Department of Jobs,  
Precincts and Regions

Rural Councils Transformation Program - Round 2

funding guidelines



Authorised by the Victorian Government

Department of Jobs, Precincts and Regions

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**Message from the Minister for Local Government**

Rural councils play an important role in creating local jobs, building stronger, more resilient communities and, more recently, in supporting people who are doing it tough throughout the pandemic.

The Victorian Government is committed to help improve the ability of rural councils to deliver the services rural communities need.

Opening up the Rural Councils Transformation Program for a second round of funding enables us to use the learnings from the first round to deliver new and ongoing collaborations and resource sharing arrangements between rural councils.

This second round of funding will provide funding for smaller scale projects that can be more easily managed and delivered. It has been designed to harness the capacity and capability of partner councils, including other Victorian rural, regional, or metropolitan councils.

Please take some time to read through these guidelines as you begin to think about the opportunities this program may provide to your council and local communities.

I look forward to seeing the projects that you put forward under this round of the RCTP.



**The Hon Shaun Leane MP**

Minister for Local Government

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# Rural Councils Transformation Program

Context

Rural councils often have restricted ability to affordably deliver and invest in services and infrastructure, in part due to their dispersed populations and larger geographic areas. Compared to their metropolitan and regional centre counterparts, rural councils tend to face greater barriers to sustainability, meaning they are less likely to have the capacity to meet the service and infrastructure needs of their community and absorb foreseeable changes and unexpected shocks into the future.[[1]](#footnote-2)

With populations forecast to decline in some rural areas over the coming decades, these challenges will likely be exacerbated into the future.

Rural councils generally have less capacity to innovate, plan strategically, or generate efficiencies than their metropolitan and regional centre counterparts.

The adoption of regional service delivery models can help to achieve greater service benefits for rural communities through increased collaboration across councils and the delivery of greater efficiencies. Economies of scale may be achieved through more efficient service delivery with integrated regional services, greater collective buying power through collaborative procurement, or shared corporate services. Such partnering arrangements can lead to more efficient service delivery, ultimately contributing to improved sustainability and better service provision for communities.

## Overview of the Program

The Victorian Government committed $20 million of funding in the 2018-19 financial year towards the Rural Councils Transformation Program (RCTP).

The RCTP seeks to incentivise the implementation of transformative projects on a regional level, such as joined-up service delivery, corporate services, procurement and asset management. This will help to improve the sustainability of councils which would not be able to invest in these transformations without financial assistance.

An initial round of funding was conducted in 2018-19.

**A second round of applications for RCTP funding opens on Thursday 7 October 2021.**

This second round, whilst considered ‘transformational’, will seek to deliver quantifiable benefits in a shorter term and at a reduced scale compared to the first round, with a focus on rural councils.

It is acknowledged that transformation comes in all shapes and sizes and transformation for one council may be considered incremental change for another. The measure of success will be the contribution to the collective sustainability of the sector.

## What are the objectives of the Program?

The RCTP aims to:

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

## How much can be applied for?

Under round 2 of the RCTP rural councils **(see Appendix A)** can apply for funding.

Round 2 RCTP applications for funding should be within a maximum funding envelope of $250,000 per participating rural council **(see Appendix A)** or $1 million per application, whichever is less. This is reflective of the size of projects anticipated. All amounts are GST exclusive.

## How does the Program work?

Applications for funding are invited which outline the delivery of a new and ongoing collaboration and resource sharing arrangement between Victorian councils that is implementable within 24 months from the execution of the Grant Agreement (**see section 5.1**) and includes a minimum of two rural councils **(see Appendix A)**.

Funding will be awarded through a competitive grant application process (**see section 3**).

The participant councils are expected to have the capacity and commitment to fund the arrangement beyond delivery. Savings or efficiencies gained through the project remain with the councils.

For specific conditions of funding refer to **Section 5**.

# Eligibility

## Who can apply?

Only rural councils **(see Appendix A)** can be awarded funding under Round 2 of the RCTP, but all Victorian councils can be part of an application.

## What type of projects may be supported?

Round 2 of the RCTP will fund the delivery of new and ongoing collaboration and resource sharing arrangements that will deliver service transformation and improved sustainability to support existing council functions including direct service delivery, corporate services, procurement and / or asset management.

The focus of this round of funding is on the practical implementation of reform. Applicants should therefore be confident of positive outcomes and be able to demonstrate these for the purposes of project evaluation.

