



CHIEF EXECUTIVE OFFICER EMPLOYMENT AND REMUNERATION POLICY

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1. POLICY OBJECTIVE

The purpose of this policy sets out the required processes for the Chief Executive Officer (CEO):

- 1.1 Recruitment, and appointment;
- 1.2 Contract of appointment preparation to include required provisions;
- 1.3 Performance monitoring; and
- 1.4 Annual review.

2. POLICY STATEMENT

Council will carry out its functions relating to the appointment, remuneration and performance appraisal of the CEO in accordance with a number of leading practice principles:

- 2.1 Decision-making processes that are fair, accessible and applied consistently in comparable circumstances;
- 2.2 Decision-making criteria that are relevant, objective and transparent;
- 2.3 Decisions and actions that are conducive to ongoing good governance;
- 2.4 Documentation that is sufficiently clear and comprehensive to render decisions transparent and capable of effective review;
- 2.5 Employment decisions that are based on the proper assessment of an individual's work-related qualities, abilities and potential against the genuine requirements of the role;
- 2.6 Decisions to appoint new employees that are based on competitive selection, open processes and objective criteria; and
- 2.7 Is guided by the Charter of Human Rights and Responsibilities Act 2006 (the Charter), Council's Human Rights Policy C52 and principles of embracing diversity and inclusiveness.

The responsibility for assisting Council with its obligations regarding CEO employment and remuneration matters shall be delivered through the establishment of the CEO Employment and Remuneration Committee.

A CEO Employment and Remuneration Committee (Committee), appointed by Council, has the responsibility for recommending and advising South Gippsland Shire Council on:



2.8 Contractual matters relating to the CEO, or the person acting as the CEO, including but not limited to:

- a. The appointment of the CEO, or person to act as the CEO.
- b. Remuneration and conditions of appointment of the CEO, or person to act as the CEO.
- c. Contract extension (i.e. reappointment) of the CEO, or person to act as the CEO.

2.9 Performance monitoring and an Annual Review of the CEO, including recommendations to Council as a result of performance reviews.

2.10 The performance of any other prescribed functions or responsibilities stipulated under the current *Local Government Act* or Regulations in relation to the CEO's employment and performance monitoring.

3. CEO EMPLOYMENT AND REMUNERATION COMMITTEE

3.1 Committee Composition

The Committee will comprise an independent chairperson and at least two Councillors, one of whom will be the Mayor. Council may appoint more than two Councillors if it wishes, however must not appoint other persons, excluding the independent chairperson, who are not Councillors.

The Committee, as a minimum must consist of an Independent Chairperson, Mayor and a Councillor and will meet at least four times per year.

A majority quorum of members and the independent chairperson, must be present to transact business of the Committee.

If the Mayoral election occurs during the recruitment period with a new Mayor elected, the Mayor at the time of commencement of the recruitment process will continue to be involved until such time as the CEO is appointed. This allows continuity within the process. The new Mayor, if not already appointed to the Committee, will join the Committee.

3.2 Independent Chairperson

The Councillor members of the Committee will make recommendations to Council on the appointment of an independent chairperson (Chairperson), having considered a minimum of two with a preference of three or more appropriately experienced persons.

The Chairperson must not be a Councillor or member of Council staff.

The Chairperson will be a neutral person who has detailed knowledge and experience in executive recruitment and oversight of employment contracts as well as experience in developing and facilitating executive performance reviews. Experience and knowledge of the Local Government Sector is required.

An inquiring mind and the ability to analyse information will assist in carrying out the role of Independent Chairperson.



The Chairperson will be appointed for a two year term with an option for a further two, one-year term extensions by mutual consent with Council.

The Chairperson will provide advice to the Committee and annually develop the draft performance criteria and performance review methodology for consideration by the Committee and Council.

3.3 Committee Meetings

The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.

Meeting agendas will be prepared and provided by the Chairperson through the secretariat support at least 72 hours in advance to members, along with appropriate briefing materials. The Mayor is able to provide suggested Agenda items to the Chairperson a week in advance of the meeting, if required.

