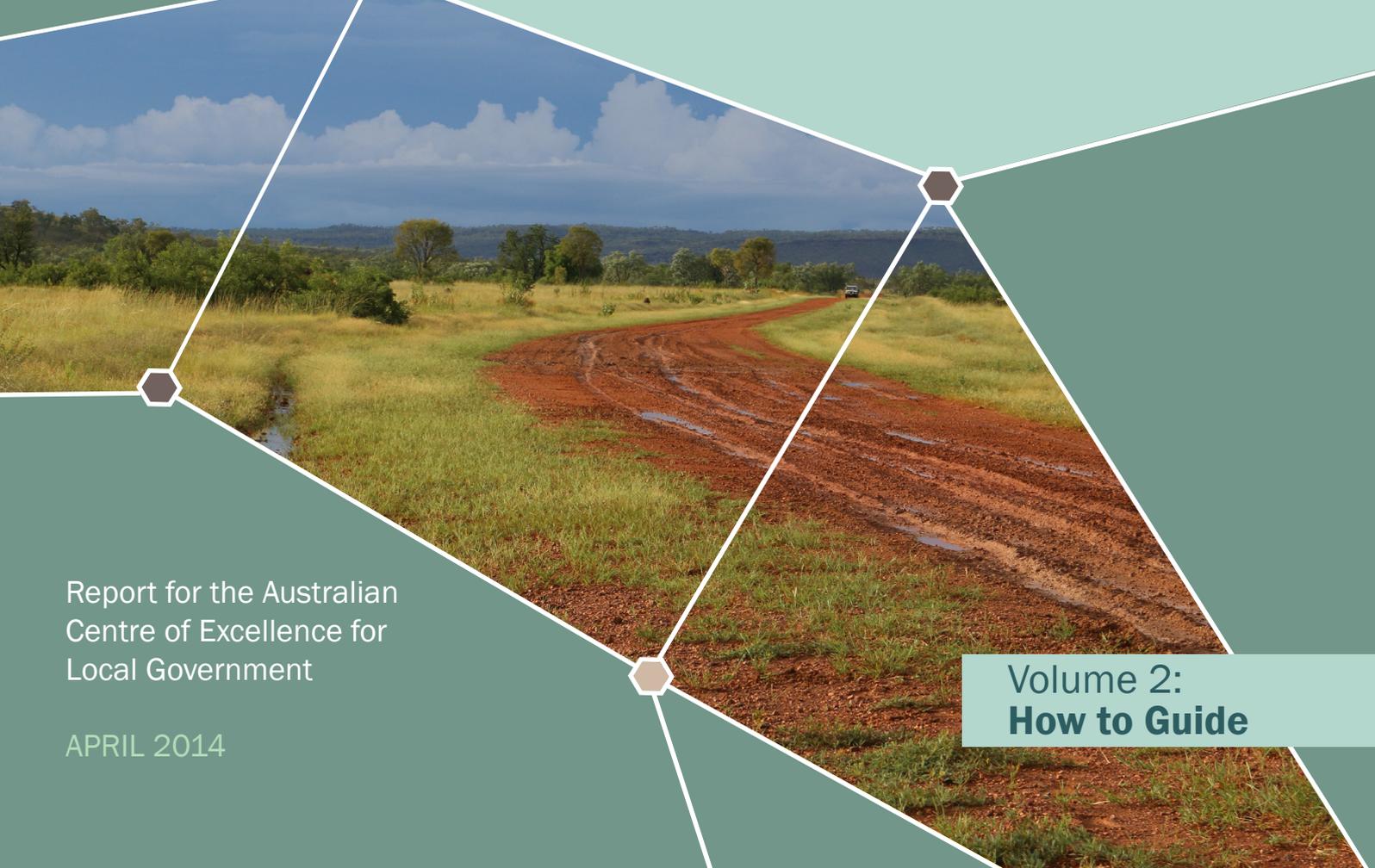


# Attraction and Retention of CEOs and Senior Staff in Rural-Remote and Indigenous Local Governments

Recruitment, Retention and Performance  
Management



Report for the Australian  
Centre of Excellence for  
Local Government

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**How to Guide**



# Attraction and Retention of CEOs and Senior Staff in Rural-Remote and Indigenous Local Governments – How To Guide

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## *Recruitment, Retention and Performance Management*

Rural-remote and Indigenous councils often find it difficult to attract good CEOs and other senior staff. And even when they are able to attract these staff, there is uncertainty as to how to retain their skills in the midst of high staff turnover. This paper examines options available to Rural-Remote and Indigenous Councils to improve their prospects of attracting high quality CEOs and senior staff to their organisations and just as importantly, how to retain them.

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Images courtesy of Victoria Daly Regional Council

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# 1 Introduction

Attracting and retaining CEOs and senior staff is a major issue for rural, remote and Indigenous councils (RRI councils). This guide is intended to provide assistance to these councils in improving their prospects for attracting and retaining senior staff to enable quality leadership within their organisations. The guide offers a practical tool for RRI councils, identifying best practice examples and checklists that councils can use to improve attraction and retention processes.

This guide complements a research report prepared for the Australian Centre of Excellence for Local Government (ACELG). A copy of the research report can be accessed on the ACELG website: [www.acelg.org.au](http://www.acelg.org.au).

## 2 Research and Consultation

This guide has been prepared based on research undertaken on the best practice of the local government sector and other industries that are endeavouring to attract staff to remote areas. Importantly, extensive consultation has also been undertaken with a number of council CEOs in RRI councils in Western Australia, Northern Territory, Queensland, South Australia and New South Wales. Consultation has also been undertaken with peak local agencies such as state and territory local government associations, some state local government departments, and Local Government Managers Australia, a peak body representing local government managers in Australia. The feedback from local government practitioners has led to this practical 'how to' guide.

### 3 Attracting and Retaining CEOs and Senior Staff

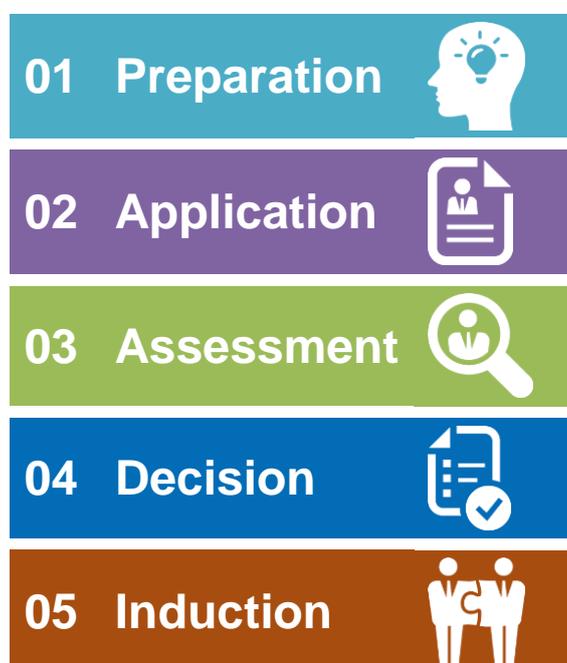
This guide addresses the attraction, retention and performance management issues associated with CEOs and senior staff. Background research has been used, along with outcomes of consultation, and local government experience to develop this 'how to' guide and checklists to assist RRI councils in improving their success in senior staff attraction and retention.

At the outset, we note that RRI councils are very diverse. Some are situated in high-growth mining areas, some are situated in extremely remote parts of Australia (including many Indigenous councils), and some are located in regional towns but have responsibility for extremely large and remote areas. The diversity of RRI councils, however, does not mean that they do not have common challenges. Many of the processes, ideas and techniques that can be used to increase the attraction and retention of CEOs and senior staff to RRI councils are the common amongst all councils.

What is different is the legislation that applies within each of the different jurisdictions across Australia. Although subtle, some of the differences are relevant to the processes used to recruit, pay and monitor the performance of CEOs and senior staff in RRI councils. Set out in the first Appendix of Volume 1 of this report are extracts of the relevant legislation (primarily extracts from the relevant Local Government Acts) applicable in the Northern Territory, South Australia, Queensland, Western Australia and New South Wales.

#### 3.1 Recruitment of CEOs and Senior Staff to RRI Councils

In seeking to improve current practices to recruit CEOs and senior staff to RRI councils, a five phase process has been used.



### 3.1.1 Preparation phase



Too often, councils simply start with calling for applications without taking the necessary preparations. Time spent in this phase will result in better recruitment outcomes.

#### *What issues need to be considered at the outset?*

##### **1. Understanding what attracts CEOs and senior staff to your RRI council**

It is important to understand what might attract CEOs and senior staff to a RRI council as this helps with structuring advertising and generally positioning a council to get the best pool of applicants.

Some key issues to consider are:

- Understanding the potential motivational reasons for someone applying for a position is more important than simply offering a large salary package.
- Motivational issues are important to understand because someone who is simply attracted to a position based on the salary package will be ‘here for the money’, and not ‘here for a long time’.
- There are both push factors and pull factors associated with the decision to apply for a role at a RRI council. Push factors (focusing on the individual) include: a desire to fast track their career, a desire to make a difference, not being happy with their current job or employer, and a desire to work and live in a small community. Pull factors (focusing on the location of the RRI council) include: a better and more relaxed lifestyle, more interesting and hands-on work, an opportunity to make a difference, and living in a good place to bring up young families.