There are no limitations to the services that will be considered, but councils should be mindful of the capacity and capability challenges facing rural councils, identified within the Rural and Regional Councils Sustainability Reform report (2017) found here: <https://www.localgovernment.vic.gov.au/__data/assets/pdf_file/0032/166739/Rural-and-Regional-Councils-Sustainability-Reform-Program_Phase-1-Final-Report.pdf>.

The audits of the Victorian Ombudsman or the Victorian Auditor-General’s Office may offer further direction and support for RCTP proposals.

Applicants should also be mindful of opportunities for reform that have arisen with the passing of the *Local Government Act 2020*.

In developing proposals, councils should also take account of the extent to which the project will strengthen local economies and create employment opportunities in rural areas.

Examples of collaboration and resource sharing arrangements include:

* Jointly owned fleet management entity
* Shared statutory services
* Shared corporate services
* Shared engineering services
* Shared asset management
* Shared procurement
* Shared service planning
* Shared workforce planning

Examples of potential projects are provided in **Appendix B**.

The elements of successful projects that will generally be funded under the RCTP include, but are not limited to:

* Establishment of governance arrangements
* Digital transformation or system development (**see Appendix C**)
* IT hardware and software – both new and upgrades
* Staffing – management and administration (wages and oncosts funded to 50%)
* Related consultancy advice – legal and finance
* Buildings (leased only) and fixtures and furniture – leased and owned
* Vehicles and equipment (phones, computers, office supplies)

## What type of projects will not be supported?

The following activities generally will not be considered for funding:

* Projects that have been completed prior to requesting funding
* Projects where funding is more likely to be provided by other Victorian Government sources or programs
* Projects requiring ongoing funding from the Victorian Government
* Ongoing operating costs, maintenance costs or salary subsidies, once the initiative is established
* The purchase of land
* Standalone feasibility studies, business plans, cost benefit analyses and economic impact studies (that do not include an implementation phase)
* Projects with fewer than two rural councils (**see Appendix A**) and/or exceeding 24 months implementation from execution of the Grant Agreement (**see section 5.1**).
* Projects that lead to a net reduction in employment in rural Victoria.

# Funding

## Application process

Round 2 of the RCTP opens for funding applications on Thursday 7 October 2021 and closes at 2pm, Friday 10 December 2021.

1. **A survey of rural council Chief Executive Officers (CEOs) will identify common service areas amongst rural councils that could be a focus for the program.**

* The results of this survey will be de-identified and published on the program webpage2.
* The details of rural councils that share a common service area priority will be revealed to respective CEOs.
* Councils that wish to revise their service area priorities at any stage should contact the Program Manager, Andrew Hagland on email [rctp.round2@ecodev.vic.gov.au](mailto:andrew.hagland@ecodev.vic.gov.au).

1. **Intending applicants will be required to make a short presentation of their project concept during week 5 and week 6 of the 10-week application period to receive feedback prior to proceeding with an application.**

* It is recommended that presentations respond to the application outline guidance (**see section 3.2.1**) except for projects that include digital transformation or system development, which must follow the guidance in **Appendix C**.
* To participate please nominate a time and day by emailing the program manager at [rctp.round2@ecodev.vic.gov.au](mailto:andrew.hagland@ecodev.vic.gov.au).
* Project concepts deemed to be consistent with the RCTP round 2 funding guidelines will be published on the program webpage[[2]](#footnote-3).

1. **An application (see section 3.2) must be submitted before 2pm, 10 December 2021 to be considered for assessment.**

* The assessment process **(see section 3.4)** is designed to ensure that fully scoped, eligible, high priority and lesser risk projects can receive funding as soon as possible for commencement.

The Department reserves the right not to assess an application if:

* the application does not address the assessment criteria by completing each question under **section 3.2.1**;
* the mandatory supporting documentation is not included; or
* the project falls into one or more of the categories under what the RCTP will not fund (**see section 2.3**).

1. **The lead council of a successful application will be made an offer to enter into a Grant Agreement (see section 5.1) on behalf of partnering councils. It is not a requirement that a rural council be the lead council.**

* The Department will work closely with funded applicants to deliver successful outcomes for the benefit of councils and their communities.

