

# CEO Remuneration Tribunal – Consultation Paper

Strategic Alignment - Our Corporation

Public

**Tuesday, 19 March 2024**  
**City Finance and Governance  
Committee**

**Program Contact:**  
Acting Chief Operating Officer

**Approving Officer:**  
Anthony Spartalis, Acting Chief  
Operating Officer

## EXECUTIVE SUMMARY

Council has received a request from the Remuneration Tribunal of South Australia (Tribunal) for Council to make comment on a consultation paper.

The purpose of the 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.

Feedback is due by 15 April 2024.

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## RECOMMENDATION

The following recommendation will be presented to Council on 26 March 2024 for consideration

THAT THE CITY FINANCE AND GOVERNANCE COMMITTEE RECOMMENDS TO COUNCIL  
THAT COUNCIL

1. Endorses Option Two outlined in Attachment A to Item 7.2 on the Agenda for the meeting of the City Finance and Governance Committee held on 19 March 2024.
  2. Delegates to the Acting Chief Operating Officer and/or delegate the authority to finalise and submit a submission to the Remuneration Tribunal of South Australia.
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## IMPLICATIONS AND FINANCIALS

City of Adelaide 2024-2028 Strategic Plan	<b>Strategic Alignment – Our Corporation</b> Provide Council’s preferred methodology for the Tribunal to adopt when setting CoA’s CEO remuneration, and the sector more broadly when setting CEO remuneration relative to CoA.
Policy	Not as a result of this report
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	In September 2021, section 99a of the <i>Local Government Act 1999 (SA)</i> came into effect, giving the Remuneration Tribunal the power to determine the minimum and maximum remuneration that may be paid or provided to local council chief executive officers
Opportunities	The Remuneration Tribunal is seeking feedback from Council, to help shape the outcome of its Review and contribute to a good outcome for the sector.
23/24 Budget Allocation	Not as a result of this report
Proposed 24/25 Budget Allocation	Not as a result of this report
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
23/24 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

# DISCUSSION

## Background

1. In September 2021, section 99a of the *Local Government Act 1999 (SA)* came into effect, giving the Remuneration Tribunal of South Australia (the Tribunal) the power to determine the minimum and maximum remuneration that may be paid or provided to local council chief executive officers.
2. On 16 June 2023, the Tribunal issued Determination 4 of 2023 (Current Determination) and accompanying Report 4 of 2023 [[Link One](#) and [Link Two](#)].
3. 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.

## Consultation Paper

4. Council is asked in this report to endorse the Administration's proposed response to the consultation paper (**Attachment A**).
5. The consultation paper outlines two primary options for CEO Remuneration to be adopted by the Tribunal over the coming months, and offers the Local Government sector an opportunity to engage with the Tribunal to provide input and suggestions for the next review.
6. The Tribunal wants its future approach to CEO remuneration to consider the following criteria:
  - 6.1. CEO position descriptions and responsibilities
  - 6.2. The skills and experience required
  - 6.3. The complexity of CEO roles
  - 6.4. The population size, density, and characteristics of a Council district
  - 6.5. The geographic size and characteristics of a Council district
  - 6.6. Industry issues specific to a Council district
  - 6.7. Social or cultural issues specific to a Council district
  - 6.8. Isolation and distance factors
  - 6.9. Accommodation issues
  - 6.10. Consideration of tenure and contract duration
  - 6.11. Specifically nominated performance criteria
  - 6.12. Consideration of objectively established remuneration for comparable positions
  - 6.13. Recognition of attraction and retention approaches.
7. In considering these issues the Tribunal will have regard to current remuneration arrangements but "*does not consider these to be determinative of future remuneration minimum and maximum*".
8. The Tribunal requests Council's feedback be provided by no later than 15 April 2024.

## Option One – Progressively review remuneration arrangements at the request of individual councils

9. 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.
10. The Tribunal indicates it would need to receive strong support from a majority of councils to consider this option.

## Progressive individual review approach – case for

11. Over time, the Tribunal expects that this will result in a minimum and maximum remuneration structure that reflects objective consideration of the relevant criteria specific to individual councils' situation.
12. The Tribunal would require each application to address in sufficient detail the reasons why a council contends that 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 identified above.
13. The Tribunal would evaluate individual submissions against the criteria referenced above.

#### Progressive individual review approach – case against

14. It is likely the outcome of individual reviews would result in arrangements substantially different from the current position.
15. 67 Councils are covered by the Current Determination so this option could be time-consuming and costly for the Local Government sector.
16. A range of different (possibly inconsistent bands) could also result through an individual determination approach resulting in less certainty and guidance for setting CEO remuneration.
17. Funding for the individual determination approach is unclear (especially if reviews highlight inconsistencies that need further consideration) – essentially whether costs would be borne by individual councils, or shared and managed, potentially perhaps via a Local Government Association mechanism.

#### **Option 2 – Engage a professional external remuneration specialist**

18. Engaging an external remuneration specialist to undertake a detailed evaluation of the CEO remuneration framework across the sector, to work cooperatively with CEOs and Mayors.

#### Engage an external specialist – case for

19. This process would enable a consistent, objective, systematic consideration of the relevant criteria relating to each council, and enable Council Members from each council to input to the adopted approach.
20. Such a review may involve consideration of other Local Government staff functions and benchmarking with an appropriate comparator market.
21. The development of the West Australian approach to developing remuneration minimums and maximums involved external expertise in a similar model to that proposed.

#### Engage an external specialist – case against

22. The Tribunal estimates consultant costs to determine CEO remuneration levels across the sector could be around \$300,000 - \$350,000, and costs would be passed on to the sector (ie individual councils would likely pay in the order of \$5000 each). The Tribunal proposes conferring with the Minister about these cost estimates shortly.
23. The entire evaluation process could take up to 22 weeks to complete.

#### **Next Steps**

24. On balance the Administration recommends Option Two, which offers a more objective, benchmarked, defensible, cross-sectoral and collegial approach than the individual council approach of Option One. It would also be completed in a much shorter time than the progressive review.
25. The acting Chief Operating Officer and/or delegate will finalise and submit a submission to the Remuneration Tribunal of South Australia, incorporating any feedback from Council as a result of this report.
26. Additional related information sought by the Tribunal (CEO position description, and background for decisions on current remuneration arrangements) will be provided at the same time.

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## ATTACHMENTS

### **Attachment A – Remuneration Tribunal - Consultation Paper**

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