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Local Government Victoria

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|  Local Government Victoria and Collaborative Councils: An Evaluation 2008-2016Insert subtitle (use Shift+Enter for a forced line break) |

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 Abbreviations and Acronyms

LGV – Local Government Victoria

CRB – Councils Reforming Business

LGRF – Local Government Reform Fund

LGPro – Local Government Professional Association

MAV – Municipal Association of Victoria

RPEN – Regional Procurement Excellence Network

DPCD – Department of Planning and Community Development

DELWP – Department of Environment, Land, Water and Planning

VAGO – Victorian Auditor General’s Office

Introduction

The purpose of this report is to assess a selection of collaborative activities involving Victorian local governments and Local Government Victoria (now in the Department of Environment, Land, Water and Planning) since 2008.

This will primarily examine the extent to which these collaborative reform activities have had a lasting or sustainable impact upon local government operations and their organisations.

This evaluation further aims to inform future policy and collaborative approaches by the Victorian Government toward local governments and by local governments themselves. By virtue of the activities in the time period examined, procurement and service provision reform projects will constitute the bulk of the activity under consideration. Thus, collaborative procurement may be understood as a proxy for collaboration between local governments and the Victorian Government more broadly. The activities examined consist of the following:

* Victorian Government collaborations with local governments
* Local government collaborations with other local governments

It will examine some successes and failures and will contextualise these to make better use of examples.

This evaluation is not exhaustive, but for reasons of space and resources, a sample selection of activity was subjected to review rather than a long and comprehensive study.

It is important to also note that it is written from the perspective of Local Government Victoria, in its capacity as an office of a Victorian Government department (Department of Environment, Land, Water and Planning). The office administers the *Local Government Act* 1989 and advises the Minister for Local Government. It also conducts a range of policy and development activities with local governments. A significant number of collaborative activities have and continue to take place in Victoria that test and trial new ways of operating. In addition, many service areas in Victoria involve the Victorian Government and local governments cooperating together.

This report concludes with findings and recommendations for future collaborative activity between local governments and with the Victorian Government.

The Policy Context of Local Government Collaboration

## The Local Government Setting and Procurement Focus

Victorian local governments procure approximately $4 billion of goods and services annually as of 2014-15. With many of their respective services similar, the potential for jointly procuring what they require and collaborating in many common areas becomes compelling. Many local governments have undertaken collaborative work for many years in an informal and inconsistent way, with some longer terms, specific arrangements in place (e.g. regional library corporations). This includes networks of staff, movement of officers and executives between councils and the imitation of business practices.

Given the large quantum of external expenditure on goods and services, and the similar activity profile of councils regardless of size, procurement has been considered a promising arena for local government collaboration. In 2008 the Victorian Government devised a strategy to begin to support improved procurement practices, including collaboration.[[1]](#footnote-2) The 2008 strategy generated a series of programs and activities led by Local Government Victoria (then in the Department of Victorian Communities) that in various forms are ongoing.

## The Legislative Framework

Section 186 of the *Local Government Act 1989* sets out the requirements for local government procurement. A sub-clause of s.186 that has had significant attention in the past is the provision for ministerial exemption from tender requirements (s.186(5)(c)). Intended to provide for circumstances where an open market tender is unfeasible or inappropriate, the provision’s usage has grown.[[2]](#footnote-3)

Some tender exempt procurement has remained straightforward such as the use of a sole provider for election services. In this case, the role of the Victorian Electoral Commission as sole provider was enshrined in the Act in 2015, negating the need for future exemptions to be issued by the Minister for Local Government. Yet areas of procurement and the use of exemptions have remained challenging for policy, given the many circumstances where exemption is sought.

In Victoria, the establishment by a group of councils of a commercial entity or joint venture (that could jointly procure or offer a service) requires approval by the Minister for Local Government and in some circumstances the Treasurer. This has similarities with other Australian jurisdictions that have various provisions in legislation for councils to form regional entities, often requiring approval from a minister and provision of a risk assessment. Nevertheless, despite this evident hurdle in Victoria, it is a hurdle to the formation of the most expensive and complex collaborative arrangements only. Moreover, the requirement in practice conforms with the due diligence that would be expected of a council entering in to such an arrangement without any external approval requirement.