##### **2. What type of people apply for these positions?**

There are a number of target groups for consideration namely:

- *Career builders* – these people: are generally younger with high energy and intent on hard work to advance their career; are prepared to move to a RRI Council to advance their career; often bring fresh ideas and are willing to learn more; will often seek to move back to a regional or metropolitan area when they have teenage children approaching high school age; and can work well with an experienced council or experienced management team.
- *Make a difference* cohort – these people: are generally more experienced but want to work in a RRI council to make an impact based on their contribution; are looking for more hands-on type of work where they can see the results that they have on the local council and community; and are particularly attracted to Indigenous councils where they believe that they can add value to the local council and community.
- *Pre-retirement* cohort – these people: are generally much more experienced and often empty nesters who have nothing to tie them to a particular location; are keen to enjoy the local lifestyle and also give back to their local government industry, and often provide excellent practical local government experience to RRI councils; are excellent working with inexperienced mayors and councillors; and are also good at developing senior management teams.

It is significantly more difficult to attract professionals who are at the stage of life where they have high school-aged children or caring responsibilities unless there is good schooling and other facilities at the particular RRI location.

How can thinking about these issues at an early stage assist in increasing the attraction and retention of CEOs and senior staff? Primarily, it is about matching the needs of the council to the advertising process to maximise the pool of suitable applicants. For example:

- A RRI Council may have highly experienced Mayor and Councillors but feel they need to attract fresh ideas and new energy to their organisation. The management team may need a shakeup and so they may agree to target a career builder as part of their recruitment process. Therefore, the advertising and marketing of the position would focus on issues such as fast tracking one's career and *getting ahead* to attract the right type of applicants.
- A RRI Council may have had significant staff turnover and instability at the management level. They may also have an inexperienced Mayor and Councillors, so their focus may be on the pre-retirement cohort. To attract the right type of applicant, the focus of recruitment could be 'lifestyle / make the most of your experience / make a difference' etc. to attract the right type of applicant.

Applicants who are attracted to a CEO or senior staff role at a RRI council solely because of the salary package are less likely to be successful and are less likely to stay. "Here for the money" is less likely to give good results than "here to make a difference".

It is important to think about these issues before commencing the recruitment process. A RRI council needs to understand the nature of the applicant they are after before simply undertaking a broad-brush to the recruitment process.

### 3. Consideration of the salary package

There are two components of the salary package: the actual cash salary, and non-cash components. Interestingly, feedback from applicants interviewed for this project is that, while the total amount of the cash salary is of interest, it is the non-cash components that have the biggest impact on a decision as to whether or not to apply for a role. In order of priority, the most significant non-salary components of the total package for potential applicants are:

- A. Housing – this is the number one issue identified by CEOs and senior staff when considering a salary package. Is a council house available? What condition is it in? Is it suitable for the applicant's personal circumstances (family etc.)? Is a housing subsidy available if no council house is available? The reason why this issue is critical to applicants is that it relates to the applicant's families. It is also something that they must live with every day. Housing options in RRI communities are sometimes limited. Good housing options are more likely to attract (and retain) good applicants.
- B. Motor vehicle – any motor vehicle provided as part of a package should be suitable to local conditions. While normally part of a salary package, there are options for council as to whether private use applies, but this is highly regarded by applicants.
- C. Transport – depending on the degree of remoteness, some RRI councils provide an annual allowance equivalent to airfares to the nearest major centre. This allows the successful applicant to stay connected with their families and to minimise the high costs of living in a remote place.
- D. Telecommunications – while the provision of a mobile telephone is normally a given, many RRI councils are also including home internet access as part of the salary package in order to assist the CEO or senior staff member to stay connected to family and friends.
- E. Professional development – although not a significant cost, a commitment by a RRI council to an allowance towards ongoing professional development by the successful applicant sends a message that the council is serious about supporting the employee in their development. This is particularly important for any career builders.

- F. Annual leave – some RRI councils provide extra annual leave to recognise the impact of working remotely, and to offset the longer travel time when commuting to holiday destinations from remote areas.
- G. Cost of living – some RRI councils provide a subsidy for power costs to reflect both the high cost of power and also the greater use of power due to the hot climate in some RRI regions.
- H. Other – there are a range of other potential benefits which are attractive to applicants, many of which do not have any significant cost attached. For example, the tax benefits of living in a RRI area should be explained to enable the successful applicant to maximise their tax claims. Some councils also offer to pay for health insurance using schemes that have a particular focus on people in remote areas. These minor matters do not normally have any significant cost implications but do resonate with applicants.

#### 4. To use an independent recruitment consultant or not?

There are two schools of thought in relation to whether or not to use independent consultants in the recruitment process. Consideration of this issue should be undertaken by the council early in the process. The benefits of using independent recruitment consultants include:

- providing independent, arm’s-length and objective assessments of applicants
- ensuring that the council looks professional in the recruitment process, thus providing applicants with confidence that they are joining a professional organisation (this is often the applicant's first interaction with the council)
- using their existing networks to source potential quality applicants
- the ability to use their existing tools to assess qualities (personality profiles etc.) of potential applicants if required
- the ability to provide advice on the structure of salary packaging and the benchmarking of the salary package to other like councils
- saving time for the mayor, CEO and others involved in the recruitment process in undertaking many of the administrative and time-consuming elements of the recruitment process.

**Current challenge** – The pool of potential experienced CEOs is reducing as a direct result of structural reform in local government across Australia. Put simply, there are now less councils, and therefore less potential applicants with CEO experience. As an example, in 2008 Queensland had 157 local government CEOs; it now has 77. Another challenge is the aging workforce, with many CEOs and senior managers already over the age of 55 and likely to retire in the near future, restricting the pool of potential job applicants further.

However, with challenges come opportunities. Those states and territories currently facing structural reform are now more likely to have more experienced CEOs and senior staff available for recruitment.

The arguments against using independent recruitment consultants are primarily based on cost. They add significantly to the cost of recruitment and are not always a guarantee of success. Feedback from those interviewed for this project is that some independent recruitment consultants also tend to use the same pool of applicants with which they are familiar, and don’t attract ‘fresh blood’ into their recruitment pools. Some are also too anxious to finalise an appointment quickly and do not take enough time to check referees and properly examine whether the new employee will be the right fit for the RRI council.

Obviously, the decision as to whether or not to use independent recruitment consultants will depend upon the quality of the particular consultant. Always look for a consultant who has specific local government experience, extensive local government contacts, a track record of successful appointments in local government and RRI councils in particular, and a willingness to look far afield to secure the best candidates.

## 5. Roles and responsibilities

Obviously it is also important to establish the specific roles and responsibilities of the position to be advertised, regardless of whether or not it is a CEO or senior manager role. Generally, taking the form of a position description or role statement, it is important that the key roles and responsibilities of the position to be advertised are clearly articulated. This is what the applicant will be looking at to assist them in understanding what might be expected from them in the role if they are appointed. The key is to ensure that the council considers exactly what *core* roles and responsibilities will form the basis of the position; there is little point listing out every single possible activity that may be undertaken. As a general guide, there should be no more than 10 to 12 roles and responsibilities listed, starting with the most important ones first.

As part of this process, it is also worthwhile considering the selection criteria which will be used in later stages to determine the successful applicant. While some of the selection criteria are normally self-evident (e.g. experience in leadership positions, technical qualifications if required, knowledge of local government management practices etc.), one element often overlooked is the question of personal characteristics. Working in a RRI council is not for everyone. Experience shows that personal characteristics of resilience, self-motivation, and the willingness to engage with others are critical. Consideration should be given to what personal characteristics the council believes are important for the role and include those characteristics in their selection criteria. For example, a CEO at an Indigenous council may require good listening skills, cultural empathy etc.

## 6. Assessment panel

The council needs to determine who will be involved in the assessment of applications. Where an independent recruitment consultant has been retained, they will be able to provide advice on the best and most professional way to approach this. In other cases, for the recruitment of a CEO, the mayor will need to discuss this with their council and either establish a representative panel of councillors or, in rare circumstances where there is only a small number of councillors, the whole council. For the recruitment of senior staff, the process would be led by the CEO and subject to relevant state and territory legislation, also involve the mayor and relevant councillors. If an independent recruitment consultant is not being used, consideration can also be given to seeking an independent person for the interview process. This offers a different perspective to the interview process. The independent interviewer can be sourced from within the RRI area (e.g. a senior manager from a government agency), or by a request to the state based local government or professional association.

## Summary

Consideration at the outset by the council of the six issues above will help focus the recruitment process and make the remainder of the process more professional and efficient. Put simply, time spent at the beginning of the recruitment process will improve the likelihood of success in attracting the right applicants.

### 3.1.2 Application phase



The goal of the application phase is to maximise the pool of good candidates for consideration by the council.

