

**ADELAIDE HILLS COUNCIL
CEO PERFORMANCE REVIEW PANEL MEETING
Monday 10 October 2016
AGENDA BUSINESS ITEM**

Item: 8.1

Originating Officer: Megan Sutherland, Executive Manager Organisational Development

Subject: 2016 CEO Performance Review Report

For: Decision

1. 2016 CEO Performance Review Report – 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 Governance and Risk, Lachlan Miller**
- Executive Manager Organisational Development, Megan Sutherland**
- Minute Secretary, Pam Williams**

be excluded from attendance at the meeting for Agenda Item 8.1: 2016 CEO Performance Review Report in confidence.

The the Panel is satisfied that, pursuant to Section 90(3)(a) of the Act, that information to be received, discussed and 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.

In addition, the disclosure of this information would, on balance, be contrary to the public interest. The public interest in public access to the meeting has been balanced against the public interest in the continued non-disclosure of the information. The benefit to the public at large resulting from withholding the information outweighs the benefit to it of disclosure of the information.

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 information could unreasonably reveal personal information regarding the CEO's performance prior to the performance review being completed.

2. 2016 CEO Performance Review Report – 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) containing 5 response options, contained in the Employment Agreement, against the CEO's duties, position description and key performance indicators.

The review process was commenced in August 2016 to assess performance against the 8 competency areas (specified in the position description), 9 key performance indicators and personal attributes.

The '2016 CEO Performance Review Report' (Report) is at **Appendix 1** and provides full details of the ratings and is supported by commentary on the findings from feedback of the cohort of Council Members, key staff and the CEO's self-rating.

'In determining an overall score, Council Members have rated the CEO's performance across all capability areas as 3.8, and key staff as 3.9 (taking the average of each of the scores). It is clear that the CEO has been rated by Council Members as being strong across all capability areas, but have provided higher average ratings for Financial and Asset Management, and for the CEO's performance in Workplace Health and Safety. For both of those capability areas, Council Members have rated performance at above expectation.

Key Staff have also rated the CEO as performing above expectation in the capability areas of Leadership of Council's Employees, Stakeholder Management and Communications, Workplace Health and Safety, and Human Resources Management.

The capability area receiving the lowest average score for Council Members was Human Resources Management, and for key staff was Operational Management, Governance and Major Projects. While both capability areas received the lowest average rating, they are still higher than the "met expectation" rating of 3.0.' (Report, p4-5)

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 'above expected performance' in relation to the 2016 CEO Performance Review Report.**

3. **Having considered at Agenda Item 8.1 the matter of 2016 CEO Performance Review Report 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 the CEO Performance Review Panel and the discussion of the subject matter be retained in confidence until the 2016 Performance Review process has been completed by the acceptance of a final report by Council.**
 4. **Pursuant to section 91(9)(a) of the *Local Government Act 1999*, that the Panel delegates the duty to conduct an annual review of the confidentiality order to the Chief Executive Officer, or his sub-delegate.**
 5. **Pursuant to section 91(9)(c) of the *Local Government Act 1999*, that the Panel delegates the power to revoke the confidentiality order to the Chief Executive Officer, or his sub-delegate.**
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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 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 performance 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**

Consultation was undertaken with Council Members and senior staff by way of survey and through conversations with individuals.

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.

2015-16 Performance Criteria

Following the CEO’s 2015 Performance Review a set of 9 key performance indicators were adopted to be used in conjunction with the capability areas in the position description to assess performance in accordance with clause 13 of the Agreement. The capability areas are the key focus of the review process.

2016 Performance Review Process

From August 2016, Morton Phillips assisted with the CEO performance review process which consisted of a survey instrument provided to all Council Members, Executive Team Members and the CEO.

The response rates and performance commentary is provided in the ‘2016 CEO Performance Review Report’.

5. ANALYSIS

The ‘2016 CEO Performance Review Report’ provides full details of all areas assessed.

Table 1 (Report, p4) is a summary of the overall (average) ratings from both Council Members and key staff for each of the capability areas in the position description.

