched funding that provides an opportunity for councils throughout the state to progress transformative projects that had previously stalled due to limited resources.

Following an Expression of Interest phase in November 2018, the Hume Region was successful in gaining support to develop a business case to provide further justification for investment in 5 planned transformation initiatives to be implemented across 11 municipalities in the Hume Region.

Timelines for this project have been very tight with the business case required by 31 March this year. Due to the operational nature of the proposed transformations this business case was built by Council CEOs and staff with the assistance of Ernst & Young (now known as EY). Mayors and CEOs (or their delegates) were briefed on the emerging business case at a meeting with EY in February. The CEO has provided Council with verbal briefings. The business case was submitted by 31 March 2019 (with the final documentation completed by EY two days prior) and funding outcomes will be decided by LGV in June 2019. This is a competitive process and there is no guarantee that the Hume consortium will be successful.

ISSUES AND DISCUSSION

The attached business case is presented in accordance with state government requirements and contains several important sections.

The problem identification section sets out three key problems that impact the sustainability of councils in the Hume region;

1. Siloed council operating systems are causing inefficient service delivery and inconsistent service quality across councils
2. Increasing cost pressure on councils with limited funds available
3. Increasing community expectations of council services are causing demand beyond current council capabilities

As part of the development of the business case a number of important guiding principles from council CEOs and councillors were identified. These are explained more fully in section 1.1.3 of the document and include;

- *Council staff considerations* - Councils have indicated there should be no intended loss of existing staff (aside from regular attrition) under the proposed project transformation. Future planning of staff roles may change to better suit the collaborative cross regional approaches to working arrangements being implemented as part of the project.

RURAL COUNCILS TRANSFORMATION PROGRAM - HUME REGION BUSINESS CASE (CONT.)

- *Improved financial sustainability for councils* - It is expected that individual councils will need to conduct further financial due diligence to assess impacts of up-front or on-going costs of each. It is not intended that participating councils would be subject to costs beyond their expenditure forecasts provided for the recommended solution. The project aims to provide savings rather than additional costs.
- *Flexibility in implementation* – Participating councils will need flexibility in their commitment to making transformational changes within their organisations, subject to further detail and costs of solutions being provided during the implementation stage.
- *Positive community impact* – Councils will seek to ensure all changes under the RCTP will have a positive impact on the delivery of services to local communities.
- *Equitable distribution of benefits* - Benefits are to be shared equitably amongst participating councils.
- *Avoidance of centralisation* – Enabling flexible shared services will facilitate staff who live anywhere in the region to provide services to other councils, avoiding centralisation of services towards the larger council and away from regional shires.
- *'Future proofing' the Hume Region councils* - Efficiencies will be reinvested into improved service delivery and asset maintenance, renewal and development.

The business case then considers the recommended solution, starting with three strategic responses;

1. Align business systems and processes across councils
2. Enable resourcing sharing and flexible working to attract and retain highly skilled staff
3. Coordinate service delivery across appropriate functions

These responses then lead to five service area transformations;

1. Business systems
2. Procurement
3. Integrated landfill, recycling and organics
4. Regulatory services
5. Emergency management

The development of shared (common) Business Systems across participating councils have been identified as the top priority with others to follow.

These areas are identified for transformative change through a combination of third-party providers, service provision in 'clusters' of councils and resource sharing in clusters of councils. The business case then explains each of these proposed actions in greater detail including a number of case studies showing how Hume region councils are already working in a collaborative way to improve services and manage costs.

The benefits section is an important expression of the community outcomes that this project seeks to deliver. In short, the project is aimed at transforming the five service

RURAL COUNCILS TRANSFORMATION PROGRAM - HUME REGION BUSINESS CASE (CONT.)

areas mentioned earlier to provide improved council capability and sustainability leading to improved outcomes for Hume region communities. Four major benefit categories have been identified as being critical to the success of the project, including:

1. Creating greater capacity for the workforce to deliver consistently high-quality services
2. Providing greater access to the skilled workforce required
3. Improving local community liveability
4. Increasing the cost-effectiveness of delivery of services.