In Victoria, there are no legislative restrictions to local governments collaborating on the basis of informal cooperation, sharing and aligning plans and documents, joint tendering, councils purchasing services from each other or one council contracting services on behalf of a group of local governments. Councils also have no legislative barriers to sharing resources such as back-end administrative systems such as HR, finance and IT. In this light, the purported external or legislative barriers to local government collaboration in Victoria are limited to the establishment of stand-alone commercial entities.[[3]](#footnote-4) Work by the Australian Centre for Excellence in Local Government drew related conclusions: that cultural and organisational barriers were significant factors in determining the appetite for local government collaborative activity.[[4]](#footnote-5)

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## The Broader Setting and Current Imperative

The Sommerville-Gibbs paper of 2012 sets out the local government shared service landscape in Australia.[[5]](#footnote-6) Their work highlights the concept of a council owned corporate entity that delivers a service on behalf of a group of councils. The Community Chef arrangements in Victoria are an example of this model: a multi-council owned corporate entity with its own staff, budget and legal character.[[6]](#footnote-7) The often cited example of the NSW Regional Organisations of Councils (RoCs) exemplify a similar separate entity model, comprising incorporated associations of member councils.

Arrangements such as the RoCs and Community Chef are at the more complex end of the collaborative model spectrum. As a consequence, they are also risky and can entail additional costs, as each requires staffing and infrastructure. While the two examples above are often cited as exemplars for local governments around the country, there is considerable scope for other collaborative models to be examined that are less formal, cheaper, simpler and lower risk.[[7]](#footnote-8)

The rationale has remained that business practices that make use of joint procurement, shared services and collaboration more generally have the potential to generate benefits for local governments and their communities.[[8]](#footnote-9) In practice, local governments around the Commonwealth have been investigating and implementing a range of collaborative models and business practices for many years, reflecting work in jurisdictions around the world.[[9]](#footnote-10) Whilst there is no great consistency of practices, there has been in Victoria an evident need to support and formalise some of these practices to ensure their benefits are sustained. Scrutiny by the Victorian Auditor General (VAGO) on local government business practices has been influential in this respect. The 2014 ‘Shared Services in Local Government’ audit and the 2015 ‘Effective Support for Local Government’ report both highlighted areas of good practice and potential for improvement, including a need to better evaluate activities.[[10]](#footnote-11)

The 2014 ‘Shared Services in Local Government’ audit made several observations on existing practices. It concluded in one recommendation that the Victorian Government should focus on identifying barriers for local government to further the uptake of shared services and encourage collaboration and knowledge sharing.[[11]](#footnote-12) More recently, the new rate capping environment and the freeze on the indexation of the Financial Assistance Grants Scheme by the Commonwealth Government has highlighted cost pressures emphasising the need for Victorian councils to consider different methods of cost saving and service delivery.



Credit:

Source:

Evaluation Method

The focus of this evaluation is to examine how some of the collaborative activities of local governments and especially those with LGV support since 2008 have influenced local government business practices, i.e. their ways of operating. This method will analyse previous project and program evaluations and uses surveys and interviews undertaken in 2016. A range of relevant secondary sources have also been used.

The framework for considering the influence of collaborative activities is based upon a continuum of business practices and their application in the organisation. First, business practices that are limited or nascent may typically be found in the behaviours of individuals in organisations. Second, activities or projects may provide examples of more solidified business practices of an organisation: activities indicating priorities or areas of interest. Third, business practices that have reached a greater degree of maturity may be formally evidenced in workplace policies, plans, budgets and reports. This level of institutionalisation may be characterised as ‘business as usual’. The degree to which such documented statements align with actions is a strong indication that certain business practices have become institutionalised.

The three categories are presented as a **business practice level.**

***Individual level*** – may be exhibited through the actions and behaviours of staff. Such behaviours may include communications between different council procurement officers, sharing of workplace resources and information. Individual project feedback has provided information as to the degree to which support has influenced and changed the business practices of council officers.

***Activity or project level*** – can demonstrate the extent to which sustainable business practices are conducted in groups within an organisation. Demonstrable projects and activities in shared services and joint procurement by a local government provide evidence. This section will discuss instances of joint procurement and shared service activity undertaken both in conjunction with and independently of direct LGV funding and support. Consistent evidence of types of business practices within a business unit or group within an organisation will also fall into this category.

***Organisational level*** may be demonstrated by the extent to which certain business practices have become normal in an organisation. Examples of normalisation may be found in documented procedures and policies of an organisation and plans and budgets. High levels of institutionalisation may also see such business practices acted upon by most staff, i.e. ‘business as usual’.

