

**CITY OF MARION
GENERAL COUNCIL MEETING
24 MAY 2016
CONFIDENTIAL REPORT**

Originating Officer: Steph Roberts, Manager Human Resources
Mayor: Mayor Hanna
Subject: Chief Executive Officer Interim Performance Review
Report Reference: GC240516F03

If the 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)

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 Kate McKenzie, Manager Corporate Governance and Steph Roberts, Manager Human Resources be excluded from the meeting as the Council considers that the requirement for the meeting to be conducted in a place open to the public has been outweighed in circumstances where the Council will receive and consider a report dealing with the interim performance of the Chief Executive Officer

REPORT OBJECTIVES AND EXECUTIVE SUMMARY:

To provide Council with a summary of key findings from the Chief Executive Officer (CEO) interim performance review May 2016.

An on-line survey was circulated for completion by Elected Members to enable an interim Chief Executive Officer (CEO) Performance Review in May 2016. This survey was identical to the survey conducted in December 2015 (the questions having been developed by the Mayor and CEO), to enable comparisons to be made.

All Elected Members were invited to participate in the survey, providing the opportunity to rate the CEO's performance as well as to suggest opportunities for development. The survey was completed by 9 Elected Members and the results are compared with a self-rated review by the CEO. Overall the feedback from the survey was positive and the comments provided a common theme of mutual trust and respect, with the CEO having made good progress towards goals.

RECOMMENDATIONS (5)

DUE DATES

That Council:

- | | |
|---|----------------------|
| 1. Notes the summary report on the Chief Executive Officer Interim Elected Member Performance feedback | 24 May 2016 |
| 2. Endorses the Interim Assessment of Key Performance Indicators in Appendix 1, subject to the following amendments:
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-
- | 24 May 2016 |
| 3. Endorses the proposed Key Performance Indicators for 2016/17 in Appendix 2 for consultation with the CEO, subject to the following amendments:
-
-
- | 24 May 2016 |
| 4. Authorise Mayor Hanna and Councillor Telfer to provide feedback to the CEO on the interim performance review and consult with the CEO on the proposed Key Performance Indicators endorsed by Council. | 31 May 2016 |
| 5. In accordance with 90(2) and (3)(a) of the Local Government Act 1999 the Council orders that this report, Chief Executive Officer Interim Performance Review 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. | December 2016 |

BACKGROUND

The Local Government Association Code of Conduct for Assessment of the Chief Executive Officer (CEO) and the CEO Agreement (part 9) stipulates that the CEO must complete one formal assessment per year.

The CEO is entrusted with the organisation's day to day management with direction set from the Council. As such, there is a unique relationship between the CEO and Council and the regular evaluation of the CEO's performance is critical to this relationship.

A further assessment of the CEO's performance will be conducted at the end of the performance review period (June 2016), including a 360-degree feedback process, which will supplement the feedback already collected.

The CEO began in his position in August 2015. The feedback collected in May 2016 provides further indication of the CEO's performance from the Elected Member's perspective and also includes a self-review by the CEO. This feedback will be discussed with the CEO at a time agreed, after the 24 May Council meeting.

Ratings are based on a 1 to 10 scale, where 10 is outstanding and 1 is very poor.

ANALYSIS:

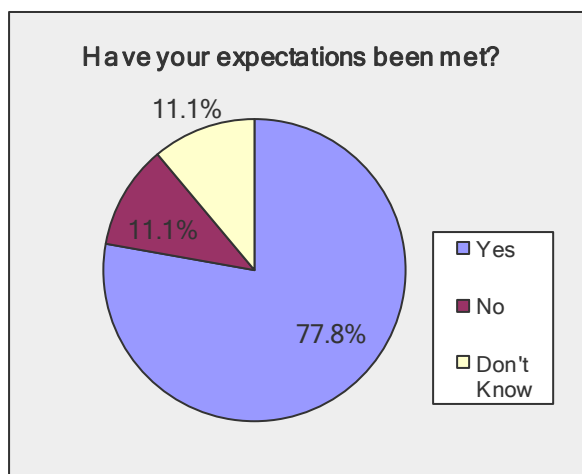
The feedback was undertaken on-line using the 'Survey Monkey' survey tool. 9 Elected Members took the opportunity to participate in the interim performance feedback of the CEO, 11 Elected Members participated in the December 2015 survey. The CEO also undertook a self-assessment. The survey consisted of 31 questions. The outcomes from the survey are summarised as follows:

Expectations met

7 out of 9 (78%) Elected Members stated the CEO has met their expectations, with 1 indicating the CEO has not met expectations (citing an expectation more efficiencies would have been achieved as the reason) and 1 indicating 'don't know'. Refer graph 1.¹

The CEO self rated having met expectations.

Chart 1: Have expectations been met?



¹ Consistent with the December 2015, with 80% expectations having been met, 20% did not know.

Relationships²

Respect, trust, leadership, openness, accessibility and honesty described the expectations of the relationship between Elected Members and the CEO. The examples used by Elected Members to support what is occurring were noted as professionalism, the ability to constructively 'tell it how it is', accessibility, responsiveness and driving projects forward.

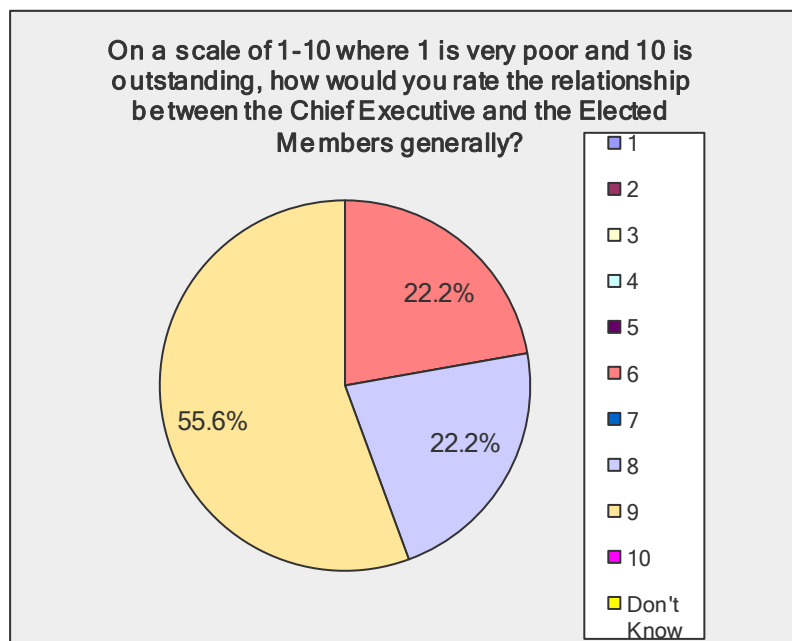
The CEO noted there being a strong relationship where mutual respect and trust exists.

1 respondent noted concern about the CEO relationship with the Mayor, stating it seems tenuous at times and several indicated this relationship has an opportunity to build further.

Opportunities identified for CEO development included more one on one interactions with Elected Members; CEO to provide further open and honest feedback in regards to the organisation; accuracy of information coming from staff and to be vigilant with his relationships with Elected Members and staff, to avoid them becoming less respectful due to familiarity.

When describing the relationship generally between the CEO and Elected Members, 5 out of 9 respondents gave a score of 9, 2 with a score of 8 and 2 indicated a score of 6.

Chart 2: How would you rate the relationship between the CEO and Elected Members generally?



The CEO's relationship with staff was reported as being positive and based on respect, trust and leading by example without fear. Relationships with external stakeholders were rated positively with reference to the CEO's ability to speak with authority, given his extensive experience in private industry. The CEO's relationships are considered strong with Elected Members, senior staff, South Australian Government, surrounding Councils and relating to the Tonsley project.

² The expectations as described in December 2015 are similar to present. At the time, some respondents felt it too early to comment on their relationship with the CEO. The relationship is perceived to have improved in the past 5 months, with the 2015 result including 18% having indicated the relationship as poor. This could be indicative of the respondents having felt it too early to assess

It was suggested the CEO could increase his community profile and have a focus on developing a relationship with the Environment Minister, given Council plans for land they oversee.