## What information is required in an application?

Applications will consist of two components. Both components must be provided for an application to be deemed eligible for assessment. These are:

* Application outline; and
* Supporting documentation attachments

### Application Outline

The application outline addresses the scope of work and cost and includes the following:

* why is the planned collaboration and resource sharing arrangement required?
* who will the arrangement benefit and how, including quantifying and qualifying the benefits for each council and their relationship with the program objectives (**see section 1.2**)? This must include consideration of the extent to which the proposal will strengthen rural economies and create employment opportunities.
* what is the extent of stakeholder and community support?
* what will be delivered and at what cost?
* what is the current and proposed state?
* how will the arrangement be delivered?
* extent of internal commitment to develop and deliver the arrangement?  
  *councillor support / recent council reports, plans, strategies, consultations / co-funded / contributed resource(s) / external skill exchange(s)*
* extent that the proposal relates to an audit report by either the Victorian Ombudsman or the Victorian Auditor-General’s Office?
* extent the arrangement aligns with the provisions of the *Local Government Act 2020?*

### Supporting Documentation

Applicants will be required to provide documentation to support their application and demonstrate viability and capacity to deliver the arrangement.

|  |  |
| --- | --- |
| **Project Supporting Documentation** | |
| Delivery plan for the new and ongoing collaboration and resource sharing arrangement that:   * details the source(s) of funding *(including co-funding and the value of in-kind resource contribution)*. * specifies the timing of benefits delivery * specifies the activities to deliver the project, including their estimated cost, project resources and timelines in a schedule | Mandatory |
| Resolution or evidence of council support to deliver the project from each council included in the application. Evidence may be via extracts from council reports/plans/strategies/consultation (please do not attach entire documents). | Mandatory |
| Key project governance, management and milestone management documentation.  *For projects with an ICT component it is recommended that senior governance leaders commit to completing the Victorian Government’s ‘Project Governance Executive Program’.*  *Details available at* [*www.vic.gov.au/digital-capability-uplift*](https://www.vic.gov.au/digital-capability-uplift) | Mandatory |
| Evidence of stakeholder and community consultation | Preferable |

## How do I submit my application?

The application outline (**see section 3.2.1**) and supporting documentation (**see section 3.2.2**) must be submitted together to the program manager by emailing [rctp.round2@ecodev.vic.gov.au](mailto:andrew.hagland@ecodev.vic.gov.au) before 2pm, 10 December 2021.

The RCTP team may contact applicants to seek further clarification of information submitted. Some applications may be requested to submit further information following initial assessment of applications by the Department.

If you have any queries, please email the program manager at [rctp.round2@ecodev.vic.gov.au](mailto:andrew.hagland@ecodev.vic.gov.au).

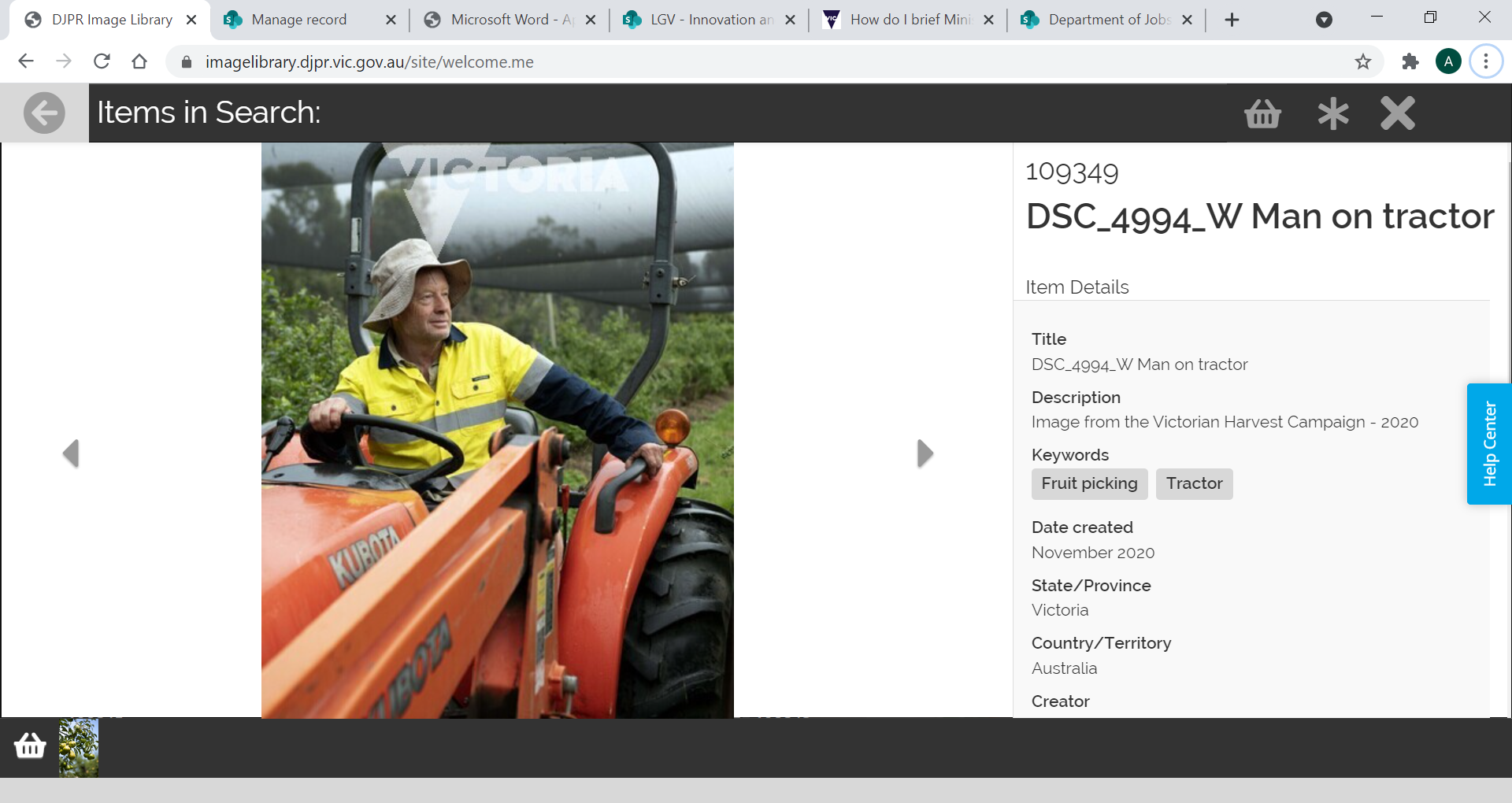
## How are applications assessed?

