



**Government
of South Australia**

Department of the Premier and Cabinet Circular

**DPC Circular 29 – GUIDELINES FOR THE CHIEF EXECUTIVE PERFORMANCE
APPRAISAL PROCESS**

Revised June 2017

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Introduction

This Circular outlines the framework for chief executive performance reviews in the South Australian Public Sector, and is applicable to:

- All chief executives employed pursuant to Part 6 of the *Public Sector Act 2009* (PS Act) and
- All members of Senior Management Council (SMC) who are not employed pursuant to Part 6 of the PS Act.

Other public sector chief executives who are not employed pursuant to Part 6 of the PS Act, or a member of SMC, may use this Circular and attached template as a guideline.

The principles and processes of chief executive performance appraisal process reflect the general duties established in Part 6, Division 3 of the PS Act.

Specifically, Section 31 refers to each chief executive's responsibility for:

- the attainment of the performance objectives set by the Premier and the agency's minister(s) under the contract relating to the chief executive's employment
- making an effective contribution to the attainment of the whole-of-government objectives that are communicated by the Premier or the agency's minister(s)
- the effective management of the agency and the general conduct of its employees.

Further, Section 32 refers to the duties of the chief executive to ensure, as far as practicable, that the objects of this PS Act are advanced and the public sector principles and code of conduct are observed in the management and day-to-day operations of the unit.

The Circular provides guidance on the structure, process, and timing of the chief executive performance appraisal process, in addition to the roles and responsibilities of chief executives and others involved in the process.

Structure of the performance agreement

The chief executive performance agreement is developed between the agency's responsible minister(s) and the chief executive to outline key priorities and indicators of success under three performance areas.

The three performance areas are:

1. **Agency leadership** – In consultation and agreement with the relevant minister(s) outline priorities (maximum five) and success indicators specific to the chief executive's leadership of the agency.
2. **Whole-of-Government priorities** – Demonstrate support towards the government priorities and modern public service by providing evidence of achievement and progress against agreed performance indicators. This section also includes additional common priorities shared across agencies.
3. **Statutory requirements** – Demonstrate compliance with relevant statutory obligations including Section 32 of the PS Act and Sections 19 and 27 of the *Work Health and Safety Act 2012*.

In addition to the three performance areas, the performance agreement makes provision for the chief executive to document priorities and actions to address personal and professional development and succession management.

The agreement includes a section for the chief executive and lead portfolio minister to provide evaluation commentary at the mid and end of cycle performance reviews.

Performance areas

Agency leadership

To position the agency for success, the lead portfolio minister should set the performance expectations of the chief executive for the duration of the upcoming review period. The agreement should outline priorities and key performance indicators (KPIs) specific to the qualities of the chief executive's *leadership* of the agency.

Priorities should:

- Highlight both the outcomes desired (i.e. the "what") as well as the way in which the chief executive should achieve these outcomes (i.e. the "how").
- Be developed collaboratively in partnership between the minister(s) and chief executive, drawing on input from the Premier and relevant stakeholders.
- Articulate the most important priorities for the minister, reflecting on the chief executive's personal contribution to agency strategic goals, opportunities, concerns and risks facing the agency.
- Use language that is meaningful to the chief executive, minister, Premier and other relevant stakeholders.

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- Be reviewed at least biannually (i.e. mid and end-of-cycle review) to establish progress and inform discussion of any barriers and/or next steps to ensure achievement.

KPIs are clear statements about what it will look like when the chief executive is performing within expectations. They provide clarity to both the chief executive and the minister about how progress, achievements or behaviours against the agreed priorities will be measured or observed.

The 'SMART' acronym is commonly used to describe a well written KPI: Specific, Measurable, Achievable, Relevant, and Time-bound.

Whole-of-government priorities

The performance agreement makes provision for the chief executive to set targets and review progress against whole-of government priorities. Chief executives should report the current status and provide brief commentary on progress at the mid and end-of-cycle reviews.