The business case provides evidence and analysis of the expected benefits of this project, including sensitivity analysis and consideration of project risks.

Of the 5 service areas proposed, Mitchell has advised that it would not be participating in the Waste Management initiative due to existing contractual arrangements. Council also indicated that its participation in the procurement initiative would be limited to capital works procurement. The Council would be aware that given its proximity to the metropolitan area a number of collaborative opportunities have already been taken up. This issue (the relationship with both rural and metropolitan local procurement) has meant that Council has had to keep options open as much as possible.

Whilst Mitchell has agreed to participate fully in the remaining 3 service areas, i.e. Business Systems, Regulatory Services and Emergency Management, there remains concerns as to whether a program of this scale, where up to 11 Councils are required to reach agreement on service delivery, can be successfully achieved. The integration of Business Systems for example will be a substantial undertaking and will not only involve agreement on the selection of software and hardware but also require a major change management exercise impacting staff. Mitchell has progressed a long way in introducing many of the changes proposed with the Business Systems model within the Business Case. It will remain to be seen whether the proposed solution in this area will be of benefit to Mitchell. That is why it is an essential pre-requirement of this process that Council have an 'opt out' option as the project proceeds. These sentiments were canvassed directly with the Minister for Local Government by the CEO and Mayor last week.

Options

A number of decision points are included in the transformation project to ensure that councils have appropriate information and confidence before moving to the next stage of the project. At this stage all eleven Hume region councils have participated in the project and, via CEO's and Mayors, provided input into the business case.

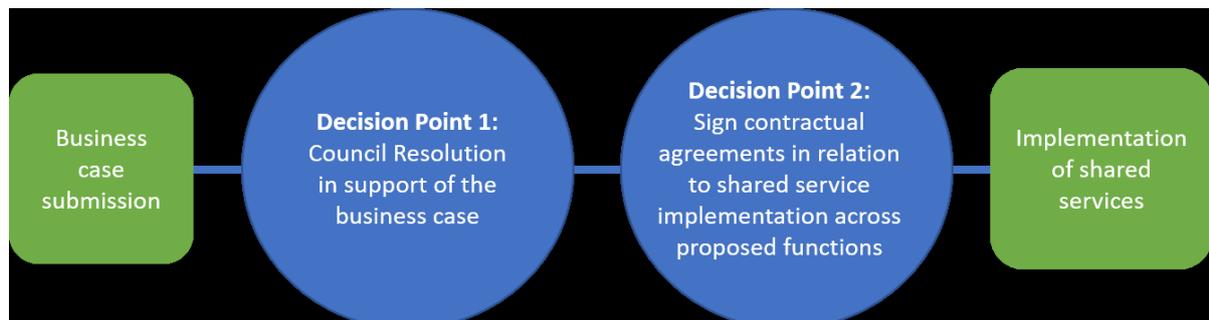
If the business case is approved by state government and funded this will trigger a large amount of work over several years to develop the projects and provide detail that will be required for implementation. Once this work is done and sufficient details are known about each of the five projects then councils will again have a decision point available to them before each project is implemented. It is possible that one or more councils may decide to exit along the way and decide not to implement some or all of the projects. This is a decision for the future, once all of the information is known. The business case provides for this option.

These project decision points, combined with the ability to shape the projects as they are developed, makes the supporting of this business case a low-risk decision at this

RURAL COUNCILS TRANSFORMATION PROGRAM - HUME REGION BUSINESS CASE (CONT.)

point in time. Councils are being asked to consider the business case and give an indication of support, with the knowledge that a future decision point is available once the project details are finalised. The business case document explores different project options and analyses the relative success of the project under different financial conditions. In addition, the business case considers scenarios relating to council participation in the final outcomes of the project. Due to the transformative nature of the projects the NPV calculation remains positive for many of these scenarios and only drops slightly negative if four or less councils continue through to implementation.

