

**ADELAIDE HILLS COUNCIL CEO PERFORMANCE REVIEW PANEL
WEDNESDAY 27 JULY 2016
AGENDA BUSINESS ITEM**

Item: 8.1

Originating Officer: Megan Sutherland, Manager Organisational Development

Subject: Appointment of Consultant to undertake the CEO Performance Review

1. Appointment of Consultant to undertake the CEO Performance Review – Exclusion of the Public

a) That under the provisions of section 90(2) of the *Local Government Act 1999* an order is made that the public be excluded from the meeting, with the exception of:

- Manager Organisational Development, Megan Sutherland
- A/Manager Governance & Risk, Lachlan Miller
- Minute Secretary, Pam Williams

in order to consider Agenda Item 8.1: Appointment of Consultant, to undertake the CEO Performance Review , in confidence.

b) The CEO Performance Review Panel (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)(d) of the *Local Government Act 1999*, the information to be received, discussed or considered in relation to Agenda Item 8.1 is information of a confidential nature (not being a trade secret) the disclosure of which

- (i) could reasonably be expected to prejudice the commercial position of the person (firm) who supplied the information and/or convey a commercial advantage on a third party.

Accordingly, on this basis, the principle that meetings of the Panel should be conducted in a place open to the public has been outweighed by the need to keep the information and discussion confidential.

2. Appointment of Consultant to undertake the CEO Performance Review – Confidential Item

SUMMARY

Council requires the services of an independent consultant to undertake the CEO's performance review for 2016.

The purpose of this report is to agree on the consultant who will undertake the review this year.

RECOMMENDATION

That the Panel resolves:

1. That the report be received and noted
2. To appoint to undertake the CEO performance review for 2016.
3. To delegate Presiding Member Cr Jan-Claire Wisdom and Manager Organisational Development, Megan Sutherland, to discuss and agree the schedule of work, survey and report (generally) using the feedback from the Panel from this meeting and feedback from the CEO.

Appointment of Consultant to undertake the CEO Performance Review – Period of Confidentiality

1. That having considered Agenda Item 8.1 (Appointment of Consultant to undertake the CEO Performance Review) in confidence under section 90(2) and 90(3)(d) of the Local Government Act 1999, the CEO Performance Review Panel, pursuant to section 91(7)(b) of that Act, orders that:
 - a. the documents and reports pertaining to this matter be retained in confidence for a period not exceeding 12 months; and
 - b. the minutes pertaining to this matter be retained in confidence until the consultant has been appointed, but not exceeding a period of 3 months.
2. Pursuant to section 91(9)(c) of the Local Government Act 1999, that the CEO Performance Review Panel delegates the power to revoke the confidentiality order to the Chief Executive Officer, or his sub-delegate.

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 Committee of Council under the *Local Government Act 1999*.

Section 99 of the LG Act sets out the role of the Chief Executive Officer. An assessment of performance against these requirements forms part of the CEO Performance Review process.

The regular review of the CEO's performance and the organisations 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 process, review tool and outcomes of the review directly affect decisions made in relation to the CEO, his performance, remuneration and employment contract.

➤ **Risk Management Implications**

Appointing an independent consultant to undertake the CEO Performance Review will assist in 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**

Costs associated with using an external consultant to undertake the CEO Review process are covered within the budget.

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

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

➤ **Environmental Implications**

Not applicable.

➤ **Community Engagement/Consultation**

Not applicable.

4. BACKGROUND

Last year's CEO Performance review was undertaken by Locher.

Four proposals were sought from consultants, VLee HRM Consulting, Locher, Jane Jeffreys Consulting and Morton Phillips, meeting the requirements of Council's Procurement and Purchasing Policy.

Three consultants agreed to provide a submission and one advised they would be unable to respond due to work commitments at the time the review was requested. By the due date, two consultants' submissions were received. After seeking clarification, the third consultant made a further decision that they were unable to provide a submission due to other work commitments at that time the work has been requested (no notification was provided before the due date of the change of decision).

