

8.1 ADVERTISING OF AMENDED POLICY - CEO ANNUAL PERFORMANCE REVIEW

Attachments: 1. CEO Annual Performance Review Policy (marked up)

RECOMMENDATION

That Council APPROVES the proposed amendments to the Chief Executive Officer Annual Performance Review Policy, at Attachment 1, for the purpose of community consultation.

PURPOSE OF REPORT:

For Council to approve, for the purpose of community consultation, the proposed amendments to the Chief Executive Officer (CEO) Annual Performance Review Policy as detailed at **Attachment 1**.

BACKGROUND:

At its 17 October 2017 meeting, Council resolved to develop a CEO Performance and Remuneration Review Policy.

The Policy No. 4.2.16 – CEO Annual Review (the policy) was developed in collaboration with the 2016/17 CEO Performance Review Panel to establish a clear and consistent methodology for undertaking the CEO's annual performance review. The policy was presented to and adopted by Council at its 14 November 2017 meeting.

The policy defines roles and responsibilities for commencing, conducting, and completing the CEO's annual performance review.

On 3 February 2021, the following regulations took effect implementing the remaining provisions of the *Local Government Legislation Amendment Act 2019*:

- (a) *Local Government (Administration) Amendment Regulations 2021* (Model Standards);
- (b) *Local Government (Model Code of Conduct) Regulations 2021* (Model Code); and
- (c) *Local Government Regulations Amendment (Employee Code of Conduct) Regulations 2021* (Employee Code Regulations).

The Model Standards prescribe standards for the recruitment, selection, performance review and termination of Local Government CEOs.

At its 23 March 2021 meeting, Council adopted the Model Standards in its entirety (CEO Standards).

The requirement of provisions outlined in clause 1.3 of the Policy Development and Review Policy were presented to Council Members through the monthly Policy Paper in January 2022. No feedback was received.

DETAILS:

One of the key provisions of the CEO Standards is to establish a performance review process that is agreed between the CEO and Council.

The Department of Local Government, Sport and Cultural Industries (DLGSC), has prepared Guidelines for Local Government CEO Recruitment and Selection, Performance Review and Termination.

The standards and guidelines have been developed by the DLGSC, in consultation with representatives from the Public Sector Commission, the Ombudsman, the Western Australian Local Government Association (WALGA) and Local Government Professionals WA (LGPro).

The DLGSC guidelines highlight the importance for local governments to establish a performance review panel and recommend the development of a policy to guide the performance review process. It is recommended that the policy includes:

- the composition of the panel;
- primary functions;
- the role and appointment of an independent consultant; and
- the responsibilities of review panel members.

The findings of Administration's review of Policy No. 4.2.16 – CEO Annual Performance Review are as follows:

1. Consideration of policy objective

Administration is proposing an updated objective to align with the adopted CEO Standards.

2. Performance Review Panel – responsibilities and qualification requirements

Council Members are encouraged to continually improve their knowledge and expertise to enhance the quality of representation and promote well informed decision making. The Western Australian Local Government Association (WALGA) provides a Council Member professional development course that addresses the processes and skills required for Council Members to contribute effectively to their Council's annual appraisal of its CEO.

Administration is recommending the inclusion of a new clause requiring that all Council Members appointed to the CEO review panel must undertake the relevant CEO performance review training course within six months of appointment to the panel.

Clause 1.5 and 1.6 have been added for Council's consideration:

3. Proposed amendments to conditions of clause 2.4 – Appointment of Consultant

In accordance with clause 17, schedule 2 of the *Local Government (Administration) Regulations 1996* (Regulations) local governments must collect evidence regarding the CEO's performance in respect of the contractual performance criteria and any additional performance criteria in a thorough and comprehensive manner; and review the CEO's performance against the contractual performance criteria and any additional performance criteria, based on that evidence.

Additional conditions have been inserted under clause 2.4 of the policy to ensure that the process aligns with the new legislative requirements. Minor amendments to conditions 2.4c and 2.4i (re-numbered 2.4e and 2.4k) are also proposed to reflect the City's existing practice and reporting structure.

4. Roles and responsibilities

Minor amendments to clause 3.1 and 3.4 have been included to reflect the City's existing practice and reporting structure.

5. Endorsement of Performance Review by Local Government

In accordance with clause 18, schedule 2 of the Regulations local governments are required to endorse, by absolute majority, a CEO performance review.

Clause 5.1 has been added to ensure that the process aligns with the new legislative requirements.

