

**ADELAIDE HILLS COUNCIL CEO PERFORMANCE REVIEW PANEL
TUESDAY 2 SEPTEMBER 2014
AGENDA BUSINESS ITEM**

Item: 6.1

Originating Officer: Megan Sutherland, Manager Organisational Development

Subject: 2013-14 CEO Performance Review

1. 2013-14 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:

- CEO, Andrew Aitken
- Manager Governance & Risk, Lachlan Miller
- Manager Organisational Development, Megan Sutherland
- Minute Secretary,

be excluded from attendance at the meeting for Agenda Item 6.1: 2013-14 CEO Performance Review.

The Panel is satisfied that, pursuant to section 90(3)(a) of the Act, the information to be received, discussed or considered in relation to the 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, which are sensitive and are details only known to those who have participated in the review process.

The Panel is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of details of the Chief Executive Officer's performance may prematurely be disclosed before the details of the review have been discussed with the Chief Executive Officer.

2. 2013-14 CEO Performance Review – 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 by reference to the Personal Evaluation System (PES), contained in the Employment Agreement, against the CEO's duties, position description and key performance indicators.

The review process was commenced in September 2013 to assess performance against the 7 key result areas, 11 strategic performance objectives and 5 personal performance objectives.

The review report is at Appendix 1 and summarises the ratings of the cohort of Council Members, direct reports and managers utilising the PES, with an overall rating against the performance criteria as PES Level 3 – CEO's performance met expectations.

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

That the Panel:

- 1. Receives and notes the report**
- 2. Recommends to Council that the CEO has achieved 'Competent Performance' in relation to the 2013-14 Performance Review.**

3. GOVERNANCE

➤ Strategic Management Plan/Council Policy

Goal 4 A Recognised Leading Performer

Key Issue 4.1 Leadership

Key Action 4.1.4 Meet legislative, regulatory and good governance responsibilities and obligations

➤ **Legal Implications**

The CEO Performance Review Panel is a Sec 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 and that the process would 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 discussions.

➤ **Risk Management Implications**

Consideration of the report mitigates the risk of

Deficient CEO performance review practices result in a lack of accountability and loss of stakeholder confidence.

➤ **Financial and Resource Implications**

Not applicable.

➤ **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.

➤ **Community Engagement/Consultation**

Consultation on the preparation of the report was undertaken with Council Members and senior staff by way of survey.

4. **BACKGROUND**

CEO Performance Review Panel (the Panel)

The Panel was established in May 2013 with the following role:

The CEO Performance Review Panel (the Panel) will provide advice to Council on matters related to the Chief Executive Officer and his performance by;

- *Reviewing the CEO's performance over the preceding twelve months, in particular the performance against the Key Performance Indicators (KPIs).*
- *Undertake a review of the CEO's KPIs to ensure they remain relevant and aligned to Council's strategic objectives.*
- *Receive and review six monthly updates of the CEO's performance against the KPIs.*
- *Determining the CEO's remuneration for the following twelve months.*
- *Consider any other related matters that may arise from the review.*

CEO Employment Agreement

On 8 August 2012, Council resolved (Res 191) to appoint Andrew Aitken as the Chief Executive Officer (CEO) of the Adelaide Hills Council subject to finalisation and mutual acceptance of the contract and package.

The Employment Agreement (the Agreement) was executed on 17 August 2012 with the CEO commencing on 1 October 2012.

Clause 13 of the Agreement provides for a performance review process with the following key features:

- The CEO will undergo no less than one annual performance review
- The review will be conducted by a Performance Review Panel appointed by the Council
- The Panel will assess the CEO's performance by reference to the Personal Evaluation System (PES) measured against the CEO's Duties as outlined in the Agreement, position description and any other factors considered relevant by the panel. Additionally, the Panel will evaluate the extent to which the CEO has discharged the CEO's goals, objectives, responsibilities and duties as outlined in the position description.
- The performance review will review the CEO's position description and any key performance indicators through the PES.
- A written report shall be compiled with respect to the performance review and a copy provided to the CEO. The report shall set out any particular aspects of the CEO's performance that require improvement, together with reasonable timeframes within which the Panel expects those areas of performance to be improved to a specified standard.
- The Council must provide whatever counselling, advice and assistance are reasonably necessary to enable the CEO to improve his performance during that period.
- At the conclusion of the timeframes identified above, the CEO will either:
 - be informed that performance has improved to the satisfaction of the Council and that no further action will be taken; or
 - 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 timeframe, the Council will terminate the agreement in accordance with the termination provisions contained therein.
- The CEO's PES must be reviewed and, if necessary, amended by agreement within two months after each performance review.

The PES, as contained in the Agreement, is the system by which the CEO's performance is assessed in accordance with the following rating scale:

Rating 1 – CEO's performance did not meet expectation

Rating 2 – CEO's performance was below expectation

Rating 3 – CEO's performance met expectation

Rating 4 – CEO's performance was above expectation

Rating 5 – CEO's performance exceeded expectation

Clause 1 of the Agreement sets out the definition including:

Competent Performance means the achievement by the CEO of a performance equal to or better than Rating 3 as identified in the Personal Evaluation System.

2013-2014 Performance Criteria

Following the CEO's 2012-2013 Performance Review a set of 7 key performance indicators were adopted as the basis upon which to assess performance in accordance with clause 13 of the Agreement. The performance criteria are set out in detail in the 'Summary Report on Performance Review 2013-2014'.

2013-2014 Performance Review Process

In July and August 2014, McArthur assisted with the CEO performance review process which consisted of a survey instrument provided to all Council Members, CEO direct reports and AHC managers. The CEO also completed the survey.

The response rates and responses are set out in detail in the 'Summary Report on Performance Review 2013-2014'.

5. ANALYSIS

Page 21 of the summary Report on Performance Review 2013-2014 summarises the responses from the Council Members, direct reports & managers and the CEO separately.

While the latter is more conservative than the former both demonstrate ratings across the key result areas, strategic objectives and personal performance objectives in the PES rating 3 (i.e. CEO's performance met expectation).

While the report at Appendix 1 does not explicitly identify any areas of performance that require improvement, the Panel should give consideration as to whether there is grounds to establish a performance improvement plan in accordance with clause 13 of the Agreement.

6. OPTIONS

The Panel has the following options:

1. Having consideration to the Summary Report and 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 'Competent Performance' in relation to the 2012-13 Performance Review.
2. Having consideration to the Summary Report 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.

7. APPENDICES

- (1) Summary Report on Performance Review 2013-2014

Appendix 1

*Summary Report on Performance Review 2013-
2014*

8. 2013-14 CEO Performance Review – – Period of Confidentiality

That having considered Agenda Item 6.1 in confidence under section 90(2) and 90 (3)(a) of the *Local Government Act 1999*, the Panel, pursuant to section 91(7)(b) of that Act, orders that the documents and all minutes be retained in confidence until the Performance Review process has been completed by the acceptance of a final report by Council.