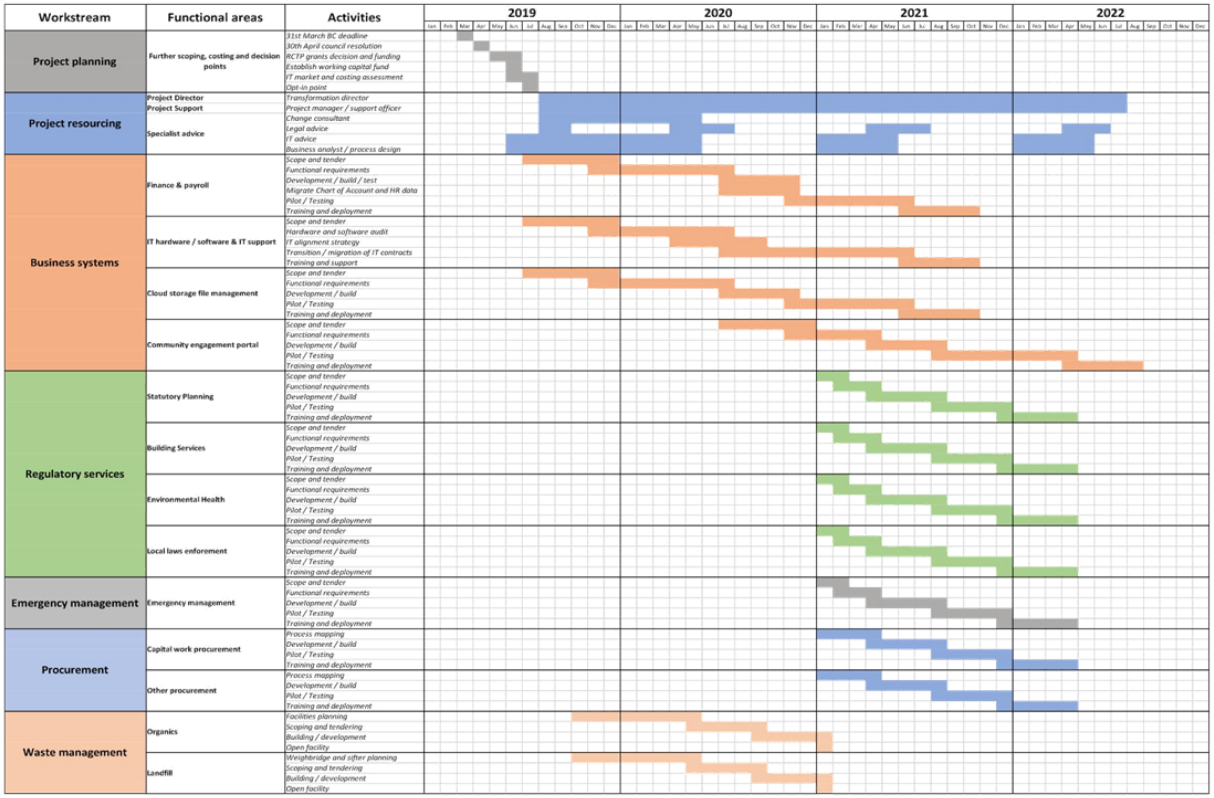
Figure 34: Detailed timeline of transformation project implementation



Source: EY assumptions and discussions with CEOs, 2019

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8. Staffing requirements

8.1 Staff/Contractors

The Hume Region Transformation Program will manage the need for growth in staff numbers across the 11 councils, whilst enhancing capability of existing staff to deliver community services

The total number of staff that work within the five functional areas to be transformed by the project (i.e. IT, procurement, waste management, regulatory services and emergency management staff) is estimated to be 375 FTE spread across the 11 Hume Region councils. This includes approximately 130 frontline staff and 245 supporting in back office positions.

In the context of this project, back office functions that are part of the transformation include human resources, IT, governance, records management, finance and payroll functions. Front line services include waste, infrastructure, planning and emergency management.

It is estimated that this proportion of back office to front office staff (65% and 35% respectively) would remain unchanged under a *'business as usual'* (BAU) scenario, with total staff expected to grow by approximately 1% per annum, slower than the regional growth in demand for services.