In adopting the recommended resolution Council is not fully committed to participating in all or part of the project. The implementation plan has flexibility to allow councils to opt in once further scoping and market engagement has been undertaken to better assess the costs to individual councils. The shared services program is to be rolled out over a three-year period, beginning in 2019-20, with efficiencies analysed over a five-year period. The implementation will begin with further due diligence and market assessment to better determine the cost impacts to individual councils. This initial work allows a further decision point (to proceed or not to proceed) to be considered by each council to ensure that the solutions being implemented will be of mutual benefit and not place an undue cost on short or long-term budgets of councils. A graphical representation of the decision points for councils is shown below:



CONSULTATION

Council CEO's and Mayors representing each of the 11 municipalities have collaborated to develop the business case. Various senior council officers have also been consulted during this process. EY have coordinated the development of the business case and have facilitated the consultation across the Hume Region councils.

FINANCIAL, RESOURCE AND ASSET MANAGEMENT IMPLICATIONS

The business case seeks \$5 million of funding over a five-year period. Details of this funding and the anticipated cost allocations are shown in the business case document. The net present value (NPV) of the project is \$6.2 million based on the 'Medium' efficiency scenario and using a discount rate of 4 per cent.

The funding sought by the business case works alongside Council's current budget and this business case does not require additional Council funding. This allows participating councils to leverage their current spend in the five focus areas with support from the Rural Transformation Fund.

RURAL COUNCILS TRANSFORMATION PROGRAM - HUME REGION BUSINESS CASE (CONT.)

Some level of staff involvement will be required to participate in the project implementation however this will be covered by council's existing budget.

POLICY AND LEGISLATIVE IMPLICATIONS

The *Local Government Act 1989* requires that Councils undertake appropriate probity, due diligence and good governance processes prior to making significant decisions, including those outlined in the business case. For this reason, the business case contains a further decision point for Councils prior to full commitment to the transformative changes anticipated in this project. Once all of the details of each of the five projects are known each Council will have an option to withdraw from that aspect of the project, thus allowing an opportunity to acquit Council's governance responsibilities. These decision points are discussed at section 6.4.2 of the business case (starting on page 85).

The proposed resolution is a clear statement of intent to engage in the detailed design of the individual projects and to seriously consider the proposal. This is a significant undertaking however Councils will have an opportunity to withdraw if the outcomes do not meet a particular Council's objectives. As discussed in the financial implications section the overall project has considered this possibility and sensitivity analysis shows that the project has a positive financial outcome even if a number of Councils were to withdraw.

Because of this, Council is recommended to pass the recommended resolution to allow staff to engage in the detailed project design stage. This in effect keeps the options open for all councils.

RISK IMPLICATIONS

Risk Ranking is determined using [ROHS201-G1- Corporate Risk Matrix](#). Risk is identified as Low, Medium, High or Very High.

| Risk | Risk Ranking | Proposed Treatments | Within Existing Resources? |
|--|--------------|---|----------------------------|
| That council approves the business case but the projects (once fully developed) do not meet with council's approval. | Medium | Council staff will be involved in developing the project details and each council will have a decision point prior to implementation. | Yes |
| Council does not endorse the business case and removes itself from the project, foregoing this opportunity. | Low | Council may still choose to pursue other opportunities to collaborate with other councils using its own resources. | Yes |

RURAL COUNCILS TRANSFORMATION PROGRAM - HUME REGION BUSINESS CASE (CONT.)

| Risk | Risk Ranking | Proposed Treatments | Within Existing Resources? |
|---|--------------|--|----------------------------|
| Project outcomes do not match the expectations. | Medium | Due to the absence of matching funding this risk is limited to a reputational risk to council. | N/A |

SUSTAINABILITY IMPLICATIONS (SOCIAL AND ENVIRONMENTAL)

This is an administrative process and there are no environmental implications associated with this report.