CONSULTATION/ADVERTISING:

In accordance with the City's Community and Stakeholder Engagement Policy, community consultation of all new and significantly amended policies must be provided for a period exceeding 21 days in the following ways:

- notice published on the City's website;
- notice posted to the City's social media;
- notice published in the local newspapers;
- notice exhibited on the notice board at the City's Administration and Library and Local History Centre; and

- letters distributed to relevant local businesses and community groups.

Public notice of this proposed new policy will be provided from mid-April 2022.

LEGAL/POLICY:

Section 2.7(2)(b) of the *Local Government Act 1995* provides Council with the power to determine policies.

Section 5.38 of the *Local Government Act 1995* requires Council to review the performance of the Chief Executive Officer at least once each year.

The City's Policy Development and Review Policy sets out the process for the development and review of the City's policy documents.

RISK MANAGEMENT IMPLICATIONS

Low: It is low risk for Council to undertake community consultation of the proposed amendments to the policy.

STRATEGIC IMPLICATIONS:

This is in keeping with the City's *Strategic Community Plan 2018-2028*:

Innovative and Accountable

We are open and accountable to an engaged community.

Our community is aware of what we are doing and how we are meeting our goals.

SUSTAINABILITY IMPLICATIONS:

This does not contribute to any environmental sustainability outcomes.

PUBLIC HEALTH IMPLICATIONS:

This does not contribute to any public health outcomes in the *City's Public Health Plan 2020-2025*.

FINANCIAL/BUDGET IMPLICATIONS:

Nil.

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Legislation / local law requirements	<i>Local Government Act 1995, s5.38 - Annual review of employees' performance</i> <i>Local Government (Administration) Regulations 1996 Schedule 2 - Model standards for CEO recruitment, performance, and termination; and</i> <i>Salaries and Allowances Act 1975</i>
Relevant delegations	Nil.
Related policies, procedures and supporting documentation	City of Vincent CEO Standards

PRELIMINARY

INTRODUCTION

Section 5.38 of the *Local Government Act 1995* requires Council to review the performance of the Chief Executive Officer at least once each year. Conducting this review is an important function of Council because the CEO is Council's only employee, and it is through this review process that Council can also review the performance of the organisation. At the same time, it is appropriate for Council to also conduct an annual review of the CEO's remuneration package.

The Salaries and Allowance Tribunal (SAT), established under the Salaries and Allowances Act 1975 (the Act), has responsibility for determining and recommending rates of remuneration for local government CEO's in accordance with sections 7A and 8 of that Act. Rather than determine a specific remuneration package amount, SAT sets the minimum and maximum Total Reward Package (TRP) to be paid or provided to local government CEOs depending on a 'Band' classification structure established by the SAT. The SAT has classified the City of Vincent as a Band 2 local government

PURPOSE

To guide Council's annual performance and remuneration review process for the City's Chief Executive Officer.

OBJECTIVE

~~To guide Council's annual performance and remuneration review process for the City's Chief Executive Officer.~~

To establish a documented agreement, in accordance with the City of Vincent CEO Standards, that:

- details the establishment of the CEO Performance Review Panel; and
- guides Council's annual performance and remuneration review process for the City's Chief Executive Officer.

CEO Annual Performance Review Policy



SCOPE

This policy applies to the conduct of CEO performance reviews.

DEFINITIONS

Council means the Council of the City of Vincent.

contractual performance criteria means the performance criteria specified in the CEO's contract of employment as referred to in section 5.39(3)(b) of the Act;

POLICY PROVISIONS

1. Performance Review Panel

- 1.1 The Council shall establish a CEO Performance Review Panel (the Panel) to have carriage and oversight of the Annual Review Process.
- 1.2 The Panel shall be appointed by resolution of Council for a two year term ending on the date of the next ordinary local government election.
- 1.3 The Panel shall comprise up to four members, including the Mayor as Chairperson and at least two other Council Members.
- 1.4 The primary functions of the Panel are to:
 - a. Subject to clause 2.4, determine the scope of work to engage a consultant to assist with the conduct of the review process;
 - b. Review quotations received from consultants to assist with the conduct of the review process;
 - c. Provide a recommendation to Council on the appointment of a suitable consultant to assist with the conduct of the review process;
 - d. Manage the consultant appointed by Council;
 - e. Review the results of the performance review process and remuneration review and provide a recommendation to Council on the same; and
 - f. Discuss possible KPIs and measurements with the CEO for reporting to Council arising from the performance review process.
- 1.5 All Council Members appointed to the CEO review panel must undertake the relevant CEO performance review training course provided by WALGA within six months of appointment to the panel.
- 1.6 The training is valid for five years therefore a re-elected panel member is only required to undertake the training at every second election.

