

**ADELAIDE HILLS COUNCIL
CEO PERFORMANCE REVIEW PANEL MEETING
Thursday 8 August 2019
AGENDA BUSINESS ITEM**

Item: 10.1

Originating Officer: Megan Sutherland, Executive Manager Organisational Development

Responsible Director: Andrew Aitken, Chief Executive Officer

Subject: 2018 - 2019 CEO Performance Review

For: Decision

1. 2019 CEO Performance 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:

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

be excluded from attendance at the meeting for Agenda Item 10.1: (CEO Remuneration Review 2019) in confidence.

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)(a) of the *Local Government Act 1999*, the information to be received, discussed or considered in relation to this 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.

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

2. CEO Performance Review 2019 – 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 against the CEO's duties, position description and agreed performance targets.

The review process was undertaken internally as agreed by Council, via the CEO Performance Review Panel (the Panel). The review process was undertaken in July 2019 to assess performance against the eight (8) areas of key responsibility (specified in the position description) and eight (8) performance targets.

A recommendation to the Council regarding the CEO's overall performance and 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

The CEO Performance Review Panel resolves:

1. That the report be received and noted
2. To recommend to Council that the CEO 'exceeds expectations' in relation to the 2018-2019 CEO Performance Review.

2.1 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 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 performance targets 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 perform 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 on the development of this report was as follows:

<i>Council Committees:</i>	Discussion occurred among members of the Panel at a workshop. The CEO was involved in some of the discussions.
<i>Council Workshops:</i>	Council Members were consulted on 9 July 2019 and invited to participate in providing feedback relating to the CEO’s performance.
<i>Advisory Groups:</i>	Not applicable
<i>Administration:</i>	Chief Executive Officer Executive Manager Organisational Development Executive Manager Governance & Performance
<i>Community:</i>	Not applicable

2.2 BACKGROUND

CEO Performance Review Panel (the Panel)

The role and specific function of the Panel, as described in the Terms of Reference (1 September 2017) are:

2. ROLE

- 2.1 The Council is responsible for the selection, remuneration and management of the Chief Executive Officer (CEO). The overall role of the Panel is to provide advice to Council on matters relating to the performance and development of the CEO.

3. SPECIFIC FUNCTIONS

- 3.1 The function of the Panel is to provide advice to Council on the CEO's performance and development, including the following matters:
- 3.1.1 Determining the Performance Targets for the forthcoming 12 month performance period;
 - 3.1.2 Monitoring the progress on the CEO's agreed Performance Targets for the current 12 month performance period;
 - 3.1.3 Reviewing the CEO's performance over the preceding 12 month performance period, in particular the performance against the agreed Performance Targets and position description requirements;
 - 3.1.4 Identifying development opportunities for the CEO; and
 - 3.1.5 Reviewing the remuneration and conditions of employment of the CEO.

Internal Performance Review

At the 26 February 2019 Council meeting, it was resolved to undertake the 2019 CEO Performance Review process internally and to use an external consultant to provide a review of the Total Employment Cost package which is undertaken through a remuneration review report.

12.9 Proposal to Undertake CEO Performance Review Internally

9.30pm Cr Grant left the Chamber
9.31pm Cr Grant returned to the Chamber

Moved Cr Mark Osterstock
S/- Cr Kirsty Parkin

39/19

Council resolves:

1. That the report be received and noted
2. To undertake the 2019 CEO Performance Review using an internal process incorporating all of the Elected Members and utilise a consultant to undertake the Total Employment Cost package review.

Carried Unanimously

CEO Employment Agreement

On 28 March 2017, Council resolved to appoint Andrew Aitken as the Chief Executive Officer (CEO) of the Adelaide Hills Council for a second term of 5 years subject to the execution of the Employment Agreement.

The Employment Agreement (the Agreement) between Adelaide Hills Council and Andrew Aitken was executed on 2 May 2017 with a commencement date of 1 July 2017.