The broad process associated with the assessment of an application is as follows:

* If the project demonstrates strong alignment to the program’s directives (**see section 1**) and eligibility criteria (**see section 2**), including the pursuit of improved sustainability, and a logical and achievable delivery plan, a common assessment will then proceed according to the criteria and weightings of the following Table.

| **Assessment Criteria** | | **Description** | | **Weighting** | |
| --- | --- | --- | --- | --- | --- |
| **Net benefit** | | the scope and scale of net benefit, i.e. the degree that benefits outweigh the costs.  **TIP:** *Who will the arrangement benefit and how, etc.*, under section 3.2.1, and *specifying the activities to deliver the project, including their estimated cost, etc*., under section 3.2.2, are mandatory submissions. | | 50% | |
| **Capacity and capability to deliver the project.** | **Understanding of project governance** | senior management sponsorship and commitment to the project, appropriate and consistent expectations, direction, accountability and responsibility.  **TIP:** Project governance is a mandatory submission under section 3.2.2. The governance structure, including roles, responsibilities and proposed members, should be outlined and be consistent with contemporary practices specific to the value of the project. | 10% | |
| **Understanding of scope and business requirements** | customer requirements, described scope and objectives, definition of the essential functional and non-functional business requirements, and potential for scope creep / changes.  **TIP:** Understanding of scope and business requirements is the purpose of the application outline under section 3.2.1. | 10% | |
| **Stakeholder management** | adequate customer and stakeholder involvement / commitment, and recognising the importance of training and change management.  **TIP:** This is an important consideration for the delivery plan, which is a mandatory submission under section 3.2.2. An example of higher commitment includes resolution or extracts from council reports / plans / strategies / consultations also under section 3.2.2. | 10% | |
| **Organisational change capacity** | over committing the organisation to implementing change across multiple functions, without consideration of the ability of the organisation to support such a change.  **TIP:** This is an important consideration for the delivery plan, which is a mandatory submission under section 3.2.2. | 10% | |
| **Project management resource** **and capability** | including adequate staffing, project management skills, teams and methodology  **TIP:** It is recognised that the capacity to deliver a successfully funded proposal will compete with the various priorities of individual councils involved. To ensure continuity of the project once funded, a dedicated in-house project leader should be appointed to deliver the project, with the authority to appoint planned resources. Amongst other responsibilities, this position will report to and support the senior governance body for the project. The wages and oncosts of this role can be subsidised up to 50% from funding. Higher commitment to project governance is demonstrated in the appointment and facilitation by co-contribution of funds and/or resources, external skill exchange(s). | 10% | |

* All assessments will then form a recommendation to the Minister for a funding decision.
* If the application is approved for funding, the lead council will be required to enter into a Grant Agreement with the Department of Jobs, Precinct and Regions (DJPR) as outlined in **section 5.1**.
* The RCTP is overseen by a Board, chaired by the Executive Director Local Government Victoria (LGV) and includes members from DJPR, the Department of Treasury and Finance, and the Department of Premier and Cabinet through Service Victoria.