Minutes will be prepared and distributed to the Committee by the secretariat support once received from the Independent Chair, within three working days of the meeting.

3.4 Committee Responsibilities

The Committee has the following functions and responsibilities:

3.4.1 CEO Recruitment

1. Review and stay up to date on legislative requirements associated with the recruitment or re-employment of the CEO. This needs to commence at least nine months prior to the expiry date of the CEO's contract to ensure all statutory requirements are completed.
2. Undertake the recruitment process adopted for the CEO and any person to act as the CEO. It is open to Council to contract an executive recruiter to assist. If so, the Committee should oversee the appointment of that person or organisation and subsequent steps in the recruitment process.
3. The Committee must make recommendations to Council on the contractual matters of the:
 - a. CEO; and
 - b. Person to act as interim CEO in the absence of a CEO or when the CEO is to be absent for more than three months.
4. The Committee must make recommendations to Council on:
 - a. Appointment; and
 - b. Remuneration and other conditions of employment.

3.4.2 Annual Review

1. The Committee must undertake an annual performance review of the CEO and make recommendations to Council on matters including:
 - a. The achievement of performance criteria established in accordance with the CEO's contract.
 - b. Review of the remuneration package in accordance with the CEO's contract and in line with the remuneration principles contained in the Victorian Public Sector Commission's 'Policy on Executive Remuneration in Public Entities'. Aspects to have regard to include:



- i. The CEO's achievement of the Performance Criteria;
 - ii. The extent of an increase over the preceding 12 months in the Consumer Price Index (All Groups, Melbourne) as issued by the Australian Statistician;
 - iii. Market rates for comparable positions; and
 - iv. The acquisition and satisfactory utilisation of new or enhanced skills by the CEO if beneficial to or required by the Council.
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- v. Any increase to the Remuneration Package being inclusive of, and may be off-set against, any wage increase awarded to staff under any Industrial Instrument.
- c. Review of performance criteria or other terms of conditions of the CEO's contract.

Note: Performance criteria for a person acting as a CEO is optional. If included in a contract, this should be reviewed by the Committee. If the appointment is for three or more months then performance criteria are recommended.

3.4.3 Contract Expiry

1. As part of a performance review of the CEO and in accordance with current legislation and relevant regulations, the Committee must make recommendations on whether:
 - a. To reappoint the CEO (a minimum of six months prior the expiry of the CEO's contract of employment).
 - b. Exercise an option to renew the contract.
 - c. Early termination of the contract where warranted.
 - d. To terminate in accordance with the contract.
2. The Committee should also make recommendations on termination of an acting CEO appointed for more than three months, following a performance review.

3.4.4 Suspension and/or Termination by Council

Various situations may arise that may lead the Council to suspend and/or terminate the CEO's employment, or a termination by agreement, or a redundancy, or the CEO may notify Council of his/her desire to terminate the agreement. The relevant contractual arrangements regarding suspension, redundancy and/or termination of the CEO's employment will apply, depending on the circumstances.

3.5 Independent Chairperson Fees

1. Council will pay a set fee of \$1,200 per meeting to the independent chairperson. The amount of the fee has regard to the specific roles and responsibilities the chairperson will undertake.
2. The chairperson's fee:
 - a. Will be paid to the chairperson of the Committee in the next payment run immediately following the scheduled committee meetings, upon receipt of an invoice from the chairperson.



- b. An agreed additional fee will be paid to the independent chairperson for every meeting attended that exceeds the required four meetings in any one year. The fee is not to be greater than the \$1,200 per meeting rate.

Note: the year to year date is based on the anniversary engagement date of the independent chairperson.

3.6 Support

To facilitate the operation of the Committee, the CEO's delegate has responsibility to provide:

1. Information and any necessary training for members in relation to their responsibilities under the current *Local Government Act*.
2. Officer advice in respect of matters before the Committee.
3. Secretariat and logistical support to the Committee.