5. ANALYSIS

Proposals

Proposals were received from two consultants.

Details of the proposals against the Expression of Interest (EOI) is provided for discussion and consideration (table attached).

Both consultants can meet the requirements of the EOI and either consultant would enable a sound, fair and comprehensive process to be undertaken that seeks to achieve positive outcomes for both the Chief Executive Officer (CEO) and the organisation.

Consultant A

This organisation has undertaken management and executive assessment across a number of organisations both within and outside LG. The consultants involved in the process have significant experience between them in HR management, executive coaching and development and delivery of assessment and 360 surveys and reports. The additional component of this proposal is for a development discussion with the CEO as part of his development from the feedback received.

Consultant B

This organisation has significant experience at undertaking executive reviews within Local Government and across other industries. The consultant involved in this process has significant experience in human resource management, including cultural change, organisational review, leadership development and strategic management.

Consultant C - Response not provided.

Consultant D - Response not provided.

Report Format

It is proposed that the following components are included in the survey tool and final report.

Survey Tool	Report
Position requirements	Individual rating for the following groups CEO, Council Members and Executive Leadership Team
KPIs	Overall table of results / graphed data
Leadership behaviours/competencies	A summary of results and what they mean
To provide general feedback on strengths	A summary of the strengths and areas for improvement
To provide general feedback on possible improvements	Highest rates and lowest rates findings

It is important that confidentiality of respondents is maintained. A final report on the survey findings would be provided for Council record.

It is proposed that the Presiding Member (Cr Jan-Claire Wisdom) and Manager Organisational Development, Megan Sutherland meet with the successful consultant to discuss the schedule of work, survey and report (generally).

Further work will be undertaken with the Panel on the report format during the process before the report is finalised, as per the 2016 CEO Performance Review Schedule.

6. OPTIONS

1. Not appoint a consultant. This would require the process to be undertaken internally. (At the May 2016 meeting, the Panel decided to use an external consultant to undertake the review process).
2. Appoint one of the consultants who have provided a proposal. This would ensure the process is undertaken with fairness and impartiality. It will also work positively toward having the review complete within the agreed timeframe with an expected final report to Council on Tuesday 8/11/16.
3. Seek further proposals from other consultants. This process would provide additional options for undertaking the review. It would impact on our ability to have the review completed and a final report to Council by Tuesday 8/11/16.

Appendix 1

Summary Report on Consultants' Proposals

CEO Performance Review Process 2016 – Consultants' Brief Comparisons

	A	B	C	D
1. Undertaking a review process with the aim to have the process completed within 6 weeks, commencing with a survey in mid Sept (commencement to be confirmed)	Understand project to be undertaken over September and October	Understand project to be undertaken over September and October	Did not provide response	Did not provide response
2. Undertaking a Performance Review of the CEO against the KPIs and position objectives via a survey with Council Members and Executive Team members (up to 19 respondents and self review of CEO)	Will develop required 360 assessment tool to assess leadership, CEO competencies from the position description and performance indicators. Prior to the program, brief the CEO on the structure and methodology of the program and set clear expectations and defining key outcomes. The survey can be undertaken online (preferred) or via interview method.	The key objective for any performance review must be to provide effective and evidence based feedback to the incumbent to ensure they can consider the feedback and work collaboratively with their employer to identify and implement development goals that will continue to improve performance. The process would include reviewing the existing KPIs and further developing and agreeing a set of definitions to be used as the basis for the review. Each of the potential areas identified be developed into a series of descriptive points to enable those providing feedback to have a common understanding of what is required. This will ensure the Panel receives both qualitative and quantitative feedback for each KPI. The survey can be provided via survey.		
3. Providing a brief to the Council Members and Executive Team members on the review process, survey tool and timeframes	The Consultant will attend the meeting and communicate the process which is a key aspect of its success. Will provide support or advice on any aspect of the communications around the process. Will provide an information pack to raters to inform them of the process and what to do.	Meet with Council to discuss the proposed methodology and overview for conducting the CEO Performance Review and KPI setting.		
4. Discussing with the CEO and Council Members possible KPIs for the next year and provide a set of proposed KPIs to the CEO PRP	The consultant will meet with Council Members to discuss KPIs for 2016/17.	The consultant will meet with Council Members to discuss KPIs for 2016/17.		
5. Undertaking a comparative analysis on the CEO's remuneration and provide recommendations to the CEO PRP	The consultant proposes the use a three stage data gathering methodology. These approaches are outlined in more detail below and in the consultants experience ensure a robust and legally defensible approach to salary benchmarking.	Use the review components of the CEO's contract for consideration in the review. Provide some market data, include benchmarking the CEO's current remuneration with comparable Councils Conduct a broader market survey of CEO's across sectors		

