



W A V E R L E Y
COUNCIL

COUNCIL MEETING

ADDITIONAL BUSINESS

7.00 PM, THURSDAY 27 SEPTEMBER 2018

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ADDITIONAL BUSINESS

7. Reports

CM/7.17/18.09 Organisation Development Programme and High Level Organisation Structure.....2

REPORT CM/7.17/18.09



Subject: Organisation Development Programme and High Level Organisation Structure

TRIM No: A18/0599

Author: Ross McLeod, General Manager

Director: Ross McLeod, General Manager

RECOMMENDATION:

That Council

1. Notes that the report of the General Manager entitled 'Organisation Development Programme and High Level Organisation Structure' is provided to Council in accordance with section 333 of the *Local Government Act 1993*.
2. Endorses the Organisation Development Strategy *Directions* and the work programme of organisational development focus areas as developed by the General Manager and set out in the agenda report.
3. Endorses the high level organisation structure as set out in the agenda report.
4. Notes that the General Manager will be consulting with directly affected staff, designated staff consultation mechanisms, relevant unions and the wider staff community on both the broader organisational development programme and the proposed high level organisation structure, and will report back to Council should he propose, after consultation, to make any modifications to the organisation development programme or the proposed structure that materially alter the current proposal.

1. Executive Summary

This report sets out the General Manager's organisation development strategy and programme. The strategy addresses a number of focus areas including capability and capacity, needs based investment in systems, processes and tools, enterprise risk, probity and the management control environment, culture and structure. Directions for organisation development in these focus areas are set out, along with the first phase of a programme of work to give effect to these directions.

The report also addresses the high level structure of the organisation. The proposed high level structure includes new senior roles focusing on organisation improvement and strategic financial management, as well as provision for a General Counsel. These are alongside modified existing roles focused on Planning and Regulatory activity and Community and Operational activity. The structure proposes to improve alignment within the organisation in areas such as regulatory and compliance activities, and operations and the management of assets.

Council is asked to endorse the **Directions** for organisation development, as well as the high level structure proposed for the organisation.

2. Introduction/Background

The Council organisation has been through a period of significant uncertainty related to the proposed amalgamation with Randwick and Woollahra Councils. During the period that the amalgamation proposal was 'live', organisation development activity focused almost solely on preparing for amalgamation. There was understandably little to no focus on the investment and organisation development programme required for Waverley to continue to operate as a successful unit of local government. In addition, a number of staff left the organisation, meaning that, combined with a hiring freeze, significant numbers of roles were filled by staff 'acting' in various positions.

Following the abandonment of the amalgamation proposal in 2017, elections were held and the Council moved to employ a new General Manager. The General Manager commenced in early July 2018, and has set about analysing the organisational development needs of the Council. Based on this analysis, an organisational development strategy comprising a range of focus areas and directions has been developed.

This report summarises the General Manager's organisational development strategy. The strategy addresses a number of focus areas including capability and capacity, investment in systems, processes and tools, enterprise risk, probity and the management control environment, culture and structure. This report traverses each of these focus areas, and sets out **Directions** for the development of the organisation within each focus area.

Section 333 of the *Local Government Act 1993* (the Act) provides that the Council must review, and may re-determine, the high level organisation structure of the Council within 12 months after any ordinary election of the council. In addition to advising Council on the General Manager's approach to organisational development, this report provides Council the opportunity to review the high level structure of the organisation in accordance with the provisions of sections 332 and 333 of the Act.

3. Relevant Council Resolutions

Nil.

4. Discussion

Rationale and Approach for the Programme

The organisation development programme is an ongoing programme of work aimed at achieving a number of development goals. These include:

- Rebuilding and investing in the organisation following the period of planned underinvestment during the amalgamation planning process.
- Developing the capability and capacity in the organisation to enable it to meet community and Council goals and service expectations.
- Developing organisational culture focused on high quality service delivery, working in a collaborative and multi-disciplinary approach and meeting personal, team and organisational commitments.
- Developing systems and processes so that they are fit for purpose and support staff to deliver on community and Council goals and service expectations.
- Ensuring the management control environment, including probity arrangements, legal compliance and the organisation's approach to risk management, are robust in order to provide assurance to Council and the community, and appropriately manage risks arising from Council activities.
- Put in place structural arrangements to support the above goals and provide effective leadership to the organisation and its activities.