# Timelines

The RCTP round 2 funding timelines.

|  |  |
| --- | --- |
| Program opens / common services survey | 7 October 2021 |
| Survey results shared amongst participating councils | 15 October 2021 onwards |
| Concept presentation & feedback | 1 November to 12 November 2021 (week 5 - 6) |
| Applications close | 2pm, 10 December 2021 (week 10) |
| Assessment and decision making | December/January 2021 |
| Announcements | February 2022 |
| Grant Agreement executed | February 2022 |
| Project Delivery Commencement | Project required to commence within **2 months** from the execution of the Grant Agreement |
| Project Delivery Completion | Project required to be delivered within **24 months** from execution of the Grant Agreement |



# Conditions that apply to successful applications

## Grant Agreement

Successful applicants must enter into a Grant Agreement with DJPR. The agreements outline the commitments and obligations between the funding recipient and DJPR, as well as setting out the delivery and terms and conditions. No funding will be released until DJPR and the applicant have executed the Grant Agreement and the appropriate milestone evidence identified in the Grant Agreement has been met.

DJPR will withhold funding in cases where evidence has been provided but DJPR deems that there are concerns relating to the delivery of the project. DJPR will release funding when appropriate actions have been taken to ensure the project is delivered within the agreed timeframes.

## Project monitoring and delivery

Funding recipients are required to comply with project monitoring and reporting requirements outlined in the Grant Agreement.

Councils are responsible for project delivery, including any project cost overruns should they occur, and capacity and capability of the project lifecycle. Councils must also take full responsibility for the cost of ongoing operation and maintenance of any capital expenditure through their asset management processes.

Councils are to extend an invitation to the RCTP team to participate in any Project Control Board meetings that occur throughout the duration of the project.

In cases where a project is delayed for an unreasonable length of time, where substantive changes to scope are made after the funding has been approved, or where a project fails to be delivered, DJPR reserves the right to recoup the prepayment value of funding at the time.

## Acknowledging the Victorian Government’s support and promoting success

Successful applicants need to acknowledge the Victorian government’s support through the RCTP. Acknowledgement and Publicity Guidelines form part of the Grant Agreement and include the requirement that all activities acknowledge Victorian government support through logo presentation on any activity related publications, media releases, promotional material and placement of a permanent Victorian government endorsed sign/plaque at the site during construction and upon completion of infrastructure activities.

When your council wishes to launch a project, which has received funding from the government at a public event or similar, you are required to give the Minister for Local Government the opportunity to officially open or launch the activity. Your council is also required to invite the Minister for Local Government to significant events associated with the project including ground-breaking ceremonies, inspections, openings, launches and photo opportunities. These guidelines reflect current expectations of Victorian government recognition.

For further information please see [www.vic.gov.au/brand-victoria-guidelines-logos](http://www.vic.gov.au/brand-victoria-guidelines-logos)

## Privacy

DJPR is committed to protecting your privacy. We collect and handle any personal information about you or a third party in your application, for the purpose of administering your application and informing the public of successful applications.

In order for us to administer your application effectively and efficiently, we may need to disclose your personal information with others for the purpose of assessment, consultation, and reporting. This can include departmental staff, Members of Parliament and their staff, external experts, such as members of assessment panels, or other government departments. If you intend to include personal information about third parties in your application, please ensure that they are aware of the contents of this privacy statement.

Any personal information about you or a third party in your correspondence will be collected, held, managed, used, disclosed or transferred in accordance with the provisions of the Privacy and Data Protection Act 2014 (Vic) and other applicable laws.

To obtain a copy of the Department of Jobs, Precincts and Regions Privacy Policy, please email [privacy@ecodev.vic.gov.au](mailto:privacy@ecodev.vic.gov.au)

For information about how to access information about you held by DJPR, please also email [privacy@ecodev.vic.gov.au](mailto:privacy@ecodev.vic.gov.au)

## Absolute discretion

All matters pertaining to the award of grant funding under this Program are at the Minister’s absolute discretion. This includes approving a lesser amount than that applied for and amending funding conditions without notice.

The Department reserves the right to request the applicant provide further information should it be deemed necessary.

The Department reserves the right to amend these guidelines and the application terms at any time as it deems appropriate.