#### 1. Understanding potential barriers

Casting for the best field of candidates needs to start with an understanding of the barriers perceived by potential candidates. It is important to understand what might stop a potential candidate from applying for a role so that the advertising/recruitment pitch can be properly focused.

Research has shown that potential barriers include:

- concern about the remote lifestyle (distance from major centres, long travel times etc.)
- job opportunities for partners
- lack of schooling (particularly high school)
- wage competition from the mining sector in some regions
- perceptions of poor infrastructure and facilities (road access, shopping, banking etc.)
- limited housing options
- high cost of living
- harsh climate
- remoteness from family
- access to services such as medical and dental services.

These issues need to be taken into account when structuring the advertising component of the recruitment process.

#### 2. Selling the region

Inevitably, it is not just the RRI council which might have difficulty in attracting a CEO or senior staff to its organisation. There are likely to be other organisations/agencies in the region which also have difficulties, e.g. education, health sector, private sector organisations etc. There can be benefits in working co-operatively with others to develop material which promotes the region as an attractive place to work and live. By pooling resources and information, simple but effective promotional tools and resources can be developed which can be provided to all potential applicants for jobs in that region, and which highlight the benefits of living in that area.

RRI councils need to sell the lifestyle that they offer. This should be part of the information package for potential candidates and identify the benefits of living that lifestyle, for example:

- a small town lifestyle can be seen as more relaxed/safe/enjoyable/friendly
- lifestyle activities available, such as fishing/camping/bushwalking
- opportunities to get involved in local activities (depending on the location)
- specific infrastructure and services available at that location, e.g. pool, medical facilities, school etc.

Some good examples exist of promoting the benefits of living in a particular region. As an example, the Shire of Broome has a short promotional video which can be accessed by all potential candidates so that they can reflect on the benefits of living in the region.<sup>1</sup>

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<sup>1</sup> "Shire of Broome," YouTube video, 4:07, posted by "MRGTV," October 18, 2011, <http://www.youtube.com/watch?v=QomGobdAv9o>.

While producing a promotional video such as this might be relatively expensive and beyond the means of some smaller RRI councils, there are also simpler and cheaper options. For example, a RRI council could make their own promotional video by simply interviewing some of their staff about why they love living and working in a RRI area. This gives personal testimonials about why RRI councils are good places to work and what the benefits of living in a RRI area are. It does not need to be particularly professional but does need to reflect an honest assessment from current staff. This type of approach will be within the financial and technical reach of most RRI councils.

### 3. Advertising the role

There are two key elements to advertising the role: firstly, the content of the advertisement; and secondly, how to advertise to get the best results. This is in addition to any direct approach (i.e. 'headhunting') to ensure that a particular applicant applies.

Simply advertising for a CEO or senior staff manager is not enough. To attract the right kind of applicant who is likely to excel in a RRI environment, and more importantly is likely to stay, it is necessary to pitch the advertisement to the motivational elements which will appeal to the type of applicant sought. Therefore, the language in the advertisement could address the following issues (by referral to the type of applicant being sought):

- Make a difference
- Take a hands-on approach
- Looking for a challenge?
- Fast track your career
- Broaden your experience
- Balance your lifestyle
- Make an impact
- Looking for variety in your work?

**Best practice** – Information packages are provided to applicants' partners as part of the recruitment process, and partners are invited to the region as part of the final selection process. At the Central Highlands Council a network of existing partners meet with new employees' partners to provide social support and help them integrate into the local community.

These types of motivational elements are more likely to attract the right type of candidate than just a reference to a large salary package. It is important to focus on the positive differences that working in a RRI council can bring.

Naturally, a prospective applicant would then make an enquiry and receive an information kit. The information kit needs to address both the potential barriers previously identified, and also information about the lifestyle in the region. The information kit should also contain details about the specifics of the job, including core roles and responsibilities. It should get across the message that working in a RRI council environment is a rewarding, professional experience with the opportunity to develop the right balance between lifestyle and work. The information kit should also provide an honest assessment of important aspects of the lifestyle which will be of interest to candidates, for example an RRI Indigenous community may have alcohol restrictions and this should be made clear to prospective applicants.

What about how and where to advertise? There is no one formula that works every time; it is a matter of determining what will give a RRI council the best value for money. The following suggestions are provided based on RRI council experiences:

- Employment-based websites such as Seek provide a relatively inexpensive option, but tend to result in a significant number of unqualified applications which adds to the administrative burden of assessment. These types of websites are also good for attracting overseas applicants. Overseas applicants who have previously worked in remote communities in other countries have a higher likelihood of retention in RRI regions in Australia.

- Certain local government publications provide good value for money and target managers already working in the local government sector.
- State-based newspapers are more expensive but provide good coverage within the state or territory. Historically, they have provided the best coverage but have been recently overtaken by employment-based websites. It is also useful to target state based newspapers in states where major structural reform is underway as it is more likely that there will be senior professional local government staff facing displacement and looking for career alternatives.
- Nationwide newspapers are more expensive again but gain national coverage. Such media are mainly useful if the council is seeking potential candidates from outside the state or territory jurisdiction.
- Council's own website is a very cheap option but will have relatively little coverage for anyone outside of the council or RRI region.
- Left-field options such as fishing or camping magazines have also been used successfully by some councils.

Also, if using independent recruitment consultants, it should be a requirement that they use their own networks to identify potential quality candidates that can be considered by the council. This direct approach method is more time-consuming but gives the best outcomes in terms of adding to the pool of quality applicants.

Finally, councils should consider whether there are already suitable applicants within the organisation? Admittedly internal promotion presents a number of barriers to choice recruitment such as a lack of fresh ideas coming into a council, and also potential difficulties for local staff in having to make tough governance decisions in a small town environment that are likely to affect their family, relatives or friends. However, there are also some significant advantages, including:

- higher retention rates as internal applicants already live in the RRI area
- less risk in the appointment as the internal applicant's strengths and weaknesses are already known to council
- consistency of approach based on their understanding of the council's goals
- less transition time based on their existing knowledge of the region and organisation
- return on investment for professional development already undertaken.

### 3.1.3 Assessment phase



Once the pool of potential candidates has been identified the assessment phase can begin. There are a number of different elements to this assessment phase. This phase is managed by the assessment panel which was established in the preparation phase. It is important that the probity elements of recruitment are also followed. Examples include: (i) making sure that it is clear whether or not late applications will be accepted; (ii) ensuring that candidates are advised that they are unable to contact councillors outside of the formal process to discuss their application; and (iii) ensuring that any conflicts of interest are declared and addressed, e.g. applicants being related to councillors.

#### 1. Long list

Inevitably, there will be many applications that are simply not suitable. These should be put aside as quickly as possible to focus on potentially suitable candidates. A long list of approximately 10 potential candidates should be developed, though this figure will change depending on the number of applications. This is normally a relatively straightforward process.

## 2. Short list

Moving from a long list to a short list is more critical. Ultimately, the council needs to have plenty of choice between a number of good candidates. In order to move from the long list to the short list, a number of key steps should be followed:

- a. Referees – referees should be checked before the interview process, not after. In relation to recruitment into RRI councils, the focus of referee checks should be on the ability and experience of the candidate to work in a RRI council environment. Experience in working in a RRI environment should be highly regarded, and referees who are able to provide feedback on this element should be contacted preferentially.
- b. Personality testing – although involving a cost and often disregarded, the correct use of personality testing can be critical in determining whether or not an applicant will be the ‘right fit’ in a RRI council environment. Testing for resilience, self-motivation and the capacity to engage with stakeholders may prove decisive when council makes its final decision.
- c. Assessment of applications – the best indicator of future performance is past action. In assessing applications, practical experience is probably more relevant in RRI councils than formal qualifications. Similarly, past experience of successfully working in small teams should be highly regarded.

Some RRI councils use a two-stage process to get to a final shortlist. Depending upon the degree of remoteness, initial interviews are undertaken in a non-RRI location, for example the nearest regional town or capital city. These initial interviews are designed to reduce the shortlist down to the final two. The purpose of doing this is to reduce costs involved in transporting multiple potential applicants to the RRI location. Using an independent recruitment consultant can also help at this stage, with the consultant undertaking preliminary interviews to get to the final two or three.

## 3. Interviews

The final interviews must be undertaken at the RRI council, not at another venue. This gives applicants the opportunity to visit the council and experience the area. In addition to normal interview practices, council should consider the following additional steps:

- As well as the applicant, the partner of the applicant (if applicable) should be invited to visit the locality as part of the interview process.
- Any housing to be provided as part of the package should be cleaned and made available for inspection by applicants.
- Providing the applicant and their partner with access to senior staff to discuss the benefits of living in the RRI area.
- Promoting the non-salary components of the package as key elements of the overall package.
- Recognising the final interviews as a two way process – while the council is interviewing the applicant, the applicant is also assessing whether or not to join the council. Maintaining a high degree of professionalism is the best approach.

**Best practice** – in a recent CEO recruitment process, the East Arnhem Shire Council included the applicant’s partner in the process. The applicant and their partner were provided with three days to look around the area, visit outlying communities, inspect the proposed housing, and meet local community members to talk about living in the area. This action encouraged the successful applicant to accept the role on the basis that the council had taken such a professional approach to integrating their partner into the process. It also led to a smoother and quicker induction into the RRI community. Similarly, the Shire of Broome provides applicants with the use of a council vehicle to explore the area as part of the final interview process. This provides them with an opportunity to appreciate the attractive lifestyle.