Statutory requirements

The performance agreement makes provision for a number of KPIs related to the chief executive's statutory responsibilities. Section 32 of the PS Act prescribes certain statutory responsibilities in the management of the agency operations. Chief executives are to ensure that the objects of the PS Act are advanced and the public sector principles and Code of Ethics are observed. Sections 19 and 27 of the *Work Health and Safety Act 2012*, exercise due diligence to ensure that the work environment, systems of work, plant, structures and substances are safe and without risks to health and safety (as far as reasonably practicable).

Chief executive development and succession

Personal development plan

Each chief executive must have an agreed personal learning and development plan. The performance agreement provides for chief executives to:

- consider their personal development objectives
- formulate an action plan, and
- undertake development actions and review progress

When establishing the plan, chief executives should consider:

- the most significant challenges and opportunities in achieving the performance agreement priorities,
- areas where further development is needed in order to achieve the agreement, and
- specific skills, competencies or knowledge to build on or refresh.

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Chief executives have access to a range of professional development options, including the Chief Executive Development Suite provided by the Office for the Public Sector (OPS).

The OPS further offer professional support and guidance to chief executives and ministers in their personal participation in performance management and development activities.

Succession management

Chief executives should plan for the development of senior leaders within the agency and consider the broader issue of succession management.

Succession risk is the risk that a chief executive may leave or be absent, and that the role cannot be filled satisfactorily within an acceptable time frame.

An appropriate risk management plan for succession and how this would be executed should be considered and developed. The plan may include a list of individuals who are suitable to replace them, on a temporary or longer-term basis. In line with *Gender Equality in Leadership: A strategy for gender equality in leadership in the South Australian Public Sector*, this list must be at least 50% women and can include people who are external to the public sector. This list will support succession planning and can be drawn on for acting opportunities.

For further advice on developing a succession risk plan, please consult your agency Human Resource lead, or the Office for the Public Sector.

Note: the succession risk management plan is **not** required to be attached to the Performance Agreement.

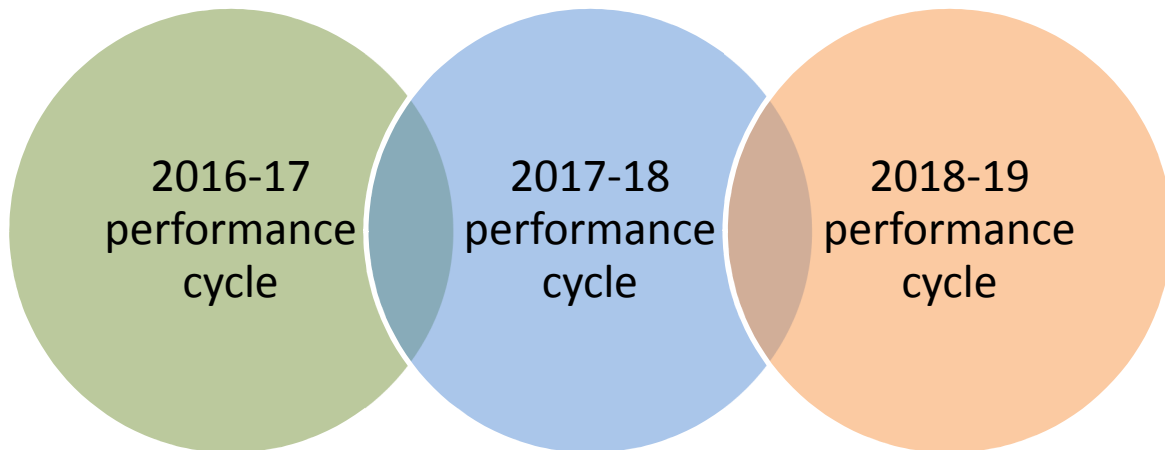
Process and timing requirements

The performance cycle

The performance agreement period (the “performance cycle”) runs according to the financial year and has effect from the date it is endorsed by the minister.