It is expected that the project would result in dampened future growth in staff numbers, particularly across back office roles, as a result of enhancing capability of existing staff through enhanced business systems and functional processes.

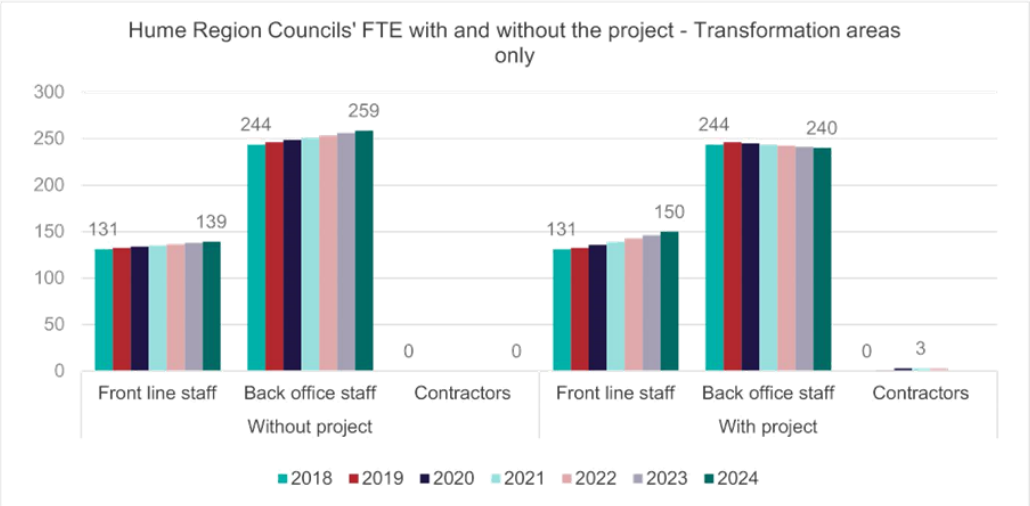
The efficiencies achieved in the provision of shared services will be reflected in a proportional increase of front office staff, and will coincide with a reduction in the proportion of back office staff required to support council functions. This transition will be necessary to keep up with future increased service requirements. As part of this transition, some back-office staff may be re-allocated to frontline positions over time.

As highlighted in the table below, the total staff employed across the five transformation areas within councils across the region will increase by eight FTEs in the first five years of the program. Once the implementation is complete, the region's councils will employ 390 FTEs across the transformation areas.

Table 72: Staffing requirements under transformation project

		2019-20	2020-21	2021-22	2022-23	2023-24
Staff numbers without project (within transformation areas)	Frontline	133.9	135.3	136.6	138.0	139.3
	Back office	248.7	251.2	253.7	256.2	258.8
	Contractor	0.0	1.0	2.0	3.0	4.0
Subtotal		**382.6**	**386.4**	**390.3**	**394.2**	**398.1**
Staff numbers with project (within transformation areas)	Frontline	135.9	139.3	142.8	146.4	150.0
	Back office	245.0	243.8	242.6	241.3	240.1
	Contractor	3.0	3.0	3.0	0.0	0.0
Subtotal		**383.9**	**386.1**	**388.3**	**387.7**	**390.1**
Change in staff number (within transformation areas)	Frontline	2.0	4.0	6.2	8.4	10.7
	Back office	-3.7	-7.4	-11.1	-14.9	-18.7
	Contractor	3.0	3.0	3.0	0.0	0.0
Subtotal		**1.3**	**-0.4**	**-2.0**	**-6.5**	**-8.0**
Total staff		**383.9**	**386.1**	**388.3**	**387.7**	**390.1**

Figure 35: Front line and Back office staff: with and without the project



Source: EY analysis

The following assumptions for staffing levels both with and without the project.