3.7 Acting CEO Appointment - CEO Short-term Leave

When the CEO is to be absent for short term leave (three months or less), the CEO will provide a report to Council recommending Acting CEO(s) to cover the period of leave. Should the CEO return within the delegated timeframe he/she will automatically resume their role and the acting appointment will automatically cease.

4. RISK ASSESSMENT

Council is responsible for the recruitment, remuneration and performance management of the CEO. The CEO's role and responsibility for managing the organisation to achieve Council's strategic direction are extensive with many powers delegated to the CEO to perform on Council's behalf. Adopting a policy to support the Council in legally meeting legislative requirements is prudent risk management.

The policy will also mitigate risk by establishing a contract and associated remuneration that invites worthy candidates, is commensurate with other councils of similar size and complexity, and entices an effective CEO to remain with Council.

Failure to have such a policy may leave Council in breach of legislation, faced with a CEO contract that may be void if not executed correctly, or faced with significant costs in required to fill repeated CEO vacancies.

Compliance with this Policy mitigates Council's risks by managing the recruitment and performance of the CEO effectively through a Council appointed Committee, with an experienced independent chairperson, in accordance with the current legislation.

5. IMPLEMENTATION STATEMENT

5.1 Publication of Policy

The Policy will be published on Council's document portal making it available to:

1. The Mayor;
2. South Gippsland Shire Council Councillors;
3. South Gippsland Shire Council Chief Executive Officer;
4. Members appointed to the CEO Employment and Remuneration Committee;



An 'Independent Chairperson "Expression of Interest" Information Sheet containing an overview of this policy's requirements will be provided to candidates applying for the Independent Chairperson position.

The Policy will be published within the policy section on Council's website, thereby making it available to candidates applying for the CEO role, interested community members and government agencies.

The Manager of People and Culture will be provided with a copy of the Policy.

5.2 Disclosure Provisions of CEO Remuneration

As a means of ensuring accountability to the Government, the Shire and the wider community, disclosure of information on the CEO's remuneration policy and practices is important. To this end, this Council policy will be published on Council's website.

Disclosure of the CEO's remuneration will be by way of information included in Council's Annual Report as required by Local Government Planning and Reporting Regulations or otherwise required by law.

5.3 Procedure for Recruitment of CEO – Terms of Reference

The Terms of Reference contained within this section of the Policy set out Council's process for carrying out recruitment of the CEO.

1. Council's role is to appoint the CEO, on the advice of the Committee.
2. The Committee's role is to identify and recommend a suitable person and refer the appointment of that person to Council.

The Committee shall:

1. Recommend a Recruitment Consultant (Consultant) to Council's the Manager People and Culture, for appointment:
 - a. In accordance with Council's Procurement Policy and with the assistance of the Manager People and Culture, seek a recognised Recruitment Consultancy to manage and conduct the process of selection of a suitable candidate for the position of CEO.
 - b. Selection Criteria are to be based on the key result areas for a CEO similar to those described in the Template Attachment. These will need to be modified to suit the current circumstance and directions of Council at the time of recruitment.
2. Undertake preparatory work in conjunction with the Consultant: Develop and agree on:
 - a. The Committee interviewing of the leading candidates identified by the recruitment Consultant;
 - b. A search and selection process and timeframe;
 - c. Setting the salary and conditions based on the industry benchmarks;
 - d. Key accountabilities of the role (Succinct statements about the most important things upon which the CEO will have to focus.);
 - e. Key selection criteria for CEO recruitment;
 - f. Candidate application material;



- g. A candidate identification strategy (research, advertising);
- h. Methods of applicant evaluation; and
- i. Public relations and internal communications activities.