The impact level of the various activities was determined through the use of surveys and interviews with council staff. Additional interviews were held with staff from LGV, other Victorian Government departments and agencies and local government peak bodies. Past project reports and evaluations, along with secondary sources made up the balance of the evidence base.

Other elements of the evaluation examined the extent to which joint procurement or shared service activities have been documented or become common practice. Such evidence will provide some indication as to the extent of the *institutionalisation* of business practices.

## Exclusions

The EasyBiz Phase III, Social Procurement and Sustainable Procurement projects of the Councils Reforming Business (CRB) Program have not been considered in this evaluation. These projects were implemented only partly by LGV, and were led (or the bulk of the work done) by other Victorian Government agencies.



Credit: Dr Stewart Cotterill,

Source: [stewartcotterill.co.uk](https://stewartcotterill.co.uk/2015/09/15/collaboration-the-key-to-good-pr/)

Activities

## Procurement Roadmaps

The Roadmaps project of 2011 involved LGV working with local governments (with the services of a third party contractor) to prepare and implement a detailed procurement roadmap comprising a process and document audit as well as an examination of practices. 78 out of 79 councils took part. It allowed each council to benchmark their operations against each other, and set out a ‘roadmap’ to fuller process maturity in procurement. It formed the commencement of the Regional Procurement Excellence Networks program (see below), allowing councils to work collaboratively, even if at different levels of process maturity.

The procurement roadmaps were also to assist councils to compile the necessary data to track future procurement progress. The program engaged with the executive team and key officers and were designed to be regularly reviewed and updated by councils to support their continuous improvement. The 2012 CRB Evaluation on the Procurement Excellence Program indicated that procurement as an activity had been elevated in local governments based on limited feedback. The evaluation found that many of the procurement projects provided some benefit. It highlighted the Procurement Roadmaps project as delivering some useful support to councils, allowing them to evaluate their own practices.[[12]](#footnote-13)

The same evaluation undertook a quantitative assessment of the savings generated by the program. It estimated savings to the local government sector of $6.1 million per annum to the sector from the procurement initiatives.[[13]](#footnote-14) It noted that this was a conservative minimum estimate, and actual savings were likely to be much higher.

A subsequent LGV assessment in 2012 indicated support for the roadmaps had fallen away. There were some councils that had managed to progress with the formation of steering committees within their councils to change business practices. A 2016 LGV survey, along with interviews indicate that roadmap progress has been variable. But encouragingly, it indicated:

* 37 per cent of respondents continue to use the original roadmaps that were developed with LGV in 2011.

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| *“The original procurement roadmap allowed us to get the fundamentals right and thereafter allowed us to become more strategic with category management. Now we look for every opportunity to engage in collaborative procurement and our internal customers are becoming more comfortable with this approach to market”[[14]](#footnote-15)*. |

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A number of councils have subsequently purchased a third party expenditure mapping tool in partnership with the Municipal Association of Victoria (MAV), which allows councils to compare their expenditure with others in a designated region and accordingly plan collaborative activities. This has built upon the work of the procurement roadmaps.

The roadmaps - as a benchmarking tool and a platform for collaboration – were utilised differently by each council. While a few years old now, they remain a source of baseline data to support improvement in business practices and some collaboration. The survey evidence indicates that the roadmaps have become institutionalised at the activity level in a few councils and have contributed toward organisational improvements. In some cases they have had an organisational level impact. The 2016 survey (5 years after the activity) found:

* 34 per cent of respondents indicated that the procurement roadmap was somewhat or extremely beneficial to council decision making.

It is important to note, that procurement, as a corporate activity in most councils remains largely ‘decentralised’. Therefore, the potential for procurement to be ‘strategic’ as in planned as a whole of organisation activity faces some challenges as the procurement decision makers can be dispersed in an organisation. The procurement roadmaps were an attempt to align or improve practices in many councils, even in a decentralised context. In this context, it is encouraging that the roadmaps have continued to have a positive influence in many local governments.

## Regional Procurement Excellence Networks

The primary collaborative mechanism established by the CRB program were the Regional Procurement Excellence Networks (RPENs) in 2011.

Each network was formed by a regional grouping of councils. The networks were designed to foster officer engagement, and serve as a platform for joint procurement and other collaboration. Membership by procurement and purchasing officers facilitated discussions of business practices and in instances, about collaboration.

In addition to the RPENs, LGPro, the local government professional’s association, reconvened their Special Interest Group in procurement, to operate as a central coordinating point for the network. Centralised activities such as sector wide procurement category codes were driven by this group. The activities emerging from the RPENs were to progress practice improvements in accordance with the procurement roadmaps.