Clause 12 of the Agreement provides for a performance review process with the following key features:

- 12.1 *The parties agree that the CEO will undergo no less than one annual performance review in accordance with the Council requirements for the Term of this Agreement. The CEO must also participate if directed in any other performance review required by the Council.*
- 12.2 *The performance review shall be conducted on an annual basis.*
- 12.3 *The CEO's performance will be assessed by reference to the Personal Evaluation System measured against the CEO's Duties as outlined in this Agreement, Position Description and any other factors considered relevant by agreement with the CEO. Evaluation will include the extent to which the CEO has discharged the CEO's goals, objectives, responsibilities and Duties outlined in Schedule 1.*
- 12.4 *The performance review will review the CEO's Position Description and any key performance indicator.*
- 12.5 *A written report shall be compiled with respect to the performance review and a copy provided to the CEO. The report shall set out in detail where Competent Performance (or better) has been achieved, and any particular aspects of the CEO's performance that require improvement, together with reasonable time frames within which it is expected those areas of performance to be improved to a specified standard.*
- 12.6 *The Council must provide whatever counselling, advice and assistance are reasonably necessary to enable the CEO to improve his performance during that period.*
- 12.7 *At the conclusion of the time frames referred to in Clause 12.5 and after taking into account the written report referred to in that Clause (and such other matters as the Council considers relevant), the CEO will either:*
 - 12.7.1 *be informed that performance has improved to the satisfaction of the Council or reached Competent Performance (or better) and that no further action will be taken; or*
 - 12.7.2 *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 time frame, the Council will terminate this Agreement pursuant to Clause 14.3.1.*
- 12.8 *The CEO's Personal Evaluation System must be reviewed and, if necessary, amended by agreement within two months after each performance review.*

2018-2019 Performance Targets

In preparation for the 2018-2019 financial year a set of eight (8) CEO performance targets were adopted by Council at the 26 June 2018 meeting.

12.6. CEO Performance Targets

Moved Cr Kirrilee Boyd
S/- Cr Ron Nelson

141/18

Council resolves:

- 1. That the report be received and noted**
- 2. To adopt the proposed 2018-2019 CEO Performance Targets recommended by the CEO Performance Review Panel in Appendix 1 of this report.**

Carried Unanimously

These targets, in conjunction with the key responsibilities in the position description are used to assess performance.

Rating Scale

In accordance with the Employment Agreement (Clause 12.8 above) a rating scale is to be agreed with the CEO to use during the performance process. The rating scale agreed to be used has been used the past 3 reviews and provides the following assessment:

5 Exceptional	Performance far exceeded expectations due to exceptionally high quality of work performed in all <i>essential</i> areas of responsibility, resulting in an overall quality of work that was superior
4 Exceeds expectations	Performance consistently exceeded expectations in all <i>essential</i> areas of responsibility, and the quality of work overall was excellent. Annual goals were met.
3 Meets expectations	Performance consistently met expectations in all <i>essential</i> areas of responsibility, at times possibly exceeding expectations, and the quality of work overall was very good. The most critical annual goals were met.
2 Improvement needed	Performance did not <i>consistently</i> meet expectations – performance failed to meet expectations in one or more <i>essential</i> areas of responsibility, and/or most critical goals were not met.
1 Unsatisfactory	Performance was consistently below expectations in most <i>essential</i> areas of responsibility, and/or reasonable progress toward critical goals was not made. Significant improvement is needed in one or more important areas.

2.3 ANALYSIS

The Panel’s Presiding Member and the Mayor, met with the CEO on Tuesday 23 July 2019 to discuss the feedback from Council Members. Feedback covered the 2018-2019 CEO Performance Targets and the strengths and development opportunities in relation to the key responsibilities of the CEO in the position description, these being:

- Advice to and Relations with Council Members
- Leadership and Management of Councils Employees
- Stakeholder Management and Communication
- Financial and Asset Management
- Work Health and Safety
- Strategic Planning
- Human Resources Management and
- Operational Management, Governance and Major Projects.