# Further Resources

Further information regarding this program can be found here: [www.localgovernment.vic.gov.au/grants/rural-and-regional-councils-sustainability-reform](http://www.localgovernment.vic.gov.au/grants/rural-and-regional-councils-sustainability-reform).

If you have any questions during the application period, please contact the program manager by emailing [rctp.round2@ecodev.vic.gov.au](mailto:andrew.hagland@ecodev.vic.gov.au).

# Appendix A

|  |  |  |
| --- | --- | --- |
| RURAL COUNCILS | | |
| Alpine (S) | Ararat (RC) | Bass Coast (S) |
| Baw Baw (S) | Benalla (RC) | Buloke (S) |
| Campaspe (S) | Central Goldfields (S) | Colac Otway (S) |
| Corangamite (S) | East Gippsland (S) | Gannawarra (S) |
| Glenelg (S) | Golden Plains (S) | Hepburn (S) |
| Hindmarsh (S) | Indigo (S) | Loddon (S) |
| Macedon Ranges (S) | Mansfield (S) | Mitchell (S) |
| Moira (S) | Moorabool (S) | Mount Alexander (S) |
| Moyne (S) | Murrindindi (S) | Northern Grampians (S) |
| Pyrenees (S) | Queenscliffe (B) | South Gippsland (S) |
| Southern Grampians (S) | Strathbogie (S) | Surf Coast (S) |
| Swan Hill (RC) | Towong (S) | Wellington (S) |
| West Wimmera (S) | Yarriambiack (S) |  |

(S) – Shire

(RC) – Regional City

(B) – Borough

# Appendix B

The following hypothetical examples represent the type of transformational projects that may be eligible for funding under this program.

**Shared Engineering Services Unit**

*Challenge*

Four rural councils collectively recognise that they are facing a challenge in retaining sufficient in-house capability in key engineering project management and design skills. Each council is on average employing 5 FTE engineers and all councils have undertaken service reviews in the past four years.

There has been, over the last 10 years an increasing dependence on outsourcing to deliver services in design, specification, fixed asset assessments and inspections. Despite losing 30 per cent of their FTE over the past decade, the councils collectively are spending 190 per cent more on engineering services compared to 10 years ago. Skills and internal capability have declined, and the age profile of the staff has increased significantly, creating risks for the councils in the long term. All of the councils claim to struggle to attract young staff.

*Project benefits*

To address this challenge, the councils decide to centralise the four engineering units into two regional sites, bringing together the current staff and resources of 20 FTE. Over the coming years, the staffing numbers decline due to retirements. The outsourcing budget costs for the eight councils are reduced due to more work being undertaken in-house, due the greater capacity of the combined team. As a result the unit is able to take on trainee engineers from the region and is able to increase their training budget.

Other potential benefits from this project include an increase in staff retention and job satisfaction due to the increase in diversity and scope of work at a larger regional level. There may also be an increase in the number of jobs that are progressed on time without budget variances due to the increased ability to smooth regional project demands across the combined team.

The councils govern the service via a joint council contract agreement. This is binding on the councils, and ensures the unit plans and allocate resources to meet the needs of each council.

**Jointly Owned Fleet Management Entity**

*Challenge*

A group of three rural councils and a regional council establish a corporation under joint ownership to undertake the leasing and operation of their fleets. Individual ownership of the fleets has resulted in duplicated ownership of similar assets and higher maintenance costs. Consolidating the function brings together a large portfolio of assets from passenger vehicles, to trucks and road graders. Each council transfers their existing fleet assets to the new corporation which has service contracts with each participating council.

*Project benefits*

The advantages of the change may be felt soon after the transition, as maintenance costs are reduced some of the aging fleet is able to be retired. The corporation implements fleet management software system to make best use of the shared assets. Vehicles, plant and equipment are utilised more efficiently and with tracking and active management, administration costs decline.

Routine maintenance and servicing is centralised and managed, with specialist servicing outsourced at lower cost than before due the economies of scale. The corporation is able to offer traineeships to mechanics and establish long term service agreements with several service centres in the region.

The corporation may also be able to purchase newer vehicles and increasingly turn over their fleet to be replaced with newer, more efficient vehicles, helping to reduce fuel costs. Alternatively, if the fleet is upgraded to electric vehicles, infrastructure for electric cars is rolled out across the council group, with charging stations deployed at depots and council offices, and key tourist sites across the region.

**Shared Statutory Services**

*Challenge*

A group of two rural councils have undertaken service reviews of their statutory services over the past five years, including local laws, environmental health, building and food safety.

