

**ADELAIDE HILLS COUNCIL
CEO PERFORMANCE REVIEW PANEL MEETING
Wednesday 8 November 2017
AGENDA BUSINESS ITEM**

Item: 10.1

Originating Officer: Megan Sutherland, Executive Manager Organisational Development

Responsible Director: Andrew Aitken, Chief Executive Officer

Subject: 2017 CEO Performance Review

For: Decision

1. 2017 CEO Performance Review – Exclusion of the Public

Pursuant to section 90(2) of the *Local Government Act 1999* the CEO Performance Review Panel (the Panel) orders that all members of the public, except:

- Executive Manager Organisational Development, Megan Sutherland
- Executive Manager Governance and Performance, Lachlan Miller

be excluded from attendance at the meeting for Agenda Item 10.1: (CEO Remuneration Review 2017) in confidence.

The Panel is satisfied that it is necessary that the public, with the exception of Council staff in attendance as specified in (a) above, be excluded to enable the Panel to consider the report at the meeting on the following grounds:

Section 90(3)(a) of the *Local Government Act 1999*, the information to be received, discussed or considered in relation to this Agenda Item is Information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead), being the personal affairs of the Chief Executive Officer, in that details of his performance review will be discussed.

Accordingly, on this basis the principle that meetings of the Council should be conducted in a place open to the public has been outweighed by the need to keep the information and discussion confidential.

2. CEO Performance Review 2017 – Confidential Item

SUMMARY

The Employment Agreement between Council and the Chief Executive Officer (CEO) provides for no less than one annual performance review. The review is to assess the CEO's performance against the CEO's duties, position description and agreed performance targets.

The review process was undertaken internally as agreed by Council, via the CEO Performance Review Panel (the Panel). The review process was undertaken in October 2017 to assess performance against the 8 areas of key responsibility (specified in the position description) and 8 performance targets.

A recommendation to the Council regarding the CEO's performance rating is required to enable Council to finalise the performance review process.

Additionally, the Panel may wish to make any recommendations on any areas of the CEO's performance that require improvement, together with the timeframes within which the Panel expects those areas of performance to be improved.

RECOMMENDATION

The CEO Performance Review Panel resolves:

1. That the report be received and noted
2. To recommend to Council that the CEO 'exceeds expectations' in relation to the 2017 CEO Performance Review.
3. To recommend to Council to update the position description key responsibilities as follows:
 - 3.1 'Stakeholder Management and Communication' update point 9 to read: *'9. liaise with community and business groups to facilitate economic growth and community development for the AHC district.'*
 - 3.2 'Operational Management, Governance and Major Projects', update point 4 to read: *'4. Endeavour to have major projects completed on time and within budget and project status is regularly monitored and communicated to CM's.'*

2.1 GOVERNANCE

➤ **Strategic Management Plan/Council Policy**

Goal	Organisational Sustainability
Key Issue	Governance

We diligently adhere to legislative requirements to ensure public accountability and exceed these requirements where possible.

➤ **Legal Implications**

The CEO Performance Review Panel is a Section 41 of Committee of Council under the *Local Government Act 1999*.

This process needs to be undertaken appropriately to ensure the CEO is provided with a fair and consistent approach to performance reviews. The process must stand up under scrutiny as the tool and the outcomes of the review directly affect decisions made in relation to the CEO, his performance and remuneration decisions.

➤ **Risk Management Implications**

Undertaking regular review of the CEO's performance is an important control mitigating the risk of:

Deficient CEO performance review practices resulting in a lack of accountability and loss of stakeholder confidence in the organisation.

Inherent Risk	Residual Risk	Target Risk
Medium (3C)	Medium (3D)	Medium (3D)

Note: there are many other controls that also assist in managing this risk.

Non-achievement of CEO KPIs result in loss of community benefit and/or opportunities and/or stakeholder confidence in the organisation.

Inherent Risk	Residual Risk	Target Risk
High (3B)	Medium (3D)	Medium (3D)

Note: there are many other controls that also assist in managing this risk.