After 5 years the RPENs continue to meet regularly with consistent attendance. The original 9 groups are now 8, since Barwon South-West merged with Central Highlands to form the Barwon-South West RPEN in 2015. All of the RPENs have pursued collaborative activities from basic comparisons of procurement plans and contracts to more complex joint tenders with LGV support. Several RPENs have designed and implemented activities without any Victorian Government support, indicating a greater level of institutionalisation, i.e. business as usual for procurement officers. Their progress has meant greater support for their RPEN (and procurement more generally) from their respective council executive, furthering the process of institutionalisation.

This is borne out by a 2016 survey of the network:

* 35 per cent of respondents have entered into a collaborative procurement or shared service as a result of RPEN activity

The 2016 survey indicated that all but one of the RPENs have become part of business as usual for procurement officers, in the form of regular meetings. It is evident that some of the RPENs have reached an activity level of maturity, in that they meet regularly with good attendance and function as a community of practice for officers. It suggests that future collaborative procurement (involving the Victorian Government or not) should use the RPEN networks wherever possible.

The survey results indicated the following:

* 48 per cent of respondents attend every RPEN meeting in their region
* 82 per cent of the respondents thought that their involvement in the RPEN was either extremely or somewhat beneficial
* 24 per cent of respondents stated the LGV developed standardised procurement templates had been of value whilst undertaking procurement practices
* 64 per cent of respondents stated that the Best Practice Procurement Guidelines 2013 are extremely relevant in their day to day activities

The RPENs have become a platform for many local governments to undertake collaborative activities and collaborative business practices more generally.

To support their continuance, an information portal developed in 2011 – the local government procurement e-hub –was transitioned into a low cost web platform (Microsoft Yammer) in 2014. This site, administered by LGV, has provided a forum for the RPENs membership to interact outside of meetings, fostering a community of practice environment. This network enabled the exchange of ideas and resources by officers across the state between meetings.

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|  *“We have attended many collaborative*  *procurement category forums some of* *which have led to collaborative tenders.*  *We have found that the sharing of*  *information/experience at a regional level* *is beneficial, even if the process does*  *not result in collaborative procurement.”[[15]](#footnote-16)* |

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|  *“Where the RPEN focuses on specific*  *activities they work well. Given each*  *councils resourcing however,*  *collaboration is sometimes hampered*  *by a lack of resources. Additional*  *support from LGV for resourcing in the* *collaborative space would see more*  *collaboration occur.”[[16]](#footnote-17)* |

The 8 RPENs have developed at different rates.

Two of the RPENs have transitioned to consistent activity maturity. They have a track record of projects they have implemented, and sufficient momentum to no longer rely on key individuals for their continuance.

The remaining RPENs operate mostly at a constant level of activity in that they have continued to meet; building officer to officer relationships.

 Support to the networks from LGV and member councils will assist each group to develop towards a business as usual paradigm in the future.

A map of the RPEN regions can be found at Appendix A.

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|  *“I believe the RPEN is a valuable tool for* *the development of regional*  *procurement best practice and*  *collaboration. Unfortunately the networks* *have had trouble in maintaining*  *momentum once the CRB program*  *finished.[[17]](#footnote-18)* |

## Procurement in Practice 2012-14

Procurement in Practice was a more intense form of project support by LGV for joint (collaborative) procurement. Working with an RPEN, LGV coordinated a group of five local governments to plan and execute a joint tender for road resealing (see expanded case study).

The project resulted in significant costs savings estimated at $3.1 million, a suite of templates and resources, and supported the revision of the LGV Best Practice Procurement Guidelines 2013.

It constituted the most intensive LGV support project toward collaboration to that point, and an attempt to practice what had been discussed in the preceding 3 years during the CRB program. The contracts that emerged from this project are set to conclude in June 2017. At the time of writing, several of the participant councils are preparing to retender in a similar fashion. They are doing so with a view that a joint tender is the starting point for procuring such services in the future. A level of organisational level maturity is evidenced here as the engineering officers in the councils are coordinating with procurement units to pursue a joint tender.

Two further LGV funded and led projects followed Procurement in Practice under the Local Government Reform Fund. Focussed first on best value and second on internal audit, both activities worked with groups of councils to improve their own business operations and attempted to find areas of commonality for further collaborative work.