The CEO indicated he has been more internally focused, given the required cultural change. He stated more could be done with neighbouring Councils to work on things together.

Information sharing³

8 respondents indicated the CEO provides information in a timely manner, where all respondents indicated the CEO provides Elected Members with accurate, clear and concise information.

1 respondent stated the CEO can seem constrained or hesitant at times in Council meetings.

It is felt that some staff reports need further work, with too much information being provided at times, the need for further or clearer financial and/or pertinent information and better executive summaries in some cases. There is an alignment between the CEO comments and those of Elected Members, while the CEO recognised staff are respectful, responsive and timely in providing information.

Representing Council⁴

8 respondents feel the CEO performed well in this area, with no suggestions for improvement provided. There was alignment in answers provided by both Elected Members and the CEO.

Strategic Planning Skills⁵

Respondents rated the CEO between 7 and 10 and feel performance is good in this area and well supported by Administration, refer Chart 3. Respondents said the CEO is committed to tackling topics and are confident the CEO can inspire staff to work towards strategies. There is recognition he has implemented strategies and made progress towards goals, even those which were 'distasteful' challenges, with skill and ability and the speed with which things are getting back on track noted. It is recognised the CEO has the ability to 'think a few moves ahead'.

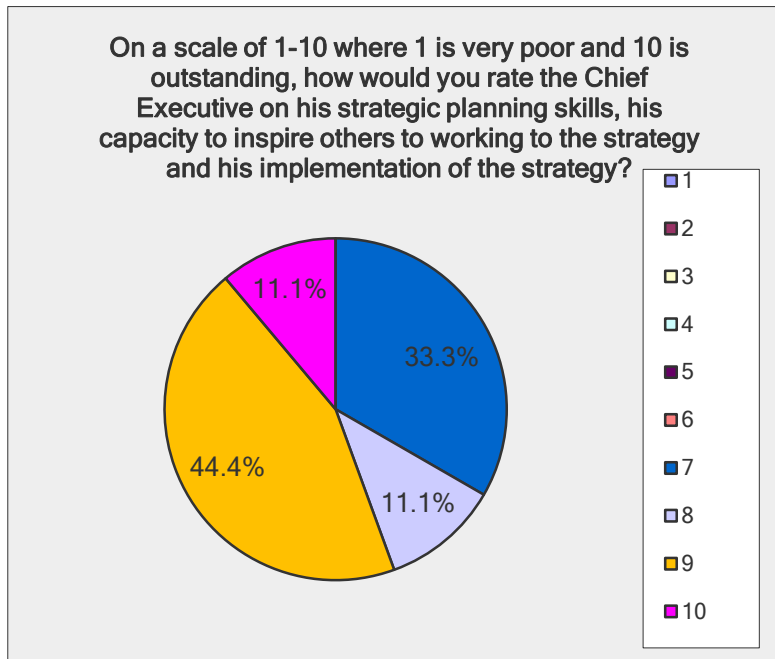
Opportunities include demonstrating firm guidance with staff; communication on specific business plans; engagement with Councillors at Elected Member Forums and Council meetings regarding updates and changing materials and faster reviews to enable changes to be made in required areas. The CEO noted the need to get the business plan communicated.

³ All feedback within Information Sharing is consistent with the 2015 results

⁴ Consistent with the 2015 results, noting in 2015 the feedback was that this would strengthen over time

⁵ 2015 results were similar to current, previously indicating performance between 8 and 9. In the current feedback, recognition is provided on progress made and further opportunities to develop this area.

