

SALARIES AND ALLOWANCES TRIBUNAL REPORT UNDER SECTION 7A OF THE *SALARIES AND ALLOWANCES ACT 1975*, LOCAL GOVERNMENT CHIEF EXECUTIVE OFFICERS.

LEGISLATIVE HISTORY

Section 7A of the *Salaries and Allowances Act 1975* provides that the Tribunal shall, from time to time, enquire into and make a report containing recommendations as to the remuneration to be paid or provided to Chief Executive Officers (CEO) of local governments.

The *Local Government Amendment Act 2004*, section 46(3), amended the *Salaries and Allowances Act 1975* to include section 7A and require local government to take into account the recommendations contained in a section 7A report before entering into, or renewing, a contract of employment with a CEO. These amendments arose from a recommendation contained in the report into the City of Joondalup issued by the Legislative Council Standing Committee on Public Administration and Finance in December 2003.

This is the Tribunal's first report and recommendations under section 7A, *Recommendations as to remuneration of local government CEOs*. Future reports are to be made at intervals of not more than twelve months.

NATURE OF THE RECOMMENDATIONS

This report and the recommendations it contains is very different from the usual work assigned to the Tribunal by the Parliament. In general terms, the function of the Tribunal has been to determine (or set) the remuneration for positions under its jurisdiction: Members of Parliament, CEOs in the Special Division and Industrial Relations Commissioners. Even in the case of the judiciary, where the Tribunal recommends salaries to Parliament, the effect of such a recommendation is to become determinative if not rejected by either House of Parliament.

In this report, the recommendations of the Tribunal do not involve any specified increase or decrease in the reward package for any individual CEO. The recommendations are made for the purpose specified in the *Local Government Act* – that is to be taken into account by local governments before entering into, or renewing, a contract of employment with a CEO.

BACKGROUND

There are 142 local governments in Western Australia and also 10 local government regional councils. The local governments vary significantly in size from 1.5 square kilometres to 378,555 square kilometres. Their populations range from 150 to more than 180,000. The CEOs carry out responsibilities identified in the *Local Government Act 1995* and other legislation relevant to their local government.

Total Reward Packages for CEOs in local government currently include a diversity of reward strategies. The reward package adopted by individual local governments is specific to its business needs, financial constraints and organisational culture. As well, specific attraction and retention issues are addressed. Local governments also exercise discretion in remunerating individual CEOs based on the level of experience and

expertise the incumbent brings to the role; the growth in his/her capability over a period of time and specific characteristics of the local government relative to other comparable local governments.

It is not the Tribunal's mandate or intent to restrict this flexibility of design, but to provide guidance to local governments by way of recommended Total Reward Packages.

CURRENT ENQUIRY

The Tribunal commenced this first enquiry in September 2005.

The Tribunal carried out the following activities in coming to its recommendations:

- a) Collection of Information - Two separate surveys were sent to all local governments. The first survey established a profile on each local government. The information sought included population, budget and geographic area. The second was to gather details of the components of CEO Total Reward Packages. The response rate from local governments was approximately 80 percent and the Tribunal is satisfied that it has obtained sufficient data on which to make recommendations.
- b) Engagement of consultants - Mercer Human Resource Consulting, a firm with specialist expertise in local government executive remuneration throughout Australia, was engaged to work with the Tribunal in the collection and interpretation of information.
- c) Analysis of information - The information collected was analysed and each local government was classified subsequently into one of the nine bands referred to below.
- d) Analysis of Total Reward Packages - The data collected were analysed to inform the Tribunal of remuneration practices in use and to compare them with community standards and existing practices elsewhere, including the local government sector in Australia. The Tribunal also developed guidelines as to what may be included or excluded from a Total Reward Package.
- e) The Tribunal also considered a submission from the government.

Against the above general background, Mercer has provided the Tribunal with a set of benchmark data on CEO work value assessments, utilising a recognised job evaluation methodology. This has led to the development of the nine band structure against which Total Reward Packages have been applied. Local governments were allocated to the bands using data such as budget, population, staff numbers and geographic size.

