



**Government
of South Australia**

Department of the Premier and Cabinet Circular

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

Revised September 2016

PC029 – GUIDELINES FOR THE CHIEF EXECUTIVE PERFORMANCE APPRAISAL PROCESS

INTRODUCTION

This circular outlines the framework for chief executive performance reviews in the South Australian Public Sector, and is applicable to the Senior Management Council chief executives.

Non-Senior Management Council chief executives may use this circular and attached template, as a guideline.

The principles and processes of chief executive performance reviews reflect the general duties established in Division 3 of the *Public Sector Act 2009* (“the PS Act”). Specifically, this refers to each chief executive’s responsibility for:

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

This circular is designed to give effect to chief executive’s responsibilities to both the Premier and agency minister(s) under Section 31 of the PS Act. Section 31 (1) (a), (b) and (c) of the PS Act, requires chief executives to be responsible for:

- management of the department and the general conduct of its employees;
- attainment of performance objectives set by the Premier; and
- making an effective contribution to the attainment of Whole-of-Government objectives.

As such, all chief executives must ensure a rigorous process of evaluation is used to identify opportunities for structural and cultural improvement across the organisation and that, to the greatest extent possible, this process is consistent from one department to the next to promote information sharing and the mobility of personnel and practices.

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** –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. This section includes two deliverables for the purpose of reporting performance against these responsibilities at the conclusion of the performance agreement.

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 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 Minister should set expectations for the Chief Executive for the duration of the upcoming review period. The agreement should outline priorities and key performance indicators (KPIs) specific to the Chief Executive's *leadership* of the agency.

Priorities should:

- 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.

- 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 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

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. This section includes two KPIs for the purpose of reporting performance against these responsibilities at the conclusion of the performance agreement. In 2016-17, the agency’s submission for the 2017 State of the Sector report will be used as a basis for assessment of delivery by the Chief Executive Evaluation Panel. Chief Executives will also be required to complete a review of the agency’s Employee Performance Management and Development system against the Guideline of the Commissioner for Public Sector Employment: Performance management and development.

CHIEF EXECUTIVE DEVELOPMENT AND SUCCESSION

Personal Development Plan

Each chief executive must have an agreed personal learning and development plan. The chief executive 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 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 develop. 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.

The Performance Agreement 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 primary 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.

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 31 October 2016. Extensions to the process may occur by exception in cases where there are machinery of government or Cabinet changes.

Authorizing 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 responsible minister. The signed performance agreement, is to be sent to the Chief Executive, DPC by 31 October 2016.

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.

Confidentiality

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

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 Directions of the Premier 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).

Chief Executive Evaluation Panel

An evaluation panel comprising, the Commissioner for Public Sector Employment, the Chief Executive DPC, the Under-Treasurer, and an external party with relevant expertise (Independent Chair) will review the chief executive's performance.

The panel will review the chief executive's self-assessment, minister's evaluation and comments, and 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.

The evaluation panel will subsequently provide a report to the Premier on the overall assessment of the chief executive's performance. A copy of the report will also be provided to the minister(s), the board (where applicable) and the chief executive.

It is proposed that SMC Chief Executives who are Statutory officers and/or members of the Evaluation Panel itself, will have their performance review undertaken by an evaluation panel comprising the Premier, Deputy Premier, and the Independent Chair.