- Interview questions for CEOs should be focused on leadership, in particular with regards to: (i) managing the council as an organisation; (ii) engaging with stakeholders and the community; (iii) communication with, and support for elected members; and (iv) challenges of working in a remote area.
- It is also useful to give the final applicants a short task to present as part of the interview process. The applicants should be given advance notice, but the challenge of a presentation task will highlight the applicant's ability to communicate, problem solve, and research complex issues. As an example, the applicants might be asked to present for 15 minutes on what they believe are the current challenges facing this RRI council, and how they would go about addressing these challenges.

### 3.1.4 Decision phase



The appointment of the CEO will require a council decision. Depending upon individual state and territory legislation (see Appendix 1 of Volume 1), the appointment of senior staff may also require a Council decision. There are a number of key issues to aware of in the decision phase:

- Don't delay – once the preferred candidate has been identified, arrange for a formal council decision to adopt the recommendation as soon as is practical. This might entail a special council meeting rather than waiting on the normal meeting cycle. It is important not to delay as things can go wrong if momentum is not maintained.
- Acceptance is assured – prior to the council making a decision, the preferred applicant must have indicated that, if offered the position, they would accept it. This is normally best done at the formal interview, but can also be done at any time prior to the formal council meeting. There is nothing quite as embarrassing as passing a council resolution to offer the position to an applicant who subsequently refuses it.
- Unanimous if possible – although not always possible, it is preferable for a council decision to appoint a CEO to be unanimous. This sends a strong message to the incoming CEO that they have the support of all of the council. Commencing a challenging role as CEO with a council divided as to whether or not to appoint them makes for an uncertain period at commencement.
- Finalisation of the contract – the draft contract should be provided to the preferred applicant prior to any council decision for appointment. Standard CEO and senior management contracts are available from state local government associations, Local Government Managers Australia (LGMA), or the Division of Local Government (in the case of NSW). The contract should include details of the term, salary package (including non-cash components), and also included a requirement that a performance management process must be undertaken (see section 3.3 for further details of the performance management process).

### 3.1.5 Induction phase



First impressions count. With a new staff member starting at the RRI council, it is important to recognise that the induction process is really the first step in the council's retention strategy. More details are contained in section 3.2 in relation to retention issues; however, the key issues to note are:

- Induction is more than induction into just the council – it is an induction into the community.
- For Indigenous councils, there may also be benefit in considering providing an Indigenous councillor or senior staff member as a mentor who can provide important background and other information about local cultural practices, details of traditional owners etc. This advice is important in understanding both formal and informal networks within the Indigenous community, and will assist in avoiding any cultural faux pas as the new employee undergoes their settling-in period.
- Although a relatively basic issue, it is imperative that any council-provided house is well cleaned prior to the arrival of the incoming employee. Nothing is more likely to have a negative impact on first impressions than an unclean house.
- A mentor, or 'buddy', should be allocated prior to the arrival of the employee. Prior to their arrival, contact should be made by the buddy to see if the new employee has any questions, and to help with the transition process more generally. Their role should be to make introductions both at an organisational level and a community level. The mentor should be the first point of contact for the first three months as the new employee settles into both the organisation and the community.
- Some RRI councils also have an informal buddy system to assist the families settle into town. This role is often taken by the family of the CEO or other senior staff members. Examples of successful family inductions include welcome baskets at the house on the first day, welcome BBQs to meet other families, and introductions to local schools or community groups. These emphasise one of the attractions of working in RRI areas: friendly communities.

**Best practice** – in the case of the Goldfields Esperance Development Commission, the age and interests of each family member are researched and then a profile of local groups and clubs is provided in the hope of enthusing every family member about a future move to the Goldfields region. When the family arrives in the region, arrangements are made to meet and greet the family and introduce each of them to each of their respective interest groups.

As outlined above, the induction process is really just the first step of a council retention strategy. A professional and smooth induction into both the council and community significantly increases the likelihood of long-term retention.

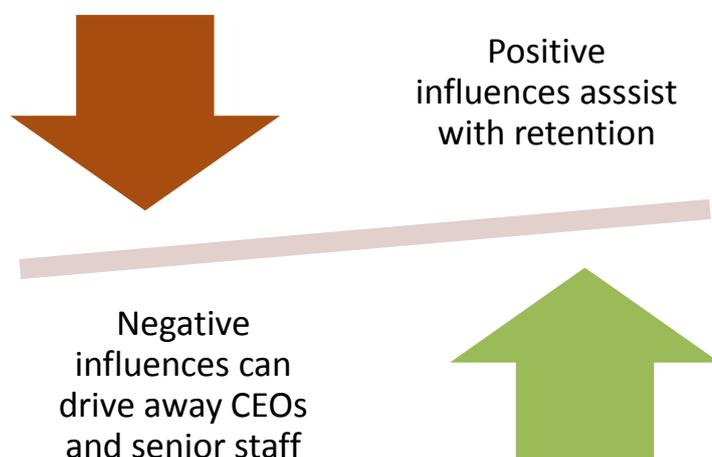
## CHECKLIST FOR ATTRACTION

1. Has the council spent time before commencing the recruitment process on identifying the type of applicant it wishes to recruit?	<input type="checkbox"/>
2. Has the council considered the salary package to be offered, with a particular emphasis on the non-cash components of the salary package?	<input type="checkbox"/>
3. Has the council considered whether or not to use an independent recruitment consultant?	<input type="checkbox"/>
4. Has the council defined the roles and responsibilities of the CEO or senior staff member, and particularly identified the most important of those roles and responsibilities?	<input type="checkbox"/>
5. Does the council have information available that identifies the potential benefits of living in the region?	<input type="checkbox"/>
6. Has the council framed its advertising to focus on the motivational elements that would attract potential candidates?	<input type="checkbox"/>
7. Has the council developed an information package which provides full details of the benefits of living in the region and working at the council?	<input type="checkbox"/>
8. Has the council decided on an assessment panel to undertake short listing and interviews?	<input type="checkbox"/>
9. Has the council developed its shortlist based on the defined roles and responsibilities?	<input type="checkbox"/>
10. Has the council included performance management as one of its requirements in its contract?	<input type="checkbox"/>
11. Has the council allocated a mentor or buddy to assist in the smooth transition of the new CEO or senior staff member to both the council and community?	<input type="checkbox"/>

## 3.2 Retention of CEOs and Senior Staff at RRI Councils

The issue of retention of CEOs and senior staff at RRI councils is a very serious one. High turnover leads to significant recruitment costs, loss of continuity, loss of corporate knowledge and interruption of the day-to-day provision of services to communities. It is one thing to attract good quality CEOs and senior staff to RRI regions – it is another thing to retain them. Moreover, poor outcomes associated with CEO and senior staff recruitment can cause damage to the council's organisational culture and undermine productivity; impacts that can ultimately take years to mend.

There are two distinct elements associated with retention. Firstly, those matters which are likely to act as positive influences on the decision by CEOs and senior staff to stay with a RRI council. Secondly, those matters which are likely to act as a negative influence causing CEOs and senior staff to make a decision to leave a RRI council. Improving the understanding of these positive and negative influences can allow a RRI council to improve how it manages these issues to reduce the risk of losing key staff.



### 3.2.1 Positive influences that enhance staff retention

**Job Satisfaction** – Ranking highest on the list of issues which are likely to result in CEOs and senior staff staying with a RRI council is the question of job satisfaction. This broad concept of job satisfaction has a number of elements, namely:

- Feeling as though you are making a difference
- Being positively recognised for your achievements
- Achieving positive outcomes for your council and community
- Being able to make decisions
- Having positive working relationships within the council
- Feeling as though you are part of a team.

For the mayor and councillors, the question is how to create job satisfaction for the CEO and senior staff. In RRI councils, there are a number of ways in which this can be done. Firstly, ensuring that the CEO and senior staff have sufficient delegation to be able to effectively manage operations and to make the necessary decisions. In smaller councils this can occur more easily as the small management team is required to do more and make more day-to-day decisions. However, it is also

recognised that in some RRI councils some mayors and councillors may become too involved in day-to-day operational issues. A discussion about the roles and responsibilities of councillors under relevant state and territory legislation is warranted in those circumstances. Secondly, recognition of positive achievements is critical. Often, working long hours in difficult conditions can be a thankless task, so positive recognition in any form can increase job satisfaction. Feeling appreciated by the mayor and councillors can have a positive impact on the job satisfaction of CEOs and senior staff. Thirdly, seeing a tangible difference in the community can have a significantly positive impact on job satisfaction. From developing new community facilities to improving community engagement, there are a number of opportunities for CEOs and senior staff to effect positive change in RRI communities.