3. Seek Council approval of preparatory work.
4. In conjunction with the Consultant, identify the candidate pool:
 - a. Oversee the development of the candidate pool by the Consultant, providing feedback on the quality of candidates being identified.
 - b. Review the Consultant report on the candidate pool and make decisions regarding which candidates should be carried forward to interviews by the Committee.
 - c. The Committee will interview the leading candidates identified by the Consultant and select/refer the final three candidates for short list interviews with the full Council.
 - d. Once the preferred candidate is determined by the full Council, with the support of the Consultant, negotiate the terms of employment within the general framework for the terms of employment provided by the Council.
 - e. Ensure, through the Consultant, that all candidates are updated on the outcome of the process.
 - f. Develop and recommend to the Council an on-boarding program (induction) for the new CEO.

5.4 Procedure for CEO Employment and Remuneration Committee: Terms of Reference

The Terms of Reference contained within this section of the Policy set out Council's process for carrying out the CEO Performance Review and Planning Process.

1. The Council is responsible for:
 - a. Determining the CEO's Performance Plan with the CEO;
 - b. Assessing the CEO's performance against that plan;
 - c. Determining the remuneration of the CEO; and
 - d. Setting the annual performance plan.
2. The Committee's role is to:
 - a. Prepare a draft annual performance plan for Council's consideration;
 - b. Seek expert advice on facilitation and criteria for performance plan and review;
 - c. Seek expert advice on remuneration benchmarks from a recognised recruitment consultancy, the Municipal Association of Victoria or similar;
 - d. Conduct an annual performance review of the CEO; and
 - e. Make recommendations to Council on matters including:
 - i. Whether the CEO meets the performance plan criteria;
 - ii. To vary performance plan criteria;
 - iii. Remuneration; and/or
 - iv. Other terms and conditions of the contract.

The Committee shall:

1. Recommend appointment of a facilitator to assist the Committee to discharge its obligations in relation to the preparation of the draft performance plan and review.



2. Ensure that the CEO is consulted and advised of the process.
3. In consultation with the CEO, identify and agree the performance plan goals and activities that the CEO should work towards achieving over a 12 month period using the CEO Performance Plan Template Attachment.
4. Ensure that the CEO submits a Performance Plan Template report and is given the opportunity to present his/her self-assessment to the Council.
5. Ensure all Councillors are invited to provide comments of appraisal of the CEO's performance to the Committee using the Performance Plan Template.
6. Attend to the collection and collation of council feedback in relation to the CEO's performance as measured against the performance plan approved by Council.
7. Review the CEO's remuneration package as a component of the annual review.
8. Provide feedback to the CEO at quarterly review meetings and about his/her performance and proposed outcome of the annual performance and remuneration review.
9. Report to Council Meeting and seek decisions on outcomes of the review process in relation to:
 - a. The CEO's achievement of the Performance Criteria;
 - b. Any proposed variation in salary;
 - c. Setting the performance plan for the evaluation of the CEO's performance for the next 12 month period;
 - d. Agreement with the CEO on a development plan for the next 12 month period; and
 - e. Whether any options of the CEO's contract should be exercised in accordance with the contract.

5.4.1 CEO Contract Provisions

The CEO contract provisions must be consistent with government policy and remuneration guidelines set out in the Victorian Public Sector Commission's 'Policy on Executive Remuneration in Public Entities'. The following components are to be included as a minimum:

1. Contract of employment for up to five years;
2. Total remuneration package (includes salary, cost to employer of motor vehicle, superannuation and other employment benefits, all to include associated fringe benefits tax);
3. Additional expenses payable by Council;
4. Annual review of performance;
5. Annual review of the remuneration package;
6. Leave entitlements;
7. Ownership of intellectual property;
8. Performance criteria;
9. Conduct matters;
10. Suspension, redundancy and termination of contract provisions;
11. No compensation for termination of a contract beyond pay in lieu of notice and accrued leave; and
12. Employment notice provisions.



13. The CEO's employment contract is to include a dispute resolution procedure, to deal with disputes arising out of the contract.

