



Remuneration Tribunal of South Australia

CONSULTATION PAPER

Minimum and Maximum Remuneration for Local Government Chief Executive Officers

January 2024

About this consultation paper

On 16 June 2023, the Remuneration Tribunal of South Australia (**Tribunal**) issued [Determination 4 of 2023 \(Current Determination\)](#) and accompanying [Report 4 of 2023](#). The Current Determination covers 67 Councils who are grouped into eight bands. Each band contains a minimum and maximum remuneration amount that may be paid to a Council's Chief Executive Officer (**CEO**). The amount payable to a CEO is at the discretion of each Council, so long as it falls within the applicable band.

The eight bands are based on the current adjusted total remuneration packages of CEOs. The Tribunal does not consider this approach to be a long-term sustainable position and is therefore considering various options to improve the evaluation method of minimum and maximum remuneration amounts for CEOs ahead of the next review, scheduled for July 2024.

The Tribunal has some reservation about the extent of participation in the process. As the Tribunal has noted, it incorporates the substantial and unexplained diversity of remuneration arrangements between Councils which have at least some inherently similar characteristics. These are characteristics of current arrangements. Councils apply significantly different approaches to calculating and reporting on current remuneration arrangements. Those current arrangements create the potential for flow-on effects to senior staff reporting to CEOs and hence may exacerbate instability within the Local Government sector. The Tribunal is acutely aware that the effect of the current determination is to limit movements in current remuneration and that current remuneration levels require further review. That further review will require the provision of substantially more information from Local Government than that which has been provided to date.

The purpose of this consultation paper is to outline the likely approach to be adopted by the Tribunal over the coming months and offer the Local Government sector an opportunity to engage with the Tribunal to provide input and suggestions for the next review. The Tribunal emphasises that this review will be progressed in 2024. Comments and suggestions are invited but a protracted period for debate over how the review should be undertaken is not proposed.

The Tribunal is seeking to move toward a remuneration structure for Council CEOs which considers the following criteria:

- CEO position descriptions and responsibilities
- The skills and experience required
- The complexity of CEO roles
- The population size, density, and characteristics of a Council district
- The geographic size and characteristics of a Council district

- Industry issues specific to a Council district
- Social or cultural issues specific to a Council district
- Isolation and distance factors
- Accommodation issues
- Consideration of tenure and contract duration
- Specifically nominated performance criteria
- Consideration of objectively established remuneration for comparable positions
- Recognition of attraction and retention approaches.

In considering these issues the Tribunal will have regard to current remuneration arrangements but does not consider these to be determinative of future remuneration minima and maxima.

The Tribunal recognises two important considerations for Local Government relative to this review. Firstly, it is desirable that both CEOs and elected members have the capacity to have input into this review. The Tribunal recognises that this represents a complication in that arrangements and opportunities for elected members comment will need to be arranged. Secondly, the *Local Government Act 1999 (SA)* provides that, following consultation with the Local Government Association, the costs of the proposed review are to be met by Councils. The Tribunal is committed to minimising these costs, provided the integrity of the review is not compromised.

This consultation paper canvasses options for consideration and comment. The Tribunal recognises there are various ways to analyse the minimum and maximum remuneration amounts to be set for Local Government CEOs and that there may be other options not covered in this consultation paper. Submissions are welcomed, however, please take into account the Tribunal's jurisdiction which is primarily contained in section 99A of the [Local Government Act 1999 \(SA\)](#).

Information required

It appears to the Tribunal that, irrespective of the approach to be taken in the future, Councils will ultimately need to provide the Tribunal with detailed position descriptions for CEOs. Further, that it is also appropriate that Councils provide a description of how current CEO remuneration arrangements have been developed and reviewed. **Consequently, the Tribunal requests that, irrespective of any submissions about the options outlined below, this information be provided to the Tribunal by no later than 15 April 2024.**

How to make a submission

Written submissions, position descriptions and/or procedures or practices in relation to the current remuneration arrangements can be sent via email to RemunerationTribunal@sa.gov.au by no later than **15 April 2024**.

Disclaimer

The views expressed in this discussion paper are of a preliminary nature only. The Tribunal's views may change as a result of the submissions it receives or as other circumstances change.

