

SCS-007 CEO Remuneration and Employment Policy

TRIM Reference: D23/25575 Due for Review: 1 January 2027
Responsible Officer: Manager People and Culture

1. Purpose

The employment cycle of a CEO is a core responsibility of the elected Council. This policy outlines Surf Coast Shire Council's (Council) commitment and mechanisms to provide clarity and guidance in relation to Chief Executive Officer (CEO) employment matters including recruitment and appointment, performance monitoring, annual review and end of contract processes in accordance with section 45 of the *Local Government Act 2020* (the Act).

2. Policy Principles

This policy assists Council to:

- a) manage the recruitment and appointment of its CEO
- b) agree to employment contract inclusions and variations,
- c) monitor the CEO's performance and conduct the annual review of performance, and
- d) review the CEO's remuneration package.

3. Scope

- 3.1. This policy applies to the CEO only. It does not apply to other employees of Council.
- 3.2. This policy provides for the following matters which Council is responsible for under the Act or as a requirement of this Policy namely to:
 - a) establish a CEO Employment Matters Committee,
 - b) provide processes for the recruitment and appointment of a natural person to the position of CEO,
 - c) approve the Contract of Employment to be entered into between Council and the CEO,
 - d) seek and be guided by independent professional advice in relation to the matters dealt with in this policy,
 - e) provide processes for determining and reviewing the CEO's Remuneration Package,
 - f) provide processes for the monitoring of the CEO's performance including setting the Performance Plan and conducting an annual review,
 - g) determine, as required, any variations to the Remuneration Package and terms and conditions of employment of the CEO, and
 - h) provide processes for the appointment of an Acting CEO for a period in excess of 28 days in accordance with section 11(3) of the Act.

4. Policy

Surf Coast Shire Council is committed to attracting, retaining and engaging a capable and high performing CEO and recognising the growth and development experienced by the individual during their time in the role.

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:

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

4.1 CEO Employment Matters Committee

Council will establish a CEO Employment Matters Committee (**the Committee**) to ensure compliance with this policy developed as required by section 45(1) of the Act.

The CEO Employment Matters Committee is an Advisory Committee established to assist Council in fulfilling its responsibilities relating to CEO employment matters.

4.1.1 Authority

The CEO Employment Matters committee is responsible for providing advice and making recommendations to Council on:

- a) contractual matters relating to the CEO or the person appointed to act as the CEO including, but not limited to, the following:
 - i. the appointment of the CEO,
 - ii. remuneration and conditions of appointment of the CEO, and
 - iii. extension of the CEO contract, including reappointment
- b) conduct of performance reviews of the CEO, and making any recommendations to Council as a result of the review, and
- c) performance of any other prescribed functions or responsibilities stipulated under the Act or associated regulations.

4.1.2 Composition

The CEO Employment Matters Committee consists of one Independent Chair and all councillors. A quorum of five Councillors plus the Chair will be necessary to transact business of the committee. The Independent Chair appointed by Council will be a neutral person with appropriate experience. Except for the Independent Chair, persons other than Councillors cannot be appointed to the Committee.

4.1.3 Independent Chair

The Independent Chair is to be appointed for a minimum term of twelve months with an option to review annually or for a term as otherwise agreed by Council. The Independent Chair cannot be a Councillor or member of Council staff. The role of the independent Chair will be to:

- a) liaise with Committee members to set meeting agendas,
- b) chair Committee meetings,
- c) keep minutes of Committee meetings including key deliberations and advice for Council,
- d) encourage all Committee members to participate in Committee activities,
- e) seek consensus amongst Committee members in the development of the Committee's advice and recommendations to Council,
- f) develop formal reports to Council containing the Committee's advice and recommendations, and
- g) have a second vote in circumstances where the number of votes in favour of the question is half the number of Committee members present at the meeting at the time the vote is taken.

The independent Chair may seek support from the Manager People and Culture in fulfilling this role. See Officer Support section below.

4.1.4 Meeting Procedures

The CEO Employment Matters Committee will meet at least four times a year to

- a) undertake actions in respect of the recommendations within their authority,
- b) prepare documentation relevant to the CEO's employment and remuneration, including Council reports and contractual documents,
- c) conduct and maintain appropriate records regarding performance monitoring and annual reviews of the CEO, and

- d) review the Remuneration Package and conditions of employment of the CEO.

