

10.12.Organisation Structure

AUTHOR: Therese Manns, General Manager

ATTACHMENTS: Nil

PURPOSE:

The purpose of this report is to facilitate the Council's review of the organisational structure in accordance with Section 333 of the *Local Government Act 1993*.

EXECUTIVE SUMMARY:

A review of Council's organisational structure following an election is a best practice, to ensure the structure aligns with the future direction of the Council. It is also a legislative requirement to undertake this review within 12 months of an election.

Section 322 of the Local Government Act (the Act) provides:

- (1) *A council must, after consulting the general manager, determine the following –*
- a. The senior staff positions within the organisation structure of the council*
 - b. The roles and reporting lines of holders of senior staff positions,*
 - c. The resources to be allocated towards employment of staff*

It is important that the organisational structure is designed in a way that enables delivery of Council's strategic direction while also supporting operational objectives.

Council resolved at the 30 January 2023 meeting to endorse a draft structure incorporating three divisions. This is a move away from a six-divisional structure and is the first step towards a more holistic review of operational structures.

This review relates to the high-level senior structure of the Council. Organisational structure review below senior staffing level is undertaken by the General Manager in consultation with staff and should be considered an operational workforce function on a regular basis. Where functions move between directorates, this would be reported to Council.

To recap on the January report, the functions of each senior staff member under the current structure are as follows in Diagram 1.

Diagram 1 – current structure



The draft structure endorsed for consultation with staff was as follows in Diagram 2. This structure was developed following a review of strategy, decision-making, leadership frameworks, and staff engagement surveys. A three-directorate structure is common in local government organisations of comparable size to North Sydney, with most consisting of three (3) to four (4) directorates. Council’s strategic framework, culture and relevant operational structures require improvement prior to considering a fourth directorate.

Diagram 2 – draft structure submitted to 30 January 2023 Ordinary Meeting



Consultation was undertaken with staff between 20 January and 1 March 2023. This consultation included individual meetings with affected staff, a meeting of the broader leadership team and 16 General Manager forums which all staff were invited to attend. Staff Unions were advised of the proposed change 20 January 2023 and were provided with access to the Council report outlining the change. Council's decision to endorse for consultation was confirmed by email on 2 February 2023.

There has been an overall positive response to the change in leadership structure, with three responses raising concern about the synergy between community development, libraries, and planning. In total 11 written responses were received.

Positive responses to the consultation include support of breaking down silos, collaborating more as one team. It was noted that the basis for change was clearly articulated, and the reasoning was sound.

Most of the content of responses focused on areas outside the scope of this change process. This included a desire for business unit name changes and structural change under senior level in some areas, a desire for improved workplace accommodation, system and process improvements, resourcing, and performance appraisal systems. This feedback will be taken into consideration as we embark on a holistic review and improvement program for the organisation.

Concerns regarding the synergy between community development, libraries and planning are noted. This concern is reflective of the diversity of Council services, however, based upon current operations, a Division containing only two business units is unwarranted. While synergies may not be obvious, it is anticipated that there will be broader benefits associated with a streamlined structure. As mentioned in the previous Council report, a fourth Division may be considered in the future as the Council further develops its strategic direction and services increase.

In response to feedback, the following changes have been made to the draft divisional structure:

1. a name change resulting in one Division being titled 'Community, Planning and Environment'
2. a name change resulting in one Division being called 'Open Space and Infrastructure'
3. a name change resulting in one Division being called 'Corporate Support'
4. Legal Services being removed from the 'Corporate Support' division and reporting directly to the General Manager.

In addition to changes to the divisional structure, the Organisation Development function has been changed to Organisation Performance. This was in response to feedback that organisation development is often considered a function of human resources rather than business improvement and organisation performance which was the intention of this new role.

Diagram 3 – recommended Organisation Structure



Should Council adopt the recommended structure, advertising for the new Director positions will commence with a view to appointments being made in early May 2023, after which time the new structure will be implemented.

FINANCIAL IMPLICATIONS:

Upon a review of savings in employment costs to date, it is anticipated that the costs related to the change in structure can be funded from current employee cost budgets.

It is not anticipated that there will be ongoing savings as a result of this structural change, due to the need for additional positions within the structure under the senior executive level.

The net present value of the change in structure over a ten-year period is estimated at around \$8 million. The value is expected to be translated through improved strategy development and delivery of services.

RECOMMENDATION:

1.THAT Council adopts a change in organisation structure resulting in the reduction of senior staff from six (6) to three (3) with functions in accordance with Diagram 3 within the report.

LINK TO COMMUNITY STRATEGIC PLAN

The relationship with the Community Strategic Plan is as follows:

5. Our Civic Leadership

5.1 Lead North Sydney's strategic direction

BACKGROUND

A review of the Council's organisational structure following an election is a best practice to ensure the structure aligns with the future direction of the Council. It is also a legislative requirement to undertake this review within 12 months of an election.

Section 322 of the *Local Government Act 1993* (the Act) provides:

- (2) A council must, after consulting the general manager, determine the following –*
- a. The senior staff positions within the organisation structure of the council*
 - b. The roles and reporting lines of holders of senior staff positions,*
 - c. The resources to be allocated towards employment of staff*

CONSULTATION REQUIREMENTS

Consultation with all staff has been undertaken in accordance with the Local Government (State) Award 2020.

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DETAIL

There are several key contributors to the development of a high performing workforce. Organisational structure is one. The benefits of a well-designed organisational structure include:

- streamlined decision-making;
- encouragement of innovation, by limiting the number of channels/layers through which an idea must progress
- enhanced accountability by removing duplication;
- improved communications by having clear channels for receiving and relaying corporate messaging;
- maximising resources by ensuring that tasks are performed at the most appropriate levels and work is not duplicate; and
- alignment of resources with organisational objectives.

As of 30 June 2022, Council reported 365 full time equivalent employees. The total expenditure relating to employee benefits and on costs totalled \$42M or 35.5% of total operational expenditure, down from a budget of \$46M due in part to a high staff turnover and vacant positions.

The Council's current organisational structure consists of six (6) senior staffing positions reporting to the General Manager. These positions include the Executive Manager Governance and five Directors, being Director Corporate Services, Director Community and Library Services, Director Open Space & Environment, Director City Strategy, Director Engineering and Property Services. This is an unusually large number of senior staff in comparison to NSW (New South Wales) Councils broadly. For those Councils of comparable size to North Sydney, the number of Directors range between three - four.

Senior staff are accountable for strategic leadership including the development and implementation of the Council's strategic plans and operational frameworks at the highest level. Where an organisation has too many senior staff, it is likely the activities and tasks being undertaken are more operational in nature and not commensurate with the senior staff overhead, thereby creating resource inefficiencies.

While North Sydney Council has achieved considerable outcomes for the community within its existing strategic framework and organisational structure, it is clear there is an opportunity to enhance outcomes.

This report recommends reducing the number of senior staff and directorates to three (3). Under a streamlined structure, the roles and responsibilities of senior staff will be focused on:

1. the facilitation of an integrated and informed suite of strategies that provide **clear direction** for the organisation;

2. the development of structures, systems, technology, and skills/qualities to ensure a **high performing culture** and consequently **community satisfaction**;
3. organisational **leadership** that ensures North Sydney Council is an employer of choice;
4. contributing to overall **industry and sector strategy**.

By focusing on the above, Council will be best placed to anticipate and respond to changing needs of the community and emerging trends in the external environment to the benefit of the North Sydney community.