Both activities were complex, and in working with a group of councils, the resultant complexity made progress difficult. The internal audit project required clear data, something that was in short supply. As the project manager explained ‘we couldn’t obtain basic utilisation rates of the 36 road graders owned between the 5 councils’. Without such information to establish baseline costs, an informed path to improvement via resource sharing and coordination remained difficult. The best value activity also required considerable information from all councils to progress, and the incurred time and cost in doing so negated the potential financial benefits. Neither activity was able to strongly influence the business practices of participants post completion.

Both activities involved investment by LGV, and consultancy support in the best value activity. A key lesson from both activities was the need for sustained support from each local government’s executive for the duration of the work, to ensure staff engagement and a willingness to share information dispersed through organisations. In the context of project work that is new, or considered peripheral to core business by the organisation’s decision makers, it is difficult to succeed without consistent support from this level of management and leadership.

## Local Government Reform Strategy

In 2014, LGV led a second road resealing joint tender with a group of 5 councils. This activity was part of a total of 6 activities under the ‘Local Government Reform Strategy’ (LGRS). Working with the RPENs again, LGV supported joint procurements of a range of council services such as Work Cover agent services, conversion to biodiesel for council fleets and collaboration with a group of metropolitan councils for line marking and tree pruning services. In total, LGV worked with 28 councils across the 6 funded activities. The line marking project led by the Eastern Metro RPEN was the standout activity, resulting in combined savings for the 9 councils of $800,000 over the new contract life of 5 years.

The experience of these activities was mostly positive with some sustained benefits. They were highly focussed projects (compared to the Internal Audit and Best Value projects), usually addressing a defined area of council operations. This made it easier to ensure the right people could be brought together from participating councils. Conversely, this meant less time was spent in exploratory engagement, an activity that often diminishes committed engagement by parties. Working with the RPENs also made use of an existing collaborative network, that, even if were still developing, had a foundation of good will and commitment to build upon. A 2014 LGV survey indicated 91 per cent of respondents wished to see procurement activities pursued through the RPENs.[[18]](#footnote-19) The LGRS activities may have also served to support the RPENs’ continuance.

The second road resealing joint procurement however experienced fewer of the cost benefits of the first project. It progressed a proof of concept trialled by the first road resealing joint procurement, so many of the arrangements had been proven. Because of this, LGV took a less hands on approach, relying upon many of the resources developed previously. The activity did not however experience the same outcomes as its predecessor project. This was partly due to a difficulty by all participants to adjust some of their own standards and expectations in order to realise the benefits of a collaborative approach.



## Procurement Aggregators

The past decade has seen the growth of ‘aggregators’ or entities that purchase or arrange panel contracts on behalf of local government. Two in Victoria - MAV Procurement and Procurement Australia (formally known as the MAPS Group) – have become part of the local government procurement landscape. By using aggregators, councils are able to access contracts utilising greater economies of scale. Anecdotal evidence from councils indicates that procurement aggregators have become popular. They have achieved organisation maturity in their impact upon local government, in that both entities have become part of the local government procurement landscape.

**Victorian Purchasing Contracts**

In 2009 local governments were granted the ability to access purchase contracts held by the Victorian Government. State Purchase Contracts (SPC) and Whole of Victorian Government Contracts are standing offer agreements or panel contracts for a wide range of common goods and services such as utilities, HR services, IT, mail services, printing and marketing. Local governments are able to access these contracts without going to tender, allowing them to take advantage of the economies of scales typically available through such larger panel style agreements. As of 2016, 36 local governments are making use of SPC in motor vehicle purchases. Mail services and fuel purchases are also in heavy use, with the majority of Victorian councils accessing these contracts. Consideration of Victorian Government purchasing contracts is now a common practice by most councils, indicating a high degree of organisational impact of the 2009 reforms.

From financial year 2016-17, The Victorian Department of Treasury and Finance (which administers the SPC system) will be collecting detailed data on local government usage of Victorian Government purchasing contracts. This will allow greater analysis of their usage in the future.

CASE STUDIES

Findings, Considerations and Conclusions

The small sample of activities and projects discussed above is, as stated in the introduction, meant to be indicative. It has sought to highlight the complexities of collaboration by local governments and the challenge it presents. Nevertheless, it is possible to draw some conclusions from the discussion that may be instructive for future work. Some broad observations are presented here covering the thematic areas of governance, resourcing and commitment, management and authorisation. Some specific recommendations are then presented as considerations for future Victorian Government-local government collaboration activities and programs.