**Team environment** – working as part of a team and having a sense of belonging will also improve the likelihood of retention of the CEO and senior staff. Often this is associated with social networks outside of the work environment, with staff forming close bonds that encourage loyalty and a sense of camaraderie. At the very least, creating a sense of team within the work environment between the CEO and senior managers at a small RRI council is critical. Such an outcome will largely depend upon the leadership of the CEO and their capacity to create that team environment. Good communication, a common sense of purpose, and a shared responsibility will improve the team environment. As part of the recruitment process, the mayor and councillors should identify a CEO capable of creating a team environment which will potentially increase retention within the council.

**Senior staff retention** – senior staff are more likely to stay with a RRI council if they believe that they are learning from the CEO. Correspondingly, a CEO who acts as a mentor for senior staff will have a lower turnover rate and attract personal loyalty from their senior staff. Therefore, for RRI councils, a strong and inclusive leader as the CEO will reduce senior staff turnover. However, if the CEO leaves, there may be a resultant turnover in senior staff unless the CEO has put in place a succession plan.

**Leadership framework** – RRI councils with good, strong leadership are less likely to have high staff turnover. This relates to leadership at both the political and management levels. While recognising that there are resource implications, RRI councils that focus on developing their internal leadership capacity are less likely to have high turnover as developing leadership can promote a sense of purpose and direction to which CEOs and senior staff can relate. Therefore an investment in developing leadership at both the political and organisational level can have a dual return: better outcomes for the community/council, as well as lower turnover of senior staff.

**Integration into the local community** – another key element of increasing retention of CEOs and senior staff is to integrate those staff into local community life. Joining clubs, developing social networks and generally developing a sense of belonging to the community will increase retention rates and reduce turnover. The importance of social integration into the local community applies not just to the CEO and senior staff, but also to their partners and families. The act of joining a local sporting club, community organisation or the like will normally result in the development of social networks and a sense of belonging. Encouragement to join local groups and socially integrate with the community should commence with the induction phase of recruitment, with a local

**“Grow your own”** – staff that live in a RRI community prior to appointment to council will have a higher retention rate than staff that move to that community. Developing local staff over time (particularly in Indigenous communities) is a good long-term investment. However, there are also some potential difficulties for local staff that may have to make tough governance decisions around matters that are likely to affect the staff member’s family or friends (especially in Indigenous communities). Also, bringing in CEOs and senior staff from outside the community can bring fresh ideas and new ways of looking at challenges faced by the RRI council.

mentor/buddy providing introductions to local sporting clubs and community organisations in which the new recruit and their partner/family will be interested.

Integration into the local community can also include the integration of the CEO or senior staff members' partners into the local workforce (if required). As part of the induction process, opportunities for employment for the partner in the local community can be identified.

The final aspect of integration into the local community is the opportunity to enjoy the lifestyle. RRI regions can provide excellent lifestyle options (fishing, camping, exploring etc.), but this can only occur if the CEO and senior staff have the time to enjoy the lifestyle. If the senior staff have too much work to complete and not enough time to enjoy the positive benefits of living in a RRI area, they are unlikely to feel fully integrated into the local social environment and lifestyle which can lead to burnout and ultimately reduce retention..

***Commitment to professional development*** – working in a RRI council can be a rewarding experience but can also be, at times, professionally challenging and lead to a sense of professional isolation. Although RRI councils generally have limited resources, a commitment to the professional development of the CEO and senior staff is highly regarded and likely to increase retention rates, as it demonstrates that the council cares about the CEO's development and senior staff. From attending local government training (e.g. LGMA conferences) to developing leadership abilities, an investment in professional development of the CEO and senior staff by the council will provide a good return. Networking with other local government professionals is also an important part of the professional development process, and has an added benefit of increasing connectivity between practitioners thus reducing the potential for feelings of professional isolation.

***Commitment to performance management*** – a council that is seriously committed to performance management is more likely to have lower staff turnover. As can be seen in section 3.3, performance management is not just about getting feedback on good or bad performance; it is also about setting performance plans that allow a thoughtful and considerate discussion about expectations and the setting of priorities. This is particularly important in RRI councils where there is often so much to do with limited resources. Developing shared expectations about priorities can result in more realistic goal setting and hence improve job satisfaction and the risk of burnout.

### **3.2.2 Negative influences that challenge staff retention**

***Dysfunctional CEO/mayor relationship<sup>2</sup>*** – ranking highest on the list of issues which are likely to result in a CEO leaving a RRI council is the breakdown in the relationship between the CEO and mayor, or alternatively the CEO and a number of councillors. The risk of this occurring can be reduced by both the CEO and mayor. Often, the primary cause of the breakdown of the mayor/CEO relationship relates to a lack of understanding or respect for the different roles and responsibilities between roles.

If things are starting to go wrong, either the mayor or CEO should act early to seek support and assistance to ensure that the working relationship does not become irretrievable. Once trust is lost in a small RRI council environment, it is incredibly difficult to maintain good working relationships. Seeking advice and support from professional organisations such as the state-based local government association, LGMA or department of local government can provide advance and perhaps assist in getting the working relationship back on track. Also, a clear performance plan and performance review process can assist in ensuring that expectations are clearly understood and

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<sup>2</sup> John Martin and Chris Aulich, *Political Management in Australian Local Government: Exploring Roles and Relationships between Mayors and CEOs* (Sydney: Australian Centre of Excellence for Local Government, 2012).

feedback provided on a regular basis. Details of how to undertake performance planning are contained in section 3.3.

Interviews undertaken for this project identified that a breakdown of the CEO/mayor working relationship is the most common reason for a CEO leaving. A breakdown in the CEO/senior manager working relationship is similarly the most common reason for a senior manager leaving a RRI council. In small teams in particular, a good CEO/senior manager working relationship is critical. A CEO exhibiting an autocratic management style will result in higher turnover for senior managers. Conversely, a team-based approach with support and delegation of decision-making to senior managers will reduce turnover.

**Burnout** – working in a RRI council is not easy. Limited resources, isolation and high workloads can lead to burnout. It is difficult for CEOs and senior staff to “switch off” in RRI communities as they are well-known, and even in non-work time they face questions and direct feedback from the community about council issues. It is important that CEOs and senior staff are able to have downtime – the opportunity to recharge the batteries and get perspective away from council related issues. The mayor and councillors should be conscious of this risk and ensure that CEO and senior staff take annual leave as needed. While there is no perfect time for annual leave due to the impact of even one senior staff member being absent from the small team, ensuring that senior staff have adequate recuperation time to avoid burnout is essential. Excessive annual leave entitlements being built-up over a number of years is one sign that burnout may not be too far away. This should be monitored by the mayor in relation to the CEO, and by the CEO in relation to senior staff.

**Family issues** – no matter how much job satisfaction the CEO or senior staff have, an unhappy family living in a RRI region will place pressure the CEO or senior staff member to leave the region. This is why integration of the family into the RRI community is so important. The use of the mentor/buddy during the induction process will potentially facilitate integration of the family into the region. It is also important for the council to recognise that sometimes, it is simply a matter of the family life cycle which results in the departure of the CEO or senior staff member. For example, the most likely pressure point will be education opportunities for the CEO or senior staff members’ children when they reach a certain age. There is often very little that a RRI council can do other than to monitor the issue and help plan ahead if it is likely that the CEO or senior staff member will depart for that reason.

## CHECKLIST FOR RETENTION

1. Have the mayor, councillors and CEO a clear understanding of their respective roles and responsibilities?	<input type="checkbox"/>
2. Has the council put in place a performance management system that recognises good performance by CEO and senior staff?	<input type="checkbox"/>
3. Has the council put in place appropriate levels of delegation to allow the CEO and senior staff to make operational decisions?	<input type="checkbox"/>
4. Has the CEO created a team environment within the senior executive team?	<input type="checkbox"/>
5. Is the council prepared to address any problems that may arise in relation to key relationships within the organisation (e.g. mayor/CEO working relationship, CEO/senior staff working relationships)?	<input type="checkbox"/>
6. Does the council invest in professional development programs for its CEO and senior staff?	<input type="checkbox"/>
7. Has the council assisted its new CEO or senior staff (and their families) integrate into the local community?	<input type="checkbox"/>
8. Does the mayor monitor the amount of untaken annual leave by the CEO?	<input type="checkbox"/>
9. Does the CEO monitor the amount of untaken annual leave by senior staff?	<input type="checkbox"/>
10. Are regular discussions held with the CEO and senior staff about their future career plans?	<input type="checkbox"/>

## 3.3 Performance Management of CEOs and Senior Staff at RRI Councils

This section of the report deals with the issue of performance reviews.<sup>3</sup> This was one of the key elements of enhancing retention identified in a survey of RRI CEOs by ACELG and LGMA (Qld) in 2011. It is also a way of clearly articulating the roles and responsibilities of the CEO and reaching a shared agreement on expectations with the mayor and council.

### 3.3.1 Underlying principles

There are a number of underlying principles that result in good outcomes from performance reviews:

**Principle 1** – performance management is not a once a year event. The best performance management occurs when there is continuous feedback. Feedback that is fresh (i.e. occurring as soon as possible after an event) is the most valuable feedback that can be given. This applies equally to praise as it does to criticism. A formal annual appraisal that elicits surprises indicates that there has not been sufficient feedback throughout the year.