The total number of staff involved in these processes is over 30, however the reviews identified a major deficit in skills and capability, with the small size of the council teams contributing to a lack of opportunity to develop capacity and operational experience.

*Project implementation*

To address this challenge the council group establishes a shared service agreement to deliver statutory services as a group. Over a two-year period, the services are brought under a regional management structure. The services are delivered from ‘service delivery clusters’ that are located across the region.

*Benefits*

As a result of the new arrangements, service levels are likely able to be increased due to the increased capacity to undertake longer term planning and management, while staff are able to develop expertise in a specific service with a broader regional impact.

Over the following year, the benefits of the arrangements lead to significant improvements in both service levels and quality. While staff numbers remain similar prior to consolidation, the group is able to invest in more up to date training and staff are able to specialise.

Due to the success of the project the councils begin to examine their planning functions with a view to consolidating these services for similar service benefits in the future.

# Appendix C

Digital Transformation or system development

Due to the limit of a 24-month implementation timeframe and the complex nature of projects that include a digital transformation or system development, these types of projects are required to be in an advanced state of planning for the project concept presentation (**see section 3.1**). The presentation must therefore clearly outline:

1. why is the planned collaboration and resource sharing arrangement required?
2. who will the arrangement benefit and how, including quantifying and qualifying the benefits for each council and their relationship with the program objectives (**see section 1.2**)?
3. what is the extent of stakeholder and community support?
4. what will be delivered?
5. what is the current and proposed state, including the **high-level architecture**\* for individual councils and the reasoning behind the proposed state?
6. how will the arrangement be delivered, including a schedule of activities to deliver the project, market costings, project resources and timelines?
7. extent of internal commitment to develop and deliver the arrangement?  
   *councillor support / recent council reports, plans, strategies, consultations / co-funded / contributed resource(s) / external skill exchange(s)*
8. extent that the proposal relates to an audit report by either the Victorian Ombudsman or the Victorian Auditor-General’s Office?
9. extent the arrangement aligns with the provisions of the *Local Government Act 2020*?

\* **High-level architecture**

Common types of high-level architecture include monolithic and microservices.

A **monolithic architecture** is typically seen with proprietary technologies, where software components are interconnected and inter-dependent, and data and application tightly-coupled. The entire system shares the same computing resources, which may make it more difficult and costly to scale.

**Microservices architecture** is an emerging software architecture that is made up of small, independent processes (applications), which communicate with each other using Application Programming Interfaces (APIs)[[3]](#footnote-4). Each application is created to serve only one specific business function and is completely independent of other services. It is commonly used in smaller application environments that integrate with other APIs including the development of a mobile or web application. A hypothetical example of microservices architecture is shown in the figure below.

