

**CITY OF MARION
GENERAL COUNCIL COMMITTEE
22 NOVEMBER 2016**

CONFIDENTIAL REPORT

Corporate Manager: Kate McKenzie, Manager Corporate Governance
Steph Roberts, Manager Human Resources

Subject: CEO Annual Performance Rating 2015/16

Report Reference: GC221116F01

If Council so determines, this matter may be considered in confidence under Section 90(2) and (3)(a) - information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead).

**Kris Hanna
Mayor**

RECOMMENDATIONS: (1)

That pursuant to Section 90(2) and (3)(a) of the *Local Government Act 1999*, the Council orders that all persons present, with the exception of the following persons: _____, be excluded from the meeting as Council receives and considers information relating to the Chief Executive Officer (CEO) 2015/2016 Performance Review, upon the basis that the Council is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential, given the information relates to the performance of the CEO.

REPORT OBJECTIVES:

For Council to:

- consider the recommendations from the People and Culture Committee regarding the Chief Executive Officer's (CEO) performance review for 2015/16
- resolve the total performance outcome and remuneration for the Chief Executive Officer's (CEO) 2015/16 financial year.

EXECUTIVE SUMMARY:

At its meeting of 6 September 2016, the People and Culture Committee discussed a report which sought guidance and clarification for aggregating the results of the quarterly CEO Performance KPI's (PCC060916R7.10) whereby the following recommendations to Council were resolved;

1. *Recommends to Council that the 360 review outcomes be used for conversation (with the CEO) about his performance in conjunction with the KPI results.*
2. *Confirms that the KPI's results are to be used to assess the CEO Performance for 2015/16.*
3. *Confirms that the Elected Member feedback be extracted from the 360 review to be used for assessing KPI 12 – Elected Member Feedback.*

These recommendations were subsequently adopted by Council on 27 September 2016.

This report provides the data for the 2015/16 financial year CEO KPI's (Appendix 2), the results of the 360 review outcomes (Appendix 4) along with the CEO performance outcome recommendation to Council.

RECOMMENDATION**DUE DATE**

That:

- | | | |
|----|--|--------------------|
| 1. | Council received and notes the confidential minutes of the People and Culture Committee meeting of 1 November 2016 (Appendix 1). | 22 Nov 2016 |
| 2. | Council resolves the performance of the Chief Executive Officer against the defined Key Performance Indicators for 2015/16 as follows (Appendix 2): <ul style="list-style-type: none"> • KPI 1 – Acceptable (3) noting that capital expenditure carryover is a concern but there are some good reasons why this number is high (e.g. savings achieved) • KPI 2 - Exceptional (5) noting that this is a significant improvement • KPI 3 - Acceptable (3) • KPI 4 - Exceptional (5) • KPI 5 – Acceptable (3) • KPI 6 – Unacceptable (1) recognising improvement is needed and being worked on • KPI 7 – Exceptional (5) • KPI 8 – Not rated • KPI 9 – Exceptional (5) • KPI 10 – Acceptable (3) based on the achievement of 50% funding from the Federal Government for the Edwardstown Oval Redevelopment. • KPI 11 – requires improvement (2) although allowances must be made for some of the unachieved goals • KPI 12 – Exceptional (refer to appendix 3) (5) • KPI 13 – Requires Improvement (2) recognising the Business Plan as an achievement. | 22 Nov 2016 |

3. Council resolves that Chief Executive Officer achieved an overall score of 3.5 against the performance criteria contained at Schedule 4 within his Employment Agreement. Such a score translates to Acceptable/Commendable performance for the 2015/16 financial year. 22 Nov 2016
2. Council receives and notes the overall 360-degree feedback results to be used for conversation with the CEO about his performance in conjunction with the KPI results (Appendix 4) 22 Nov 2016
3. Council resolves the CEO's remuneration package (all inclusive of Base Salary, Employer Superannuation Contribution and Motor Vehicle) to be applied as a result of the 2015/2016 performance year as \$290,000 per annum effective 1st March 2017 (recognising this follows the first 18 months of employment). 22 Nov 2016

Base Salary	\$ 253,900.00
Agreed Employer Superannuation Contribution	\$ 24,120.50
Agreed Motor Vehicle Value	\$ 12,000.00
4. In accordance with 90(2) and (3)(a) of the Local Government Act 1999 the Committees orders that this report, all appendices and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(a) of the Act be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2016. Dec 2016

Background

Section 9 of the CEO Employment Agreement defines the requirements for the performance review. The approach and timeline for the CEO's performance and remuneration review was endorsed by Council 24 May 2016 (GC240516R22).

Discussion

The following outlines the process adopted by the People and Culture Committee in assessing the CEO's overall performance.

1. Invite the CEO to be present to provide an overview of the performance year, including reflection on his own performance, key achievements and challenges.
2. An assessment of the organisation's performance against adopted key performance indicators, incorporating:
 - a. KPI outcomes, which are provided in appendix 2
 - b. Review of the 360-degree feedback regarding the CEO's performance sourced from Elected Members (appendix 3)
 - c. Consideration of any extenuating circumstances impacting on the CEO's ability to be able to achieve any of the KPI's
3. The rating scale in Schedule four of the CEO's Employment Agreement being used as the basis for assessment:

• Exceptional	5
• Commendable	4

- Acceptable 3
- Requires Improvement 2
- Unacceptable 1

In making a performance rating recommendation to Council, the reasoning for the recommendation be recorded in the minutes.

4. 360 Degree Feedback

Note the full 360-degree review outcomes to be used for conversation (with the CEO) about his performance in conjunction with the KPI results, which is included as appendix 4. The Committee noted and discussed the McEwen Report and considered it was an accurate and worthwhile exercise

5. Remuneration Review

The ASX Corporate Governance Council recommends within principle 8 of their guideline that an organisation should design its executive remuneration to attract, retain and motivate high quality senior executives.

It is noted that if the CEO performance review achieves an outcome of acceptable or higher, the remuneration review would be triggered, as defined in the CEO's employment contract. It is noted that any consideration for increase is determined by Council at Council's absolute discretion.

To assist with the remuneration review, a comparison to other Council's is included in appendix 5, *McArthur South Australian local Government Remuneration Survey Report 2016, Chief Executive Officers*. An overview of G6 CEO comparative packages is shown in table 1.

CONCLUSION

The Chief Executive Officer's (CEO) employment contract requires an annual review to be undertaken of the CEO's performance and remuneration. The People and Culture Committee are required to assess and recommend to Council the CEO's performance outcome and remuneration, providing reasoning to support the recommendations made. These recommendations are now presented to Council for endorsement.