

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

Item: 6.2

Originating Officer: Megan Sutherland, Manager Organisational Development

Subject: 2013-14 CEO Remuneration Review

1. 2013-14 CEO Remuneration 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 Organisational Development, Megan Sutherland
- Manager Governance & Risk, Lachlan Miller
- Minute Secretary,

be excluded from attendance at the meeting for Agenda Item 6.2: 2013-14 CEO Remuneration 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 remuneration package 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 considerations of the Chief Executive Officer's remuneration package may prematurely be disclosed before the details of the package have been discussed with the Chief Executive Officer.

2. 2013-14 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

That the Panel:

1. **Receives and notes the report**
2. **Recommends to Council to *(retain the CEO's TEC Package/ increase the CEO's TEC Package by x%) to commence from xx/xx/2014.***

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.

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*

➤ **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**

There will be a budget impact on any increase in the Total Employment cost package.

➤ **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**

Not applicable.

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

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

The current TEC Package is:

Annual base salary	\$186,184.00
Employer superannuation (9.25% of annual base salary)	\$17,222.00
Full and unrestricted use of fully maintained vehicle	\$12,894.00
TOTAL	\$216,300.00

Clause 14 of the Agreement contains the provisions for the Total Employment Cost (TEC) Package Review as follows:

- 14.1 *The TEC Package specified in Clause 11 and Schedule 2 shall be reviewed annually in conjunction with the performance review process and outcomes.*
- 14.2 *The TEC Package review will be conducted each year following the performance review set out in Clause 13 (if reasonably practicable), and any change to the TEC package shall take effect from the anniversary of the Commencement Date or as agreed.*
- 14.3 *The review of the TEC Package will take into account the following:*
- 14.3.1 *The agreed key performance indicators;*
- 14.3.2 *The CEO's Position Description;*
- 14.3.3 *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; and*
- 14.3.4 *Remuneration paid to CEO's of similar sized councils in South Australia*
- 14.4 *Notwithstanding Clause 14.3, 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.

2012-2013 Performance Review Process

The performance review is the subject of Agenda Item 6.1 and while it is not intended to prejudge the Panel's consideration of the matter, the scoring of the survey instrument indicates ratings in PES 3 (i.e. CEO's performance met expectation).

Adelaide All Groups CPI– June Quarter 2014

Over the twelve months to the June quarter 2014, the Adelaide All Groups CPI rose by 3.1%.

Remuneration of CEOs of similar sized council in South Australia

The Local Government Association compiles details of the remuneration packages of CEOs across the State. As remuneration packages are reviewed on commencement dates, some caution must be taken in making direct comparisons between councils as the data may be up to 12 months old, equally the formulas used to calculate package components (particularly vehicles) vary considerably.

The CEO packages of comparable councils (by budget and FTE) as at 28/8/14 are:

Council	TEC Package
City of Burnside	\$217,267
Campbelltown City Council	\$251,148
City of Norwood, Payneham & St Peters	\$254,263
City of Unley	\$246,040
Alexandrina Council	\$263,500 (approx)
Barossa Council	\$228,706

5. ANALYSIS

With a positive CPI the value of the TEC package in real terms has decreased from when the Agreement was executed.

Given the rating of competent performance in the performance review, the Panel may wish to give consideration to maintain or improving the TEC package in real terms.

6. OPTIONS

The Panel has the following options:

1. Having considered the factors listed in clause 14.3 in relating to the review of the TEC Package, the Panel may resolve to retain the TEC Package as per Schedule 2 of the Agreement (i.e. a decrease in real terms).
2. Having considered the factors listed in clause 14.3 in relating 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 Adelaide All Groups CPI for the June quarter 2014 (i.e. no increase or a decrease in real terms); or
 - b. greater than Adelaide All Groups CPI for the June quarter 2014 (i.e. an increase in real terms)
 - c. Summary Report on Performance Review 2013-2014

7. APPENDICES

Nil

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

That having considered Agenda Item 6.2 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 Remuneration Review process has been completed when Council has determined the 2014-15 Total Employment Cost package.