

POLICY NUMBER:	88 (C)
NAME OF POLICY:	CEO EMPLOYMENT AND REMUNERATION POLICY
DATE OF NEXT REVIEW:	Within six-months of adoption by Council, and then within six-months of each Council Election
DATE APPROVED:	21 December 2021
RESPONSIBLE OFFICER:	Manager Culture and Performance
REFERENCES:	Local Government Act 2020 Charter of Human Rights and Responsibilities Act 2006 (Vic) Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019 Procurement Policy and Procedure

Service Performance Principles as defined in section 106 of the Local Government Act 2020

Service performance principles

(1) A Council must plan and deliver services to the municipal community in accordance with the service performance principles.

(2) The following are the service performance principles—

(a) services should be provided in an equitable manner and be responsive to the diverse needs of the municipal community;

(b) services should be accessible to the members of the municipal community for whom the services are intended;

(c) quality and costs standards for services set by the Council should provide good value to the municipal community;

(d) a Council should seek to continuously improve service delivery to the municipal community in response to performance monitoring;

(e) service delivery must include a fair and effective process for considering and responding to complaints about service provision.

INTRODUCTION

This is the Chief Executive Officer Employment and Remuneration Policy (**Policy**) of Hepburn Shire Council (**Council**), made in accordance with section 45 of the *Local Government Act 2020*.

This Policy provides for the following matters which Council is responsible for under the Act or as a requirement of this Policy:

- (a) the recruitment and appointment of the Chief Executive Officer;
- (b) approving the Contract of Employment entered into between Council and the Chief Executive Officer;
- (c) the appointment of an Acting Chief Executive Officer for a period in excess of 28 days in accordance with section 11(3) of the *Local Government Act 2020*;
- (d) the provision of independent professional advice in relation to the matters dealt with in the Policy;
- (e) the monitoring of the Chief Executive Officer's performance;
- (f) an annual review of the Chief Executive Officer's performance; and
- (g) determining the Chief Executive Officer's remuneration.

SCOPE

This policy applies to the employment and remuneration of the Chief Executive Officer.

The Policy relates to all parties who are involved, determined by legislation, in the employment, remuneration and performance monitoring of a CEO.

The CEO, or the Acting CEO, is a member of Council staff (Section 45) of the Act.

OVERVIEW

This Policy outlines the mechanisms which support Council in fulfilling its obligations regarding the CEO's employment and remuneration under the Act, including performance monitoring, annual review and end of contract processes.

The aims of the CEO in relation to this Policy are to:

- work collaboratively with the Committee in determining the Performance Plan on an annual basis;
- actively participate in the performance appraisal process as required by the Committee;
- make use of constructive feedback from Councillors and Committee Members in relation to performance appraisals;
- undertake professional development on an as needed basis, or as part of the Performance Plan; and
- promptly draw the Committee's attention to any situation where any variation of the Performance Plan may be required in light of the current circumstances.

The aims of Council (including via the Committee) in relation to this Policy are to:

- establish the Committee;
- provide processes for the recruitment of a natural person, and their appointment, to the position of CEO;
- draft and approve the Contract of Employment entered into between Council and the CEO;
- seek and be guided by independent professional advice in relation to the matters dealt with in this Policy;
- provide processes for determining and reviewing the CEO's Remuneration Package;
- provide processes for the monitoring of the CEO's performance including setting the Performance Plan and conducting an annual review;
- determine, as required, whether any variations to the Remuneration Package and terms and conditions of employment of the CEO; and
- provide processes for the appointment of an Acting Chief Executive Officer for a period in excess of 28 days in accordance with section 11(3) of the Act.

POLICY

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

- decision-making principles that are fair, transparent, and applied consistently;
- decision-making criteria that are relevant, objective, and available to the person subject to the decision:
- decisions and actions that are conducive to ongoing good governance;
- documentation that is clear and comprehensive to render decisions capable of effective review;
- 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; and
- decisions to appoint a new employee are based on merit.

1. CEO Employment and Remuneration Committee

Council will establish a CEO Employment and Remuneration Committee (**the Committee**) in accordance with section 45(1) of the Act.

The Committee will be an advisory committee to Council.