**Principle 2** – there is a need to create an environment that encourages success. One of the primary roles of an appraiser is to provide the support, resources and opportunities for the appraisee to succeed. The council must consider whether it has done everything it can to enable the CEO to successfully lead the organisation. This includes providing professional development opportunities and support to the CEO in their role. The importance of creating an environment for success applies equally to the council/CEO relationship as it does to the CEO/senior staff relationship.

**Principle 3** – there must be commitment to the process. If an organisation wants to achieve a culture of continuous improvement, it is imperative that the organisation's leadership shows personal commitment to those principles. A council or CEO that requires performance management from their staff but do not undertake the process themselves would be seen as insincere by the organisation. The mayor and CEO should be champions within the council of the importance of performance management.

**Principle 4** – focus on the positives and the future, not just the negatives. The performance management process should be a positive experience and an opportunity to recognise what has gone well in the past, and to agree on a shared understanding of goals and expectations for the future. Too often the performance management process focuses just on instances of what has gone wrong. This needs to be kept in perspective.

**Principle 5** – link the process to council strategy and desired culture. The best performance management reviews are not just linked to the achievement of strategic outcomes, but also identify the leadership and cultural behaviours that are sought. This ensures that there is the right mix between achieving the right goals and exhibiting the desired organisational behaviours (e.g. teamwork, communication etc.) that create successful councils. Reaching a mutual understanding of those behaviours and documenting them via a performance review is beneficial.

**Principle 6** – there must be a commitment to continuous improvement. Continuous improvement is a cornerstone of a successful performance management system. Properly applied, it leads to the question “how can we learn from what has gone wrong?” rather than focusing on what has gone

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<sup>3</sup> This section of our report draws up our previous research for LGMA (Qld): de Chastel, B. (2009) *CEO Performance Management Guidelines (3<sup>rd</sup> Edition)* Local Government Managers Australia (Qld), Brisbane.

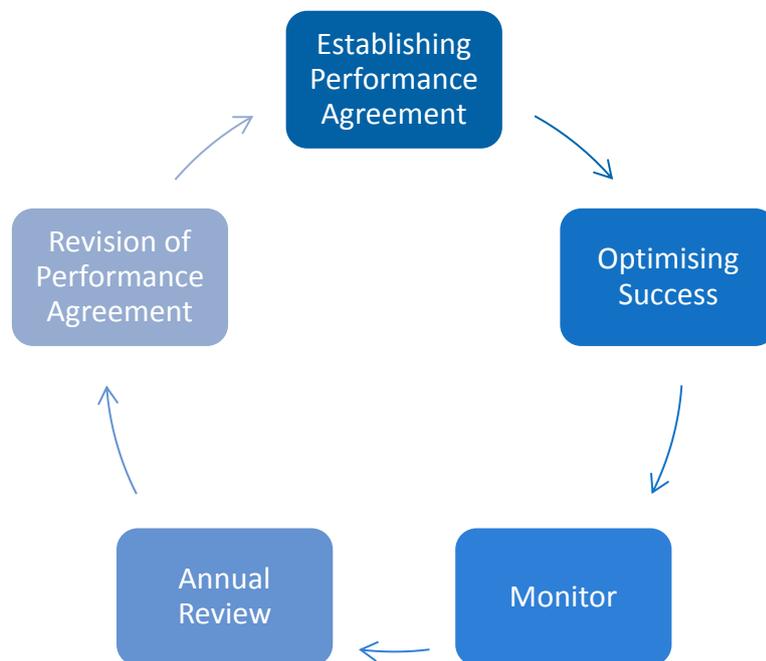
wrong. A culture of continuous improvement also means that improvement is not just a response to poor performance, but can occur even when things are going well.

**Principle 7** – achieving shared expectations is as important as the process itself. Sometimes it is the very act of taking time out to sit down and talk about what expectations are and what needs to be done to improve that leads to the improvement itself. While a ‘performance management system’ provides structure and form to the process, it also encourages the council and CEO to sit down, talk about what is important, and to reach a shared understanding of both the council’s and CEO’s expectations.

**Principle 8** – one size does not fit all. Every Council is different: different sizes, different goals, different communities, different cultures etc. Similarly, no two CEOs are the same; they have different management styles, different levels of experience etc. Therefore, no two performance plans for CEOs should be identical in their content as councils will set different goals and have different expectations of their CEOs.

**Principle 9** – the focus should be on the performance of the individual, not the organisation. While the CEO has a central role in the performance of the council, they are not the only determinant of the ability of the council to achieve its objectives. As an example, the failure of a CEO to implement customer service training for staff as agreed to in their performance plan would be a valid criticism with a performance review, rather than simply identifying that a resident received poor customer service from the council.

### 3.4 Performance Management Cycle



## Step 1 – Establishing the Performance Agreement

One of the benefits of establishing a performance agreement is that it forces the Council and CEO to take time out from the busy day to day activities and sit down to think about what is really important and what should be the focus of the CEO.

### HOW TO

The key elements to establish a performance agreement are as follows:-

- ✓ The requirement to have a performance agreement should be included in the contract between the Council and the CEO.
- ✓ The performance agreement should be resolved within one to three months of the appointment of the CEO.
- ✓ If a Council does not currently apply performance management practices to the role of CEO, then the best time to start is now.
- ✓ The Mayor should seek input from other Councillors and ensure that those Councillors have realistic expectations.
- ✓ The Mayor could consider having an independent facilitator assist.
- ✓ The performance agreement is drafted with specific goals and performance measures and signed by the CEO and Mayor.
- ✓ A copy of the performance agreement is retained by the CEO and the Mayor but confidentiality of the document is maintained.

### Developing the Performance Agreement

The content of the Performance Agreement should be drawn from –

- The CEO's Position Description and Employment Contract which will contain a range of key responsibilities that the Council has previously agreed are critical to the successful achievement of the position.
- The Council's Strategic goals. Bear in mind that the CEO is not the only person responsible for the attainment of those goals and the Councillors, organisation and external factors can affect whether or not those goals are achieved. The CEO also needs to make sure that some of these goals are cascaded down to their senior managers. Nevertheless, linking corporate goals to the CEO's Performance Agreement is critical in ensuring that the leadership of the Council is focussed on the critical strategic issues for the Council.
- The desired culture of the organisation. This focuses on the behaviours and personal qualities that are desired from the CEO to help mould the culture of the organisation.

### Performance Measures

It is important to have reasonable and clear performance measures. The performance agreement is going to form the basis of the performance review in 12 months time and so it is critical to know what you are measuring performance against.

In the first year of establishing a performance agreement, the development of performance measures is one area where a Council may wish to consider using an independent facilitator but once established, the Council and CEO should be comfortable in developing the performance agreement further.

## BEST PRACTICE LESSONS

The following lessons can be learnt from best practice organisations –

- ✓ The performance agreement step is treated very seriously in successful organisations. It sets the scene and tone for the entire performance management cycle.
- ✓ Even when they are busy, successful organisations make the time to sit down and jointly develop the performance agreement.
- ✓ It is prudent to establish a Performance Review Panel consisting of two or three Councillors (including the Mayor) as a representative group to oversee the process. Consideration can also be given to having an independent person on the panel.
- ✓ In some instances, it is appropriate to identify particular priorities amongst the range of goals specified in the performance agreement. This provides a CEO with additional clarity as to the main priorities for the next 12 months. Where this is done, it can also be reflected in any scoring system with additional weighting being applied to those priority goals.

### Is there a best time to undertake the Performance Management Cycle?

Yes - the cycle should be linked to the Council's usual annual management cycle. While it is up to each Council, a typical cycle would commence in July/August following the adoption of the Council's annual budget. The key is to start.

## Step 2 - Optimising Success

### Introduction

The Council also needs to ensure that adequate resources are provided to match the expectations set out in the performance agreement. This step is not a one off stage but part of a continuous process throughout the performance management cycle.

## HOW TO

The key elements to create an environment which optimises performance are as follows:-

- ✓ There needs to be a mutual understanding of the different roles for the Councillors and CEO. Those statutory roles and responsibilities need to be understood by both the CEO and Councillors. There are a number of training organisations available that can assist including the State based Local Government Associations.
- ✓ The performance agreement should identify the CEO's proposed professional development program for the next 12 months.
- ✓ The Mayor and CEO in particular need to build a strong working relationship based on mutual professional support.

## COMMON PITFALLS

What are the most common pitfalls to be aware of at this stage?

- The role clarity between the Chief Executive Officer and the Council and/or Mayor is not clear.
- A lack of commitment to continuous learning can lead to an acceptance of the status quo.

## BEST PRACTICE LESSONS

The following lessons can be learnt from best practice organisations:-

- ✓ Even when the organisation is very busy, the CEOs of successful organisations remain committed to professional development and involvement in professional organisations.
- ✓ Organisations with good governance practices have mutual respect between the Council and the CEO. This respect includes clear understanding of the different roles and responsibilities.
- ✓ There is open and honest communication between the CEO the Council. Advice can be given freely without fear or favour.
- ✓ There is a culture of trying to improve if things go wrong rather than a culture of finding who to blame. This reinforces the continuous improvement philosophy.