## Governance

Supporting future collaboration may require more formal governance arrangements, such as memorandums of understanding and inter-council agreements. This would entail a step toward collaboration becoming a more ‘business as usual’ activity and more embedded in the local government organisation as a common business practice.

Several of the local government reform projects discussed required varying levels of project management support from LGV. Ideally project management responsibilities should be negotiated at the commencement of each project and agreed upon by all parties. The overarching project management should be governed by an agreement that outlines roles and responsibilities clearly. Agreements need to include detailed project objectives, provision of standardised communication of deliverables, agreed organisational commitment and timelines, executive endorsement and formalised reporting and evaluation.

The practice of developing a desirable ‘model’ or governance arrangements for a collaborative activity has proven challenging. The 2008 *Local Government Procurement Strategy* discussed a range of possible procurement models.[[19]](#footnote-20) The experience suggests that adopting a particular governance model over another is best done in conjunction with the needs of the activity itself: a horses for courses approach. While this seems obvious, preferences for certain arrangements prior to a shared understanding being developed by participants can make process difficult.[[20]](#footnote-21)

Procurement in Practice, recognising the coordination difficulties inherent in joint procurement by councils, adopted a ‘lead council’ arrangement. This model overcame the administrative and contractual challenges of procurement where a group of councils, without forming a new corporate vehicle to contract with a vendor, require one of their members to act as the lead party to market. Councils, following the tender, then contracted the preferred provider individually. This approach overcame some of the hurdles to collaboration, but still required efforts to build trust and cooperation between parties.

The typical approach to many collaborative activities has been the formation of a committee or group charged with direction, management and sometimes technical advice. Such an approach is common for most multi agency or entity activities, no less those involving local governments. The CRB program made heavy use of such a model, and subsequent activities have also tended to attempt to form a working group or committee structure for governance.

A key issue, discussed in 2012, was that of sustainability in the context of collaborative reform activities that made use of such committees.[[21]](#footnote-22) Participants of such committees were not necessarily decision makers, so the beneficial outcomes of activities were not easily fed into influencing council planning and corporate behaviour post project completion. Thus, institutionalising the benefits from many activities has remained a challenge. The absence of sector wide, formal and institutionalised collaboration by local governments may be a reason for this.

## **Resourcing and Commitme**nt

An output of the LGRF was the development of a set of templates to assist councils in managing a joint procurement project. Whilst the templates and forms were useful in some circumstances, there were occasions in subsequent projects where participants were reluctant to use them as it was expressed that it was not pertaining to their specific situation. In the absence of explicit incentive to alter practices, the status quo was more likely to prevail. There is therefore demand to provide ‘fit for purpose’ resources to local governments that support greater collaboration in places. Given the issues of activity sustainability noted previously, it is desirable that such resources should be in the form of in-kind or co-support rather than static guidance or generic documentation.

As discussed earlier, there are no significant legislative barriers to greater collaboration by Victorian local governments. The barriers that exist are primarily organisational and cultural. This is not to suggest the collaboration challenge is in any way diminished, indeed it is in many respect greater. Such barriers are often greater as they require organisations and the people that work within them to change their long established practices and challenge the operational norms of their organisation. As a survey respondent stated:

*“The perception of shared services remains as a "I've lost control/responsibility/my job" scenario. People remain protective of their patch, and it is difficult to…share(ing) services. As each council operates in just a little different way, selecting the services to 'share' is not so easy.”[[22]](#footnote-23)*

The different activities discussed in this report show that collaboration takes many forms and is in widespread practice, even if it is not recognised explicitly across or within local governments. The focus upon procurement has come about due to its frequent recognition as an area of great potential cost saving for local government. In doing so, such a focus touches upon many other parts of local government operations, highlighting the potential for collaboration to support other areas. Thus, local governments and the Victorian Government by working with them, can move beyond shared services and joint procurement to developing and supporting collaboration across a broad spectrum of practices. Such an advance will often highlight the need for organisational adjustments:

*“We are mostly fairly capable of undertaking collaborative procurement, it's the shared services we struggle with. This is because they often require common systems, very senior leadership commitment and more resources to manage (particularly project management). We know there are numerous opportunities for serious savings through things like shared legal services but nobody seems to have the resources to lead it and make it a reality.”[[23]](#footnote-24)*

A focus on improving specific technical or functional operations may be a more compelling path to changed business practices than a simple desire to ‘collaborate’ which can lead to a lack of focus, as experienced in two LGV led projects discussed earlier. Commitment must be derived from a compelling opportunity, urgency or problem to generate the focus required. The absence of such a condition should be a red flag to any collaborative pilot. Wanting to collaborate for its own sake is an insufficient motivation.