A requirement of the Performance Review (Clause 12.5 of the Employment Agreement) stipulates a determination on the CEO's performance by way of a written report identifying whether competent performance (or better) has been achieved, and to identify any particular aspects of the CEO's performance that requires improvement. In determining whether the CEO has achieved competent performance, under the CEO's Employment Agreement (in 'Definitions') competent performance is defined in the following way.

Competent Performance means the achievement by the CEO of a performance rating at least equal to the mid point of the rating scale (ie CEO's performance met expectation).

The outcome from this performance review is detailed in the review report (**Appendix 1**).

The Panel's Presiding Member and the Mayor considered if any specific performance improvements were required and recommend that no specific performance improvement plan is needed. The CEO has indicated that he will consider the feedback comments received from Council Members as part of his ongoing personal and professional development.

The performance rating being recommended to the Panel for the 2019 CEO Performance Review is that the CEO 'exceeds expectations' (a rating of 4 from the rating scale).

At the Council meeting of 23 July 2019, the Council determined that the CEO had achieved the 2018-2019 CEO Performance Targets.

12.4 Proposed 2019-2020 CEO Performance Targets

Cr Malcolm Herrmann, Cr Linda Green and Cr Andrew Stratford declared a Perceived Conflict of Interest at Agenda Item 5 'Declaration of Interest by Members of the Council' in relation to Item 12.4.

Cr Malcolm Herrmann, Cr Linda Green and Cr Andrew Stratford remained in the Chamber and voted.

Moved Cr Mark Osterstock
S/- Cr Pauline Gill

190/19

Council resolves:

- 1. That the report be received and noted**
- 2. To confirm that the CEO has achieved the outcomes of the 2018-2019 Performance Targets per Attachment 1.**
- 3. To adopt the proposed 2019-2020 CEO Performance Targets recommended by the Panel as per Appendix 2.**

Carried Unanimously

2.4 OPTIONS

The CEO Performance Review Panel has the following options:

1. Having consideration to the '2019 CEO Performance Review' any other matters related to the performance review, resolve to advise Council that the CEO has achieved a rating of '4-exceeds expectations' in relation to the 2019 CEO Performance Review Report.
2. Having consideration to the '2019 CEO Performance Review' and any other matters related to the performance review, determine an alternate rating and identify 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.

2.5 APPENDIX

- (1) 2019 CEO Performance Review

Appendix 1

2019 Performance Review

CEO PERFORMANCE REVIEW JUNE 2018- JULY 2019

Employee: Andrew Aitken

Date completed: 23 July 2019

Review undertaken by: Presiding Member of the CEO Performance Review Panel, Mark Osterstock and Mayor, Jan-Claire Wisdom