### Step 3 – Monitor Performance

#### Introduction

A 12 month review cycle means that there is a lengthy time span between developing the performance agreement and a final review. This step in the process is all about making sure that there are no surprises at the end of year formal review and providing feedback while it is fresh.

#### HOW TO

The key elements to establish an effective system of monitoring ongoing performance are as follows:-

- ✓ The interim review should be done (at a minimum) six months into the performance cycle but should be done more frequently in circumstances where it would be beneficial e.g. newly appointed CEO, important short term priority actions to be reviewed etc. This should not distract from regular informal feedback.
- ✓ The performance agreement is jointly reviewed identifying progress, what is on track, what is behind and what can be done to remedy any problems with performance.
- ✓ Consider a one hour weekly meeting in which CEOs and senior staff can discuss emerging issues with the mayor in a relaxed environment.
- ✓ The fact that an interim review has been held should be documented but it does not need full annual appraisal type documentation at this stage unless there are serious performance issues. If that is the case, Council should probably seek professional advice.

#### COMMON PITFALLS

What are the most common pitfalls to be aware of at this stage?

- The CEO and Council are simply too busy with the day to day operations and competing priorities to make the time to provide interim feedback. Postponing this process until the end of the 12 month cycle can often lead to surprises for both parties.
- The Mayor or CEO wish to avoid confrontation and do not raise concerns that they may have. This perpetuates any problem and simply avoids the whole concept of performance management which is to deal with problems and improve performance.

## BEST PRACTICE LESSONS

The following lessons can be learnt from best practice organisations:-

- ✓ The best feedback is provided when it is fresh. Feedback on both good performance and poor performance is best given soon after the event and at that time, examples are fresh in people's minds and make a lasting impression.

- ✓ Immediate feedback should not just be about problems or poor performance. Praise and recognition for CEOs does not go unnoticed and helps to create a culture of support and recognition provided it is well earned.

## Step 4 – The Annual Performance Review

### Introduction

This is the step most commonly associated with performance management but really, it is just one part of the cycle. It is an opportunity to review the last 12 months performance and honestly and logically discuss the past, present and the future. It is also an opportunity for both the CEO and Council to identify any areas of concern and to consider areas for improvement. Ultimately, the performance review should be a positive experience for both the Council and the CEO.

### HOW TO

The key elements to undertake the annual performance review are as follows:-

- ✓ If it has not already been done so at step 1, the Council should establish a performance review panel. This panel has a responsibility of undertaking the performance review of the CEO. It should be a small group of no more than 2 or 3 Councillors including the Mayor. Because the Mayor has statutory responsibilities for the process, the Mayor would normally chair the panel. Most Councils include the Deputy Mayor on the panel and some Councils also include a third Councillor but that is up to each Council. Some Councils also include an independent third party to ensure that the review is fair and transparent.
- ✓ The Mayor should give written advice to the CEO at least two weeks in advance.
- ✓ The performance review panel should seek the views of other stakeholders. This includes all of the other Councillors and may include others (e.g. consider the option of undertaking a 360° review set out in the Best Practice section below). This process can be coordinated by either the Mayor or an independent facilitator.
- ✓ The performance review meeting with the CEO is undertaken. As a guide, the discussion should take approximately 2 hours. Tips on how to get the most out of the performance review meeting are on the following page.
- ✓ The performance assessment documentation is finalised and signed by the CEO and Mayor.
- ✓ The performance agreement for the following year is discussed and agreed (see step five).
- ✓ If agreed, discussion can also take place regarding salary issues (see further information on this under the heading of “Talking Points” below).

### SAMPLE

A sample performance review is contained in Appendix A (below). Councils can use or modify this sample as required. The following should be noted in relation to the sample performance review document:-

- it includes a scoring system based on a 1 to 7 scale
- it includes provision for the CEO to identify professional development opportunities
- there is a focus on behaviours and actions as well as strategies and projects
- the CEO has the opportunity to provide comments where they might not agree with the assessment
- the document is formally signed off by the Mayor and CEO.

## COMMON PITFALLS

What are the most common pitfalls to be aware of at this stage?

- As humans, we often have an inherent bias in our judgements. These include (i) only using one part of the rating scale – often better than a pass but not perfect with many assessors automatically scoring 5 out of 7 on the scoring scale (ii) assessing all performance elements based on one good or bad past experience (iii) comparing other people to ourselves rather than assessing against the agreed performance measures. Be aware of this tendency and focus on the reality, not the perception based on other issues.
- The performance appraisal is delayed because of day to day operational priorities. This sends a message that it is not important and time needs to be made even (or especially) when busy.
- The performance appraisal is too focussed on the negatives. While it is human nature to dwell too much on the 10% failure, the review should proportionally spend time on the 90% success.

### Suggested agenda

1. Welcome from Chairperson and outline of proposed review process (5 mins).
2. Informal discussion regarding past year (10 mins).
3. Review performance appraisal document including CEO's comments (1 hour).
4. Discussion on CEO's professional development (15mins).
5. Performance agreement for next 12 months (30 mins).
6. Salary issues discussions (if required).

## BEST PRACTICE LESSONS

The following lessons can be learnt from best practice organisations:-

- ✓ The most important message is that the quality of feedback is directly proportional to the range of input provided. While Councillors see some aspects of the CEO's performance, they do not witness all elements of it. 360° feedbacks are becoming increasingly popular. Experience shows that input from directors on the CEO's performance tends to be technical in nature (e.g. management and operations) and provides excellent feedback to the CEO on how they can better manage the organisation. Directors often see more of the CEO on a day-to-day basis than Councillors. 360° feedbacks work best when there is a high level of trust in the process.
- ✓ The performance review is best if it is a positive process even if there are performance problems. The focus should be on solutions and improvement, not blame and recrimination.
- ✓ The interview should follow a structured agenda to ensure that it stays focused. Ultimately, everyone has to leave the room with a shared understanding of the outcomes.

## Step 5 – Revision of Performance Agreement

### Introduction

The purpose of this step is to continue to improve performance. It logically follows the completion of the performance assessment process and effectively occurs towards the end of that step. It entails revising the performance agreement and learning from past experiences. It is a particularly important step for Councils who are embarking on the journey of performance management for the first time with their CEO. This step effectively completes the review cycle and starts a new cycle.

### HOW TO

The key elements to revise the performance agreement are as follows:-

- ✓ Both the CEO and Council should firstly consider what has worked well and what hasn't been successful at the Council in terms of the process of the performance management cycle that has just been completed.
- ✓ Any improvements to the process that can be tailored to the Council should be incorporated into your next performance management cycle.
- ✓ The goals and performance measures should be reviewed in light of the experience of the previous 12 months and the outcomes of the formal performance review.
- ✓ The new performance agreement for the next 12 months should be developed, agreed and documented using a similar process to step 1 of the performance management cycle.

### COMMON PITFALLS

What are the most common pitfalls to be aware of at this stage?

- One common pitfall at this stage is simply to rollover the existing performance agreement without considering how it can be improved.
- If there has been a major change for the organisation then there needs to be a change to the CEO's performance agreement to reflect that major change.
- A further pitfall is to simply keep adding new issues to the performance agreement. That is unrealistic and as issues are successfully completed, they should be removed from future performance agreements.

### BEST PRACTICE LESSONS

The following lessons can be learnt from best practice organisations:-

- ✓ successful organisations are never satisfied with the status quo. If previous targets have been reached easily, consideration should be given to setting stretch targets that challenge the CEO although it must be emphasised that this should be done with the agreement of the CEO and with adequate resources available to the CEO.
- ✓ The concept of a “learning organisation” is gaining momentum in both the public and private sectors. It simply means that the organisation has a culture that learns from the past and adjusts its behaviour to reflect that learning.

## CHECKLIST FOR PERFORMANCE MANAGEMENT

1. Has the Council established a performance plan for its CEO?	<input type="checkbox"/>
2. Has the CEO established a performance plan for the senior staff?	<input type="checkbox"/>
3. Do the Mayor and Councillors provide feedback to the CEO immediately both when there is good performance and poor performance?	<input type="checkbox"/>
4. Does the CEO provide feedback to senior staff immediately both when there is good performance and poor performance?	<input type="checkbox"/>
5. Are the annual performance reviews for the CEO and senior staff set for the same time each year as part of a Council timetable?	<input type="checkbox"/>
6. Are professional development opportunities discussed each year as part of the annual review process?	<input type="checkbox"/>
7. Has the Council considered using an independent facilitator to ensure that the process is fair and transparent?	<input type="checkbox"/>

## Appendix A – Sample Performance Review

### CEO Performance Appraisal – XYZ Council

Name: \_\_\_\_\_

Position: Chief Executive Officer

Review Period: \_\_\_\_\_

Time in Position: \_\_\_\_\_

### Performance Review Panel – Mayor ABC, Deputy Mayor DEF, Councillor GHI

*(In this example, the Performance Measures are what the CEO and Mayor agreed at Step 1 in the review process, i.e. the performance plan for the CEO.)*

The scoring guide is as follows

7	Exceptional	Performance exceeds position requirements to a significant degree in all areas or is a major contributory influence in some. Level of overall performance and quality of output are outstanding.
6	Distinguished	Performance exceeds requirements in all areas. Level of overall performance and quality of output are highly satisfactory.
5	Superior	Performance meets all requirements, and indeed exceeds requirements in most areas. Level of overall performance and quality of output are most satisfactory.
4	Commendable	Performance meets all position requirements, and indeed exceeds requirements in some areas. Level of overall performance and quality of output are more than adequate.
3	Acceptable	Performance meets position requirements generally, with perhaps a few, but not significant exceptions. Performance does not exceed requirements. Level of performance and quality of output are adequate.
2	Marginal	Performance meets some, but not all, significant position requirements. Must improve quality of performance and/or quality of output to meet standards.
1	Unsatisfactory	Performance has not met position requirements. Performance to be reviewed to ensure improvement to meet standards.