- Placing a strong organisational focus on financial sustainability and management, with a particular focus on developing capability in strategic financial analysis.
- Aligning the management of activities and functions to improve effectiveness and strengthen disciplines in areas such as compliance and regulatory management, asset management and organisation improvement.

The work to deliver these goals will be carried out in a number of phases over a period of months and years. The intended approach will seek to avoid a 'big bang' approach to organisational change, and will instead seek to embed change and a focus on continuously improving as elements within the 'DNA' of how the organisation works. While there will at times be high profile change points within the overall organisation development programme (and the high-level structure outlined here is likely to be one such high profile point), one aim of the process is to gain staff expectation of change and improvement as an ongoing part of the way we do things at Waverley.

As these processes always have the potential to unsettle organisations and raise concern among staff, it is also useful to be clear about things that are not drivers for change. This organisation development programme is not code for 'major cost cutting exercise' or 'staff retrenchment programme'. While opportunities to save ratepayer money while enhancing or retaining capability will be a focus for the General Manager throughout this exercise and in his general approach to managing the organisation, this exercise is principally about building capability and effectiveness in the organisation so it is fit for purpose. It cannot be ruled out that over time some realigning of responsibilities may result in a small number redundancies, however this would be consequential rather than a focus of change activity. It is not expected that there will be fewer staff positions at the conclusion of this organisation development programme. Indeed, the work undertaken may lead to business cases being put to Council seeking further investment in certain Council activities.

Organisation Development Focus Areas and Directions

The General Manager has identified a number of focus areas for change. Within each of these there is a broad direction of change and improvement. These are set out and discussed as follows:

a) Capability and Capacity

Direction – The organisation has the right mix and quantum of people skills, experience and capability to operate effectively in the Council's and community's context and to complete the work required of it to a high standard. The General Manager and Executive Leadership Team are focused on building capability through focused selection, performance management and people and system development. Where additional resourcing is required, robust business cases are made to the Council and/or General Manager as appropriate.

The organisation needs to be equipped to effectively operate within its context. While some of this relates to the right systems and tools for the job, much of it is having the right people in the right roles in the right teams with the right skills and experience focusing on the right work.

Aligning the right teams and people together in the organisation can be assisted through structural change. However, in some cases, skills and experience will need to be added to the organisation through new people (legal skills would be an example). In other cases, capability may need to be redeployed or refocused. In some cases, individual and team development will be required to grow capability. In other cases, there may need to be a focus on managing to improve performance in order to ensure the organisation is getting the performance it needs.

The General Manager and Directors will work through the organisation identifying areas that need enhanced capability and capacity. Some areas are being examined already – the Information Technology Management Advisory Group process described below will help identify capability needs in

the systems area. Adding a strategic financial management focus and capability alongside our current transactional focused arrangements is another area that has been identified. Areas with work backlogs or significant community concerns will also present opportunities to examine adequacy of capability and capacity. Structure realignment exercises will also enable capability to be addressed.

b) System and Process Investment

Direction – Staff have the right tools for the job. Investments in essential information management systems, management process and tools are prioritised and delivered promptly based on rigorous analysis of the organisation’s business needs.

Initial consultation and analysis by the General Manager indicates that Council is not equipped with all of the systems, processes and tools it needs to carry out the expectations and requirements placed on it. Addressing these areas of deficiency will be key to lifting organisational performance.

There will be a series of internal work streams created in this focus area to lead the review, design and implementation of system and process development. To date, the General Manager has created an Information Technology Management Advisory Group (ITMAG) to determine priorities for business system review and investment, and consider, prioritise and, where appropriate, approve new system investments. System improvements in customer service and asset management are likely to figure prominently in corporate priorities. A review of Council’s approach to document and records management is also being commissioned to ensure this area is fit for purpose. ITMAG is also providing strategic direction to Council’s investment in information systems overall and greater control over Council’s information systems and associated risks.

