

10.5.4 – Response to COVID-19 – Review of Shire’s organisational structure and operational costs (SJ714)	
Responsible Officer:	Chief Executive Officer
Senior Officer:	Chief Executive Officer
Disclosure of Officers Interest:	No officer involved in the preparation of this report has an interest to declare in accordance with the provisions of the <i>Local Government Act 1995</i> .

### Authority / Discretion

Executive	The substantial direction setting and oversight role of the Council such as adopting plans and reports, accepting tenders, directing operations and setting and amending budgets.
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### Report Purpose

The purpose of this report is to outline the organisational structure changes proposed to be implemented and operational savings achieved in response to COVID19. The report presents an organisation design adjustment which enables the Shire to position itself in an agile and lean way, in order to be able to lead an effective recovery for our community in close partnership with stakeholders and residents.

### Relevant Previous Decisions of Council

Ordinary Council Meeting 18 May 2020 - 9.2 Notice of Motion – Response to COVID-19: Request to prepare report regarding the Shire’s organisation structure and operational costs:

*Ordinary Council Meeting – 18 May 2020 – OCM104/05/20 - COUNCIL RESOLUTION / Councillor Recommendation*

*That Council, in response to the COVID-19 pandemic, REQUESTS that the Chief Executive Officer presents a report to Council at the June 2020 Ordinary Council Meeting regarding the Shire’s organisational structure and operational costs to inform the annual budget for the 2020-21 financial year.*

### Background

Officers have been undertaking a significant review of the organisation as a result of COVID19.

### Contact Us

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**Community / Stakeholder Consultation**Budget Workshop

<b>Meeting Date</b>	Wednesday 3 June 2020
<b>Councillors in Attendance</b>	Cr Rich, Cr Atwell, Cr Byas, Cr Coales, Cr Dagostino (by telephone), Cr Denholm, Cr McConkey, Cr Strautins

A copy of the Draft 2020/21 Financial Year Budget was distributed to Councillors on Friday 29 May 2020 for review prior to the budget workshop.

**Statutory Environment***Local Government Act 1995**6.2. Local government to prepare annual budget*

- (1) *During the period from 1 June in a financial year to 31 August in the next financial year, or such extended time as the Minister allows, each local government is to prepare and adopt\*, in the form and manner prescribed, a budget for its municipal fund for the financial year ending on the 30 June next following that 31 August.*

*\* Absolute majority required.*

**Comment**

Prior to the onset of COVID19 the organisation was going through a process to review its Corporate Business Plan. As a result of COVID19 the organisation finds itself in a more financially constrained position and therefore must adjust priorities in line with the resources available coupled with heightened responsibilities to help lead economic and community recovery from this significant event.

The outcomes of this review of Corporate Business Plan will likely mean the following:

- A focus on the construction and upgrade of roads and the maintenance of existing assets in line with community priorities in the most recent community perceptions survey.
- A scaling back of major projects the Shire has the financial capacity to undertake. This will be workshopped with Council in the coming weeks, however it is likely that the Shire will only have capacity to undertake a reduced number of major projects over the coming four years unless significant external funding which does not require a matching contribution, is made available and secured.

This will be workshopped with Councillors and presented to Council for consideration in July.

COVID19 was unanticipated, and has had wide-ranging impacts globally and locally. COVID19 has impacted and will continue to impact on our organisation in a number of ways. These are mainly:

- The type of work we are having to do in community and economic response and recovery.
- An impact upon our financial capacity which is limiting our ability to fund new capital projects and initiatives.
- The impacts of current and future State and Federal Government stimulus.



Principally this has and continues to require more flexible resources in the COVID19 recovery area, primarily community development, economic development and environmental health.

### **Small Scale Restructure**

To address the above impacts the Chief Executive Officer is recommending a small restructure for 10 employees in three directorates. This will enable utilisation of these resources to reflect the rapidly changed context that COVID19 has created, primarily changes are in reporting and core tasks.