Table 73: Key assumptions with regards staff requirements under transformation project

Staff assumption category	Business as usual assumptions	Project assumptions
Frontline / back office staff ratios	• 35% : 65% remaining constant through to 2024	• Front line 35% moving to 38% by 2024 • Back office 65% moving to 62% by 2024
Growth rate of staff total FTE	• Back office FTE growth 1%p.a. • Front office growth 1% p.a.	• Back office FTE growth 0.5%p.a. • Front office growth 2.5% p.a.
Total Staff	• Total FTE is expected to grow at 1%, slightly lower than growth in demand for services (@2.2+%). • FTE @382 in 2020 • FTE @398 in 2024	Total FTE is expected to grow at a lower rate (0.7%p.a.) whilst delivering efficiencies across the five functional areas, and meeting demand for services. • FTE @384 in 2020 • FTE @390 in 2024
Attrition rates	• Between 7-10% p.a.	• Lower attrition rates assumed between 5-8%, due to improved career development opportunities

Source: EY Assumptions

9. Attachments

The following attachments are provided in support of the business case

- Appendix A – Checklist
- Appendix B – Benefits Summary
- Appendix C - Investment Concept Brief
- Appendix D - Investment Logic Map
- Appendix E - Summary spreadsheet (costing, revenue, expenditure, performance metrics, NPV)

Note: Evidence of Council resolutions will be provided by 30th April as per the extended timeline offered by LGV.

Appendix A – Checklist

Initiative title: *Rural Councils Transformation Program business case template* *Department:* *[Company]*	*Yes*
1. Is the problem clearly defined?	☒
2. Is it clear what the RCTP is purchasing?	☒
3. Are the links to policy(ies) and contributions explicit?	☒
4. Are impacts on performance measures specified?	☒
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?	☒
6. Has Local Government Victoria (LGV) been engaged on the development of the draft business case?	☒
7. Has the *Business case* been completed in the form of the business case template?	☒
8. Have costings been agreed with LGV?	☒
9. Have detailed costings been provided in Excel?	☒

Appendix C – Benefits Summary

The benefits summary presents the change from the Business as Usual scenario only.

	Preferred option only					
	2019-20	2020-21	2021-22	2022-23	2023-24	Present value ($2019)
Analysis period (years)	5 years					
Capital costs ($m)	$0.96m	$2.00m	$0.50m	-	-	$3.22m
Operational costs ($m)	$1.12m	$0.22m	$0.21m	-	-	$1.46m
Cost-Benefit Analysis (of monetised costs and benefits)						
Discount factor						4.0%
Value of benefits ($m)	-	-	$2.87m	$5.10m	$5.34m	$10.87m
Value of costs ($m)	$2.08m	$2.22m	$0.71m	-	-	$4.67m
Net Present Value ($m)	**(Benefits less costs)**					**$6.20m**
Other important considerations						
Scenario analysis (in NPV)	**$6.20m**					
Pessimistic scenario ($m)	$0.71m					
Optimistic scenario ($m)	$11.22m					
Non-monetisable disbenefits/benefits	Additional positive benefits associated with statutory planning and municipal building services, relating to investment efficiencies associated with land development in the Hume region.					N/A
(e.g. small, med., large)	Med to Large impact - Potentially greater than $10m, considering the scale of private and overseas development projects currently proposed in the Hume Region.					
Impacts	Positive impact to environment, specifically for waste management component (reduced emissions, increased recycling, and re-use of organics)					N/A
(e.g. small, med., large)	Small impact - due to waste management benefits not applying consistently across the whole Hume region					
Preferred option						
Provide a summary to justify the preferred option.	The **Benefit Cost Ratio (BCR) of the project is 2.3**, and **Net Present Value (NPV) of $6.2 million,** calculated within a five-year period. The preferred option provided the greatest NPV of those options tested in the analysis.					

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Hume Region Rural Transformation Project