Work has also commenced in looking at Council’s fleet needs, balancing operational demands with sustainability goals and the potential for cost savings. Work to address how Council manages complaints has also been initiated.

A number of other work streams will be established to lead other process reviews and implementation work in this focus area. Scoping work has been commissioned in the Customer Service area to look at both process improvements and system requirements. Similar scoping work has also been commissioned in the Asset management area.

c) Culture Development

Direction – Assessment of the organisation’s culture focuses on actual rather than espoused values, and how staff act rather than what the organisation says. The General Manager, Executive Leadership Team and staff strive to create a culture focused on honouring organisational, team and individual commitments and on doing what we say we will. The organisation is responsive to the elected Council and the Waverley community.

Changing culture is one of the more intangible and challenging parts of any organisation development effort. Investments in systems and people, changes to structure and change engagement processes can all have impacts on culture. However, culture tends to be influenced by what people do, which behaviours are demonstrated to be acceptable and which are not (through actual incentives and consequences), and how people are treated, rather than what organisational leaders say and espouse about culture and values.

Waverley has a good ‘culture base’ to work from. There is generally a positive atmosphere within the organisation, staff seem to enjoy working in the environment and have strong loyalties to each other, and there are many examples of professionals and other staff who are deeply passionate about and committed to their work.

Work on enhancing this culture has already begun. Examples of undesired behaviours and outcomes are being identified and highlighted for improvement. Cases of desirable performance are being identified for use as positive examples. Customer service and correspondence response times, information accuracy and internal service are early areas of focus. *Doing what we say we will* as an organisation and as individuals will be a key value within the desired Waverley culture. While further symptoms of culture needing attention are still being identified, greater focus and care on managing risks and having a more systematic approach in areas such as compliance activities have already been noted as priorities.

Development, maintenance and adaptation of organisation culture is part of the ongoing work of leading an organisation. This area of work will form a key focus area for the General Manager and the Executive Leadership Team. Opportunities to influence culture through the use of examples, development initiatives, incentives and disincentives will be identified proactively and also seized on when they arise in an unplanned fashion.

d) Management Control Environment, Enterprise Risk and Probity

Direction – Waverley has a robust management control environment. Risk management strategies and priorities are understood and operationalised by operational managers and frontline staff. Managers take responsibility for performance rather than having it imposed upon them. Processes for dealing with unwanted results and complaints are clear and owned by appropriate managers and directors.

The General Manager will establish organisational work streams to advance risk management and probity practices in the organisation. Work on Enterprise Risk is already underway with a policy drafted and under review, and formalised operational risk discussions between the Executive Team and frontline managers and staff being put in place. The area of Enterprise Risk has already been reported to Council and will be the subject of a Councillor workshop.

Every activity that Council undertakes involves risk. And every approach to managing risks carry with it its own risks. Some risks are easy to identify – beach safety risks and child protection risks in child care centres for instance. Some risks, particularly those consequential on other actions taken to manage risks, are less easy to identify. As an example, in one LGA some years ago planning staff approved a consent for a development application that obscured cherished community views of a stunning coastal vista. Community outrage ensued and the Council responded by paying to modify the development to restore the views and ensuring approval processes were significantly tightened. The Council ‘reaction’ also sent a strong message to staff about risk tolerance, and staff became apprehensive about making decisions. Within months however, the Council’s approach manifested in a different risk – significant reputational damage from the development industry publicly complaining about the impediments to development and economic growth being created by Council’s ‘slow’ planning operations during a period of strong economic activity. This issue then had to be addressed. Risk tolerance is most definitely an area where ‘how’ organisation leaders act conveys far more than ‘what’ they say. Council’s risk approach needs to be cognisant of these different dimensions of risk management.