The Committee has the authority to convene additional meetings, as circumstances require.

Committee members are required to send agenda items to the Independent Chair at least 10 business days prior to the meeting, and to the Secretariat who will prepare the agenda in consultation with the Independent Chair.

Meeting agendas will be provided at least three business days in advance to Committee members, along with appropriate briefing materials.

Minutes will be prepared and distributed to the CEO Employment Matters committee within three working days of the meeting.

4.1.5 Urgent Business

Business must not be admitted as urgent business unless:

- a) it relates to or arises out of a matter which has arisen since distribution of the agenda, and
- b) it cannot safely or conveniently be deferred until the next Committee meeting, and
- c) the Committee resolves to admit an item considered to be urgent business.

4.1.6 Declaration of Conflicts of Interest

Conflict of interest for the purposes of this policy will have the same meaning as the Act.

A record of attendance and matters discussed should be created using a Conflict of Interest Record and added to the next available Council meeting agenda for noting.

All members of the Committee who are eligible to vote shall have one vote. The Independent Chair shall have a casting vote to resolve a deadlock.

4.1.7 Fees

Council will pay a fee to the Independent Chair in line with Victorian Government guidelines for like committees. The amount of the fee should have regard to the specific roles and responsibilities the independent Chair will undertake.

The Independent Chair fee will be paid:

- a) to the Independent Chair of the CEO Employment Matters Committee immediately following the scheduled Committee meetings,
- b) an agreed additional fee every meeting attended that exceeds the required four (4) meetings in any one year, and
- c) reimbursement for all travel expenses incurred in the course of providing independent professional advice to Council, in accordance with ATO allowances.

4.1.8 Secretariat Support

To facilitate the operation of the Committee, the Manager People and Culture will provide Secretariat support as follows:

- a) arrange an induction program for new Committee members focusing on, but not limited to, the roles and responsibilities of the Committee and its relationship with Council and the relevant area of interest,
- b) assist the Independent Chair in the preparation of meeting agendas, taking of minutes, circulation of all Committee papers, provision of advice to Council via formal reports and other activities identified by that person,
- c) provide a suitable venue for Committee meetings, and

- d) provide advice in respect of matters before the Committee.

4.1.9 Advice and Recommendations to Council

The advice and recommendations of the Committee will be provided to Council for consideration.

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4.2 Independent Professional Advice

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

- a) manage and assist in the process of selecting suitable candidates and managing interviews for the position of CEO,
- b) provide advice on remuneration,
- c) provide advice on contract conditions, and
- d) provide advice on the Performance Plan.

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

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

4.3 Recruitment process

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

- a) the key factors to be considered when preparing a list of candidates to be shortlisted for interview,
- b) the initial Remuneration Package and other employment conditions based on industry benchmarks (see paragraph 4.11.3 below),
- c) key accountabilities of the CEO,
- d) selection criteria based on the key accountabilities, and
- e) a search and selection process and timeframe.

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

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

- a) ensure that the recruitment decision is based on merit,
- b) support transparency in the recruitment process and the public advertising of the position, and
- c) ensure that regard is had to gender equity, diversity and inclusiveness.

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

- a) oversee the development of the candidate pool by the Consultant, providing feedback on the quality of candidates being identified,
- b) 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
- c) interview relevant candidates identified by the Consultant and select/refer the final candidates for short list interviews with Council.

4.4 Appointment

- 4.4.1 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.
- 4.4.2 The Committee will provide a recommendation to Council on the provisions to be contained in the proposed Contract of Employment.
- 4.4.3 The appointment of the CEO must be made by resolution of Council.
- 4.4.4 The Committee will develop and recommend to Council an onboarding program for the new CEO.

4.5 Delegation

- 4.5.1 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).
- 4.5.2 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).

4.6 Reappointment of the CEO

- 4.6.1 At least 6 months prior to the expiry of the current CEO's Contract of Employment, the Committee will provide a recommendation to Council on:
 - a) whether the CEO should be reappointed under a new Contract of Employment, and
 - b) if the recommendation is to reappoint the CEO, the proposed provisions of the further Contract of Employment.
- 4.6.2 Any reappointment of the current CEO will be made by resolution of Council.