Chart 3: Strategic planning skills, capacity to inspire others to work to the strategy and his implantation of the strategy

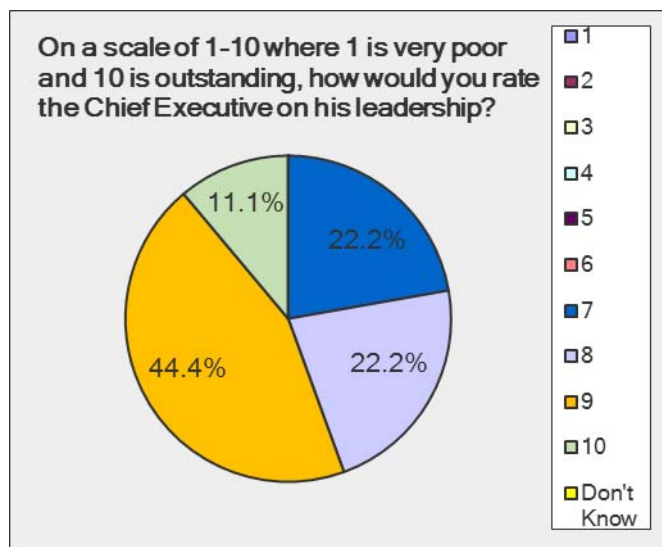


Leadership⁶

Respondent expectations of the CEO are that he should be demonstrating leadership through strength, professionalism, empathy, honesty, openness, innovation, valuing the contributions of others, mental agility, flexibility and with a firm approach. 78% of respondents rated the CEO's leadership skills between 8 and 10, which indicates performance towards outstanding leadership (refer chart 4).

There was a close alignment in answers with the CEO noting that the qualities of authenticity, drive and connection are critical, believing he is open, available, genuine and authentic, with a focus on getting things done. He also acknowledges that at times he needs to 'take my foot off the accelerator.'

Chart 4: Chief Executive Officer Leadership



Staffing⁷

67% of respondents feel the Chief Executive Officer's staff choices are between 8 and 10, with the remainder spread across ratings 2, 5 and 6. A number of respondents felt it was too early to tell how good the CEO staff choices are. While there is recognition for the impact of inherited staff, there was concern expressed for some staff being promoted beyond their means. It is recognised the CEO has made some tough decisions with regards to staffing, along with the question as to whether there are more changes required.

The CEO feels he has made good hiring decisions, with all settling in well and bringing new perspectives that were needed.

Improvements & Risks⁸

78% of respondents rated the CEO 8 - 10 in relation to his ability to manage improvements within the organisation. Respondents feel the CEO is off to a good start, with more work ahead. The CEO made reference to the Service Review process progressing well, the restructure having streamlined operations and the Values rollout changing the way we are leading staff.

⁶ Consistent expectations regarding leadership characteristics. Performance is consistent with the 2015 results, where 80% of respondents rated the CEO between 8 and 9, the current feedback includes 78% rating between 8 and 10.

⁷ Consistent feedback

⁸ Consistent performance with 2015 showing 70% rated performance in managing improvements 7 and 8, in 2016 78% rated performance between 8 and 10. 2015 indicated it too early to assess whether the CEO was managing risk effectively, where as in 2016, all respondents indicated risk is being managed effectively.

All respondents feel the CEO is managing risks effectively within the organisation, with the ratings indicated between 7 – 10. Respondents indicated more risk could be taken in order to progress and a view exists that staff are risk adverse.

Council Meeting Effectiveness

Whilst the Council meetings are broader than the CEO's performance, the assessment of the effectiveness of meetings is relevant to note, given Council meetings form a major part of the CEO's role and the effectiveness has a bearing on his ability to perform aspects of his role. The feedback provided by both Elected Members and the CEO outlines what is working well and provides some constructive suggestions for improvement.

6 respondents indicated a rating of 7 and 8 with regards to the effectiveness of Council meetings, while 3 indicated ratings between 3 – 6 (refer chart 5).

Areas considered to be working well include:

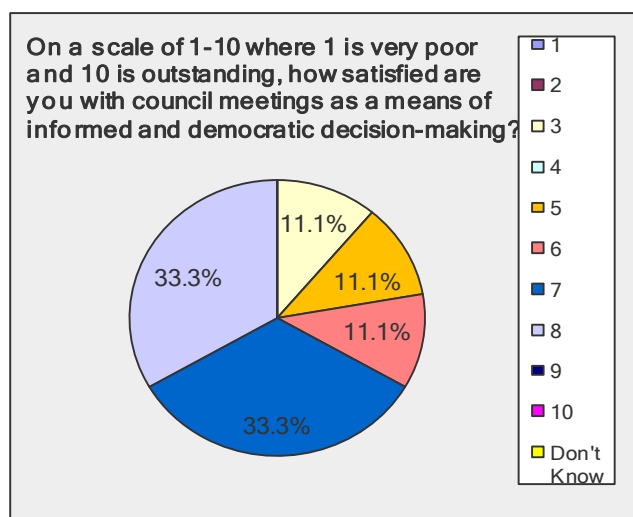
- forum discussions are invaluable in contributing to good Council meetings
- generally respectful debate
- staff input seems to be more freely provided than with the previous Council term
- agenda topics with information and committed directions
- listening and clear chairing

Areas for improvement include:

- the view that Council receive a biased view at times (which is improving)
- there are too many motions with notice requiring management
- not being able to have preliminary private discussions resulting in being introduced to unfamiliar concepts at the meetings which impede informed decision making
- a less packed forum agenda
- staff pre-empting questions that will come from Elected Members
- respect for diverse viewpoints
- accuracy of information to be checked before reports are distributed

The CEO rated this as 10 (outstanding), making mention of having a strong Mayor who chairs well, with humour and good proceedings.

Chart 5: How satisfied are you with Council meetings as a means of informed and democratic decision making



Chief Executive Officer should be doing more of and less of ...

Opportunities include:

- engaging more with Elected Members individually
- monitoring and managing leaders' performance
- increased input into General Council meetings
- assessing whether the organisation can operate leaner
- ensuring General Managers be accountable for their human resources responsibilities
- ensuring staff understand how they contribute to the Council
- designing stages of projects completed to focus on implementation
- the Executive Leadership Team and Senior Leadership Team adopt the new culture
- the 'no redundancy policy' be abolished

The CEO indicated it important to drive the delivery of the three-year plan and delegate more meetings. He also acknowledged the need to stay out of the 'weeds', which was also mentioned by Elected Members. The CEO expressed the need to target avoidance behaviours and increase political awareness within the organisation. Matters that are on his mind include the need to reduce the Lost Time Injury Frequency Rate (LTIFR), finalisation of the Enterprise Agreement Negotiations and to continue to build on EM relationships.

Achievements and areas for development⁹

The CEO's achievements include giving the organisation more focus; managing the restructure (acknowledgement was given that this was tough); gaining respect of Elected Members; getting things moving on a number of projects; recruiting good key positions; the three-year plan for Council and getting the Edwardstown Oval and Mitchell Park Sports Plans ready for funding.

The CEO noted his achievements as implementing the restructure, connecting with all staff, the Values roll out and working with the Tonsley opportunities.

CONCLUSION:

Respondents feel that CEO is performing well in the role and generally the feedback from the survey is extremely positive, with the common theme of openness, trust and respect. There is recognition he has implemented strategies and made good progress towards goals, where as in the 2015 survey, respondents felt it too early to rate performance in this area. There are some opportunities for development such as working with leaders to build capability, for the CEO to focus on higher level planning and strategic issues and more one on one interactions with Elected Members

A full CEO performance review will be conducted at the end of the 2015/2016 financial year.

At the People and Culture Committee Meeting of 3 May 2016, the Committee considered an interim report of the CEO KPI's (PCC030516R7.1). This did not include the weightings applied to the KPI's. To assist council with this review, an interim assessment of the CEO's Key Performance Indicator's, relating to year to date results, has been prepared by Corporate Governance and is included as **Appendix 1**. This doesn't include the full commentary provided to the People and Culture Committee but provides a guide for how

⁹ 2015 feedback was centered around the CEO having recently started in his role and beginning on the path to making required changes, such as culture, restructure and moral. The 2015 feedback suggested the CEO could be more assertive with the Elected Body more obvious focus on financial matters.

Council may choose to assess performance of the KPI's.

The CEO proposed KPI's for 2016/17 have been considered and amended by Mayor Hanna in consultation with Councillor Telfer and are included as **Appendix 2** for Council to consider. It is proposed that consultation with the CEO on the suggested KPI's for 2016/17 could occur when the interim performance feedback is provided with the CEO, Mayor Hanna and Councillor Telfer on the 31 May 2016.