A review of the processes for dealing with significant complaints is also being scoped. The General Manager wants robust processes for dealing with complaints but also wishes to ensure that managers and directors take ownership of performance and customer service in their areas of responsibility. In looking at organisations generally, complaint handing processes can have a significant impact on culture – for instance a ‘police state’ type approach can lead to mistakes being suppressed or risks being avoided altogether rather than being effectively managed. Likewise, failure to involve line managers in addressing mistakes and complaints can mean issues become someone else’s problem. While transparency and rigour are vital in complaint resolution processes, accountability and appropriate empowerment are also key. Any changes we make at Waverley need to be designed to fit

our context and what we are trying to achieve, and cognisant of retaining the strengths in our current approach.

How internal audit is used and the strengthening of organisational links to the Audit and Risk Committee will also be areas of focus.

e) Structure

Direction – structural arrangements support the organisational development programme by aligning the management of activities and functions to build capability, improve effectiveness and strengthen disciplines such as compliance and regulatory management, asset management, operational delivery and organisation improvement. Structural arrangements provide effective leadership to the organisation and its activities and support a multi-disciplinary, collaborative working style.

The General Manager has assessed the broader set of changes he wishes to make in the organisation. This has led to the development of a set of high level structure arrangements that are designed to reinforce and support the wider set of organisational changes desired.

The General Manager's high level structure proposal is attached. This illustrates the proposed senior roles and directorates in the organisation and indicative groupings of functional activities that will sit within each directorate. The proposed directorates (and positions) are:

- Planning and Regulatory Services (Director: Planning and Regulatory Services) – this directorate will comprise the current sustainability, strategic planning (Shaping), strategic property analysis, planning and building functions along with Council's other regulatory and compliance functions (health and rangers and possibly parking enforcement).
- Community, Asset Management and Operations (Chief Operating Officer) – this directorate will comprise most of Council's operational activities including all of the asset management, design, project delivery and operational business units that currently make up Renewal, together with the Facilities activity and Council's community services and cultural programmes.
- Customer Service and Organisation Improvement (Director: Customer Service and Organisational Improvement) – this directorate will play a key role in assisting the General Manager and the other Directors to deliver the organisation development programme. It will comprise Human Resources (currently people and culture), Enterprise Risk, support for Council, its Committees and Councillors (functions currently performed by Governance), Information Management (Digital), Customer Services, Communications, Business Improvement and quasi-commercial activities such as management of Council's off street parking business.
- Finance (Chief Financial Officer) – This directorate will provide a specialised focus on financial management, including strategic financial analysis, accounting and financial controller functions, financial operations, procurement, treasury management, rating and revenue policy and operations and Council's Integrated Planning and Reporting (IP&R) responsibilities.

In addition to these directorates, the General Manager is proposing the creation of a General Counsel's Office to be led by a General Counsel. This office will provide in house legal services, help manage the engagement of external service providers, review and manage Council's legal compliance and provide a home for the management of serious/significant complaints (Internal Ombudsman's function).

The detail of how each directorate will be structured within these groupings will be worked through in subsequent phases of structure design and consultation with staff. The Director will lead this work in each directorate in conjunction with the General Manager. **No changes to reporting lines or structure will become effective until consultation has been carried out, feedback considered and change processes implemented.** Consultation feedback may lead to changes to what is proposed. In addition, recruitment/selection processes will need to be carried out for three of the senior roles identified

before any subsequent detailed organisation design work or major changes to reporting lines can be implemented.

There are a number of drivers for the structural changes proposed. These include:

- The need to make structural changes that reinforce and support the other organisation development changes being made, most notably providing management attention on ‘focus areas’, supporting enhancements to capability and supporting culture change with an overarching focus on enabling improved service delivery.
- The imperative to enhance Council’s capability in financial sustainability and management, particularly in terms of strategic financial analysis and a strategic level view on financial management to complement existing operational strengths.
- A desire to improve Council’s responsiveness, consistency and capability in relation to its planning, regulatory, compliance and enforcement functions. Bringing these areas of activity together under focused leadership will improve coherence across these functions.
- The imperative to have a lead Director for driving organisational improvement to assist the General Manager and the rest of the executive leadership team in achieving desired outcomes. This role will manage some of the key levers of change in the organisation and engagement with the community – human resources, enterprise risk, customer services, business improvement, information management and communications – and will have a key role in supporting and achieving sustainable improvement.
- The need to ensure Councillors, the elected Council and all of its Committees are effectively supported.
- A desire to improve the management of risk in the organisation, including through the introduction of a strong legal advisory capacity and a dedicated focus on enterprise risk.
- An imperative to support multi-disciplinary and collaborative approaches to working within the organisation, and with partners and organisations outside of Council.
- A need to ensure importance and emphasis is placed on community services and cultural programmes within the broader scope of Council’s operational activities.
- Aligning the management of activities and functions to improve effectiveness and strengthen disciplines in areas such as compliance and regulatory management, asset management and organisation improvement.