4.7 Contract of Employment

- 4.7.1 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).
- 4.7.2 The Contract of Employment will, at a minimum, outline the following:
 - a) the employment term, which must not exceed 5 years in accordance with section 44(2) of the Act,
 - b) the responsibilities and duties of the position, including compliance with the Act and the Code of Conduct,
 - c) the conflict of interest management requirements,
 - d) the Remuneration Package and other entitlements,
 - e) any legislative and contractual obligations, including those during and continuing after appointment,
 - f) the CEO's leave entitlements,
 - g) dispute resolution procedures,
 - h) processes for managing unsatisfactory performance,
 - i) processes for early termination, including notice of termination provisions with notice of termination by Council being restricted to a maximum of six (6) months, and
 - j) any other matters required to be contained in the Contract of Employment by the Regulations.
- 4.7.3 The Contract of Employment may only be varied by a resolution of Council and accepted by the CEO, recorded in a deed of variation.

4.8 Performance Monitoring

- 4.8.1 Council is responsible for adopting an annual Performance Plan for the CEO, which will include Key Performance Indicators (KPIs).
- 4.8.2 The Performance Plan should be developed collaboratively between the CEO and the Committee and recommended to Council for endorsement
- 4.8.3 Following the CEO's appointment, the Committee's role is to:
 - a) meet with the CEO on a quarterly basis to receive an update on the Performance Plan,

- b) seek (if required) external advice on facilitation and criteria for the Performance Plan and review,
- c) 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,
- d) present the CEO's self-assessment to Council,
- e) prepare a Performance Plan in consultation with the CEO for Council's consideration,
- f) ensure all Councillors are invited to provide comments of appraisal of the CEO's performance to the Committee,
- g) attend to the collection and collation of Councillor feedback in relation to the CEO's performance as measured against the Performance Plan, and
- h) provide feedback to the CEO about their performance.

4.8.4 Following the initial 3 months of the CEO's term, a meeting with Councillors and the CEO should be coordinated so that:

- a) 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,
- b) Councillors can provide feedback to the CEO on their perspective of the CEO's performance during the initial period, and
- c) Council and the CEO can agree to projects and priorities for inclusion in the CEO's Performance Plan and KPIs.

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

4.9 Annual Review

4.9.1 In preparation for Council's review, the Committee is required to submit an annual review report to Council which includes recommendations on the following:

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

4.10 Annual CEO Review process

4.10.1 The Committee will confirm the CEO Review process, timing and requirements prior to commencing the review. The Independent Chair will facilitate the Committee's review of the CEO's performance against the Performance Plan.

4.10.2 The Committee members will each be provided with a suite of documents to conduct their assessment of the CEO. The CEO will be required to provide a report against the CEO's Performance Plan and KPIs.

4.10.3 The Committee (other than the Independent Chair) will review the documents and provide scoring and commentary feedback which will be collated. A report of the collated responses will be distributed to the Committee and to the CEO.

4.10.4 A CEO review meeting will be held with the Committee and the CEO to review the collated report and to confirm the following:

- a) the final scoring
- b) the proposed CEO remuneration
- c) the proposed performance indicators for the following year

4.10.5 An Annual Review Report will then be prepared. The Committee will submit the Annual Review Report to Council after meeting with the CEO to discuss the Committee's recommendations.

4.10.6 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.

4.11 Remuneration

4.11.1 CEO Remuneration should:

- reflect the performance of the individual against agreed objectives,
- align to the long-term interests of Council and the community,
- be externally competitive and internally equitable,
- consider the sensitivity or impact on other stakeholders and the relativity to Enterprise Agreement increases, and
- comply with relevant legislation.