## Management and Authorisation

A key learning from many activities was the importance of having appropriate representation of council staff on project steering committees. ‘Buy in’ from the executive level to local key staff is imperative for these projects to succeed. Experience from the LGRF and LGRS projects demonstrated that projects that don’t have buy in from the executive level may not produce many longer term benefits. They are also unlikely to be sustainable or replicated in other areas of the organisation.

This corresponds with the findings of an earlier assessment of the CRB program.[[24]](#footnote-25) A lack of institutionalisation of reforms limited the sustainability of better practices, especially if the initial activity was implemented ‘outside’ the decision making structures of the organisation in the form of a stand-alone project. In recognition of this, future collaborative activities currently funded by LGV seek CEO support and endorsement from participating councils. This is considered necessary in order to build an environment for the activity to succeed sustainably.

ecommended Principles for

## Future Collaboration

The following are suggested considerations for future collaborative activities between local governments and those involving the Victorian Government. They have been proposed to inform future work that seeks to develop collaborative work between local governments and the Victorian Government. Informed by the discussion in this paper, their use may support collaborative activities to move from one-off project impacts to part of a broader business as usual for local governments where appropriate.

* **For different and new ways of working to be sustainable, they should aim to improve service provision, not just reduce costs.**[[25]](#footnote-26) Reducing costs can be a strong incentive for a period, however is unsustainable over a longer term. Moreover, in a local government context, many staff are motivated to provide better public services, which improves morale and job satisfaction, leading to sustained benefits.
* **Undertaking a collaborative activity with the express aim to prove a pre-ordained model is difficult.** Collaborative models need to have flexibility, with the goal to be achieving a good result in terms of service delivery or cost savings, rather than prioritising a particular model of collaboration.
* **A willingness to trial new methods and risk failure is important**. Such an approach is beneficial when it is supported by a willingness to learn by participants in the collaborative activity and this willingness is supported by a strong evaluative framework. As per the past recommendations of VAGO, improved monitoring, evaluation and reporting processes for local government shared services and procurement projects is vital for learning.
* **Effective collaboration needs ownership by parties, reflected by the documented commitment of decision makers.** Even better is commitment of in-kind resources or monetary support by participants, demonstrating buy-in and embedding the activity into the core budget of the organisations involved.
* **State-wide collaborative approaches involving all 79 councils (and possibly other parties) are very difficult to administer and direct.** Pilot or smaller scale projects are more manageable and can retain momentum. In addition, if benefits are realised, historical practice suggests other local governments will take an interest and seek to obtain the benefits by imitating.
* **Use of existing networks is important if post-activity completion benefits are to be realised.** For example, the role of the RPENs as a partner of the Victorian Government in areas of joint procurement is recommended in the future.
* **Continuous development of resources and templates to assist councils to plan, implement and manage shared services is important to reflect learnings and good practice.** The research for this review collated resources and guidance for local government collaboration and shared services from around the world. This suggests there may be limited value for the Victorian Government developing a specific ‘how to collaborate’ guide for Victorian councils.[[26]](#footnote-27) More desirable would be ongoing support, advice, examples and mechanisms to share approaches and experiences between local governments and the Victorian Government.
* **Clear and concise funding agreements** that detail objectives & deliverables, roles and responsibilities for all participants, formalised and more extensive project reporting and evaluation and executive endorsement.
* **Competition considerations are important in many circumstances.** Many services delivered by or on behalf of councils are highly specialised, and the market place can have few providers. Joint procurement for example, while potentially generating economies of scale, can raise barriers to new market entrants. If a group of councils all use the same provider, forcing price reductions in the absence of competition can also effect service quality. These are important considerations, and local governments should be aware of their obligations under competition policy, but also the potential impact upon service quality and their community. Such considerations are acute in regional and rural areas.