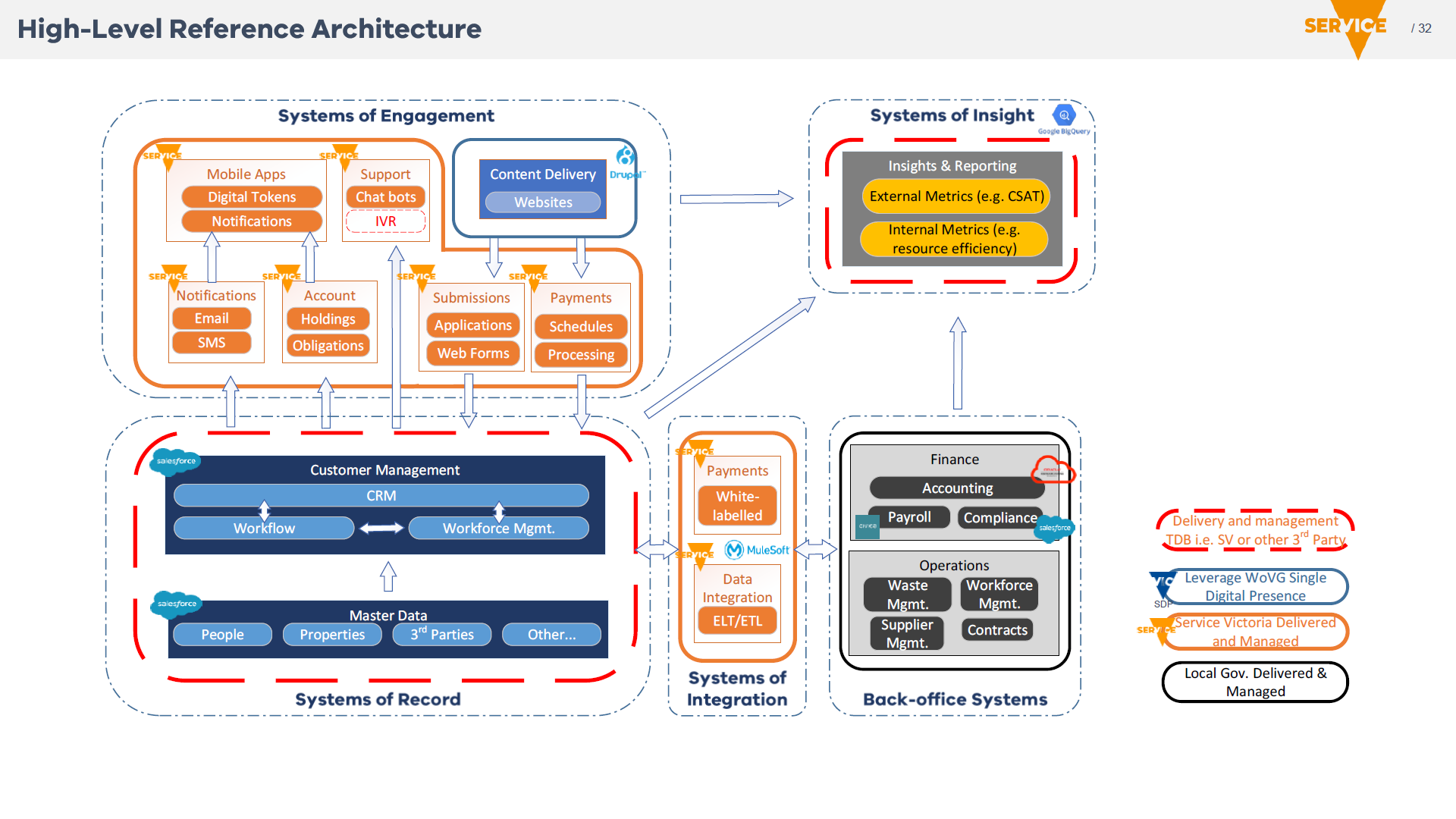


Figure 1. Hypothetical example of microservices architecture

**The following example represents a hypothetical new and ongoing collaboration and resource sharing arrangement that includes a digital transformation or system development.**

**Shared Corporate Services**

*Challenge*

A group of four rural councils are experiencing long term difficulties in maintaining sufficient service levels, and in keeping their IT infrastructure up to date. On their own, none of the participating councils can commit to the capital requirements needed to invest in new IT infrastructure, and each council is duplicating several lower level functions. They are also struggling to attract and retain the required skills and capability. To address this, the councils decide to integrate their corporate (back-end) services over a 2-year period.

*Project implementation*

A Memorandum of Understanding (MoU) is signed by the councils to undertake the initial stage of this project. Due to their greater bargaining power as a group of four, the council group is able to negotiate improved IT services and costs with vendors, and better support packages and IT training. The plan is rolled out over an initial 12-month period with the councils’ IT systems integrated and new software installed.

With the base infrastructure in place, the participating councils then negotiate an ongoing shared services contract agreement.

*Project benefits*

The councils are able to implement a range of business improvements including reducing duplication of corporate services across the councils. Many transactions are streamlined, with resultant cost benefits.

Financial management and procurement services are the first to be centralised, with large savings resulting from cooperative procurement and consistent supplier management and contracting. Finance are able to implement a centralised treasury and cash management service for the councils. Utilities and consumables purchasing are consolidated leading to further savings.

The centralisation of human resources and payroll services progresses, with recruitment times reduced and consolidation and management of casual and labour hire services progressed. Staff are able to gain access to improved training and support services as a result of centralised management.

With these arrangements in place, the councils may plan for the future coordinated management of key services such as Occupational Health and Safety, customer service, legal services and tourism. The shared services contract agreement is embedded in the councils’ business as usual after 2 years.

Due to the success of the project, the councils agree to take the next step toward the creation of a jointly owned corporate services entity to progress further consolidation of back-end services.

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1. *Department of Environment, Land, Water and Planning (DELWP), 2012, Local Government Performance Reporting Framework* [↑](#footnote-ref-2)
2. <https://www.localgovernment.vic.gov.au/grants/rural-and-regional-councils-sustainability-reform> [↑](#footnote-ref-3)
3. An API is a set of rules and specifications for a software program to follow to facilitate communication across applications. An API's end goal is to facilitate the integration and sharing of information and data.  [↑](#footnote-ref-4)