The purpose of the Committee is to consider and make recommendations to Council with respect to:

- a Position Description for the CEO;
- the selection and appointment of a recruitment consultant (**the Consultant**) to undertake the recruitment process leading to the recommendation to Council of a preferred candidate for the CEO position and a recommended remuneration package;
- the annual review of the CEO's performance, including against the KPIs;
- the provisions to be included in the Contract of Employment from time to time (including any agreed modifications to the Position Description) and determining the Performance Plan;

- the CEO's remuneration, after assessing the CEO's performance against the Performance Plan;
- appointment of an Acting CEO for a period in excess of 28 days in accordance with section 11 (3) of the *Local Government Act 2020*; and
- implementation of this Policy.

Composition of the Committee

The Committee will comprise of the following:

- the Mayor;
- all Councillors;
- the Chair of the Audit and Risk Committee;
- an Independent Member.

The Committee is to be chaired by:

- the Mayor, or
- if the Mayor is absent, a Councillor who is present at the Committee meeting and is appointed by the members of the Committee who are also present, or
- An associated workplace lawyer of the organisation may appoint a Chair.

The Committee is to hold meetings as often as is necessary to:

- undertake actions in respect of the recommendations as outlined under the purpose of the committee above;
- prepare documentation relevant to the CEO's employment and remuneration, including Council reports and contractual documents;
- conduct and maintain appropriate records regarding performance monitoring and annual reviews of the CEO; and
- review the Remuneration Package and conditions of employment of the CEO,

for the approval of Council, provided that the Committee meets at least twice in each year.

The Committee will provide a report to Council following each meeting describing its activities and making recommendations about any action to be taken by Council.

The Committee will determine its procedures at its first meeting, which will include:

- the rules for its meetings, noting that meetings should be conducted with as little formality and technicality as appropriate to fulfil the Committee's purposes;
- how often the Committee will meet, provided that the Committee meets at least twice in each year;
- quorum, provided that the quorum is not less than the Mayor and two Councillors;
- means of attendance at Committee meetings (e.g. in person or electronically); and
- the taking of the minutes of the Committee meetings,

and will communicate the procedures to Council.

For avoidance of doubt, nothing in this Policy requires Council to accept any or all of the Committee's recommendations.

2. Independent Member

Appointment

The Independent Member will be appointed by Council following a public process seeking Expressions of Interest from suitably qualified and experienced candidates to fill the position of Independent Member.

The Independent Member will have:

- human resource qualifications and demonstrated management skills, senior business experience (including Local Government) and/or and employment law background;
- demonstrated ability in relation to executive level performance appraisal, professional development, and remuneration;
- significant experience working with Executives and Board Members in a similar professional advisory role.

- The Mayor, Deputy Mayor, Audit and Risk Committee Chair and Manager People and Governance will undertake the recruitment to this role, including shortlisting and a recommendation to the Committee and Council.

Term

The Independent Member will be appointed for a term of three years.

At the conclusion of the three-year term, the Independent Member will be eligible to apply to be reappointed at the discretion of Council for a second three-year term.

A maximum of two 3-year terms may be served by the Independent Member.

Duties

The Independent Member is responsible for providing independent professional advice in relation to the matters dealt with under this Policy in accordance with section 45(2)(a) of the Act.

Duties of the Independent Member are to actively participate in the Committee's review of the CEO's performance against the Performance Plan.

Independent Member remuneration will be based on a sitting fee per meeting, in line with Victorian Government guidelines for like committees.

The Independent Member will be reimbursed for all travel expenses incurred in the course of providing independent professional advice to Council, in accordance with ATO allowances.

Other matters

Council, or the Committee with the approval of a Resolution, can, on an as needed basis, obtain additional independent professional advice in relation to the matters dealt with under this Policy.

3. Recruitment of the CEO

Process

The Committee will establish and manage the process to recruit the CEO, designed to ensure that Council can select the best available candidate from a short list of preferred candidates (with or without a recommendation from the Committee).

Independent Professional Advice from the Consultant

In accordance with Council's procurement policy and with the assistance of the Manager People & Governance, if required, the Committee may seek and appoint a Consultant to:

- manage and assist in the process of selecting suitable candidates and managing interviews for the position of CEO;
- provide advice on remuneration;
- provide advice on contract conditions; and
- provide advice on the Performance Plan.

A track record of successful CEO appointments should be the main criteria for appointment of the Consultant.