As part of this process, the Tribunal, its Executive Officer and consultants have engaged with key stakeholders. This has included the surveys mentioned above, presentations to CEOs and workshops and meetings with the Local Government Managers Association and the Western Australian Local Government Association. The statutory advisor was also consulted.

CLASSIFICATION BANDS

Whilst more detail is given in the Schedule the core recommendation sets nine bands into which local governments are classified. The nine band Total Reward Package range is as follows:

BAND	TOTAL REWARD PACKAGE	NUMBER OF LOCAL GOVERNMENTS
Band 1	\$95,000 - \$128,500	30
Band 2	\$106,000 - \$144,000	44
Band 3	\$117,000 - \$158,500	21
Band 4	\$126,000 - \$171,000	2
Band 5	\$138,000 - \$186,500	11
Band 6	\$153,000 - \$207,000	13
Band 7	\$170,000 - \$230,000	8
Band 8	\$185,500 - \$250,500	11
Band 9	\$201,500 - \$273,000	2

As indicated in the above table the Tribunal has classified the local governments into nine bands. The Tribunal gave consideration to having more and less bands. Nine bands were chosen because when work value points were plotted on a graph, the nine bands resulted in more local governments falling in the middle of the ranges, rather than on the cusps or edges of adjoining bands. For similar reasons eleven levels have been adopted for local government regional councils.

As with the overall recommendations, this classification should not be regarded as determinative. Some interested stakeholders may consider a local government in which they have a specific interest to have been incorrectly classified. The Tribunal will welcome further information to assist in the ongoing refinement/development of the classification process. However, attention is drawn to the fact that the Total Reward Package ranges overlap and are by way of recommendation only.

COMPONENTS OF TOTAL REWARD PACKAGE

Parts 5 and 6 of the Schedule provide a list of items normally included in a Total Reward Package and those which may be excluded from a package.

The Tribunal has not attempted to define the term “remuneration”. Rigid definitions lead to unintended consequences and the ingenuity of providers and recipients of remuneration can never be underestimated. The Tribunal intends the term to have its commonly understood meaning along the lines of “reward; pay for services rendered; serve as or provide recompense for (toil etc.) or to (a person)” (Oxford Dictionary).

The Tribunal also intends that the benefits included in Total Reward Packages have attributed to them dollar amounts that are realistic and are reasonable.

OTHER CONSIDERATIONS

The Tribunal has made its recommendations after its assessment of all the data and information available to it. Being a first recommendation, some of the statistical data, such as economic indices, do not carry their usual significance of being used to guide the adjustment of existing salaries. However, they have been considered. National trends in local government remuneration, comparisons with public and private sector remuneration and the overall information supplied by the local governments have all been considered.

One final note. Those who consider this report are asked to bear in mind its nature. It is a recommendation and the first of its kind for the use prescribed in the *Local Government Act*. It is not a determination.

RECOMMENDATIONS

The Tribunal recommends that with effect from 1 July 2006 the Total Reward Package paid or provided to local government and local government regional council CEOs be as set out in the attached Schedule.

Signed at Perth this 27th day of June 2006.

Professor M C Wood

J A S Mews

M L Nadebaum

CHAIRMAN

MEMBER

MEMBER

SALARIES AND ALLOWANCES TRIBUNAL

SCHEDULE

PART 1 - LOCAL GOVERNMENT TOTAL REWARD PACKAGE

BAND	TOTAL REWARD PACKAGE	NUMBER OF LOCAL GOVERNMENTS
Band 1	\$95,000 - \$128,500	30
Band 2	\$106,000 - \$144,000	44
Band 3	\$117,000 - \$158,500	21
Band 4	\$126,000 - \$171,000	2
Band 5	\$138,000 - \$186,500	11
Band 6	\$153,000 - \$207,000	13
Band 7	\$170,000 - \$230,000	8
Band 8	\$185,500 - \$250,500	11
Band 9	\$201,500 - \$273,000	2