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#### Surveys

* LGV survey of Regional Procurement Excellence Network members – April 2016
* LGV survey of Infrastructure Design Manual Association – April 2016
* LGV survey of membership of Engineering Design and Construction Manual for Subdivision in Growth Areas – May 2016

#### Interviews

Aubrey Jansen (Glen Eira City Council)

Ralph Kopp (Infrastructure Design Manual)

Richard Morrison (City of Greater Bendigo)

Ron Woods (University of Technology Sydney)

Paul Roche (Manager, Sustainable Business Practices LGV)

Peter McKinlay (MDG Ltd)

Keith Millar (New Zealand Department of Internal Affairs)

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1. Survey Results

delwp.vic.gov.au

1. Victorian Government, ‘Local Government Procurement Strategy’, Department of Planning and Community Development, September 2008. [↑](#footnote-ref-2)
2. According to Victorian Government records, since 2011, 75 applications for exemption from tender requirements have been submitted by Victorian local governments to the Minister for Local Government. [↑](#footnote-ref-3)
3. It is important to note that municipal library services are delivered mostly via council owned entities in the form of Regional Library Corporations. These are enabled via legislation. See S.196 of the *Local Government Act 1989.* [↑](#footnote-ref-4)
4. See Somerville, D. and Gibbs, M. (2012) Legal and Governance Models for Shared Services in Local Government, Australian Centre of Excellence for Local Government, University of Technology, Sydney. [↑](#footnote-ref-5)
5. See *ibid* [↑](#footnote-ref-6)
6. See Local Government Managers Australia, ‘Community Chef: A Case Study in Local Government Innovation’, 2015 [↑](#footnote-ref-7)
7. Dollery et al ‘Shared Services in Australian Local Government: Rationale, Alternative Models and Empirical Evidence’ in The Australian Journal of Public Administration, vol. 68, no 2, pp. 208-219. Dollary’s work is the most comprehensive academic discussion of shared services in
Australian local government. [↑](#footnote-ref-8)
8. See for example Office of the New York State Comptroller, ‘Shared Services in Local Government’, Local Government and School Accountability Division, 2009. [↑](#footnote-ref-9)
9. See for example The Scottish Government, ‘Shared Services – A Guidance Framework’, December 2007. [↑](#footnote-ref-10)
10. See Victorian Auditor General, Performance Audit: ‘Shared Services in Local Government’*,* 2014 and Performance Audit: ‘Effective Support for Local Government’ 2015. LGV, in response to reports by VAGO in 2010 and the Victorian Ombudsman revised the LGV ‘Best Practice Procurement Guidelines’. See Ombudsman Victoria, 2009, ‘A Report of Investigations into the City of Port Phillip’ and Victorian Auditor General’s Report, ‘Tendering and Contracting in Local Government’ 2010. [↑](#footnote-ref-11)
11. Victorian Auditor-General, ‘Shared Services in Local Government’*,* p.12. [↑](#footnote-ref-12)
12. See Regulatory Impact Solutions, ‘Evaluation of the Councils Reforming Business Program 2007-11’, evaluation for Department of Planning and Community Development 2012. [↑](#footnote-ref-13)
13. *Ibid,* p.4. [↑](#footnote-ref-14)
14. Council officer quote, 2016 Local Government Victoria survey of Regional Procurement Excellence Networks [↑](#footnote-ref-15)
15. Council officer quote, 2016 Local Government Victoria survey of Regional Procurement Excellence Networks [↑](#footnote-ref-16)
16. ibid [↑](#footnote-ref-17)
17. ibid [↑](#footnote-ref-18)
18. The 2014 survey also indicated a desire from respondents for a centralised information hub for the RPENs. Such a hub is now growing (through a ‘Yammer’ site) under the administration of LGV. [↑](#footnote-ref-19)
19. See also Somerville, D. and Gibbs, M. (2012) Legal and Governance Models for Shared Services in Local Government [↑](#footnote-ref-20)
20. VAGO, *Shared Services in Local Government,* has a succinct discussion of different governance models for collaboration, p. 19-20 [↑](#footnote-ref-21)
21. Vivian, Leighton & D’Costa, Angelo, ‘Collaborative Reform Between the State and Local Governments: the Councils Reforming Business Program’ Australian Centre for Excellence Conference Paper, 2012, p.9

Vivian, D’Costa, *op cit* [↑](#footnote-ref-22)
22. Council officer quote, 2016 Local Government Victoria survey of Regional Procurement Excellence Networks [↑](#footnote-ref-23)
23. Ibid. [↑](#footnote-ref-24)
24. Vivian, D’Costa, *op cit* [↑](#footnote-ref-25)
25. This conclusion is supported also by the findings of VAGO, see *Shared Services in Local Government*, p.18 [↑](#footnote-ref-26)
26. Local Government Victoria in 1991, then known as the Victorian Office of Local Government published ‘A Manual for Municipal Resource Sharing’. The guide was co-sponsored by the Commonwealth Office of Local Government and the Local Government Minister Office. [↑](#footnote-ref-27)