If the Consultant is engaged, the Committee must liaise with the Consultant in connection with the recruitment process.

Recruitment

In conjunction with the Consultant (if appointed), the Committee will develop and agree upon:

- the key factors that the Consultant should consider when preparing a list of candidates to be recommended for the Committee to interview;
- the initial Remuneration Package and other employment conditions based on industry benchmarks (refer to Remuneration and Expenses below);
- key accountabilities of the CEO;
- selection criteria based on the key accountabilities; and
- a search and selection process and timeframe.

The Committee will seek approval from the Council in relation to all preparatory work once completed.

The Committee must have regard to Council's Recruitment Policy when considering the recruitment of the position of CEO to:

- ensure that the recruitment decision is based on merit;

- support transparency in the recruitment process and the public advertising of the position; and
- ensure that regard is had to gender equity, diversity and inclusiveness.

In conjunction with the Consultant (if appointed), the Committee will:

- oversee the development of the candidate pool by the Consultant, providing feedback on the quality of candidates being identified;
- review the Consultant's report on the candidate pool and make decisions regarding which candidates should be carried forward to interviews by the Committee; and
- interview relevant candidates identified by the Consultant and select/refer the final candidates for short list interviews with Council.

Appointment

Council will receive a report from the Committee on the completion of its role in the recruitment process, and Council will proceed to decide on a preferred candidate with the support of the Committee to negotiate and finalise the Contract of Employment.

The Committee will provide a recommendation to Council on the provisions to be contained in the proposed Contract of Employment.

The appointment of the CEO must be made by a resolution of Council.

The Committee will, in consultation with the Consultant, develop and recommend to the Council an onboarding program for the new CEO.

Reappointment of the CEO

Within six-months (6) prior to the expiry of the current CEO's Contract of Employment, the Committee will provide a recommendation to Council on:

- whether the CEO should be reappointed under a new Contract of Employment; and
- if the recommendation is to reappoint the CEO, the proposed provisions of the further Contract of Employment.

Any reappointment of the current CEO must be made by a resolution of Council.

Contract of Employment

The Contract of Employment is to be read in conjunction with this Policy (but the terms of the Policy are not incorporated into the Contract of Employment).

The Contract of Employment will, at a minimum, outline the following:

- the employment term, which must not exceed 5 years in accordance with section 44(2) of the Act;
- the responsibilities and duties of the position, including compliance with the Act and the Code of Conduct;
- the conflict of interest management requirements;
- the Remuneration Package and other entitlements;
- any legislative and contractual obligations, including those during and continuing after appointment;
- the CEO's leave entitlements;
- dispute resolution procedures;
- processes for managing unsatisfactory performance;
- processes for early termination, including notice of termination provisions [optional noting that the Protecting integrity: Leading the Way Report (February 2019) notes that the general view from the sector is the suggested range should be 6-12 months for termination for any reason, and the standard VPS Executive Contract provides for 4 months] with notice of termination by Council being restricted to a maximum of six (6) months; and
- any other matters required to be contained in the Contract of Employment by the Regulations.

The Contract of Employment may only be varied by a resolution of Council and accepted by the CEO, recorded in a deed of variation.

Performance Monitoring

Council is responsible for adopting an annual Performance Plan for the CEO, which will include KPIs. The Performance Plan must be developed collaboratively between the CEO and the Committee.

Following the CEO's appointment, the Committee's role is to:

- prepare a draft Performance Plan in consultation with the CEO for Council's consideration;
- seek (if required) external advice on facilitation and criteria for the Performance Plan and review;
- in consultation with the CEO, identify and agree on the KPIs to be included in the Performance Plan that the CEO should work towards achieving over a 12-month period;
- ensure that the CEO submits a Performance Plan report to the Committee on a quarterly basis and is given the opportunity to present the CEO's self-assessment to Council;
- ensure all Councillors are invited to provide comments of appraisal of the CEO's performance to the Committee;
- attend to the collection and collation of Councillor feedback in relation to the CEO's performance as measured against the Performance Plan;
- provide feedback to the CEO about their performance and proposed outcome of the remuneration review.