PART 2 - LOCAL GOVERNMENT CLASSIFICATIONS

LOCAL GOVERNMENT *	BAND	TOTAL REWARD PACKAGE
Albany	7	\$170,000 - \$230,000
Armadale	7	\$170,000 - \$230,000
Ashburton	5	\$138,000 - \$186,500
Augusta-Margaret River	5	\$138,000 - \$186,500
Bassendean	5	\$138,000 - \$186,500
Bayswater	8	\$185,500 - \$250,500
Belmont	7	\$170,000 - \$230,000
Beverley	2	\$106,000 - \$144,000
Boddington	1	\$95,000 - \$128,500
Boyup Brook	2	\$106,000 - \$144,000
Bridgetown-Greenbushes	3	\$117,000 - \$158,500
Brookton	2	\$106,000 - \$144,000
Broome	6	\$153,000 - \$207,000
Broomehill	1	\$95,000 - \$128,500
Bruce Rock	2	\$106,000 - \$144,000
Bunbury	7	\$170,000 - \$230,000
Busselton	6	\$153,000 - \$207,000
Cambridge	7	\$170,000 - \$230,000
Canning	8	\$185,500 - \$250,500

LOCAL GOVERNMENT *	BAND	TOTAL REWARD PACKAGE
Capel	3	\$117,000 - \$158,500
Carnamah	2	\$106,000 - \$144,000
Carnarvon	5	\$138,000 - \$186,500
Chapman Valley	2	\$106,000 - \$144,000
Chittering	2	\$106,000 - \$144,000
Claremont	3	\$117,000 - \$158,500
Cockburn	8	\$185,500 - \$250,500
Collie	3	\$117,000 - \$158,500
Coolgardie	3	\$117,000 - \$158,500
Coorow	2	\$106,000 - \$144,000
Corrigin	2	\$106,000 - \$144,000
Cottesloe	3	\$117,000 - \$158,500
Cranbrook	2	\$106,000 - \$144,000
Cuballing	1	\$95,000 - \$128,500
Cue	1	\$95,000 - \$128,500
Cunderdin	2	\$106,000 - \$144,000
Dalwallinu	2	\$106,000 - \$144,000
Dandaragan	3	\$117,000 - \$158,500
Dardanup	3	\$117,000 - \$158,500
Denmark	3	\$117,000 - \$158,500
Derby-West Kimberley	6	\$153,000 - \$207,000
Donnybrook-Balingup	3	\$117,000 - \$158,500
Dowerin	1	\$95,000 - \$128,500
Dumbleyung	1	\$95,000 - \$128,500
Dundas	1	\$95,000 - \$128,500
East Fremantle	3	\$117,000 - \$158,500
East Pilbara	6	\$153,000 - \$207,000
Esperance	6	\$153,000 - \$207,000
Exmouth	2	\$106,000 - \$144,000
Fremantle	8	\$185,500 - \$250,500
Geraldton	6	\$153,000 - \$207,000
Gingin	3	\$117,000 - \$158,500
Gnowangerup	1	\$95,000 - \$128,500
Goomalling	2	\$106,000 - \$144,000
Gosnells	8	\$185,500 - \$250,500
Greenough	5	\$138,000 - \$186,500
Halls Creek	4	\$126,000 - \$171,000
Harvey	5	\$138,000 - \$186,500

