



**Government
of South Australia**

Department of the Premier and Cabinet Circular

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

2018-19

Revised September 2018

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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.

Performance areas and structure of the performance agreement

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

For 2018-19, chief executives are to establish a performance agreement, in consultation and agreement with their portfolio minister, which outlines priorities (maximum five) and success indicators specific to the chief executive's leadership of the agency. For SMC chief executives, priorities 4 and 5 of the performance agreement will be whole-of-government priorities collectively determined by SMC.

In addition, 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 portfolio minister to provide evaluation commentary at the mid and end of cycle performance reviews.

Agency leadership priorities

To position the agency for success, the 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").
- Demonstrate support towards the achievement of government priorities that are communicated by the Premier, Cabinet, or SMC that relate to the functions or operations of the agency. This includes election commitments established by the government of the day.
- 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.
- 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.

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.

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

The OCPSE further offers 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.

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For further advice on developing a succession risk plan, please consult your agency Human Resource lead, or OCPSE.

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

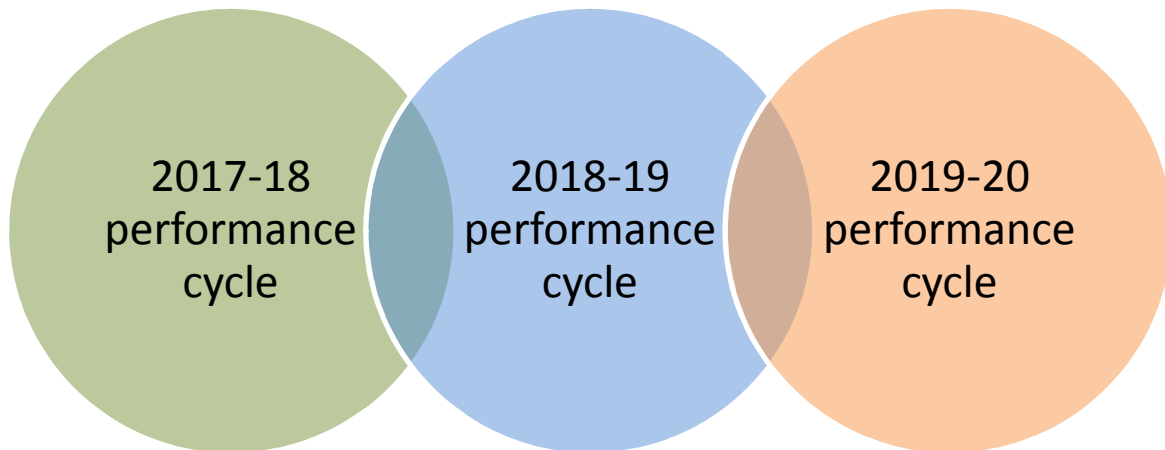
Process and timing requirements

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

Chief executives have an updated performance agreement template for 2018-19.

The 2018-19 performance agreement are to be developed by chief executives in collaboration with their portfolio minister 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.

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).

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

Performance agreements are to be submitted via confidential email to the Chief Executive DPC. 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 their portfolio minister 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 portfolio minister.

A copy of the signed 2018-19 performance agreement, is to be submitted via confidential email to the Chief Executive DPC by **30 November 2018**. 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 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.

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.

For "mid" and "end-of-cycle" reviews, 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.

End-of-cycle reviews for *2017-18 performance agreements* are to be submitted to the Chief Executive DPC by **Tuesday 30 October 2018**.

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Mid-cycle reviews of *2018-19 performance agreements* are to be submitted to the Chief Executive DPC by **Friday 8 March 2019**.

End-of-cycle reviews for *2018-19 performance agreements* are to be submitted to the Chief Executive DPC by **Monday 30 September 2019**.

Mid and end-of-cycle review commentary

The 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 portfolio minister, will be considered as *in-draft* only.

Finalisation of performance reviews

End-of-cycle reviews for *2017-18 performance agreements* are due for submission to the Chief Executive DPC by **Tuesday 30 October 2018**. Please note: chief executives who are acting or who commenced in their roles after March 2018 will not be required to complete a review against a 2017-18 performance agreement.

Following the conclusion of the 2017-18 performance cycle, the Chief Executive DPC will be responsible for providing a report to the Premier to summarise the outcomes reported in 2017-18 chief executive performance agreements.

Arrangements for chief executive performance evaluations and development for the 2019-20 performance cycle and beyond are under review. Chief executives will be consulted on future arrangements over the course of 2018-19.

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.

<p>Chief executives <i>Part 6 chief executives and members of Senior Management Council</i></p>	<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.
<p>Chief Executive Department of the Premier and Cabinet</p>	<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.
<p>Commissioner for Public Sector Employment</p>	<ul style="list-style-type: none"> • Support the Chief Executive DPC, in the design and management of DPC Circular 29.
<p>Portfolio ministers</p>	<ul style="list-style-type: none"> • Authorise the performance agreement for each performance cycle, in addition to mid and end-of-cycle reviews • Provide and authorise mid and end-of-cycle review commentary, in consultation with other ministers to whom the chief executive reports (where relevant).