Performance Targets	Outcome	Achieved Yes / No
<p>1. CWMS Review Provide a recommendation to Council following the EOI process on the future management model for Adelaide Hills Council's Community Wastewater Management System (CWMS).</p>	<p>COMPLETE: Stage 2 of the CWMS Review Workshop was completed on 14 August. The Prudential Review Report has been completed and was provided to and noted by the Audit Committee 13 August. A CWMS review report was provided to Council at the 28 August meeting outlining the results of the EOI process undertaken with a recommendation to:</p> <ul style="list-style-type: none"> Undertake a Request for Tender (RFT) process for potential divestment of CWMS assets To continue to work collaboratively with other participant councils To continue to undertake further analysis of maintaining CWMS ownership for RFT comparative purposes. <p>Council resolved as recommended.</p>	Yes
<p>2. Reconciliation Action Plan Establish a Reconciliation Action Plan (RAP) Working Group (comprising Aboriginal people, Council Members and local residents) to support the development of our RAP, with its membership and its draft Terms of Reference being subject to Council approval.</p>	<p>COMPLETE: The successful nominees for the working group have been selected and endorsed by Council along with the election of a Council representative being Cr Kirrliee Boyd. Mount Barker District Council has now endorsed the nominees and selected a representative. AHC adopted the draft Terms of Reference at its meeting on 28 August 2018. The first meeting of the Adelaide Hills Reconciliation Working Group (AHRWG) was held on Wed 22 May at Fabrik. Key actions from this meeting include forming an internal Reconciliation Working Group of staff across key areas of Council business to develop the Reconciliation Action Plan for our Council in collaboration with the AHRWG. These staff would then champion the RAP across Council.</p>	Yes
<p>3. CRM Integration Enhance the use of the Customer Relationship Management system (CRM) by integrating CRM with the asset management software and the call centre software to enable more seamless management of customer enquiries and requests.</p>	<p>COMPLETE: The new Contact Centre software was implemented in September 2018 and included integration with the CRM system. This now enables calls to be more efficiently turned into customer cases and for customer details and history to be more readily available to customer service officers. Integration between the Asset Management System (Confirm) and the CRM system has been designed and developed. In 2018-19 the aim was to apply the integration to two asset classes - trees and playgrounds. The tree phase was completed in December 2018 and the playgrounds phase in June 2019. A presentation on both these integrations is planned for the 9 July Council Member Workshop.</p>	Yes
<p>4. Recycling/Waste Strategy Develop a strategy, to Council's satisfaction, that considers approaches, including long term approaches, for the future collection and processing of recyclables with a view to maximising environmental outcomes, reduce contamination rates and provide a cost effective kerbside recycling service.</p>	<p>COMPLETE: The Resource Recovery and Recycling Strategy was adopted by Council Members at the 25 June 2019 Council meeting. The Strategy will now be implemented as per the priorities identified in the document.</p>	Yes
<p>5. Customer Experience Survey/Action Plan Undertake a customer experience survey and present an action plan of identified improvement opportunities to Council Members. <i>(As a separate exercise, staff to consider a general satisfaction survey of a random sample of residents.)</i></p>	<p>COMPLETE: The Customer Experience Survey of 400 customers was conducted during September 2018. The results have been analysed by staff, with outcomes leading to a survey Action Plan and revisions to our Customer Experience Action Plan. The results of the survey and the action plan and improvement opportunities have been presented to ELT and subsequently to Council Members at a workshop on 14 May 2019.</p>	Yes
<p>6. Library Services Review Review our library services to better understand community preferences in the context of a modern and progressive library service and provide the outcomes of the review with recommendations to Council.</p>	<p>COMPLETE: The Library Services Review report was received and noted by Council at its 25 June 2019 meeting.</p>	Yes
<p>7. Arts & Heritage Hub Provide a status report to Council on the implementation of the Business Development Framework within 6 months of the appointment of the Hub's director.</p>	<p>COMPLETE: The Arts and Heritage Hub (Fabrik) Director commenced on 23 July 2018. A report, including an update on the implementation of the Business Development Framework, was presented to Council for noting at its meeting held on 22 January 2019.</p>	Yes

CEO PERFORMANCE REVIEW JUNE 2018- JULY 2019

<p>8. Stormwater Assets Use the stormwater asset class as a model for refining service levels to ensure they inform and drive asset maintenance plans and report to Council.</p>	<p>COMPLETE: The Stormwater Service Levels report was received and noted by Council at its 25 June 2019 meeting.</p> <p style="text-align: right;">Yes</p>
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POSITION DESCRIPTION - KEY RESPONSIBILITIES	
Advice to and Relationship with Council Members	Work Health and Safety
Leadership and Management of Councils Employees	Strategic Planning
Stakeholder Management and Communication	Human Resources Management
Financial and Asset Management	Operational Management, Governance and Major Projects