CHARTER OF HUMAN RIGHTS IMPLICATIONS

The rights protected in the *Charter of Human Rights and Responsibilities Act 2006* were considered in preparing this report and it's determined that the subject matter does not raise any human rights issues.

CHILDREN AND YOUNG PEOPLE IMPLICATIONS

There are no children and young people implications associate with this report

OFFICER DECLARATION OF CONFLICT OF INTEREST

No officers involved in the preparation of this report have any direct or indirect interest in this matter.

CONCLUSION

Hume region councils have, for many years, sought ways to work better together and this has produced some excellent projects. However, more often than not, collaborative discussions wither due to a lack of resourcing. The State Government's \$20 million Rural Transformation Program is a rare opportunity to turn intent into action, and for councils of the Hume region to take a leadership role in determining their combined destiny.

This grant program has arisen quickly, and Hume region councils have responded to this by focusing on five operational areas that are excellent candidates for transformative change that will improve service delivery to the community. Each of these focus areas requires more development to clarify details of the improvements that can be made, and participating councils will work together to ensure that the final result is suitable to each council and the community that they represent.

The project plan includes a further decision point after the detailed design phase, ensuring that the risk to Council at this stage of the process is low. In contrast, the potential opportunity that this program presents is significant, and for this reason, is recommended that Council endorse the resolution to enable the program to proceed.

MITCHELL SHIRE COUNCIL

Council Meeting Attachment

GOVERNANCE AND CORPORATE PERFORMANCE

15 APRIL 2019

8.7

RURAL COUNCILS TRANSFORMATION PROGRAM - HUME REGION BUSINESS CASE

Attachment No: 1

**Rural Councils Transformation Hume Region
Business Case**

Rural Councils Transformation Program

Hume Region Business Case

Submission to Local Government Victoria
31 March 2019





Hume Region Rural Transformation Project

| | |
|-------------------------------------|--|
| Lead council(s) and contact details | Indigo Shire Council trevor.ierino@indigoshire.vic.gov.au |
| Member councils / entities | Wodonga, Wangaratta, Moira, Mitchell, Towong, Benalla, Strathbogie, Murrindindi, Mansfield, Alpine |
| Total funding requirements: | \$5.0 million over 5 years |

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 |
|---------------------------------|---|-----------|
| Financial sustainability | 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 | |
| Evidence-based | 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 | |
| Impact | 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 | |
| Collaboration | Demonstrates clear and comprehensible partnering arrangement governance arrangements, including roles and responsibilities for project delivery on an ongoing basis* | 15% |



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1. Overview

1.1 Executive Summary

Business Case Overview

Funding ask

Hume Regional Councils are seeking **\$5.0 million** from Local Government Victoria (LGV) to implement transformational shared service improvements which will increase sustainability of the region's councils.

Strategic Response

To address the Hume Region's problems of having siloed operating systems, increasing cost pressure and increasing community expectations, the following strategic responses have been identified:

- Align business systems and processes across councils
- Enable resourcing sharing and flexible working to attract and retain highly skilled staff
- Coordinate service delivery across appropriate functions.

The alignment of business systems and processes creates the required environment to facilitate responsive resource sharing and coordination of service delivery across the region. These responses will be applied to business systems, capital work procurement, regulatory services, waste management and emergency management.

Return on Investment

The 5-year Net Present Value (NPV) of the recommended project option has been estimated at **\$6.2 million**, based on the 'Medium' efficiency scenario and using a discount rate of 4 per cent. Based on these estimations, a positive return on investment would be expected by the end of FY21 (the third year of the program).

Benefits

The preferred solution will deliver benefits to the community through transformational reforms to council functions. Four major benefit categories have been identified as being critical to the success of the project, including:

- Creating greater capacity for the workforce to deliver consistently high-quality services
- Providing greater access to the skilled workforce required
- Improving local community liveability
- Increasing the cost-effectiveness of delivery of services.