In the first quarter of each financial year, chief executives are required to close off the performance agreement for the previous cycle, and establish a new performance agreement for the new financial year.

Figure 1. Performance cycles



The *Timelines for the Chief Executive Performance Appraisal Process* chart attached to this Circular provides a summary of key steps and dates.

Establishment of new performance agreements

Early in the new financial year, chief executives will be provided with a new performance agreement template for the coming year. This will be prepared by the Chief Executive DPC, in consultation with the Commissioner for Public Sector Employment and the Premier.

The performance agreement will be developed between the chief executive and lead portfolio minister(s) and will outline:

- the performance priorities to be met by the chief executive during the period to which the agreement applies; and
- how the performance priorities will be assessed.

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For chief executives appointed part-way through a performance cycle, a new performance agreement should be established within three months. This may reflect the pre-existing performance criteria, amended as appropriate and agreed between the chief executive and minister(s).

A performance agreement can be updated or amended at any time by mutual agreement between the minister(s) and the chief executive.

The new agreement is to be submitted to the Chief Executive, DPC by **30 September 2017**. Extensions to the process may occur by exception in cases where there are machinery of government or Cabinet changes. Requests for extension should be addressed to the Chief Executive DPC.

Authorising the performance agreement

The chief executive is responsible for instigating discussions with the minister(s) to agree on priorities and success indicators. The performance agreement takes effect when the agreement has been signed by the chief executive and ratified by the lead portfolio minister.

A copy of the signed performance agreement, is to be sent to the Chief Executive DPC by **30 September 2017**. The document with the original signatures is to be retained by the agency.

Performance agreements submitted to the Chief Executive DPC without signature by the chief executive and lead portfolio minister, will be considered *draft* documents.

If the chief executive reports directly to a board, the board's chair will also be a signatory to the agreement. The chair will have the capacity to negotiate the performance agreement on behalf of the board.

Multiple ministers

If the chief executive reports to more than one minister, a primary (or "lead portfolio") minister should be identified as the key signatory to the agreement.

Agreement should be reached between the ministers and the chief executive on what constitutes the five agency specific priorities that will be included in the performance agreement.

Review of the chief executive's performance

Regular performance conversations

It is expected that chief executives and ministers will engage in regular performance conversations throughout the year to discuss the progress of the agreement. These regular conversations are about reviewing priorities, inviting, accepting and offering feedback, debriefing and re-aligning expectations.

Biannual reviews

The chief executive must initiate a biannual review (“mid-cycle” and “end-of-cycle” reviews) of the performance agreement with the minister(s) in accordance with *Direction of the Premier: Performance Management and Development*, issued under Section 10 of the PS Act.

At the end of the financial year, the chief executive’s self-assessment and the minister’s evaluation must be completed, ratified by the board (if applicable) and submitted to the Chief Executive DPC, by **30 September 2017**.

Mid and end-of-cycle review commentary

The lead portfolio minister and chief executive should evaluate the extent to which the agreed priorities and KPIs outlined in the performance agreement have been achieved, at both the mid and end-of-cycle reviews. This should be appropriately documented in, or as an attachment to, the chief executive’s performance agreement.

Evaluation commentary should:

- Reflect on the overall performance of the chief executive against what was delivered or demonstrated over the review period
- Highlight the personal contribution of the chief executive to what was achieved
- Reference examples and evidence of performance
- Draw on other relevant observations and experience of the chief executive and their portfolio minister(s).

Evaluation commentary submitted to the Chief Executive DPC without signature by the chief executive and lead portfolio minister, will be considered as *in-draft* only.

Chief Executive Performance Evaluation Panel

The Chief Executive Evaluation Panel is responsible for completing an evaluation of the performance of SMC chief executives at the end of each performance cycle, to identify and provide feedback on strengths and priorities for development, on behalf of the Premier.