Following the initial three (3) or six (6) months of the CEO's term, a workshop with Councillors and the CEO should be coordinated so that:

- the CEO can prepare and present an overview of their findings during the early months, and highlight any projections or forecasts of relevance to Council during their tenure;
- Councillors can provide feedback to the CEO on their perspective of the CEO's performance during the initial period; and
- Council and CEO can agree to projects and priorities for inclusion in the CEO's Performance Plan and KPIs.

Nothing in this Policy prevents the Committee and/or Council from monitoring the CEO's performance on an ongoing basis.

Annual Review

In preparation for Council's review, the Committee is required to submit an annual review report (Annual Review Report) to Council which includes recommendations on the following:

- the CEO's achievement of the Performance Plan (including the KPIs);
- any proposed variation to the Remuneration Package as set out in Remuneration and Expenses below;
- any KPIs or other criteria that ought to be varied under the Performance Plan;
- any personal and/or professional development plan for the CEO for the next 12-month period; and
- any other necessary matters.

The Committee will submit the Annual Review Report to Council only after meeting with the CEO to discuss the Committee's proposed recommendations.

Council shall, after receipt of the Annual Review Report, review the recommendations in the Annual Review Report and advise the CEO of the outcomes of the review process.

Remuneration and Expenses

The Remuneration Package provided to the CEO will have regard to (in accordance with section 45(3) of the Act) any:

- statement of policy issued by the Government of Victoria which is in force with respect to its wages policy (or equivalent);¹ and
- Public Sector Wages Determination².

¹ Section 45(3)(a) of the Act requires Council to have regard to any statement of policy issued by Government of Victoria which is in force with respect to its wages policy (or equivalent). The current Victorian Government Wages Policy applies in the public sector until 31 December 2021. See: <https://www.vic.gov.au/wages-policy-and-enterprise-bargaining-framework>

² Section 45(3)(b) of the Act requires Council to have regard to the published remuneration bands for executives employed in public service bodies. See: <https://www.vic.gov.au/tribunals-determination-vps-executive-remuneration-bands>

The Remuneration Package will be considered as part of the Committee's annual review.

The Remuneration Package will be reviewed on an annual basis within one month following the Performance Review, in accordance with the CEO's Performance Plan and contractual requirements, having regard to:

- Any statement of policy issued by the Government of Victoria which is in force with respect to its wages policy (or equivalent);³
- Public Sector Wages Determination⁴.
- the CEO's achievement of the Performance Criteria;
- the extent of any increase over the preceding 12 months in the Consumer Price Index (All Groups, Melbourne) as issued by the Australian Statistician;
- market rates for comparable positions, including:
 - McArthur Annual CEO Remuneration reviews
 - Municipal Association CEO Annual Remuneration reviews;
 - Reviews with comparable councils; and
- the acquisition and satisfactory utilisation of new or enhanced skills by the Officer if beneficial to or required by the Council.

Council will meet expenses incurred by the CEO in relation to:

- membership and subscription fees payable to professional associations which are reasonably necessary in order to carry out duties;
- reasonable costs incurred where attending conferences, seminars or other networking functions; and
- reasonable costs incurred in performance of required duties.

³ Section 45(3)(a) of the Act requires Council to have regard to any statement of policy issued by Government of Victoria which is in force with respect to its wages policy (or equivalent). The current Victorian Government Wages Policy applies in the public sector until 31 December 2021. See: <https://www.vic.gov.au/wages-policy-and-enterprise-bargaining-framework>

⁴ Section 45(3)(b) of the Act requires Council to have regard to the published remuneration bands for executives employed in public service bodies. See: <https://www.vic.gov.au/tribunals-determination-vps-executive-remuneration-bands>

The Committee will review and confirm the memberships and subscription fees payable as part of the annual remuneration review. The Council may require reasonable documentary evidence of expenses before meeting the expenses outlined above.

ACTING CHIEF EXECUTIVE OFFICER

Council must appoint an Acting CEO when there is a vacancy in the office of the CEO or the CEO is unable to perform their duties of the office of Chief Executive Officer.

The appointment of the CEO must be made by a resolution of Council unless the Acting CEO is appointed for a period not exceeding 28 days, in which case the CEO may appoint an Acting CEO under delegation from Council pursuant to section 11(3) of the Act.

The Committee may advise Council on the selection and appointment of an Acting CEO.