<b>Driver of Change</b>	<b>Proposed Change</b>	<b>Budget Implications</b>
Revised Corporate Business Plan with new focus on engineering based projects.	Moving Responsibility for Major Projects to Infrastructure Directorate	New Position Proposed of Project Development Engineer. This role is proposed to be funded by the investment made in the development of new projects and will be considered as part of the budget process.
Increased work in Economic Development Area including major new Business Cases and Funding applications to capitalise on any Stimulus proposed.	Dedicated Resource in CEO Team	NIL
Increased workload in Community Recovery area.	Relocate responsibility for leases and bookings to Infrastructure. This will also achieve better integration with remainder of Infrastructure team.  Leisure planning responsibility will move to Strategic Planning team in Development Services Directorate.	NIL
Increased workload in CEO Directorate	Relocate Human Resources and Internal Audit to Deputy CEO team. Make a new focus for organisational development. This will be guided by the Workforce Plan currently being finalised.	NIL

These changes are being reflected in a new organisational structure, which will be attached to the budget for Councils consideration.

The final issue to resolve with this small restructure is in regards to how the organisation manages and develops "trails" in the Shire. Council seeks to have a focus of developing Jarrahdale into a trails town as well as develop walking and bridle trails across the remainder of the Shire. Officers



are proposing to workshop trails development at a future PCF in the coming weeks and consider any organisational changes prior to budget adoption. Trails arguably unlock a significant economic asset for the Shire, through the attraction of local tourism which is considered to be the first area of recovery post COVID19.

Staff who are affected by these changes have already been consulted with. The changes will be rolled out over the coming weeks in further consultation with those individuals and teams who are impacted.

These changes may require some review of seating arrangements to ensure those changing teams are located with their new teams. This also will be discussed with those teams involved over the coming weeks and appropriate changes put in place.

### **Budget and Cost Reduction Measures**

The financial impacts upon the organisation (and probably that National and State finances) won't be fully known for some time, some even argue we have not yet seen the full impacts of COVID19. In response to this, Officers are proposing to take a financially conservative approach so that we are protected as an organisation for what happens in the future.

Operationally the organisation has already considered and implemented a number of cost saving measures as part of the development of the 2020/21 financial year budget. This has seen the following summary of the draft budget for the 2020/21 Financial Year, which was workshopped with Councillors:

- Untied funds attributed to operations in 2018 was \$21,593,481 servicing 11,123 properties.
- Untied funds attributed to operations in 2020 is \$21,410,041 servicing 11,995 properties.
- Untied funds attributed to Capital in 2018 was \$3,533,234.
- Untied funds attributed to Capital in 2020 is \$4,904,389.

Essentially 93% of rates were consumed by operations in 2018 this has now fallen to 87% whilst the Shire has grown 7.8%. This is a positive adjustment in its own right.

To achieve necessary cost savings relating to the workforce, Officers are proposing the following:

- No budgeted annual increase to employees' salaries across the organisation outside of the EBA.
- Very limited or minimal level or step increases across the organisation which will be considered on a case by case basis, by the Chief Executive Officer.
- Essential training across the organisation. Each training request will be considered on a case-by-case basis determined by the Chief Executive Officer.
- Reductions in a number of operating budgets across the organisation. This will mean that Officers will all be doing more with less resource.
- Not filling a number of vacant positions in the organisation. Some of these may need to be reviewed at the mid-year budget review depending upon need and considering financial capacity.

It is anticipated that by implementing the above measures the Shire will be able to avoid redundancies being enforced as a reaction to Covid19 effects on the Shire.



### **Impacts of Growth in the Shire**

Whilst all this is going on, the Shire still remains the fastest growing local government in the State and third in the country based upon figures released by ABS in March 2020.

This comes with its own challenges as we have to address and resource this growth and the Council will be asked to consider the following as part of the budget process:

- Taking on 12 new parks and reserves and therefore 6 new positions in the parks and gardens team.
- The Tonkin Highway and Byford metro net construction will have impacts upon our road network and therefore we will be asking Council to consider a new Traffic Engineer role. There is an interface opportunity between the Tonkin Highway and Thomas Road projects with our local network, which if planned well, will set the Council up for the long-term, while minimising potential problems. To date there have been a number of historical traffic problems created that we are rectifying and ensuring no new ones are developed.