Panel composition

The Panel includes:

- Chief Executive Department of the Premier and Cabinet
- Under-Treasurer Department of Treasury and Finance
- Commissioner for Public Sector Employment, and
- An external party with relevant expertise (Independent Chair).

Panel members will also be subject to performance evaluation through the process. SMC chief executives who are statutory officers and/or members of the Panel itself, will have their performance

review undertaken by an alternate Panel comprising the Premier, Deputy Premier, and the Independent Chair.

Who is assessed?

The Panel will review the performance of SMC chief executives.

Part 6 chief executives whom are not members of SMC, will not be required to meet with the Panel. The Chief Executive DPC and the Commissioner for Public Sector Employment will review the chief-executive's mid and end-of-cycle reviews, and note the outcomes of the assessments in the report to the Premier.

Process and evaluation inputs

The Panel will review a range of inputs in preparation of meeting with each SMC member, including the chief executive's performance agreement, self-assessment, minister's evaluation and comments, and other evidence demonstrating achievements.

A meeting will be scheduled with the chief executive to discuss the results. To ensure a consistent evaluation approach by the panel, chief executives must adhere to the requirements of this Circular and the Chief Executive Performance Agreement template.

SMC chief executives will receive a detailed briefing prior to their meeting with the Panel, including confirmation of assessment inputs and reports to be considered for the purpose of the evaluation.

Panel members will ask each chief executive a range of questions related to their performance and the performance of their agency. Chief executives are invited to speak to the various inputs that have been provided and the personal contribution they have made to the performance of their agency over the performance cycle.

Assessment outcomes and debriefing

The Panel will provide a report to the Premier on the overall assessment.

Individual evaluation summaries will be provided to each chief executive and their lead portfolio minister. This will include a summary of the Panel's observations of strengths, areas for improvement and development recommendations.

Chief executives will have the opportunity to receive a personal debriefing on the outcomes of their performance evaluation, and provide feedback for the purpose of continuous improvement.

Confidentiality

All documents relating to the performance review of a chief executive are to be processed in accordance with the Department of the Premier and Cabinet Circular 12 "*Information Privacy Principles Instruction.*"

Roles and responsibilities

The following table outlines roles and responsibilities for key individuals as they relate to the Chief Executive Performance Appraisal Process.

Chief executives <i>Part 6 chief executives and members of Senior Management Council</i>	<ul style="list-style-type: none"> • Participate in the chief executive performance appraisal process, in line with this Circular • Ensure that the performance agreement is submitted to the Chief Executive DPC within the required timeframes. • Ensure mid and end-of-cycle reviews, including self-assessments, are submitted within the required timeframes. • Participate in the Chief Executive Performance Evaluation Panel process, as the final step of performance review for each cycle (SMC chief executives only).
Chief Executive Department of the Premier and Cabinet	<ul style="list-style-type: none"> • The design and management of DPC Circular 29 and the performance agreement template • Monitor compliance of DPC Circular 29 • Reporting to the Premier on the outcomes of mid and end-of cycle reviews.
Chief Executive Performance Evaluation Panel	<ul style="list-style-type: none"> • Responsible for completing an evaluation of the performance of SMC chief executives at the end of each performance cycle to identify and provide feedback on strengths and priorities for development, on behalf of the Premier.
Commissioner for Public Sector Employment	<ul style="list-style-type: none"> • Support the Chief Executive DPC, in the design and management of DPC Circular 29.
Lead portfolio ministers	<ul style="list-style-type: none"> • Authorise the performance agreement for each performance cycle, in addition to mid and end-of-cycle reviews • Liaise with other relevant ministers to confirm a maximum of five agency leadership priorities (Section B) for the performance agreement • Provide and authorise mid and end-of-cycle review commentary, in consultation with other ministers to whom the chief executive reports (where relevant).
Ministers	<ul style="list-style-type: none"> • Work with the lead portfolio minister to establish the five agency leadership priorities (Section B) for chief executives whom report to them, for each performance cycle.