6. LEGISLATIVE PROVISIONS

The Council must appoint a natural person to be its Chief Executive Officer (CEO). The application of this policy and its parts must be managed in accordance with the most current version of the *Local Government Act* (Act) and is required to follow any applicable regulations and guidelines required by the Act.

Remuneration principles contained in the Government of Victoria's 'Policy on Executive Remuneration in Public Entities' is to be used to ensure consistency with other public entities executive remuneration principles.

Changes to the Law

If the Council's obligations under any applicable law change after the CEO's commencement date, then the Council may at its discretion vary the corresponding provisions of the CEO's contractual agreement or add new provision(s).

7. DEFINITIONS

Council	South Gippsland Shire Council
Councillor	Is an elected member of the Council as defined by the Local Government Act (the Act).
Independent Chairperson	Is a suitably qualified person, appointed by Council who is not a Councillor or Officer of Council and is a non-voting member of the Committee.
Mayor	Is the Mayor elected by Council and/or Councillor(s) as defined by the Act.
Recruitment Consultant	Is a recognised consultant /organisation with expertise in sourcing and evaluating candidates for senior executive roles.
Remuneration	Is the salary and associated benefits determined by Council to be paid to the CEO.
Secretariat Support	This is a person(s) nominated by the Chief Executive Officer to assist the Independent Chairperson and the CEO Employment and Remuneration Committee to undertake administrative functions including Agenda compilation, Minute taking and preparation, production and distribution of documents, obtaining specialist human resources advice and scheduling meetings.

8. ATTACHMENT

1. **Template:** Chief Executive Officer Performance Plan and Assessment



Attachment 1 Template: Chief Executive Officer Performance Plan and Assessment 2018-2019

Performance Plan Agreement	Signed	Endorsed	CEO's comments	Chair's comments
	[Insert Name] Chief Executive Officer Date:	[Chair's name] Mayor, Chair of CEO Employment and Remuneration Committee Date:		
CEO Mid-year review	Signed	Approved	Chair's comments	
	[Insert Name] Chief Executive Officer Date:	Chair's name] Mayor, Chair of CEO Employment and Remuneration Committee Date:		
CEO Annual assessment	Signed	Endorsed	Chair's comments	
	[Insert Name] Chief Executive Officer Date:	[Insert name] Mayor, Chair of CEO Employment and Remuneration Committee Date:		
Final recommendation and approval	Chair recommended assessment / comments		Endorsed	Approved
			CEO Employment and Remuneration Committee Members Date:	Council Meeting Date:

Area of Performance	Key Results Areas	Self-Assessment	Councils overall Assessment	Agreed action required / comments
Good Governance	<ul style="list-style-type: none"> Respectful, open and collaborative relationship with Council. Provision of informed, honest and timely advice. Building a culture of accountability and transparency. 	•	•	•
Strategic Planning	<ul style="list-style-type: none"> Integrated approach to strategic planning across all areas of business. Clear focus on sustainability of social, built, natural and economy. Effective response to Land Use Planning challenges. 	•	•	•
Relationships	<ul style="list-style-type: none"> Demonstrated community engagement and participation in planning and review. Increased community satisfaction. Demonstrated strong and productive partnerships and relationships with other key stakeholders. 	•	•	•
Resource Management	<ul style="list-style-type: none"> Allocate activity and resources to best meet community needs and expectations. Integration of strategy, assets, services and expenditure. Use of new approaches and technologies to ensure service excellence. Achievement of budget. Delivery of long-term financial strategy. 	•	•	•
Leadership and People Management	<ul style="list-style-type: none"> Creation of a healthy, engaged and productive organisation. Development and empowerment of the leadership team. 	•	•	•



Area of Performance	Key Results Areas	Self-Assessment	Councils overall Assessment	Agreed action required / comments
Economic Development	<ul style="list-style-type: none">• Leadership and results in economic development activity and strategy.• Effective community engagement and expectation management.	•	•	•
Project Delivery	<ul style="list-style-type: none">• Successful delivery of key projects and priorities as identified by Council.	•	•	•