➤ **Financial and Resource Implications**

Not applicable

➤ **Customer Service and Community/Cultural Implications**

There is a community expectation that the CEO will perform competently and meet expectation to achieve the required outcomes for the organisation.

➤ **Environmental Implications**

Not applicable

➤ **Engagement/Consultation with Committee, Regional Subsidiary, Advisory Group and Community**

Discussion occurred among members of the Panel at a workshop. The CEO was involved in some of the discussions.

2.2 BACKGROUND

CEO Performance Review Panel (the Panel)

The role and specific function of the Panel, as described in the Terms of Reference (1 September 2017) are:

‘2. ROLE

2.1 The Council is responsible for the selection, remuneration and management of the Chief Executive Officer (CEO). The overall role of the Panel is to provide advice to Council on matters relating to the performance and development of the CEO.

3. SPECIFIC FUNCTIONS

3.1 The function of the Panel is to provide advice to Council on the CEO’s performance and development, including the following matters:

- 3.1.1 Determining the Performance Targets for the forthcoming 12 month performance period;*
- 3.1.2 Monitoring the progress on the CEO’s agreed Performance Targets for the current 12 month performance period;*
- 3.1.3 Reviewing the CEO’s performance over the preceding 12 month performance period, in particular the performance against the agreed Performance Targets and position description requirements;*
- 3.1.4 Identifying development opportunities for the CEO; and*
- 3.1.5 Reviewing the remuneration and conditions of employment of the CEO.’*

CEO Employment Agreement

On 28 March 2017, Council resolved to appoint Andrew Aitken as the Chief Executive Officer (CEO) of the Adelaide Hills Council for a term of 5 years subject to the execution of the Employment Agreement.

The new Employment Agreement (the Agreement) between Adelaide Hills Council and Andrew Aitken was executed on 2 May 2017 with a commencement date of 1 July 2017.

Clause 12 of the Agreement provides for a performance review process with the following key features:

- 12.1 The parties agree that the CEO will undergo no less than one annual performance review in accordance with the Council requirements for the Term of this Agreement. The CEO must also participate if directed in any other performance review required by the Council.*
- 12.2 The performance review shall be conducted on an annual basis.*
- 12.3 The CEO’s performance will be assessed by reference to the Personal Evaluation System measured against the CEO’s Duties as outlined in this Agreement, Position Description and any other factors considered relevant by agreement with the CEO.*

- Evaluation will include the extent to which the CEO has discharged the CEO's goals, objectives, responsibilities and Duties outlined in Schedule 1.*
- 12.4 *The performance review will review the CEO's Position Description and any key performance indicator.*
- 12.5 *A written report shall be compiled with respect to the performance review and a copy provided to the CEO. The report shall set out in detail where Competent Performance (or better) has been achieved, and any particular aspects of the CEO's performance that require improvement, together with reasonable time frames within which it is expected those areas of performance to be improved to a specified standard.*
- 12.6 *The Council must provide whatever counselling, advice and assistance are reasonably necessary to enable the CEO to improve his performance during that period.*
- 12.7 *At the conclusion of the time frames referred to in Clause 12.5 and after taking into account the written report referred to in that Clause (and such other matters as the Council considers relevant), the CEO will either:*
- 12.7.1 *be informed that performance has improved to the satisfaction of the Council or reached Competent Performance (or better) and that no further action will be taken; or*
- 12.7.2 *be provided with further written notice, providing final warning that unless the CEO's performance improves in the same stipulated areas, once again within a time frame, the Council will terminate this Agreement pursuant to Clause 14.3.1.*
- 12.8 *The CEO's Personal Evaluation System must be reviewed and, if necessary, amended by agreement within two months after each performance review.*

2016-2017 Performance Targets

Following the CEO's 2016 Performance Review a set of 8 performance targets were adopted to be used in conjunction with the key responsibilities in the position description to assess performance in accordance with Clause 12 of the Agreement.

At the 27 June 2017 Council meeting, it was resolved to undertake the CEO Performance Review process internally using the the Panel to undertake the review with the CEO.