This structure suggested may be somewhat different to what many staff were expecting, particularly with the proposed establishment of a large operations unit that drives service delivery in both the community services and cultural area, and in the infrastructure, public space and service delivery areas. This proposal should in no way be read as a diminution of the focus on community and cultural programmes. On the contrary, the intention is to ensure these essential activities receive as much focus and are as well supported as the other core activities of the Council. Time will be invested through the consultation process in identifying any staff concerns about the potential impacts of the organisation development programme on these activities, and putting in place measures to address genuine concerns.

This first phase of work also commences the process of changing the names of various activities and positions within the organisation to more plain language, function-related names. This is intended to aid staff and members of the community in understanding who is responsible for what. This process will continue as the change process cascades through the organisation. Input from staff into this will be welcomed.

5. Financial impact statement/Timeframe/Consultation

Process

This paper signals the start of a broad process of organisation development. This programme is multi-faceted and will address organisational capability and capacity, systems adequacy and process design, culture, enterprise risk and probity, and structure alignment.

While some system and process work has been initiated already, the first major step in this work is consultation with staff on both the overall organisation development programme and the high-level structure. Once this is complete, staff feedback will be considered and decisions made on the shape of the overall programme and the high-level structure. Recruitment for new positions will then be undertaken.

The high-level structure does not contain detail on how activities and functions will be structured below Director level. This design work will be done once director level roles have been filled (note – two of the roles will be filled with incumbents from the outset). Some areas of activity may see change, other may not change to any significant degree. This is all to be worked out through the next phase of design work. Where any changes are proposed, there will be formal consultation with staff, and in particular, those staff directly affected. It may be that there are multiple phases of further design work in some parts of the organisation as work being done on systems, processes, risk and capability comes together with work on structure alignment.

Programme

The organisation development programme is an ongoing programme of work that will be implemented in phases. The timetable for the first phase/time period is as follows:

| | |
|-------------------|---|
| September 2018 - | Preparation of final draft approach/strategy for consultation Report to Council for endorsement Communication to staff on OD programme timed with Council report |
| October 2018 - | Preparation of consultation documents Staff consultation processes commence on OD programme more broadly and high-level structure proposal |
| Nov/Dec 2018 – | Consultation concludes, feedback considered, decisions made Role descriptions for vacant/new Director/senior roles developed Advertising for vacant roles Work on next stage organisation design and structure realignment commences where Directors in place OD work streams established/continue |
| Jan/Feb 2019 - | Selection processes for vacant roles OD Work streams continue System and process change implementation programme developed |
| Mar 2019 onward - | OD Work streams continue System and process change implementation programme continues Work on next stage organisation design and structure realignment commences once senior roles filled |

Organisation development work streams will provide for staff input and consultation as appropriate for the nature of the work being carried out (e.g. Asset management system and process design, Customer Service process and system design).

In terms of financial implications of this work, the aim of the General Manager is for it to be completed within the overall budget provisions within the LTFP and delivery programme. Where additional resources over and above this are thought necessary, formal budget proposals and business cases will be provided to Council for consideration.

6. Conclusion

The General Manager has developed an organisation development programme to underpin the rebuilding and development of the Waverley Council organisation. As part of this he has conducted a high level review of the structure of the organisation. This report seeks Council endorsement of the organisation development *Directions* set out as part of the organisation development programme, and of the high level organisation structure presented.

7. Attachments

1. High Level Organisation Structure Proposal Sept 18 [↓](#)