Table 1

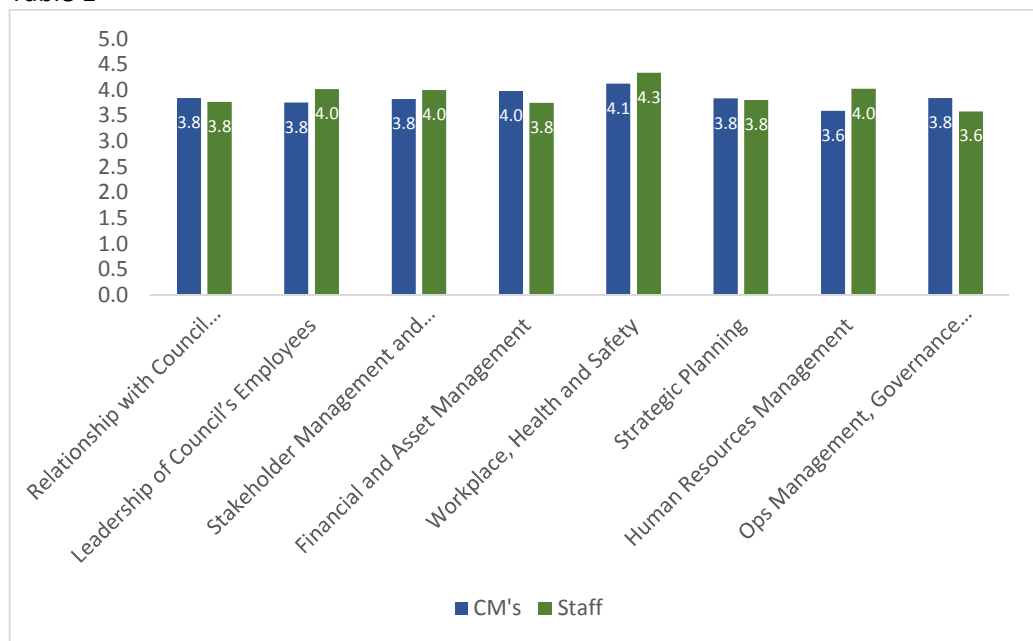


Table 2 provides the percentage response rates for each of the capability areas

Capability area	Council Members (% response rates)			Key staff (% response rates)		
	Below expectation	Met expectation	Above expectation	Below expectation	Met expectation	Above expectation
Advice to and Relationship with Council Members	-	27	73	-	35	65
Leadership and Management of Council's Employees	2	35	63	-	24	76
Stakeholder Management and Communication	1	36	63	-	27	73
Financial and Asset Management	-	25	75	-	47	53
Workplace Health and Safety	-	25	75	-	17	83
Strategic Planning	-	26	74	-	36	64
Human Resources Management	2	46	52	-	29	71
Operational Management, Governance and Major Projects	3	32	65	-	17	83

Personal Attributes (Report, p25)

'The overall average provided from Council Members was 4.0, and from key staff was 4.4. It is clear the CEO has strong support from Council Members and key staff.

The lower ratings from Council Members were for communication and interpersonal skills, and in the factor relating to entrepreneurial skills, with average ratings of 3.7 and 3.6 respectively. While lower than the other factors, they are still strong.

Key staff provided ratings at or above 4.0 for all factors, providing a very strong result.'

KPI Feedback (Report, p26 and Table 21, p27)

'The majority of respondents have indicated they understand the KPI's to be complete or on-track. We have highlighted two response areas from Council Members where they have the view the KPI is incomplete.

The two KPI's are as follows:

Review Council's role, viability and community benefit in the provision of Retirement Villages and supported housing. Provide a recommendation to Council.

Establish and commence a Community Leadership Program which identifies, supports and develops community leaders and enables them to contribute to achieving sustainable and vibrant communities.

We also note that 20% of key staff responses for the first KPI above also indicates the KPI is incomplete.

In reviewing the overall responses, there is a very strong alignment that most projects are complete or on track for completion. This is a very positive result for the CEO.'

6. OPTIONS

The Panel has the following options:

1. Having consideration to the '2016 CEO Performance Review 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 'above expected performance' in relation to the 2016 CEO Performance Review Report.

2. Having consideration to the '2016 CEO Performance Review 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) 2016 CEO Performance Review Report

Appendix 1

2016 CEO Performance Review Report