14.4. CEO Performance Review 2017 – Internal Process

Moved Cr Lynton Vonow
S/- Cr Nathan Daniell

131/17

Council resolves:

1. That the report be received and noted
2. To undertake the 2017 CEO performance review using the internal process proposed in Appendix 1 with the CEO Performance Review Panel members as the reviewers.

Carried Unanimously

Rating Scale

The rating scale agreed to be used provides the following assessment:

5 Exceptional	Performance far exceeded expectations due to exceptionally high quality of work performed in all <i>essential</i> areas of responsibility, resulting in an overall quality of work that was superior
4 Exceeds expectations	Performance consistently exceeded expectations in all <i>essential</i> areas of responsibility, and the quality of work overall was excellent. Annual goals were met.
3 Meets expectations	Performance consistently met expectations in all <i>essential</i> areas of responsibility, at times possibly exceeding expectations, and the quality of work overall was very good. The most critical annual goals were met.
2 Improvement needed	Performance did not <i>consistently</i> meet expectations – performance failed to meet expectations in one or more <i>essential</i> areas of responsibility, and/or most critical goals were not met.
1 Unsatisfactory	Performance was consistently below expectations in most <i>essential</i> areas of responsibility, and/or reasonable progress toward critical goals was not made. Significant improvement is needed in one or more important areas.

2.3 ANALYSIS

The Panel and CEO met on Tuesday 24 October to discuss the CEO's performance against the 8 Performance Targets and 8 Key Responsibility areas within the position description.

The Panel determined that the Performance Targets for the review period have been met. The 8 key responsibility areas within the position description (below) were discussed in detail. Strengths and further development opportunities have also been identified in relation to the key responsibilities of the CEO.

Key Responsibilities from the position description cover:

- Advice to and Relations with Council Members
- Leadership and Management of Councils Employees
- Stakeholder Management and Communication
- Financial and Asset Management
- Work Health and Safety
- Strategic Planning
- Human Resources Management and
- Operational Management, Governance and Major Projects.

The review report provides the detail of the review outcome (**Appendix 1**).

The Panel determined the CEO 'exceeds expectations' (a rating of 4 from the rating scale) in relation to the 2017 CEO Performance Review.

The Panel also discussed and must decide on providing a recommendation on two improvements to the key responsibilities in the CEO's position description as follows (bold wording is proposed change):

Under the heading of 'Stakeholder Management and Communication' update point 9 to:
9. liaise with community **and business groups** to facilitate economic growth **and community development** for the AHC district.

Under the heading of 'Operational Management, Governance and Major Projects', update point 4 to:

4. **Endeavour to have** major projects completed on time and within budget and project status is regularly monitored and communicated to CM's.

2.4 OPTIONS

The CEO Performance Review Panel has the following options:

1. Having consideration to the '2017 CEO Performance Review' any other matters related to the performance review, conclude that there are no grounds to establish a performance improvement plan and resolve to advise Council that the CEO has achieved a rating of '4-exceeds expectations' in relation to the 2017 CEO Performance Review Report.
2. Having consideration to the '2017 CEO Performance Review' and any other matters related to the performance review, determine any areas of the CEO's performance that require improvement, together with the timeframes within which the Panel expects those areas of performance to be improved and resolve to advise Council accordingly.

