

**ADELAIDE HILLS COUNCIL
CEO PERFORMANCE REVIEW PANEL MEETING
Tuesday 29 May 2018
CONFIDENTIAL AGENDA BUSINESS ITEM**

RELEASED 07 DECEMBER 2018

Item: 10.1

Originating Officer: Megan Sutherland, Executive Manager Organisational Development

Responsible Director: Andrew Aitken, Chief Executive Officer

Subject: Appointment of Consultant to undertake the CEO Performance and Remuneration Review

For: Decision

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

Pursuant to section 90(2) of the *Local Government Act 1999* the Panel orders that all members of the public, except:

- Executive Manager Governance & Performance, Lachlan Miller
- Executive Manager Organisational Development, Megan Sutherland

be excluded from attendance at the meeting for Agenda Item 10.1: (Appointment of Consultant to undertake the CEO Performance and Remuneration Review) in confidence.

The Panel is satisfied that it is necessary that the public, with the exception of Council staff in attendance as specified 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 this Agenda Item is commercial information of a confidential nature (not being a trade secret) that would, on balance, be contrary to the public interest, the disclosure of which could reasonably be expected to prejudice the commercial position of the business which supplied the information and to confer 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 and Remuneration Review – Confidential Item

SUMMARY

Council requires the services of an independent consultant to undertake the CEO’s performance and remuneration review for the 2017-2018 year.

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

RECOMMENDATION

The CEO Performance Review Panel resolves:

- 1. That the report be received and noted**
- 2. To appoint Consultant B, at a cost of \$4,500 + GST to undertake the CEO performance review for 2018.**

1. GOVERNANCE

➤ **Strategic Management Plan/Council Policy**

Goal	Organisational Sustainability
Key Issue	Governance

We diligently adhere to legislative requirements to ensure public accountability and exceed these requirements where possible.

➤ **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 and these factors are incorporated into the position description. An assessment of performance against the elements of the position description and the CEO Performance Targets form the CEO Performance Review process.

The regular review of the CEO’s performance and that of the organisation 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 and draft 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.

➤ **Engagement/Consultation conducted with Council Committee, Regional Subsidiary, Advisory Group, the Administration and Community**

Council Committees: Discussion has occurred at previous Panel meetings and more recently with the Panel's Presiding Member.

Council Workshops: Not applicable.

Advisory Groups: Not applicable.

Administration: Not applicable.

Community: Not applicable.

2. BACKGROUND

At its meeting held on 24 April 2018, Council resolved:

18.4. CEO Performance Review Panel – 12 April 2018

Moved Cr Jan Loveday
S/- Cr Malcolm Herrmann

100/18

Council resolves

1. That the minutes of the CEO Performance Review Panel meeting of 12 April 2018 as distributed, be received and noted.
2. To undertake the 2018 CEO Performance Review and Total Employment Cost Package Review using an external consultant, and report back to the 28 August 2018 Council meeting.

Carried Unanimously

Last year's CEO Performance review was undertaken internally. For the previous 4 years, an external consultant was engaged.

Four proposals were sought from consultants, 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. By the due date three consultants' submissions were received.

Due to the Caretaker Period commencing on 18 September 2018 (which would prohibit these matters coming before Council for a decision), it is also important to note that the appointment of a consultant is needed so that work can commence promptly, to ensure the process is complete, reports received and a decision made by Council within the identified timeframes.

Request for Quote (RFQ)

The specification included in the RFQ detailed the following requirements taken from the 2018 CEO Performance Review Panel Meeting and Process Schedule.

'The Adelaide Hills Council requires an annual performance review (the Review) of the CEO.

This review is expected to be undertaken between June 2018 to mid-August 2018, commencing with a briefing of the respondents and undertaking a survey and closing with a final report and briefing to Council.

Participants will include the CEO, Council Members (13) and Executive Team members (6).

We are seeking a 360 review where respondents are anonymous. A survey will cover the position description requirements and the 2017/2018 Performance Targets. The survey will also provide a general comments section for strengths and areas of improvement to be identified.

The Review process is conducted through the CEO Performance Review Panel (the Panel).

The schedule of work and required completion dates are detailed below. (For your information, the 2018 CEO Performance Review Panel Meeting and Process Schedule is attached)

Specification

Key aspects of the performance review include:

- meeting at the council office to establish and agree on documentation for the performance review process – 4-8 June 2018
- preparing the survey tool covering the position description and performance targets to undertake the Performance Review of the CEO with Council Members and Executive Team members (20 respondents)
- providing a brief to the Council Members and Executive Team members on the review process, survey tool and timeframes – 19 June 2018 (evening meeting) (survey opens and closes by 10 July 2018)
- 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) – to be completed by 20 July 2018
- providing the CEO with a debrief on the draft report and the CEO will provide any feedback to the consultant – by 24 July 2018
- undertaking a comparative analysis on the CEO's remuneration with recommendations
- meeting with the Panel to discuss the draft report and remuneration review report and recommendations – 30 July 2018 (evening meeting)
- providing a final report to the Panel and discussing the same at a meeting with respondents – 14 August 2018 (evening meeting)

3. ANALYSIS

Proposals

Proposals were requested from 4 consultants and received from 3 consultants.