Implementation and Deliverability

The shared services program is planned to be rolled out over a four year period, from 2019 to 2022, with efficiencies analysed over a five-year period. The implementation will begin with further due diligence and market assessment to better determine the cost impacts to individual councils. After this initial work, there will be an 'opt-in' decision point for councils to confirm participation across functional areas.

The Business Systems category is scheduled to be introduced across councils from 2019, with other service areas commencing shared services in 2021. Waste management solutions can be implemented without delay, and the remaining categories (Procurement, Regulatory Services and Emergency Management) will all be implemented from 2021-22. All service categories are expected to be operating in full efficiency (achieving maximum cost savings) by mid-2022.



1.1.1 The funding ask

This business case is seeking \$5.0 million (\$4.5 million in present value) in funding over 3 years to implement the Hume Regional Councils Transformation Program. The grant application is submitted to Local Government Victoria as part of the Rural Council Transformation Program.

1.1.2 Background

Local councils play a vital role in the livelihood of Victoria's regional and rural communities. They serve their communities through the provision of essential services, development and maintenance of local assets and infrastructure, enforcement of local laws and engagement with their communities.

Ensuring the long-term financial and operational stability and sustainability of Victoria's rural and regional councils is crucial to protect the continued delivery of these services and to support community needs into the future.

RURAL AND REGIONAL GOVERNMENT SUSTAINABILITY

Regional and rural local government sustainability rests on councils' ability to deliver efficient, quality services to local communities, both now and into the future

As part of the 2018-2019 Victorian State Budget, \$20 million was committed to the Rural Councils Transformation Program to explore and implement options to improve the long-term financial and operational sustainability for rural and regional councils. The program aims to:

1. Improve the financial sustainability of rural and regional councils by achieving economies of scale including through regional service delivery or collaborative procurement;
2. Promote more efficient and improved service delivery through collaboration and innovation;
3. Facilitate benefits for rural and regional communities, with priority given to those for rural communities; and
4. Demonstrate potential efficiencies to be gained through regional service delivery.

Following an *Expressions of Interest* phase in November 2018, the Hume Region was successful in gaining support to develop a business case to provide further justification for investment in 5 planned transformation initiatives to be implemented across 11 municipalities in the Hume Region. The business case (this document) will be submitted by 31 March 2019, and funding outcomes will be decided by LGV in June 2019.

1.1.3 Guiding principles for councils' commitment

The following guiding principles from council CEOs and councillors were identified throughout the business case process to guide the development of the Hume Region Transformation Project. These are outlined below:

- *Council staff considerations* – Councils have indicated there should be no intended loss of existing staff (aside from regular attrition) under the proposed project transformation. Future planning of staff roles may change to better suit the collaborative cross regional approaches to working arrangements being implemented as part of the project.
- *Improved financial sustainability for councils* - It is expected that individual councils will need to conduct further financial due diligence to assess impacts of up-front or on-going costs of each. It is not intended that participating councils would be subject to costs beyond their expenditure forecasts provided for the recommended solution. The project aims to provide savings rather than additional costs.
- *Flexibility in implementation* – Participating councils will need flexibility in their commitment to making transformational changes within their organisations, subject to further detail and costs of solutions being provided during the implementation stage.
- *Positive community impact* – Councils will seek to ensure all changes under the RCTP will have a positive impact on the delivery of services to local communities.
- *Equitable distribution of benefits* - Benefits are to be shared equitably amongst participating councils.
- *Avoidance of centralisation* – Enabling flexible shared services will facilitate staff who live anywhere in the region to provide services to other councils, avoiding centralisation of services towards the larger council and away from regional shires.

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- *'Future proofing' the Hume Region councils* - Efficiencies will be reinvested into improved service delivery and asset maintenance, renewal and development.