2.5 APPENDICES

- (1) 2017 CEO Performance Review

Appendix 1

2017 Performance Review

Employee: Andrew Aitken
Performance Targets

Date completed: Tuesday 24 October 2017

Targets	Outcome	Achieved Yes / No
<p>Governance Review Section 41 committee and Advisory Group structures to promote the achievement of the Strategic Plan</p>	<p>COMPLETED: Section 41 Committee Review IN PROGRESS: Advisory Group Structures The Council and Administration’s leadership groups have conducted preliminary workshops on the effectiveness and efficiency of the current s41 and Advisory Group arrangements and the consideration of alternative structures. At its meeting of 25 July 2017 Council adopted revised Council Committee TORs. As such the review of s41 committees has been completed. A workshop on Advisory Groups was held with Council Members on 6 September 2017, and with the feedback received, revised Advisory Group TORs will be considered by Council in November 2017.</p>	<p>Yes Yes-to Council 14 November (due to agenda load)</p>
<p>Strategic Planning Develop a rolling forward plan for three years of the key projects/initiatives to be undertaken in support of the Strategic Plan and budget/LTFP.</p>	<p>COMPLETED: A rolling forward plan for three years of key projects / initiatives has now been developed and captured within the draft 2017/18 Annual Business Plan. This plan was established using an enhanced project ‘bids’ system to capture budget initiatives for both capital and operating that enabled the identification of three years of proposed works that have flowed from the Strategic Plan and other endorsed Strategies / Plans (i.e. Sport and Recreation Plan, Economic Development Strategy, Trails Strategy, etc.). Planning sessions were held with all senior staff to identify works to be captured within the system, and a workshop was held with Council on 1 March 2017 to run through the proposed approach that was subsequently applied. Following adoption of the Annual Business Plan for 2017/18 those projects identified for funding within subsequent years will be prioritised to ensure initial allocation. Enhancements to the Long Term Financial Plan will also be undertaken to capture outcomes from the rolling three year program.</p>	<p>Yes</p>
<p>People and Organisational Culture Review and update the Corporate Plan to retain a focus on leadership and people development, customers, systems, innovation and measurable improvement</p>	<p>COMPLETED: The Corporate Plan was adopted by the Executive Leadership Team (ELT) on 20 September 2017. The plan covers three financial years, 2017-2020 and takes a holistic approach to organisational development through improvement across 6 elements being Leadership; People; Strategy and Policy; Partnerships and Resources; Processes, Systems and Customer Service; and Results. Throughout these elements, WHS priorities have also been identified. The plan will be monitored through reporting to the ELT.</p>	<p>Yes</p>

CEO PERFORMANCE REVIEW

Targets	Outcome	Achieved Yes / No
<p>Stakeholder Management and Communities Develop a plan to create arts and culture hubs across Council</p>	<p>COMPLETED: Report workshopped with Council 6 September 2017. Information Report received and noted by Council at the meeting of 26 September 2017.</p>	Yes
<p>Stakeholder Management and Communities Explore options for increasing Council's digital footprint and facilitating public internet access in townships</p>	<p>COMPLETED: A briefing paper outlining options for increasing Council's digital footprint and facilitating public internet access in townships was initially considered by the Executive Leadership Team. This briefing paper highlighted what has been done in this space, what is currently being worked on and options that Council could explore in the future. This paper was subsequently circulated to Council Members and placed on the CM Portal and formed the basis of a Council Workshop on 16 August 2017 where further input was provided. All actions identified in this briefing paper will now be captured within the ICT Strategic Plan that will be brought to Council for information on 28 November 2017.</p>	Yes
<p>Stakeholder Management and Communities Update AHC's emergency management arrangements into a consolidated Emergency Management Plan</p>	<p>IN PROGRESS: Workshop sessions on the revised State Emergency Management Plan (SEMP), zone and local arrangements have been conducted with Council Members and the Administration leadership group. The latter has also undertaken brainstorming of the potential contents of the Emergency Management Plan (EMP) based on the lessons from the recent storm/flood events. An LGA-developed template is being used as the basis of the EMP and is currently being populated. It is anticipated that version one of the Plan will be completed by the end of November 2017.</p> <p>CEO PRP note: recognition given that the officer responsible for this work was limited due to other organisational priorities. Panel suggested to focus on formalising activities from recovery perspective to support the emergency management plan requirements.</p>	Yes-work to be ongoing in emergency management. An extensive and continually evolving process.