LOCAL GOVERNMENT *	BAND	TOTAL REWARD PACKAGE
Irwin	2	\$106,000 - \$144,000
Jerramungup	2	\$106,000 - \$144,000
Joondalup	8	\$185,500 - \$250,500
Kalamunda	6	\$153,000 - \$207,000
Kalgoorlie-Boulder	7	\$170,000 - \$230,000
Katanning	2	\$106,000 - \$144,000
Kellerberrin	2	\$106,000 - \$144,000
Kent	2	\$106,000 - \$144,000
Kojonup	3	\$117,000 - \$158,500
Kondinin	2	\$106,000 - \$144,000
Koorda	2	\$106,000 - \$144,000
Kulin	2	\$106,000 - \$144,000
Kwinana	6	\$153,000 - \$207,000
Lake Grace	2	\$106,000 - \$144,000
Laverton	3	\$117,000 - \$158,500
Leonora	3	\$117,000 - \$158,500
Mandurah	8	\$185,500 - \$250,500
Manjimup	5	\$138,000 - \$186,500
Meekatharra	2	\$106,000 - \$144,000
Melville	8	\$185,500 - \$250,500
Menzies	1	\$95,000 - \$128,500
Merredin	3	\$117,000 - \$158,500
Mingenew	1	\$95,000 - \$128,500
Moora	3	\$117,000 - \$158,500
Morawa	2	\$106,000 - \$144,000
Mosman Park	3	\$117,000 - \$158,500
Mount Magnet	2	\$106,000 - \$144,000
Mount Marshall	2	\$106,000 - \$144,000
Mukinbudin	1	\$95,000 - \$128,500
Mullewa	2	\$106,000 - \$144,000
Mundaring	6	\$153,000 - \$207,000
Murchison	1	\$95,000 - \$128,500
Murray	5	\$138,000 - \$186,500
Nannup	2	\$106,000 - \$144,000
Narembeen	2	\$106,000 - \$144,000
Narrogin Shire of	1	\$95,000 - \$128,500
Narrogin Town of	2	\$106,000 - \$144,000
Nedlands	6	\$153,000 - \$207,000

LOCAL GOVERNMENT *	BAND	TOTAL REWARD PACKAGE
Ngaanyatjarraku	2	\$106,000 - \$144,000
Northam Shire of	2	\$106,000 - \$144,000
Northam Town of	3	\$117,000 - \$158,500
Northampton	2	\$106,000 - \$144,000
Nungarin	1	\$95,000 - \$128,500
Peppermint Grove	1	\$95,000 - \$128,500
Perenjori	2	\$106,000 - \$144,000
Perth	9	\$201,500 - \$273,000
Pingelly	1	\$95,000 - \$128,500
Plantagenet	4	\$126,000 - \$171,000
Port Hedland	5	\$138,000 - \$186,500
Quairading	2	\$106,000 - \$144,000
Ravensthorpe	2	\$106,000 - \$144,000
Rockingham	8	\$185,500 - \$250,500
Roebourne	6	\$153,000 - \$207,000
Sandstone	1	\$95,000 - \$128,500
Serpentine-Jarrahdale	5	\$138,000 - \$186,500
Shark Bay	2	\$106,000 - \$144,000
South Perth	7	\$170,000 - \$230,000
Stirling	9	\$201,500 - \$273,000
Subiaco	7	\$170,000 - \$230,000
Swan	8	\$185,500 - \$250,500
Tambellup	1	\$95,000 - \$128,500
Tammin	1	\$95,000 - \$128,500
Three Springs	1	\$95,000 - \$128,500
Toodyay	2	\$106,000 - \$144,000
Trayning	1	\$95,000 - \$128,500
Upper Gascoyne	1	\$95,000 - \$128,500
Victoria Park	6	\$153,000 - \$207,000
Victoria Plains	2	\$106,000 - \$144,000
Vincent	6	\$153,000 - \$207,000
Wagin	2	\$106,000 - \$144,000
Wandering	1	\$95,000 - \$128,500
Wanneroo	8	\$185,500 - \$250,500
Waroona	2	\$106,000 - \$144,000
West Arthur	1	\$95,000 - \$128,500
Westonia	1	\$95,000 - \$128,500
Wickepin	1	\$95,000 - \$128,500
Williams	1	\$95,000 - \$128,500

LOCAL GOVERNMENT *	BAND	TOTAL REWARD PACKAGE
Wiluna	2	\$106,000 - \$144,000
Wongan-Ballidu	2	\$106,000 - \$144,000
Woodanilling	1	\$95,000 - \$128,500
Wyalkatchem	1	\$95,000 - \$128,500
Wyndham-East Kimberley	5	\$138,000 - \$186,500
Yalgoo	1	\$95,000 - \$128,500
Yilgarn	3	\$117,000 - \$158,500
York	3	\$117,000 - \$158,500

* Christmas Island and Cocos Keeling Islands are not included as they are Commonwealth Territories.