### **Future Workforce Strategy**

The immediate reaction to COVID19 also changed how Officers work. In the surveys undertaken of staff indicated a desire to ensure that the organisation embraced a “new normal” way of working.

A draft workforce plan was prepared in house prior to COVID19 however given the complexities arising from COVID19 an external consultant has been engaged to assist in finalising the plan to transition into “a new normal”. All staff across the organisation will be engaged as the plan is finalised.

There will be other changes will be made over the coming months as part of the finalisation of the Shire's workforce plan. Staff have been surveyed and engaged and will continue to be as the plan is finalised to ensure that the plan reflects the new normal of working life during and post COVID19. It is envisaged this will be presented to Council in the coming months for consideration.

### **Options and Implications**

#### Option1

Council could accept the Officers recommendation.

#### Option 2

Council could ask the CEO to find further organisational savings. These would most likely have to be within the salaries budget and would mean making staff redundant.

#### Option 3

Council could ask reintroduce any of the organisational savings or positions not funded back into the budget. Any increases would need to be either funded by removing another item or increases income (rates).

Option 1 is recommended.



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**Conclusion**

The changes and savings introduced mean that essentially heading the Shire in the right direction financially. The impacts of COVID19 on the organisation will continue to need to be monitored. Officers expect to conduct a further review as part of the mid-year budget process.

This will also need to be reassessed for the 2021/22 financial year depending upon economic conditions.

**Attachments (available under separate cover)**

Nil.

**Alignment with our Strategic Community Plan**

The Council was already in the process of reviewing the Corporate Business Plan for the next four years prior to the onset of COVID19. This however was largely dependent upon the financial capacity of the organisation to meet the community needs.

This review has essentially completely rebuilt the operating budget which has informed the ability of the organisation to fund new capital projects in the short and long term thus enabling a financially achievable Corporate Business Plan to be drafted.

With this now determined the Corporate Business Plan can be finalised and presented to Council for consideration.

**Financial Implications**

The financial implications of this report have been outlined and will be reflected in the draft 2020/2021 Financial Year budget for Council consideration.

**Risk Implications**

Risk has been assessed on the basis of the Officer's Recommendation.

<b>Risk</b>	<b>Risk Likelihood (based on history and with existing controls)</b>	<b>Risk Impact / Consequence</b>	<b>Risk Rating (Prior to Treatment or Control)</b>	<b>Principal Risk Theme</b>	<b>Risk Action Plan (Controls or Treatment proposed)</b>
The organisation doesn't adapt or respond to the financial impacts of COVID19	Possible (3)	Major (4)	High (10-16)	Financial Impact - 3 Moderate - \$250,000 - 500,000	Accept Officer Recommendation

**Risk Matrix**

<b>Consequence</b> <b>Likelihood</b>		<b>Insignificant</b>	<b>Minor</b>	<b>Moderate</b>	<b>Major</b>	<b>Catastrophic</b>
		1	2	3	4	5
<b>Almost Certain</b>	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
<b>Likely</b>	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
<b>Possible</b>	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
<b>Unlikely</b>	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
<b>Rare</b>	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

A risk rating of **12** has been determined for this item.

Any items with a risk rating over 10 (considered to be high or extreme risk) will be added to the Risk Register, and any item with a risk rating over 17 will require a specific risk treatment plan to be developed.

**Voting Requirements:** Simple Majority

**Officer Recommendation****That Council:**

1. **NOTES** the significant savings which have been achieved across the organisation which are reflected in the draft operating budget for the 2020/2021 Financial Year; and
2. **ENDORSES** the proposed changes the Chief Executive Officer is making to the organisational structure as outlined in the report and **REQUESTS** these changes be reflected in the Draft 2020/21 Financial Year budget for Council consideration.