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2. Appointment of Consultant

- 2.1 Council shall have due regard to the advice of the Panel and shall appoint a suitably qualified and experienced consultant to assist with the conduct of the performance review process in an independent and equitable fashion.
- 2.2 Unless otherwise determined by Council, the selected consultant shall be appointed for a two year term to coincide with the membership term of the Panel.
- 2.3 To ensure the review process is commenced in a timely manner, Council will make the decision to appoint a consultant by no later than one month before the CEO's 12 month anniversary date falls due.
- 2.4 The appointed consultant shall, as a minimum, undertake the following as part of the performance review process:
 - a. Prepare and distribute a questionnaire to all current Council Members on the extent to which the CEO is considered to have achieved his contractual performance criteria and the KPIs and measurements that applied during the review period;
 - b. Collect evidence regarding the CEO's performance in respect of the contractual performance criteria and KPIs in a thorough and comprehensive manner;
 - c. Review the CEO's performance against the contractual performance criteria and KPIs, based on the evidence collected;
 - b d Provide all current Council Members with the opportunity to provide verbal feedback on:
 - (i) the extent to which the CEO is considered to have achieved the KPIs and measurements that applied during the review period;
 - (ii) the CEO's responsibilities during the review period; and
 - (iii) the organisation's performance during the review period.
 - e e Prepare and distribute a confidential 360 questionnaire to all CEO direct reports Directors and Managers on the extent to which the leadership and management attributes of the CEO is considered to have modelled the desired leadership behaviours outlined in The Vincent Way;
 - d f Conduct a review of the CEO's remuneration package;
 - e g Convene and attend at least one meeting between the consultant and the CEO to discuss the feedback received;
 - f h Convene and attend at least one meeting between the consultant and the Panel to discuss the feedback received;
 - g i Convene and attend at least one meeting between the consultant, the Panel and the CEO to discuss the feedback received; and
 - h j Provide to the Panel and the CEO an Annual Performance Review report incorporating the results of the review exercise.
 - i k Conduct a review of the CEO's Key Performance Indicators (KPIs) and liaise with the Panel and the CEO on potential recommend draft KPIs and measurements for the upcoming review period in discussion with the CEO and the Panel.

3. Roles & Responsibilities

- 3.1 The Office of the Mayor will be responsible for:
 - a. Coordinating the activities of the Panel throughout the review process; and
 - b. Two months prior to the completion of the KPI review year falling due, initiating liaison with the Executive Manager Corporate Strategy and Governance to initiate the Request for Quotation (RFQ) process to appoint a consultant in accordance with Council's Purchasing Policy and relevant corporate procedures.

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- 3.2 No later than six weeks following the completion of the KPI review year, the CEO shall provide to Council's appointed consultant a written self-assessment of the CEO's own performance against the KPIs and measurements that applied during the review period.
- 3.3 Council's appointed consultant will be responsible for coordinating Council Member feedback on the CEO's self-assessment against KPIs and measurements, and the **Director and Manager's** feedback on the CEO's **leadership behaviours 360 assessment from direct reports**.
- 3.4 The Panel is responsible for:
- Presenting a report to Council to appoint a suitable consultant prior to the CEO's anniversary date falling due; and
 - Overseeing the performance review process and ensuring that a final review report is presented to Council to conclude the process within 3 months of the completion of the former KPI review period. If a local government election, or another extraordinary event, falls within this 3 month period, the Panel shall establish revised timeframes for the review process in liaison with the CEO.
- 3.5 The Panel and the CEO shall be responsible for presenting the draft KPIs and measurements to Council for determination within 3 months of the completion of the former KPI review period.
- 3.6 It is incumbent upon Council Members and senior staff to actively participate in the CEO Performance Review process and to provide feedback in accordance with the provisions of this policy.
- 4. KPI Review Period**
- 4.1 If the CEO's anniversary date does not align with the financial year, then over a period of time agreed between Council and the CEO, the CEO's KPI review period (inclusive of remuneration review) will be transitioned to align with the financial year.
- 4.2 To give effect to clause 4.1, Council and the CEO may agree to conduct a performance review(s) for a period of less than 12 months based on KPIs that align to that same duration of time.
- 5. Endorsement of Performance Review by Local Government**
- 5.1 Following a review of the performance of the CEO, the City must, by resolution of an absolute majority of the Council, endorse the review.**

OFFICE USE ONLY	
Responsible Officer	Please use title only
Initial Council Adoption	DD/MM/YYYY
Previous Title	Applicable if the policy has been renamed
Reviewed / Amended	DD/MM/YYYY
Next Review Date	MM/YYYY