4.11.2 The Committee will recommend to Council remuneration that:

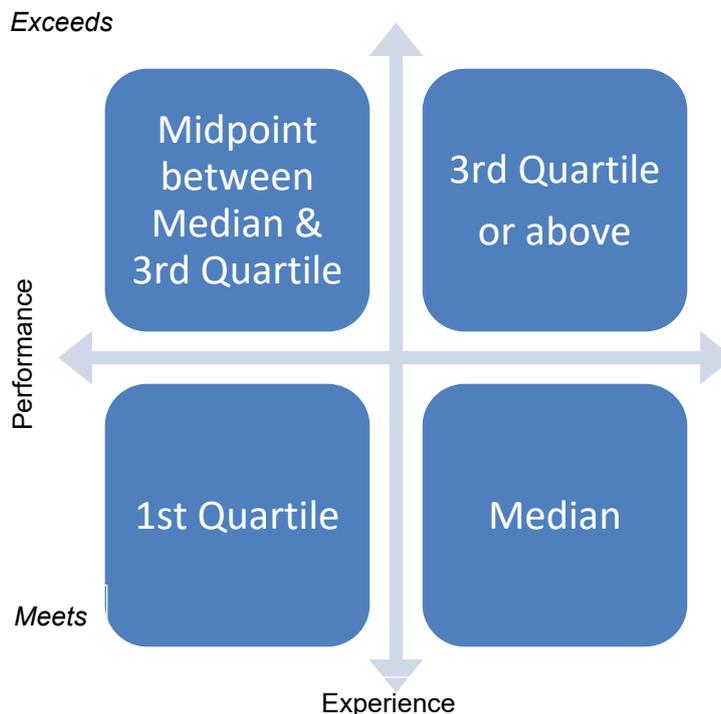
- is commensurate with the experience of the incumbent and reflects performance against objectives as determined during the annual performance appraisal,
- seeks parity to comparable sized Councils at median salary or above and be reflective of different disciplines and their associated qualification requirements,
- does not position remuneration within the lowest or highest quartiles unless exceptional circumstances warrant such a decision, and
- includes details of any additional benefits (e.g. reimbursement of relocation expenses).

4.11.3 Council will benchmark proposed remuneration against relevant and reliable industry benchmarking reports for similar sized Councils and Executive market movement e.g. VPS.

Council recognises that from time to time the remuneration amounts indicated in benchmarking reports may fluctuate depending on recruitment activities and packages re-negotiated during the period covered by the remuneration survey.

If applying these principles indicates a substantial remuneration increase is appropriate, it is a reasonable expectation that this adjustment may be phased over more than one year.

Council intends to remunerate the CEO in the range between the median and into the 3rd quartile depending on relevant experience and performance over the preceding year.



Examples:

CEO is exceeding expectations demonstrated through performance of all objectives to a high level has experience in the role over time, and has developed and grown in the role in the past year by expanding their knowledge and understanding, and taking on new responsibilities. As such, remuneration is sought within the upper 3rd quartile of relevant remuneration benchmarks.

CEO is exceeding expectations demonstrated through performance of all objectives to a high level and has limited experience in the role. Although they may be experiencing high levels of personal growth and development they are not yet ready to take on new assignments or projects, or to expand their responsibilities. As such, remuneration is sought within the lower 3rd quartile of relevant remuneration benchmarks.

CEO is meeting expectations and is the early stages of growth and development in the role. Their focus is on delivering objectives and their experience is limited. As such remuneration is sought at the average remuneration level.

- 4.11.4 Any increase to the Remuneration Package is inclusive of, and may be set off against, any wage increase awarded to the CEO under any employment contract or industrial instrument. The CEO is not a party to Council's Enterprise Agreement.

In the interests of helping our community and environment to thrive, consideration must also be given to Council's capacity to pay the proposed remuneration. The current financial year budget and position should be taken into account prior to approving any recommended remuneration increase.

- 4.11.5 In accordance with the CEO employment contract and any relevant industrial instruments, CEO remuneration is reviewed at least once per year by Council on the advice of the CEO Employment Matters Committee. This process is referred to as the remuneration review. Any changes to the CEO remuneration are effective from 1 July.

- 4.11.6 The remuneration review should be completed annually within one month following the Performance Review, having regard to:

- the CEO's performance measured against the Performance Criteria for that year,
- any pay increase to which the CEO is entitled under any applicable Industrial Instrument,
- the extent of any increase over the preceding 12 months in the Consumer Price Index (All Groups, Melbourne) as issued by the Australian Statistician, and
- determinations regarding remuneration for executives employed in public service bodies (Victoria),
- the acquisition and satisfactory utilisation of new or enhanced skills by the CEO if beneficial to or required by the Council, and
- market relativity for comparable roles in relevant industries.

4.12 Acting CEO

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

The appointment of the Acting 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.

5 Interaction with Act and other regulation

The policy applies subject to any inconsistent obligations in the Act or the Regulations.

