



STRATHBOGRIE SHIRE COUNCIL

Notice is hereby given that a Special Meeting of the Strathbogrie Shire Council will be held on Tuesday 23 April 2019 at the Euroa Community Conference Centre commencing at 5.00 p.m.

Chair: Amanda McClaren (Mayor) *(Lake Nagambie Ward)*

Councillors: Debra Bower *(Lake Nagambie Ward)*
Malcolm Little *(Hughes Creek Ward)*
John Mason *(Seven Creeks Ward)*
Alistair Thomson *(Mount Wombat Ward)*
Graeme (Mick) Williams *(Seven Creeks Ward)*

Officers: Steve Crawcour - Chief Executive Officer *(CEO)*
Phil Howard - Director, Innovation and Performance *(DIP)*

BUSINESS

1. Welcome
2. Acknowledgement of Traditional Land Owners
*'I acknowledge the Traditional Owners of the land on which we are meeting.
I pay my respects to their Elders, past and present'*
3. Apologies

Councillor Kate Stothers *(Honeysuckle Creek Ward)*
David Roff - Group Manager, Corporate and Community *(GMCC)*
Jeff Saker - Group Manager, Community Assets *(GMCA)*
4. Disclosure of Interests
5. Petitions
6. Reports of Council Officers
 - 6.1 Climate Change
 - 6.2 Infrastructure
 - 6.3 Private Enterprise
 - 6.4 Public Institutions
 - 6.5 Housing and Recreation
 - 6.6 Tourism
 - 6.7 Organisation
7. Urgent Business

8. Closure of Meeting to the Public to consider matters listed for consideration in accordance with Section 89(2) of the Local Government Act 1989
9. Confirmation of 'Closed Portion' Decision/s

Steve Crawcour
CHIEF EXECUTIVE OFFICER

19 April 2019

An audio recording of this meeting is being made for the purpose of verifying the accuracy of the minutes of the meeting, as per Local Law No. 1 - Meeting Procedure (2014) or as updated from time to time through Council Resolution

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6.7.1 Hume Regional Councils Transformation Program

Author & Department

Chief Executive Officer / Executive Services Department

Disclosure of Conflicts of Interest in relation to advice provided in this report

The author of this report and officers providing advice in relation to this report do not have a direct or indirect interest, as provided in accordance with the Local Government Act 1989.

Summary

The purpose of this report is to present the tabled "Hume Region Transformation Program – Business Case" to Council for consideration with a management recommendation that this business case be approved for submission.

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

The Business Case was submitted by the due date, and Councils have until 30 April 2019 to present their reports to Council for endorsement.

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

RECOMMENDATION

It is recommended that Council:

- 1. Notes that Strathbogrie Shire Council is a participant in a grouping of councils making / that have made an application for funding under the Victorian Government Rural Councils Transformation Program (RCTP) for the following initiative:**
 - a. Hume Regional Councils Transformation Program, in conjunction with Wodonga, Wangaratta, Moira, Mitchell, Towong, Benalla, Murrindindi, Mansfield, Alpine, and Indigo 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.**

6.7.1 Hume Regional Councils Transformation Program (cont.)

RECOMMENDATION (cont.)

3. **Approves the submission of the business case by Indigo (lead council) on behalf of Strathbogie Council.**
4. **Approves implementation of the project(s) / initiative(s) within the submitted business case by Strathbogie council, subject to the application being approved for RCTP funding.**

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. Strathbogie Shire Council lead the way with a shared services agreement with the City of Greater Shepparton Council, Moira Shire Council joined at the later date.

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 formalised this request in their "Victorian Budget Submission 2018-19" 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.

6.7.1 Hume Regional Councils Transformation Program (cont.)

In response, the state government provided a grant fund of \$20 million to assist with the transformation of Rural Councils. The objectives of this fund are shown in the background section of the business case;

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.***

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.

Councils in Hume Region submitted a joint expression of interest in November 2018 that proposed transformative projects in five areas of common interest. This expression of interest was endorsed by the state government for the purposes of moving to a full business case (Tabled).

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 at the February 2019 Northeast Local Government Mayors and CEO's Meeting.

DISCUSSION

The tabled business case is presented in accordance with state government requirements and contains a number of 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

6.7.1 Hume Regional Councils Transformation Program (cont.)

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
- Improved financial sustainability for councils
- Flexibility in implementation
- Positive community impact
- Equitable distribution of benefits
- Avoidance of centralisation
- 'Future proofing' the Hume Region councils

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

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 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.

6.7.1 Hume Regional Councils Transformation Program (cont.)

Alternative 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 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.

Risk Management

Section 7.1 of the business case reviews risks and mitigation strategies for the transformation project. As each of the five transformative projects progresses additional risk assessment and management will be included to ensure that outcomes are appropriately managed.

Strategic Links – policy implications and relevance to Council Plan

The Local Government Act 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.

6.7.1 Hume Regional Councils Transformation Program (cont.)

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.

Best Value / National Competition Policy (NCP) / Competition and Consumer Act 2010 (CCA) implications

The author of this report considers that the report is consistent with Best Value, National Competition Policy and Competition and Consumer Act requirements.

Financial / Budgetary 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.

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

Economic Implications

The author of this report considers that there are no significant economic implications for Council or the broader community.

Environmental / Amenity Implications

The author of this report considers that there are no significant environmental or amenity implications for Council or the broader community.

Community Implications

The genesis of this program is the long-term sustainability of rural councils and the degree to which councils can continue to provide services to their local communities. All councils are under pressure to deliver an increasing suite of services to their communities and this pressure is intensified in rural areas with challenges such as rates affordability and low population to asset ratios.

To continue to maintain and enhance service delivery, councils will need to find improved ways of working together to improve service outcomes and efficiency. This has been happening for several decades and the Hume region has many examples of innovative projects that councils can be rightly proud of. The law of diminishing returns is however making iterative change less attractive and there is a growing understanding that transformative collaboration is the next frontier.

This business case provides an opportunity to take a step-change in the way that five service areas are provided in Hume region.

Victorian Charter of Human Rights and Responsibilities Act 2006

The author of this report considers that the recommendation does not limit any human rights under the Victorian Charter of Human Rights and Responsibilities Act 2006.

6.7.1 Hume Regional Councils Transformation Program (cont.)

Legal / Statutory Implications

The author of this report considers that there are no legal or statutory implications which require the consideration of Council.

Consultation

No community consultation has been undertaken for this project. This is for two reasons;

1. The proposed changes are largely operational in nature and are not expected to negatively impact on service levels. Therefore this work would not usually warrant community consultation.
2. Any community consultation that may be appropriate for any of the five projects would be premature at this pre-application stage and would be more appropriate as part of the project development phase.

Attachments

Nil.

Tabled Document/s

- Hume Region Transformation Program – Business Case

- 7. URGENT BUSINESS**
- 8. CLOSURE OF MEETING TO THE PUBLIC TO CONSIDER MATTERS LISTED FOR CONSIDERATION IN ACCORDANCE WITH SECTION 89(2) OF THE LOCAL GOVERNMENT ACT 1989**
- 9. CONFIRMATION OF 'CLOSED PORTION' DECISION/S**

THERE BEING NO FURTHER BUSINESS, THE MEETING CLOSED AT P.M.