Appendix C - Investment Concept Brief

Context	What is the compelling reason this investment should be considered further?
	Hume Region councils are seeking **$5.0 million** in funding over 3 years to implement the Hume Regional Councils Transformation Program. The Hume Region is experiencing an interplay of opposing forces: increasing costs and declining available revenue. The factors leading to increasing costs include large asset bases, dispersed populations, government grants falling short of real cost increases and increasingly vulnerable populations with higher service demands. Council revenue in real terms is at risk of declining due to diminishing and ageing populations, the unpredictability of grant funding and disadvantaged residents with lower capacity to pay. Over the past decade, the region's councils have been under pressure to drive efficiencies and economies, often with constrained income levels and with higher expectations from the community about the services and levels of service they deliver, enable or advocate for. By way of an integrated service response through strengthened working partnerships, the participating Hume Region councils are committed to fundamental strategic and operational transformation to support the ongoing viability and sustainability of the region's councils and the provision of responsive, quality services to meet the changing needs of the community. In order to address the Hume Region's identified problems and improve financial performance and 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 systems and resource and information sharing will be applied to key service areas which have been identified through workshops with councils to outline the principle problems that the region is facing as well as strategic responses to address the problems. The recommendation solution is the preferred outcome as it will ensure that councils provide the greatest level of service efficiencies, while also providing communities with improved benefits.

Cost	What are the likely costs of this investment?	Cost (range)
	Business Systems	$3.2 mil
	Waste Management	$0.26 mil
	Project Management	$0.64 mil
	Legal advisors	$0.2 mil
	Consultants	$0.3 mil
	Working Capital Fund	$0.1 mil
	Investment Total	**$5 mil**

Time	What are the expected timeframes for the key deliverables?	Time from funding
	Project resourcing (including Project Director and specialist advice)	0m-36m
	Business Systems (including Finance and Payroll, IT hardware and support and cloud storage file management)	0m-26m
	Business Systems (including community engagement portal)	12m-36m
	Regulatory Service	18m-34m
	Emergency Management	18m-34m
	Procurement	18m-34m
	Waste Management	3m-21m

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Risks	What are the primary risks to the success of this investment delivering the benefits?	Risk
H: High	Implementation costs exceed cost savings	M
M: Medium	Ineffective governance processes	M
L: Low	Lack of trust and cooperation between councils	M
	Ineffective change management	L
	Inadequate resources dedicated to transition activities	M

Dis-benefits	What negative impacts are likely to occur by successfully implementing this solution?	Impact
H: High	High costs of implementation	M
M: Medium	Cancelling contracts with current service providers	L
L: Low		

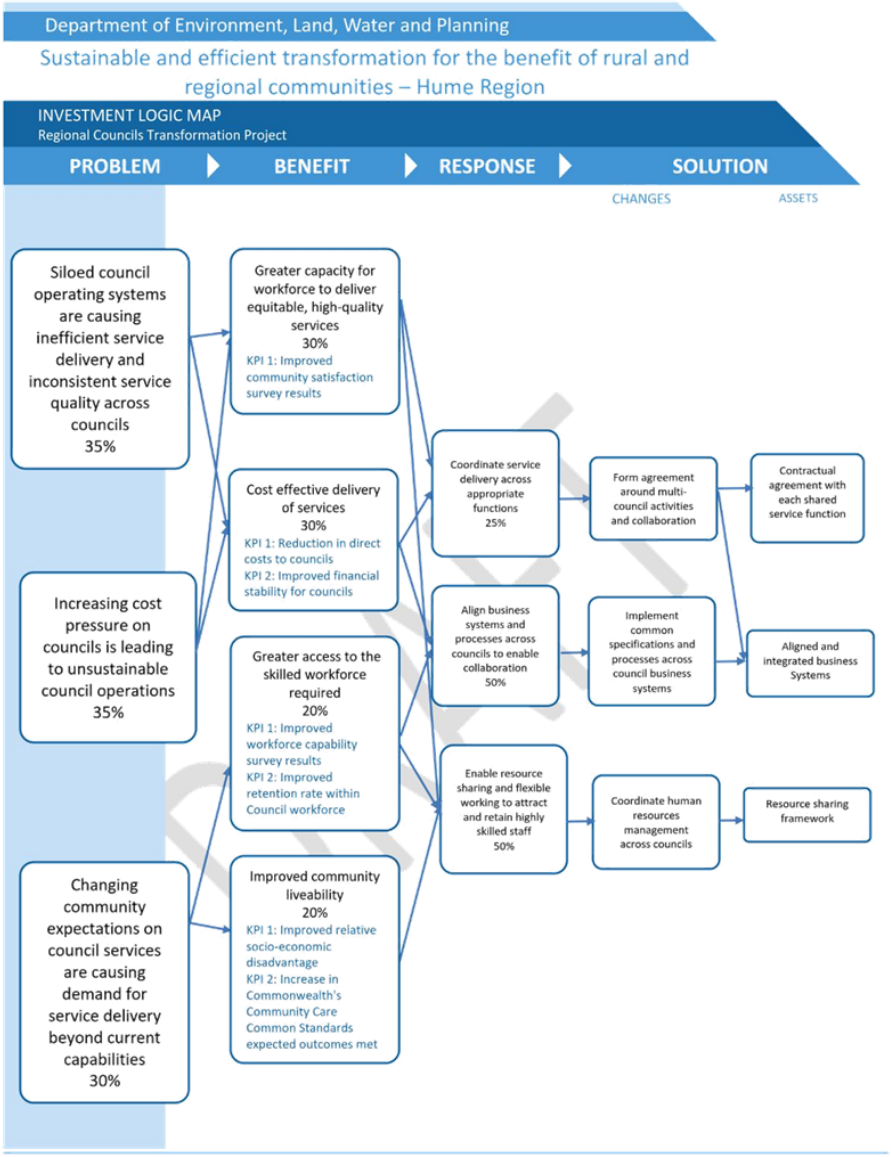
Inter	What external conditions are critical to the success of this investment?	Criticality
Dependencies	Provision of full funding ask	H
	Continued Government and private investment in the Hume Region	M