## Section 1 – Assessment of CEO’s Past and Current Performance

This section focuses on the personal performance of the CEO in the last 12 months. It assesses performance against the performance measures which are drawn from the performance agreement agreed to last year.

*(Note – these assessment criteria are examples only and should be tailored to meet individual council needs and reflect the performance agreement.)*

### A. Managing Council Relationships

Assessment Criteria	Score – 1 (lowest) to 7 (highest)	Panel’s Comments on Achievement Level	CEO’s Comments on Achievement Level
<p>How does the CEO manage to maintain effective relationships with the Council? Performance measures include:</p> <ul style="list-style-type: none"> <li>• Councillors satisfaction with new reporting system that is introduced by February.</li> <li>• Members and Senior Management meet monthly to discuss strategic direction and consider policy development.</li> <li>• All requests and actions from Council meetings are followed through and Councillors are advised of the outcomes.</li> </ul>	Average Score		

## B. Organisation and Operations Management

Assessment Criteria	Score – 1 (lowest) to 7 (highest)	Panel’s Comments on Achievement Level	CEO’s Comments on Achievement Level
<p>How well does the CEO manage the organisation? Performance measures include:</p> <ul style="list-style-type: none"> <li>• Targets are established for the organisation and outcomes are reported to Council on at least a quarterly basis.</li> <li>• The operations of Council have been reviewed during the review period to improve their efficiency and effectiveness.</li> <li>• Results of Council’s annual customer survey.</li> </ul>	Average Score		

## C. Financial Management

Assessment Criteria	Score – 1 (lowest) to 7 (highest)	Panel’s Comments on Achievement Level	CEO’s Comments on Achievement Level
<p>How well does the CEO manage the Council’s financial sustainability? Performance measures include:</p> <ul style="list-style-type: none"> <li>• Council reviews its financial sustainability and trends on an annual basis via a review of the Council’s 10 year financial model.</li> <li>• Councillors better informed of financial aspects of Council’s operations.</li> <li>• 10 year Asset Management Plan is adopted by Council by February</li> <li>• Councillors are made aware of the progress towards achieving capital works budget and more than 95% of the capital program (by value) is achieved.</li> </ul>	Average Score		

## D. Human Resources Management

Assessment Criteria	Score – 1 (lowest) to 7 (highest)	Panel’s Comments on Achievement Level	CEO’s Comments on Achievement Level
<p>How well does the CEO manage the human resources of the Council? Performance Measures include:</p> <ul style="list-style-type: none"> <li>• New corporate structure is adopted by Council by December.</li> <li>• 90% of staff have attended training programs during the year.</li> </ul>	Average Score		

## E. Council Strategy

Assessment Criteria	Score – 1 (lowest) to 7 (highest)	Panel’s Comments on Achievement Level	CEO’s Comments on Achievement Level
<p>How well does the CEO manage the Council’s implementation of its strategy? Performance measures include:</p> <ul style="list-style-type: none"> <li>• Quarterly reports to Council on progress of strategy implementation.</li> <li>• Key strategies 4, 6 and 7 are more than 90% complete by 30 June.</li> </ul>	Average Score		

## F. Councillor Support and Professional Development

Assessment Criteria	Score – 1 (lowest) to 7 (highest)	Panel’s Comments on Achievement Level	CEO’s Comments on Achievement Level
<p>Has the CEO contributed to the development of the skills and knowledge of the Councillors? Performance measures include:</p> <ul style="list-style-type: none"> <li>• Four councillor professional development sessions are conducted during the year.</li> <li>• Councillor workshops held on a quarterly basis to examine key Council policies and strategies.</li> </ul>	Average Score		

## G. Community Engagement

Assessment Criteria	Score – 1 (lowest) to 7 (highest)	Panel’s Comments on Achievement Level	CEO’s Comments on Achievement Level
<p>Has the CEO enhanced the development of community engagement across the region? Performance measures include:</p> <ul style="list-style-type: none"> <li>• Four quarterly community meetings are held.</li> <li>• Quarterly newsletter, weekly information column in local newspaper and weekly web based updates are provided to the community.</li> </ul>	Average Score		

## H. Change Management

Assessment Criteria	Score – 1 (lowest) to 7 (highest)	Panel’s Comments on Achievement Level	CEO’s Comments on Achievement Level
<p>How did the CEO manage major changes for the organisation? Performance measures include:</p> <ul style="list-style-type: none"> <li>• New IT system implemented on time and on budget by January.</li> <li>• New Council website operational by November.</li> </ul>	Average Score		

## I. Executive Management Team

Assessment Criteria	Score – 1 (lowest) to 7 (highest)	Panel’s Comments on Achievement Level	CEO’s Comments on Achievement Level
<p>How has the CEO facilitated the development of the Executive Management Team as an effective management group? Performance measures include:</p> <ul style="list-style-type: none"> <li>• Service standards for park mowing and road maintenance services are brought to Council for review.</li> <li>• Feedback from Senior Management Team.</li> </ul>	Average Score		

## J. Leadership

Assessment Criteria	Score – 1 (lowest) to 7 (highest)	Panel’s Comments on Achievement Level	CEO’s Comments on Achievement Level
<p>How has the CEO provided leadership to the organisation? Performance measures include:</p> <ul style="list-style-type: none"> <li>• Number of meetings held with adjoining councils and number of meetings with government representatives.</li> <li>• Annual report to Council on progress on achieving Council outcomes.</li> </ul>	Average Score		

## Section 2 – CEO’s Management Style

This section focuses on the management style of the CEO. It helps to identify to the CEO their management strengths and weaknesses which can help their professional development and assist in improving performance. It is important to note that, like Section 1, this relates to the personal performance of the CEO, not the actions of the organisation.

Panel’s Feedback	
<p>The CEO should keep doing this...</p> <p>(CEO’s strengths)</p>	
<p>The CEO should start doing this...</p> <p>(Things the CEO needs to improve)</p>	
<p>The CEO should be recognised for...</p> <p>(Positive things for which the CEO should gain recognition)</p>	
<p>The CEO should reconsider doing this...</p> <p>(Areas where the CEO is not adding value)</p>	

## Section 3 – The Year Ahead

This section identifies the priorities for the year ahead. It helps identify what the CEO needs to include in their Performance Agreement for the next 12 months and will form the basis of the performance review in the next year.

### A. Strategy Focus

Panel's Feedback	
The key areas on which the CEO should focus in the next 12 months are...	

### B. Existing Assessment Criteria

The CEO's performance agreement already contains a number of criteria that set the expectations for performance. This section provides feedback from Councillors on which assessment criteria should be the highest priority in the next 12 months.

Panel's Feedback	
Of the current assessment criteria what should be the main focus for the CEO in the next 12 months?	

### C. Other Issues

	Panel's Feedback	CEO Comment
Are there any other issues on which the CEO should focus in the coming year?		

### D. Professional Development Opportunities

	CEO Professional Development Goals for Next 12 Months	Resource Implications
Based on this appraisal, what professional development opportunities exist for the CEO to maximise performance?		



## Section 4 – Overall Assessment

Based on the scoring scale of 1 (lowest) to 7 (highest) and taking into account the scores from Section 1 of this assessment, the CEO's overall performance score is \_\_\_\_\_.

	Panel's Feedback	CEO Comment
Other comments on the performance of the CEO generally?		

Signed by Mayor on behalf of  
Performance Review Panel:

\_\_\_\_\_

Date:

\_\_\_\_\_

Signed by CEO:

\_\_\_\_\_

Date:

\_\_\_\_\_

## ABOUT ACELG

ACELG is a unique consortium of universities and professional bodies that have a strong commitment to the advancement of local government. The consortium is led by the University of Technology Sydney's Centre for Local Government, and includes the University of Canberra, the Australia and New Zealand School of Government, Local Government Managers Australia and the Institute of Public Works Engineering Australia. In addition, the Centre works with program partners to provide support in specialist areas and extend the Centre's national reach. These include Charles Darwin University and Edith Cowan University.

## PROGRAM DELIVERY

ACELG's activities are grouped into six program areas:

- Research and Policy Foresight
- Innovation and Best Practice
- Governance and Strategic Leadership
- Organisation Capacity Building
- Rural-Remote and Indigenous Local Government
- Workforce Development

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