Strengths	Opportunities for Development
<p>Satisfied that Andrew's key responsibilities have been and are being met/performs and manages to a very high standard</p> <p>Employs very good staff/excellent administrator and subordinate staff</p> <p>Develops Managers/Works with Directors/Managers</p> <p>Leadership and management of Council employees</p> <p>Appears to manage working relationships sufficiently</p> <p>Provides good, consistent leadership within the organisation</p> <p>Work health and safety is a focus point/ Has been innovative with the Take 5 for Safety campaign</p> <p>We are an organisation that strives for improvement efforts</p> <p>Strong in compliance issues</p> <p>Is approachable and insightful</p> <p>Appears to know when to lead and when to delegate</p> <p>Uses strategic thinking to problem solve</p> <p>Shows concern for staff and Elected Members/Relationship with elected members</p> <p>Is honest in dealings with Elected Members</p> <p>Has developed in responding and speaking up to Elected Members</p> <p>Available for Elected Members and staff</p> <p>Stakeholder management and leadership</p> <p>Had good relationship with outside bodies</p> <p>On committees and attends forums</p> <p>His team appear to support him and he them.</p> <p>Work/life balance - implementation 7pm to 7am response</p> <p>As a new elected member the performance has exceeded the expectations that I previously had as an outsider.</p> <p>Andrew exudes an aura of calm. As a new Councillor, I feel he is in control of everything he needs to be.</p>	<p>Keep improving the 'No Surprises' relationships</p> <p>Follow up of councillor enquires is very good but there have been a few instances when follow up has been not provided despite commitment to do so</p> <p>More get togethers with staff and Council Members to better understand each other and prevent the them and us</p> <p>Continue with 360 degree feedback including with staff at all levels</p> <p>Need to build more relationship with outside staff</p> <p>Seems to rely heavily on Governance personnel</p> <p>More aggressive in regard to business threats to Council</p> <p>PD Key Responsibility-Financial and Asset Management and Strategic Planning - work with elected members and ELT to identify key strategic expenditure on infrastructure capitalising on low interest rates and maximising partnerships with key stakeholders</p> <p>I think the Council as a whole could review its marketing strategy (or even present current strategy to council)</p> <p>Public comment in media to develop Andrew's profile and therefore voice when lobbying</p> <p>"Louder" Elected Members get heard at Workshops and other times</p> <p>Not aware of any areas that require or warrant improvement/no overt areas can easily identify</p> <p>Personal Development</p> <p>Should be more proactive in meetings</p> <p>Keep up to date with new management techniques eg Six Layers of Intentional Leadership</p> <p>PD Key Responsibility-Operational Management - to apply skills learnt at Australian Institute of Company Directors Course to next years KPI's</p> <p>Work on his Dad jokes</p>

Particular aspects of the CEO's performance that requires an Improvement Plan.	No specific performance improvement plan is needed.
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CEO PERFORMANCE REVIEW JUNE 2018- JULY 2019

Rating Scale

5 Exceptional	Performance far exceeded expectations due to exceptionally high quality of work performed in all <i>essential</i> areas of responsibility, resulting in an overall quality of work that was superior	4
4 Exceeds expectations	Performance consistently exceeded expectations in all <i>essential</i> areas of responsibility, and the quality of work overall was excellent. Annual goals were met.	
3 Meets expectations	Performance consistently met expectations in all <i>essential</i> areas of responsibility, at times possibly exceeding expectations, and the quality of work overall was very good. The most critical annual goals were met.	
2 Improvement needed	Performance did not <i>consistently</i> meet expectations – performance failed to meet expectations in one or more <i>essential</i> areas of responsibility, and/or most critical goals were not met.	
1 Unsatisfactory	Performance was consistently below expectations in most <i>essential</i> areas of responsibility, and/or reasonable progress toward critical goals was not made. Significant improvement is needed in one or more important areas.	

Overall, the CEO's performance for the 2018-2019 year has been rated as:

<p>Completed</p> <p>Signed: Presiding Member – Mark Osterstock CEO Performance Review Panel</p> <p>Date:</p>	<p>Completed</p> <p>Signed: Chief Executive Officer – Andrew Aitken</p> <p>Date:</p>
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3. 2019 CEO 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) (a) of the *Local Government Act 1999*, resolves 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 the CEO has been advised in writing, but not longer than 1 month from the date of the decision of Council.

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 Executive Manager Governance and Performance.