Policy	What is the primary policy to which this investment will contribute?
Alignment	The Victorian Government's Regional Statement (2015) outlines a clear strategy not only to help Regional Victoria to survive, but to thrive in the future. Points of focus include regional jobs, transport and infrastructure growth, education, healthcare, safer community regions and quality of life. The centrepiece of the statement was the establishment of nine new Regional Partnerships, including the Ovens Murray Partnership which includes seven of the 11 participating councils in the transformation project.

Managing Uncertainty	What are the main uncertainties in the external operating environment which may affect the investment's future benefit delivery?
	Continued Government and private investment in the Hume Region is critical for the long-term success of the transformation project. Implementing the shared service functions will ensure that a solid base is put in place for councils to deliver on community demands, but ongoing investment in key areas such as healthcare and infrastructure is crucial to support the project. This will ensure that council can continue to meet the needs of communities with changing demographics, and will also ensure that councils can attract skilled staff in the future. Is a real options workshop required during business case development? No

Investor	Who is the senior person who will ultimately be responsible for delivering the identified benefits?			
	Trevor Ierino	Chief Executive Officer, Indigo Shire Council	***Signature***	29/03/19

Appendix D - Investment Logic Map



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Appendix E - Summary spreadsheet

Spreadsheet supplied separately, including detailed costing, revenue and expenditure summary tables, key performance metrics, and NPV summary.

MITCHELL SHIRE COUNCIL

Council Meeting Attachment

GOVERNANCE AND CORPORATE PERFORMANCE

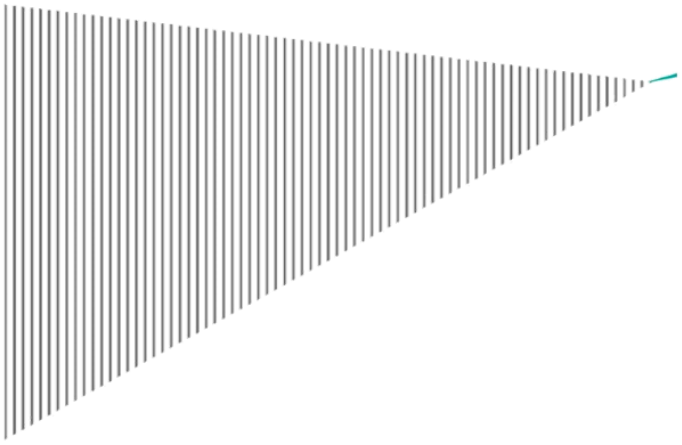
15 APRIL 2019

8.7

RURAL COUNCILS TRANSFORMATION PROGRAM - HUME REGION BUSINESS CASE

Attachment No: 2

Hume Regions Cost Spreadsheet



Hume Region

Submitted as attachment to Rural Councils
Transformation Program Business Case

Cost spreadsheet

Reliance Restricted