1.1.4 Problems

The project is seeking to address the following problems, identified during the investment logic mapping workshop with council participants in January 2019:

- **Problem 1: Siloed council operating systems are causing inefficient service delivery and inconsistent service quality across councils** - Councils in the Hume Region are using different business systems and processes to meet their respective residents' needs. This is preventing effective council collaboration in service delivery resulting in an inconsistent level of services provided to residents across the region.
- **Problem 2: Increasing cost pressure on councils is leading to unsustainable council operations** - Increasing service delivery costs and relatively high asset maintenance costs are placing financial pressure on the Region's councils. This financial pressure is amplified by the increasing scope and complexity of council services and their reduced capacity to generate additional revenue.
- **Problem 3: Increasing community expectations of council services are causing demand beyond current council capabilities** - The Hume Region has experienced difficulty attracting skilled staff to the region, reducing councils' ability to keep up with increasing community expectations of council services and community engagement.

1.1.5 Recommended Solution

To address the Hume Region's identified problems and improve financial performance and sustainable capacity of councils, the following strategic responses have been identified:

- Align business systems and processes across councils
- Enable resourcing sharing and flexible working to attract and retain highly skilled staff
- Coordinate service delivery across appropriate functions.

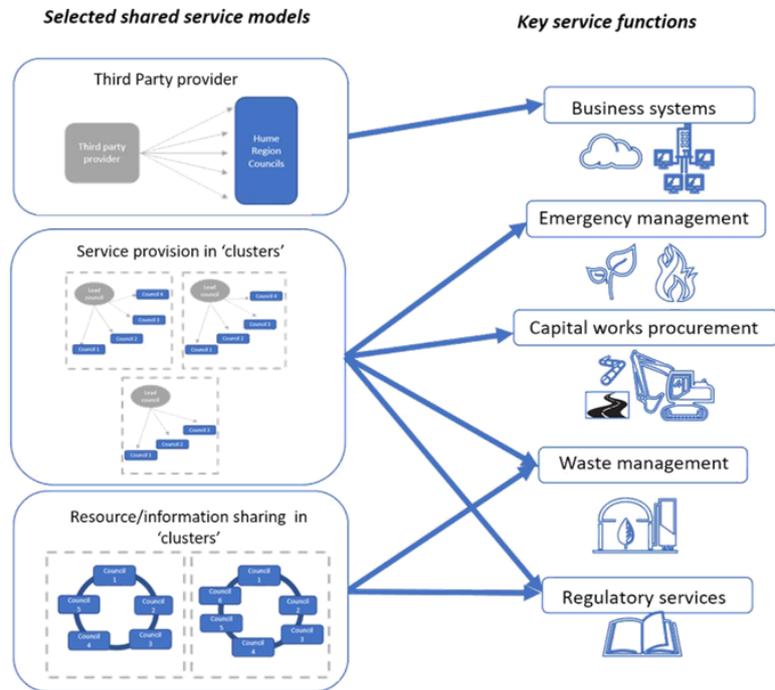
The alignment of business systems and processes creates the required environment to facilitate responsive resource sharing and coordination of service delivery across the region. These responses will be applied to the following functions:

- Business systems
- Capital work procurement
- Regulatory services
- Waste management
- Emergency management.

Through the application of the strategic responses, the Hume Region will benefit from the solutions identified in the Investment Logic Map: common specifications, strategic resource sharing and clear governance around multi-council activities and collaboration. The planned response is outlined in the figure below.



Figure 1: Key transformation functions and service models



Source: EY analysis, 2019

1.1.6 Benefits

The recommended shared service solution will see resource and information sharing deliver better service to the community and enable councils to run their core functions at a better capacity.

The preferred solution will deliver benefits to the community through transformational reforms to council functions. Four major benefit categories have been identified as being critical to the success of the project, including:

- Creating greater capacity for the workforce to deliver consistently high-quality services
- Providing greater access to skilled workforce required
- Improving local community liveability
- Increasing the cost-effectiveness of delivery of services

The diagram below outlines the key benefit streams for the preferred solution. Further discussion of benefits is provided in section 4.