NO.	KEY PERFORMANCE INDICATORS	TARGET	RATING	YTD @ 16 May 2016	% of TOTAL (WEIGHTING)	TARGET SCORES	ACTUAL SCORE x WEIGHTING	YTD SCORE @ 16 May 2016	SCORECARD
FINANCIAL									
1	Actual operating surplus ratio for 2015-16 (adjusted for extraordinary items)	0 to 3% > 3 but < 6% < 0 or > 6%	Exceptional Acceptable Unacceptable	9.7%	5%	5 3 1	1	1	
2	Asset Sustainability Ratio (5 year average)	> 90% > 80 - 90% < 80%	Exceptional Acceptable Unacceptable	101.5%	5%	5 3 1	5	5	
3	Net Financial Liabilities Ratio (Total liabilities - Non equity financial assets)	20 - 40 % 0 - 20% OR 40 - 50% > 50%	Exceptional Acceptable Unacceptable	5.3%	5%	5 3 1	3	3	
HUMAN RESOURCES									
4	Change in CMG or Unit Manager staff (FTE)	Reduce by 5 - 10% Reduce by 1 - 5% No reduction	Exceptional Acceptable Unacceptable	10.0% (YTD)	15%	5 3 1	15% = Score of 5 multiplied by 3 to represent weighted value	15	
5	Total Employee Costs (staff plus agency)	Reduce by 5 - 10% Reduce by 1 - 5% No reduction	Exceptional Acceptable Unacceptable	-2.9%	10%	5 3 1	10% = Score of 3 multiplied by 2 to represent weighted value	6	
6	Lost Employee Time due to Injury	Reduce by 1% (using average of last 5 years) =< 1% reduction (using average of last 5 years) Any increase when compared with average of last 5 years	Exceptional Acceptable Unacceptable	(Cumulative result) 22.2	5%	5 3 1	1	1	
7	Employee Retention	88 - 92% > 92% < 88%	Exceptional Acceptable Unacceptable	98.1% (Q3)	5%	5 3 1	3	3	
CAPITAL WORKS									
8	Major Capital Works (>\$4m)	Strictly on time and on budget (or better) Substantially on time and on budget (within 4 months & 102% budget) Any case of substantially over time / over budget (> 4 months or 102% budget)	Exceptional Acceptable Unacceptable	Substantially on time and on budget (YTD)	10%	5 3 1	10% = Score of 3 multiplied by 2 to represent weighted value	6	
9	Number of specific Major Capital Works Proposals ready for approval by Council	2+ 1 0	Exceptional Acceptable Unacceptable	1 (YTD)	5%	5 3 1	3	3	
10	Council's cash contribution in respect of each Major Capital Work	< 35% < 50% > 50%	Exceptional Acceptable Unacceptable	< 50% (YTD)	5%	5 3 1	3	3	
11	Completion of Priority List of Budgeted Projects (13 project)	All 13 projects completed 11 or 12 completed < 11 completed	Exceptional Acceptable Unacceptable	< 11 completed	15%	5 3 1	15% = Score of 1 multiplied by 3 to represent weighted value	3	
ELECTED MEMBERS ASSESSMENT									
12	Rating by Elected Members	Exceeded expectations Met expectations Did not meet expectations	Exceptional Acceptable Unacceptable	80.0% (Annual performance)	10%	5 3 1	10% = Score of 3 multiplied by 2 to represent weighted value	6	
13	Alignment throughout administration to Strategic Plan and Business Plan (as developed by Elected Members)	High level of alignment Moderate level of alignment Low level of alignment	Exceptional Acceptable Unacceptable	Low level alignment	5%	5 3 1	1	1	
					100%	TOTAL SCORE		56	

Appendix 2

DRAFT Proposed KEY PERFORMANCE INDICATORS for CEO 2016-17

All based on no substantial cuts to existing services provided to community (unless by Council resolution) and applying level of rate increase as set by Council

