

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

**Item:** 8.2

**Originating Officer:** Megan Sutherland, Executive Manager Organisational Development

**Subject:** 2016 CEO Remuneration Review

**For:** Decision

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**RECOMMENDATION**

**1. 2016 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 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 8.2: 2016 Remuneration Review 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 remuneration package 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 remuneration prior to the performance review being completed.**

## 2. 2015 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 1 October 2016.**
3. Having considered at Agenda Item 8.2 the matter of 2016 CEO Remuneration 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 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 decisions.

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**

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**

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

➤ **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 Total Employment Cost Package is:

Annual base salary	\$200,737
Employer superannuation (9.5% of annual base salary)	\$19,070
Full and unrestricted use of fully maintained vehicle	\$10,000
<b>TOTAL TEC</b>	<b>\$229,807</b>

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.

**2016 Performance Review Process**

The performance review is the subject of Agenda Item 8.1 and while it is not intended to prejudice the Panel's consideration of the matter, the scoring of the survey instrument indicates vast majority of ratings of 3 (performance met expectation) and 4 (performance was above expectation) from both Council Members and key staff.

**CPI – June Qtr**

A baseline factor that is commonly considered is the movement in the annual Consumer Price Index (CPI). The most recent report (June2016) from the Australian Bureau of Statistics (ABS) shows the following movements in the CPI.

<i>Quarter</i>	<i>National CPI</i>	<i>SA CPI</i>
<i>June 2016</i>	<i>1.0%</i>	<i>0.7%</i>

**Wage Price Index (WPI)**

WPI movement for 2016 at June was 2.1%

**Remuneration of CEOs**

From benchmarking other Council's CEO Remuneration, (data for Group 2 Councils with which AHC is grouped by the S.A. Remuneration Tribunal for the purposes of determining Councillor Allowances), the following data is provided:

<b>Council</b>	<b>2016 Total Remuneration</b>
<b>Alexandrina</b>	\$ 266,200
<b>Campbelltown</b>	\$ 253,322
<b>Holdfast Bay</b>	\$ 251,249
<b>Mount Gambier</b>	\$ 244,000
<b>Prospect</b>	\$ 253,621
<b>Unley</b>	\$ 253,422
<b>Mount Barker</b>	\$ 250,591
<b>Barossa</b>	\$ 241,000
<b>Burnside</b>	\$ 225,644
<b>Norwood Payneham, St Peters</b>	\$ 262,071
<b>Murray Bridge</b>	\$ 238,551
<b>Gawler</b>	\$ 228,025
<b>Average</b>	\$ <b>247,308</b>

From the consultants '2016 CEO Remuneration Review Report' (Report), advice provided shows:

*'It is clear from the table above that the current remuneration of the CEO at \$229,807 is below the average of the Group 2 Councils (about 7%).'*

In the 2015 remuneration review the Panel used the following councils to benchmark against. For comparison this information is provided below:

<b>Council</b>	<b>2016 Total Remuneration</b>	<b>% Increase from 2015</b>
<b>Alexandrina Council</b>	\$ 266,200	2.4%
<b>Campbelltown</b>	\$ 253,322	2.8%
<b>Unley</b>	\$ 253,422	3.0%
<b>Mount Barker</b>	\$ 250,591	2.5%
<b>Norwood Payneham, St Peters</b>	\$ 262,071	3.0%
<b>Gawler</b>	\$ 228,025	1.3%
<b>Average</b>	<b>\$ 252,272</b>	<b>2.5%</b>

*'Using the smaller number of Councils against which to benchmark increases the average CEO remuneration to \$252,272. This places the CEO for AHC about 9% behind that average.'* (Report)

The average increase for CEO's benchmarked is 2.5%, commonly closer to 3%.

## 5. ANALYSIS

*'The data presented above would indicate that the CEO is below the market for remuneration when considering the Group 2 Councils. The data would also indicate the average annual increase for CEO's is commonly in the range from 2.0% to 3.0%, which is just above the WPI. Council should also consider the positive performance review feedback contained in this report. It demonstrates the CEO has performance at a level of at least meeting expectation, but in most views he has exceeded expectation.'* (Report)

It is important to give consideration to the elements of the TEC, Clause 14.3 (stated above) and this includes the 2016 CEO Performance Review Report outcomes.

The Panel may want to give consideration to maintaining 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 relation 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 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 National CPI for the June quarter 2016 (i.e. no increase or a decrease in real terms); or
- b. greater than the National CPI for the June quarter 2016 (i.e. an increase in real terms), as discussed in this report.

**7. APPENDIX**

Nil