CEO PERFORMANCE REVIEW

Targets	Outcome	Achieved Yes / No
<p>Customer Service and Experience Review and update the composition of Tier 1 Service Standards in consultation with (and supported by) Council</p>	<p>COMPLETED: Following a series of Council Member Workshops and staff analysis, revised service standards were considered and adopted at the Council Meeting in April 2017. They will become effective on 1 July 2017 and reporting will commence from the end of the July – September 2017 quarter.</p> <p>CEO PRP noted: working on an improved service standards report. Seeking to increase programmed maintenance work undertaken, with the expectation that it will reduce reactive work. More work being undertaken through the customer service framework action plan.</p>	Yes
<p>Customer Service and Experience Establish and promote an on-line schedule of programmed maintenance</p>	<p>COMPLETED: An on-line schedule for programmed maintenance which includes a broad range of our maintenance activities across the district has been developed and made available on the AHC website.</p> <p>http://www.ahc.sa.gov.au/Resident/roads-streetscapes-and-works/programmed-maintenance</p> <p>We have redesigned the Engineering and Assets components of the website, including a quick link from the homepage, to provide ease of access to the information now developed. Annual programs will continue to be developed in alignment with Annual Business Plans. Subsequent programs and functionality will be further enhanced through the Asset Management System currently being implemented.</p>	Yes

POSITION DESCRIPTION - KEY RESPONSIBILITIES

Advice to and Relationship with Council Members

A high degree of satisfaction.
Andrew is accessible to Council Members and offers meetings regularly.

Leadership and Management of Councils Employees

Andrew has increased his presence around the organisation and regularly attends departmental meetings across the organisation.

Stakeholder Management and Communication

Sound meeting objectives – hosted international (Australian) conference of CEO’s – good initiative, opportunity to build relationship with those involved.
Roles of employees - being touch points in the organisation is critical and helpful.
Andrew positively represents Council at a broad range of events.

Financial and Asset Management

Audit function has been strengthened and expanded. Key risks to the organisation are monitored and managed. Internal and external audits are separate functions – oversight of program and outcomes through Audit Committee.

Work Health and Safety

Proactively managed. Receive annual rebate for work undertaken to improve Councils WHS management system.

Strategic Planning

Relevant functional plans are in place.
Middle management involved in planning stages and aligning annual plans to strategic plans has increased.

Strengths

Ability to delegate and manage
Communication skills
Handling difficult situations
Leadership and management results in meeting targets
Development of staff – evidenced in meeting targets quite comprehensively
Recruitment of senior staff has been excellent

Further Development Opportunities

Personal development

1. Establish a mentoring relationship (from outside the organisation)
2. Complete Institute of Company Directors course
3. Be aware of time management, conciseness and relevance in discussions

Council Member development

4. Review training needs for Council members and establish a new schedule. Refocus the development nights against the schedule.

Other

5. Be realistic around service standards.



CEO PERFORMANCE REVIEW

Human Resources Management

Discussed CEO's role in 'managing' HR activities. Hands on approach and ultimate responsibility for people rests with CEO.

Regularly reviews structure to respond to strategic requirements.

Operational Management, Governance & Major Projects

Regularly reviews delegations.

Major projects – discussed PD statement on 'completed on time and within budget' – discussed 12 month windows are hard to manage – 3 year rolling plan assists to manage this process and improves the annual budget preparation process. Always striving to improve this area.

Outcome:

That the CEO has achieved an overall rating of '4-exceeds expectations' – based on his performance consistently exceeded expectations in all essential areas of responsibility, and the quality of work overall was excellent. Annual goals were met.

Completed

Signed:
Presiding Member
CEO Performance Review Panel
Date:

Completed

Signed:
Chief Executive Officer
Date:

3. 2017 CEO Remuneration Review – Period of Confidentiality

Subject to the CEO, or his delegate, disclosing information or any document (in whole or in part) for the purpose of implementing the Panel’s decision(s) in this matter in the performance of the duties and responsibilities of office, the Panel, having considered at Agenda Item 10.1 in confidence under sections 90(2) and 90(3)(a) of the Local Government Act 1999, that an order be made under the provisions of sections 91(7) and (9) of the Local Government Act 1999 that the report, related attachments and the minutes of Council and the discussion and considerations of the subject matter be retained in confidence until the CEO has been advised in writing, but not longer than 1 month from the date of the decision of Council.

Pursuant to section 91(9)(c) of the Local Government Act 1999, that Council delegates the power to revoke the confidentiality order to the Chief Executive Officer, or his sub-delegate.