1. Financial (Council of Marion Measures)

	<u>KPI</u>	<u>Measure/Range</u> T	<u>Rating</u>	<u>Weighted</u> <u>Scoring</u>
1	2016/17 end of year operating surplus ratio (less extraordinary items)	0<T<3 % based on 15/16 actual (not using a 5 year average)	Exceptional	5%
	(with sustained cash flow and funding)	3<T < 6 %	Acceptable	
		T ≤ 0 or T ≥ 6 %	Unacceptable	
2	Asset sustainability ratio	≥ 90%	Exceptional	5%
		80 ≤ T < 90%	Acceptable	
		< 80%	Unacceptable	
3	Net Financial Liabilities Ratio (* Council definition)	20 < T < 40%	Exceptional	
		0 < T ≤ 20% or 40 ≤ T ≤ 50%	Acceptable	5%
		T > 50%	Unacceptable	

* Net Financial Liabilities (Total liabilities – Non equity financial assets)
Council Own Source Revenue

Target Range – Between 0% and 50%

This is a variation of the LGA's ratio which uses total operating income as the denominator. Total income will include for instance tied grant income for specific projects or programs which will not be available for repayment of debt. It is therefore not appropriate to use total income as the denominator in this instance.

When considering non-equity financial assets we also exclude any cash holding allocated to carryover projects, unexpected grants or retimed works as this is committed and again unavailable to reduce debt.

DRAFT**2. Human Resources**

	<u>KPI</u>	<u>Measure/Range</u>	<u>Rating</u>	<u>Weighted Scoring</u>
4	Staff numbers (employee and agency full time equivalent)	Reduce by 2 %	Exceptional	10%
		Reduce by 0 - 2%	Good	
		Any increase	Unacceptable	
5	Total expenditure on Wages & Consultants (Compare with 2015/16 actual)	No net increase	Exceptional	10%
		Between 0% to increase of 3% net increase	Acceptable	
		> 3 % increase	Unacceptable	
6	Lost Employee Time due to staff absence (ie worker's compensation)	Reduce by 1% (using average of last 5 years)	Exceptional	5%
		Equal to or Less than 1% reduction (using average of last 5 years)	Acceptable	
		Any increase when compared with average of last 5 years	Unacceptable	
7	Employee retention	88-92%	Exceptional	5%
		Greater than 92%	Acceptable	
		Less than 88%	Unacceptable	

DRAFT**3. Capital Works**

	<u>KPI</u>	<u>Measure/Range</u>	<u>Rating</u>	<u>Weighted Scoring</u>
8	Number of prioritised Major Capital Works ready for approval by Council resolution (BMX, soccer Mitchell Park stadium & centre)	2+	Exceptional	5%
		1	Acceptable	
		0	Unacceptable	
9	Council's cash contribution in respect of each Major Capital Work	T < 40%	Exceptional	5%
		40 ≤ T < 60%	Acceptable	
		T > 60%	Unacceptable	
10	Completion of Council Member's Priority List of Budgeted Projects (13)* (1/11/15 to 31/10/16)	All 13 completed	Exceptional	15%
		11 or 12 completed	Acceptable	
		Less than 11 completed	Unacceptable	

* Budgeted Project for completion (milestone or completion achievable within 12 months), being a continuation to implementation of prior projects

4. Elected Members' Assessment

	<u>KPI</u>	<u>Measure/Range</u>	<u>Rating</u>	<u>Weighted Scoring</u>
11	Rating by Elected Members	Exceeded expectations	Exceptional	10%
		Met expectations	Acceptable	
		Did not meet expectations	Unacceptable	
12	Substantial progress with 3yr Business Plan (2016/17, 2017/18, 2018/19) demonstrated in Work Plan Outcomes	T > 80 %	Exceptional	10%
		60 < T ≤ 80%	Acceptable	
		T ≤ 60%	Unacceptable	
13	Community Satisfaction. Overall satisfaction with community facilities/ sports facilities/ events.	≥ 80%	Exceptional	10%
		60 ≤ T < 80%	Acceptable	
		< 60%	Unacceptable	

Assessment and Result

Average rating (to nearest whole number)	Outcome Description
5	Exceptional
4	Commendable
3	Acceptable
2	Requires Improvement
1	Unacceptable