PART 3 –LOCAL GOVERNMENT REGIONAL COUNCILS TOTAL REWARD PACKAGE

LEVEL	TOTAL REWARD PACKAGE	NUMBER OF LOCAL GOVERNMENT REGIONAL COUNCILS
Level 1	\$62,800 - \$84,900	2
Level 2	\$79,900 - \$108,100	2
Level 3	\$95,000 - \$128,500	0
Level 4	\$106,000 - \$144,000	1
Level 5	\$117,000 – \$158,500	0
Level 6	\$126,000 - \$171,000	0
Level 7	\$138,000 - \$186,500	2
Level 8	\$153,000 - \$207,000	1
Level 9	\$170,000 - \$230,000	0
Level 10	\$185,500 - \$250,500	0
Level 11	\$201,500 - \$273,000	0

PART 4 –LOCAL GOVERNMENT REGIONAL COUNCIL CLASSIFICATIONS

LOCAL GOVERNMENT REGIONAL COUNCIL **	LEVEL	TOTAL REWARD PACKAGE
Bunbury-Harvey	1	\$62,800 - \$84,900
Eastern Metropolitan	8	\$153,000 - \$207,000
Geraldton-Greenhough	2	\$79,900 - \$108,100
Mindarie	7	\$138,000 - \$186,500
Murchison	1	\$62,800 - \$84,900
South East Metropolitan	2	\$79,900 - \$108,100

Southern Metropolitan	7	\$138,000 - \$186,500
Tamala Park	4	\$106,000 - \$144,000

**The Pilbara Regional Council and the Western Metropolitan Regional Council are not included as their CEOs are not in receipt of remuneration
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PART 5 – TOTAL REWARD PACKAGE INCLUSIONS

Each of the following is considered an appropriate component of a CEO's Total Reward Package.

- Base salary
- Annual leave loading
- Associated FBT accrued
- Association membership fees
- Attraction/retention allowance
- Benefit value of provision of motor vehicle for private use
- Cash bonus and performance incentives
- Cash in lieu of vehicle
- Fitness club fees
- Grooming/clothing allowance
- Health insurance subsidy
- Private phone
- Recognition programme benefits
- School fees and child's uniforms (ongoing)
- Superannuation
- Travel or any other benefit taken in lieu of salary
- Unrestricted entertainment allowance

PART 6 – TOTAL REWARD PACKAGE EXCLUSIONS

Each of the following components is considered an appropriate exclusion from the CEO's Total Reward Package.

- Airfare to home base
- Appointment/relocation expenses
- Computer provision
- Entertainment allowance (business restricted)
- Expense of office (business restricted)
- Isolation/location allowance
- Mobile phone
- Professional development and library allowance
- Rental subsidy *
- Travel on business
- Water/power subsidies *

* The payment of these subsidies maybe appropriate in some cases such as in remote locations in the state.

The above are considered either a tool of trade benefit (eg mobile phone, computer, library allowance) or a reimbursement for genuine work related expenses (eg expense of office) or compensation for specific disadvantages (eg isolation/location allowances, rental subsidy, water/power subsidy, travel benefits). Mercer's advice is that these benefits are typically not included in Total Reward Packages in other companies and organisations. The payment of these benefits, where such payment is judged to be fair, not excessive and transparent, maybe considered appropriate but such payments should not be used to artificially inflate the employee's Total Reward Package.

Signed at Perth this 27th day of June 2006.

Professor M C Wood

J A S Mews

M L Nadebaum

CHAIRMAN

MEMBER

MEMBER

SALARIES AND ALLOWANCES TRIBUNAL