Details of the proposals against the RFQ is provided for discussion and consideration (Appendix 1).

All consultants can meet the requirements of the RFQ and would enable a sound, fair and comprehensive process to be undertaken that seeks to achieve positive outcomes for both the CEO and the organisation.

Consultant A

This organisation has been providing recruitment and human resource solutions for over 17 years. The consultants identified to be involved in the process have extensive experience between them through corporate and Local Government sectors, across a range of subject areas including recruitment, human resources, finance and business management. Significant experience has been shown in undertaking executive performance and remuneration review processes in the LG sector.

Consultant B

This organisation has extensive experience in undertaking work with corporate, state and Local Government organisations in executive performance and remunerations reviews. The consultants identified to be involved bring over 25 year's experience in subject matters including human resource management, remuneration strategy and planning, communications, marketing and performance management. A point of difference is the ability to provide verbal feedback via phone to clarify commentary provided through written survey results.

Consultant C

This organisation has extensive experience in design and implementation of senior and executive management level reviews. Working with a number of organisations, including Local Government, the consultants identified to be involved bring over 15 years' experience. Between them they have extensive knowledge and skill in consulting, human resources, recruitment, organisational design and salary benchmarking.

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 and possible improvements	A summary of the strengths and areas for improvement

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

As per the Panels 2018 CEO Performance Review Panel Meeting and Process Schedule (the Schedule), it is proposed that the Presiding Member (Cr Jan Loveday) and Executive 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 Schedule.

4. OPTIONS

1. 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 28 August 2018. (Recommended)
2. Not appoint a consultant. This would require the process to be undertaken internally. (At the April meeting of Council the decision was made to use an external consultant to undertake the review process). (Not Recommended)
3. Seek further proposals from other consultants. This process would provide additional options for undertaking the review. It would impact having the review completed within the identified timeframe which would also mean a final decision may not be able to be completed due to the Caretaker Period commencing 18 September 2018, which would prohibit decisions on these matters going to Council. (Not recommended)

5. APPENDIX

- (1) Consultant Request for Quote Comparisons

Appendix 1

Consultant Request for Quote Comparisons



2017-2018 CEO PERFORMANCE AND REMUNERATION REVIEW CONSULTANT REQUEST FOR QUOTE COMPARISONS

Quote Evaluation Criteria	Consultant A	Consultant B	Consultant C	D
1. Completion of the quote form	Completed required form and information	Completed required form and information	Completed required form and information	Did not provide response
2. Ability to meet the specifications, including all timeframes	Work will be completed in accordance with the schedule of dates provided in the quote documentation	Can meet timeframes as provided in quote (and adjusted as needed by Panel) Provided methodology on undertaking both the performance and the remuneration review processes	Expected to meet process in accordance with the provided schedule. Provided specific detailed information on each step of the process and how it would be undertaken	
3. Warranties and guarantees of service	Statement on value delivered included	Reports based on evidence and will stand up under scrutiny.	Warranties and Guarantees on Services is included	
4. A fixed, itemised fee proposal	\$4,000 +GST (\$4,400) covering all aspects of the review including any additional meetings required to complete the review	\$4,500 +GST (\$4,950) covering the performance and remuneration review Work outside the scope is costed at \$250 per hour (excluding GST)	\$8,550 + GST + disbursement fee (\$10,083)	
5. Demonstrated experience in completing similar projects	This consultant has extensive experience undertaking CEO and remuneration review processes covering a range of Council's from smaller rural to large metropolitan	This consultant has extensive experience undertaking CEO and remuneration review processes in LG and also a range of organisations outside of LG.	This consultant has extensive experience working with a variety of organisations to undertake performance reviews at Senior Management and Executive level.	
6. Experience of the consultant/s who will undertake the review	Two consultants have been identified as responsible for this process	Two consultants have been identified as responsible for this process	Two consultants have been identified as responsible for this process	
7. Two referees from recent related work; and	4 CEO Performance Review referees were provided	No referees provided	Two referees provided	
8. Insurance/s	Relevant insurances provided and current	Relevant insurances provided and current	Relevant insurances provided and current	

**3. Appointment of Consultant to undertake the CEO Performance and Remuneration Review
– Period of Confidentiality**

Subject to the CEO, or his delegate, disclosing information or any document (in whole or in part) for the purpose of implementing the Panel's decision(s) in this matter in the performance of the duties and responsibilities of office, the Panel, having considered Agenda Item 10.1 in confidence under sections 90(2) and 90(3)(d) 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 Panel and the discussion and considerations of the subject matter be retained in confidence until 7 December 2018.

Pursuant to section 91(9)(c) of the *Local Government Act 1999*, the Panel delegates the power to revoke the confidentiality order either partially or in full to the Chief Executive Officer.