

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

Item: 10.2

Originating Officer: Megan Sutherland, Executive Manager Organisational Development

Responsible Director: Andrew Aitken, Chief Executive Officer

Subject: CEO Remuneration Review 2017

For: Decision

1. 2017 CEO Remuneration Review – Exclusion of the Public

That the CEO Performance Review Panel (the Panel) resolves that:

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 10.2: (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 remuneration package 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. 2017 CEO Remuneration Review – Confidential Item

SUMMARY

The Employment Agreement (the Agreement) between Council and the Chief Executive Officer (CEO) provides for the annual review of the Total Employment Cost Package (the TEC Package) in conjunction with the performance review process.

In undertaking a review of the TEC Package in accordance with the Agreement, the Panel will need to consider the outcome of the performance review, the CEO position description, movements in the CPI and remuneration paid to CEOs of similar sized councils.

The Panel will need to make a recommendation to Council regarding any changes to the TEC Package, with those changes to take effect from the anniversary of the commencement date or as agreed.

RECOMMENDATION

The CEO Performance Review Panel resolves:

1. That the report be received and noted
2. That no increase is paid as part of the 2017 performance review due to the renegotiation of the new Employment Agreement and Total Employment Cost Package that commenced from 1 July 2017.

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*.

The remuneration review process needs to be undertaken appropriately to ensure the CEO is provided with a fair and consistent approach to the review of his performance that directly affects decisions made in relation to the CEO's remuneration.

Section 91 (Minutes and release of documents), s96 (Council to have a chief executive officer) and s105 (Register of remuneration, salaries and benefits) of the *Local Government Act 1999* provide direction in this regard.

➤ **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**

If any change is decided there will be a budget impact on any increase in the TEC Package. This would be incorporated into the annual budget.

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

There is a community expectation that the performance of the CEO is reviewed in a robust and comprehensive manner.

➤ **Environmental Implications**

Not applicable.

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

Not applicable.

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

The Employment Agreement between Adelaide Hills Council and Andrew Aitken was executed on 17 August 2012 with the CEO commencing on 1 October 2012.

Previous reviews have been undertaken using this timeframe and decisions on remuneration change have been updated to commence from 1 October in the respective year.

The development of a new Employment Agreement (the Agreement) included the renegotiation of the Total Employment Cost (TEC) Package commencing from 1 July 2017.

The new Total Employment Cost Package (detailed in Schedule 2 of the Agreement) is:

Annual base salary	\$219,178.08
Employer superannuation (9.5% of annual base salary)	\$20,821.92
Full and unrestricted use of fully maintained vehicle	\$10,000.00
TOTAL TEC	\$250,000.00

The Agreement contains the provisions for the review of the Total Employment Cost (TEC) Package in Clause 13 that must be used when considering any change in TEC as follows:

- 13.1 *The TEC Package specified in Clause 10 and Schedule 2 shall be reviewed annually in conjunction with the performance review process and outcomes.*
- 13.2 *The TEC Package review will be conducted each year following the performance review set out in Clause 12 (if reasonably practicable), and any change to the TEC Package shall take effect from the anniversary of the Commencement Date or as agreed.*
- 13.3 *The review of the TEC Package will take into account the following:*
 - 13.3.1 *The agreed key performance indicators;*
 - 13.3.2 *The CEO's Position Description;*
 - 13.3.3 *Movements in the Consumer Price Index (all groups) Adelaide as issued by the Australian Bureau of Statistics for the year ending in the quarter immediately preceding the review;*
 - 13.3.4 *Remuneration paid to CEO's of councils in South Australia; and*
 - 13.3.5 *Any other factors the Council considers relevant.*
- 13.4 *Notwithstanding Clause 13.3, the parties acknowledge that, in undertaking any review of the TEC Package, the CEO is not, as a right, entitled to any annual increase of the TEC Package.*

CEO's Position Description

The position description as contained in the Agreement is based on the requirements of s99 – Role of chief executive officer and is a standard used across many councils within the local government sector.

2017 Performance Review Process

The performance review is the subject of Agenda Item 10.1 and while it is not intended to prejudge the Panel's consideration of the matter, the outcome from the internal review process undertaken by the Panel has made a joint decision to recommend to Council an overall rating of 4 – Exceeds expectations.

CPI – June Qtr

A baseline factor that is commonly considered is the movement in the annual Consumer Price Index (CPI). The most recent report from the Australian Bureau of Statistics (ABS) shows the following annual CPI figures to the end of September 2017.

Quarter	National CPI	SA CPI
Sept 2017	1.8%	1.8%

Wage Price Index (WPI)

WPI movement for 2017 at June was 2.5%

Remuneration of CEOs

From benchmarking other Council's CEO Remuneration from the LG commissioned Remuneration Survey Report of CEO's 2016/2017, the following data is provided:

Council	Total Remuneration
Alexandrina	\$246,890
Campbelltown	\$268,175
Holdfast Bay	\$255,988
Mount Gambier	\$272,800
Prospect	\$240,039
Unley	\$271,134
Mount Barker	\$256,856
Barossa	\$247,810
Burnside	\$225,644 (2016)
Norwood Payneham, St Peters	\$262,071
Murray Bridge	\$258,327
Gawler	\$249,460
Average	\$254,599

2.3 ANALYSIS

It is important to give consideration to the elements of the TEC, Clause 13.3 (stated above), the data related to those elements (provided above) and consideration of the outcome of the 2017 CEO Performance Review.

An important consideration when determining whether to recommend any change to the TEC as a result of this review period is that during the process of discussing a new Employment Agreement the TEC was renegotiated, and the new remuneration commenced from 1 July 2017.

The Panel must decide on whether to maintain the current TEC package or improve the TEC package in real terms.

2.4 OPTIONS

The CEO Performance Review Panel has the following options:

1. Having considered the factors listed in Clause 13.3 in relation to the review of the TEC Package, the Panel may resolve to retain the TEC Package as per Schedule 2 of the Agreement.
2. Having considered the factors listed in Clause 13.3 in relation to the review of the TEC Package, the Panel may resolve to increase the TEC Package by a factor:
 - a. equal to or less than the Adelaide CPI for the June quarter 2017 (i.e. no increase or a decrease in real terms); or
 - b. greater than the Adelaide CPI for the June quarter 2017 (i.e. an increase in real terms).

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 10.2 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.