6 Confidentiality

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

7 Review of policy

This policy will be reviewed every four years.

The Committee will recommend any suggested changes to Council following review by the Audit and Risk Committee.

8 Responsibilities

| | |
|----------------------------------|--|
| Council | <p>Endorse changes to the CEO’s employment and remuneration.</p> <p>Approves and authorises the use of this policy.</p> <p>The Mayor will communicate the outcomes of the CEO’s remuneration review and other employment matters with the CEO.</p> |
| CEO Employment Matters Committee | <p>The Committee will recommend changes to employment and remuneration practices and methodologies relating to the CEO.</p> <p>The Committee will make recommendations regarding CEO employment and remuneration matters to the Council.</p> <p>The Committee may seek external input to CEO employment and remuneration matters in accordance with this policy and the Local Government Act 2020.</p> |
| CEO | <p>The CEO has a responsibility to:</p> <ul style="list-style-type: none"> • 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 |

| | |
|-----------------------------------|--|
| | <ul style="list-style-type: none"> 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. |
| <p>Manager People and Culture</p> | <p>Responsibility for the development and management of this policy rests with the Manager People and Culture.</p> <p>The Manager People and Culture will provide relevant and up to date data to enable employment and remuneration recommendations to be made according to the principles of this policy.</p> <p>The Manager People and Culture ensures that the CEO Employment Matters Committee, Councillors and CEO are aware of the process and timelines for the Remuneration Review.</p> <p>The Manager People and Culture will prepare recommendations for consideration by Council on behalf of the CEO Employment Matters Committee.</p> <p>Following endorsement by Council the Manager People and Culture will instruct the payroll department to implement the recommendations and will provide letters of confirmation for the Mayor to provide to the CEO.</p> |
| <p>Audit and Risk Committee</p> | <p>The Audit and Risk Committee will provide advice and recommendations in relation to policy reviews in accordance with the Audit and Risk Committee Charter to ensure compliance with the Act.</p> <p>The Audit and Risk Committee is responsible for monitoring and supporting the appropriate application of this policy</p> |

9 Local Government Act 2020 Principles

| Principles | Applicable to policy | If yes, provide details |
|---|----------------------|---|
| <p>Governance Principles (Consideration of the Governance Principles under s.9 of LGA 2020)</p> | Yes | Having a compliant and robust CEO recruitment process will ensure that an appropriate candidate is appointed to the role. This high level of leadership is integral to insuring that maximum effect can be given to each of the overarching Governance Principles, including sustainability, financial viability, and ensuring the best outcomes for the municipal community. |
| <p>Community Engagement (Consideration of Community Engagement Principles under s.56 LGA 2020)</p> | No | |
| <p>Public Transparency (Consideration of Public Transparency Principles under s.58 of LGA 2020)</p> | Yes | All Council policies are published on Council's website as soon as practicable following adoption. Public transparency is promoted through the publication of this policy as it will provide the municipal community with strong insight into the process of CEO recruitment/employment and remuneration. |
| <p>Strategies and Plans (Consideration of Strategic Planning Principles under s.89 of LGA 2020)</p> | Yes | Performance plans and objectives are aligned to delivery of Council's plan. |
| <p>Financial Management (Consideration of Financial Management Principles under s.101 of LGA 2020)</p> | Yes | In accordance with clause 4.11.5 of this policy, budget capability must be considered prior to any remuneration increases. This helps mitigate financial risk and demonstrates good financial management. |
| <p>Service Performance (Consideration of Service Performance Principles under s.106 of LGA 2020)</p> | Yes | This policy ensures that appropriate processes are in place to appoint a suitably qualified and high calibre candidate to the CEO role. A CEO appointed in accordance with this policy will play an integral role in ensuring that the organisation plans and delivers services which are compliant with the service performance principles outlined in the Act. |

10 Definitions

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

11 Related Procedures

HR01 – Recruitment Policy
SCS 019 Procurement Policy and Procedure

12 References

Local Government Act 2020
CEO Employment Contract
Charter of Human Rights and Responsibilities Act 2006 (Vic)
Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019

13 Document History

| Version | Document History | Approved by – Date |
|---------|------------------|----------------------------|
| 1 | Created | Council – January 2022 |
| 1.1 | Review Adopted | Council – 28 February 2023 |
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