INDEPENDENT ADVICE

The Independent Advisor is responsible for providing independent professional advice in relation to the matters dealt with under this Policy in accordance with section 45(2)(a) of the Act.

The Independent Advisor will be appointed on the recommendation of the Committee to Council, following a process to seek experienced and suitably qualified persons but must not be the Executive Search Consultant appointed by Council to assist in the recruitment process.

Council will determine the:

- term of appointment of the Independent Advisor; and
- remuneration of the Independent Advisor,

and ensure that it is a term of the Independent Advisor's engagement that the Independent Advisor keep confidential all information which the Independent Advisor acquires by virtue of the engagement.

Council, or the Committee with the approval of a Resolution, can, on an as needed basis, obtain additional independent professional advice in relation to the matters dealt with under this Policy.

Administrative Support

Council acknowledges that, in implementing this Policy, it, the Committee and/or the Independent Advisor will from time to time require the assistance of members of staff, including assistance in relation to governance and human resources matters.

Council, the Committee and/or the Independent Advisor may from time to time request a member of staff to provide assistance in implementing this Policy, recognising that the position of the member of staff is made difficult because he or she is accountable to the CEO (or a person acting as CEO) and therefore acknowledging that requests for assistance need to be limited to no more than those which are reasonably necessary.

INTERACTION WITH ACT AND REGULATIONS

This Policy applies subject to any inconsistent obligations in the Act or the Regulations.

CONFIDENTIALITY

Council is not required to disclose any personal information, being information which if released would result in the unreasonable disclosure of information about any person or their personal affairs.

DELEGATIONS

Council must not delegate the power to appoint the CEO, whether on a permanent or acting basis, however, it may delegate to the CEO the power to appoint an Acting CEO for a period not exceeding 28 days (sections 11(2)(d) and 11(3) of the Act).

Council must not delegate the power to make any decision in relation to the employment, dismissal or removal of the CEO (section 11(2)(e) of the Act).

DEFINITIONS

The following terms are referred to in the policy.

Term	Definition
Council	Hepburn Shire Council
Council Staff	Includes permanent and temporary full-time and part-time council employees, and contractors and consultants while engaged by Council.

Term	Definition
Act	<i>Local Government Act 2020</i>
Annual Review Report	Has the meaning on page 13
ATO	Australia Taxation Office
Chief Executive Officer	Chief Executive Officer of Council
Committee	CEO Employment and Remuneration Committee established under this Policy
Contract of Employment	Contract of employment between Council and the CEO, including any schedules
Council	Hepburn Shire Council
Councillors	Individuals holding the office of a member of Hepburn Shire Council
Council meeting	Has the same meaning as in the Act
Executive Search Consultant	Consultant with specialist expertise in sourcing and evaluating candidates for senior executive roles
Independent Advisor	Consultant appointed by Council from time to time to provide independent advice in accordance with section 45(2)(a) of the Act.
KPIs	Key Performance Indicators or performance criteria however prescribed.
Mayor	Mayor of Council
Performance Plan	Annual performance plan setting out KPIs for the CEO
Policy	CEO Employment and Remuneration Policy adopted in accordance with section 45 of the Act.
Public Sector Wages Determination	Determination that is currently in effect under section 21 of the <i>Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019</i> in relation to remuneration bands for executives employed in public service bodies.
Recruitment Policy	Recruitment policy adopted by the CEO under section 48(2) of the Act.
Regulations	Regulations made under Division 7 of Part 2 of the Act.
Remuneration Package	Total gross remuneration package paid to the CEO pursuant to the Contract of Employment.

Term	Definition
Resolution	Resolution of Council made at a properly constituted Council meeting.

FURTHER INFORMATION

Any enquiries about the CEO Employment and Remuneration Policy should be directed to Council's Manager People & Governance.

IMPLEMENTATION

Legal Counsel will advise on the implementation of the CEO Employment and Recruitment Policy in practice, and People and Culture Advisory will support the implementation by supporting process, file notes and undertaking to seek services as required by The Committee.

REVIEW

The CEO Employment and Remuneration Policy will be reviewed within six-months (6) of its adoption by Council.

This Policy will thereafter be reviewed at least every two years by the Committee and within six-months (6) of each Council election, and the Committee will make a recommendation to Council with respect to any suggested changes.

The officer responsible for the review of this policy is the Manager People and Governance.