OPTION 1

PROGRESSIVELY REVIEW REMUNERATION ARRANGEMENTS AT THE REQUEST OF INDIVIDUAL COUNCILS

This option would allow individual Councils to make an application requesting an increase or decrease to the minimum and maximum remuneration levels applicable to its CEO. Over time, the Tribunal expects that this will result in a minimum and maximum remuneration structure that reflects objective consideration of the relevant criteria.

The Tribunal would require each application to address in sufficient detail the reasons why a Council submits an increase or decrease is warranted. Those details would need to extend beyond a simple comparison with one or more other Councils, to address the criteria already identified.

Given there are 67 Councils covered by the Current Determination, this option could be time consuming, costly for the Local Government sector who bear the reasonable costs of the Tribunal and could result in up to 67 bands applying.

More significantly, consideration of individual Councils is likely to expose the significant differences between remuneration arrangements as inconsistencies that require broader review.

The Tribunal expects to evaluate individual submissions by considering each of the criteria referenced above.

The outcome of such an individual review may differ substantially from current arrangements.

This option also raises potential costing issues. These go to whether the Local Government Association will determine whether individual reviews will be funded by Councils concerned or whether these costs should be shared amongst other Councils. If individual reviews highlight inconsistencies that require consideration, then the Local Government Association will need to consider how that is funded.

The Tribunal would need to receive strong support from a majority of Councils to consider this option and therefore those making submissions are encouraged to indicate their level of support and preparedness to be bound by this option. Those who do not believe this is a viable option should also indicate that in any submission.

OPTION 2

ENGAGE A PROFESSIONAL EXTERNAL REMUNERATION SPECIALIST

The Tribunal is considering engaging an external remuneration specialist to undertake a detailed evaluation of the remuneration framework. The Tribunal notes that external expertise assisted in the development of the West Australian approach to developing remuneration minimums and maximums.

This process would provide an opportunity for consideration of all of the relevant criteria as they relate to each Council. It would also enable elected members from each Council to have input into a consistently applied approach.

If the external consultant reviews each Council individually, the indicative cost of such an approach is likely to be between \$300,000 - \$350,000. The Tribunal is aware that, consistent with the other options below, there may be scope to substantially reduce this cost, and will endeavour to incorporate cost reduction capacity into any arrangement reached with the selected remuneration consultant – noting that a competitive tender process will take place. The Tribunal proposes to begin conferring with the Minister about these cost estimates shortly.

The Tribunal has looked at what this approach would involve. On the information available to it, it appears the process could take up to 22 weeks, would involve cooperation from CEOs and Mayors who would need to work with the external consultant. Such a review may involve consideration of other Local Government staff functions and benchmarking with an appropriate comparator market.

OTHER OPTIONS

There are other options that might be suggested by the Local Government sector.

Without limiting these in any way, they include the potential for Councils who use established remuneration setting methodologies, to propose a broader application of these approaches to include the CEO.

In terms of the second option (engaging and external remuneration specialist) Councils which believe they have similar relevant characteristics and CEO remuneration arrangements, may wish to propose that they be collectively reviewed.

If Councils are prepared to provide all available information covering the criteria identified in this paper, the Tribunal is open to engaging with elected members and/or CEOs to consider how remuneration has been set, how Councils can be compared and the appropriate criteria for remuneration levels. Because of the number of Councils and CEOs involved, it would seem appropriate that a smaller group or groups be established with the capacity to convey information about the criteria used to establish remuneration. An important consideration in this respect will be the extent to which such an approach has unanimous support and can be expeditiously undertaken. The Tribunal estimates that such an approach would involve substantially reduced costs.

The Tribunal acknowledges that, if the Local Government sector can provide adequate information addressing each of the criteria identified in this paper, it may be possible for the Tribunal to undertake the remuneration assessment with limited additional resources and costs. However, the Tribunal's experience to date indicates this could not be achieved in a timely manner that takes into account the positions of both CEOs and elected members.

The Tribunal is open to considering other approaches that might be proposed by Councils but stresses that a consistent approach across the sector will be required.