CEO Performance Review Process 2016 – Consultants Brief Comparisons

	<p>Stage 1 – Review position description and 360 data Stage 2 – Job analysis through the ‘Jobscore’ tool Stage 3 – Comparison of salary data for similar Local Government organisations within SA</p>	<p>Use the performance review feedback and ratings provided to establish a performance-based remuneration structure Provide additional market data that includes CPI movements over the last three years, trends in Enterprise Agreements. Provide additional market data that includes CPI movements over the last three years, trends in Enterprise Agreements. Make a recommendation based on the above market survey for consideration.</p>		
6. Completing a draft report that provides the responses in data form and relevant graphs, includes analysis of the results and what they mean (a summary paragraph) and provides a summary of the comments from the strengths and areas for improvement feedback (the report format will be confirmed through discussion with the successful consultant)	<p>Following the assessment process, analysis of the data will lead to a detailed draft report that provides responses in data form, graphs and analysis of the results. Interpretation of the results will be summarised to provide an oversight of the strengths and areas for development.</p>	<p>In providing a report to the Panel, the consultant would review the comments made from staff and consolidate them into their words to ensure confidentiality. The feedback would not be filtered, but written in a way that enables the CEO to understand the feedback, but ensures the responders can provide the feedback in an open way.</p>		
7. Providing a draft report on the findings to the CEO and debriefing the CEO on the results	<p>The consultant will brief the CEO on the results with the draft report.</p>	<p>The consultant will brief the CEO on the results with the draft report.</p>		
8. Meeting with the CEO PRP to discuss the draft report, remuneration recommendations and proposed KPIs	<p>Following CEO debrief, the consultant will meet with the CEO PRP to discuss the report, the remuneration recommendations and the proposed KPIs. They recommend that the CEO be invited to answer any questions that arise from the 360 review, and to participate in a Q&A session about the achievement and progress of key KPIs. A final report will then be prepared.</p>	<p>The consultant will meet with the Panel to consider and assess the report, the CEO’s self-assessment report, and develop proposed remuneration recommendations for Council’s decision.</p>		
9. Providing a final report to the CEO PRP and discussing the same at a meeting with respondents	<p>The consultant will be available to attend the appropriate Council meeting to provide outcomes to the Council. Executive team members can be separately briefed</p>	<p>Deliver the final report so that the Mayor, on behalf of the Panel, can make formal recommendations to Council on the CEO’s performance and remuneration review. The consultant will discuss the report with Council.</p>		
Additional information	<p>The consultant recommends that the CEO participate in a one and a half hour, one-on-one Development Feedback session. The goal of this session is to provide constructive and meaningful feedback to the CEO with respect to the</p>			

CEO Performance Review Process 2016 – Consultants Brief Comparisons

	360-degree Assessment results. If desired the consultant can work with the CEO to develop an Individualised Development Plan which will provide a “road map” for individual development for the next 12 months.			
Fee Proposal	Between \$5,460-\$6,453 +GST (some variable costs depending on what we require)	\$5,000 +GST		