



OFFICE OF THE LORD MAYOR

Matthew O'Callaghan
President
Remuneration Tribunal of South Australia
Via email: ocpseremunerationtribunal@sa.gov.au

Dear President O'Callaghan,

Response to Remuneration Tribunal Requests

Thank you and other Tribunal members for meeting with me recently to discuss the Tribunal's review of the remuneration framework for council Chief Executive Officers.

In response to your request for further information, I provide the following comments in support of a review of remuneration for the City of Adelaide's (CoA) role of Chief Executive Officer (CEO). Supporting information is also provided in attachments to this letter.

The content of this letter is consistent with the Council's support for Option 2 from your recent consultation paper, Minimum and Maximum Remuneration for Local Government Chief Executive Officers - January 2024, whereby the Tribunal indicated that it will engage a professional external remuneration expert to evaluate the current remuneration framework, with a view to objectively determining appropriate remuneration and associated bands for Local Government CEOs based on a set of criteria. Given that the then remuneration band for the City of Adelaide (\$414,000 to \$431,600) was based on information previously provided by individual councils, we believe that the remuneration amount is inadequate and does not sufficiently recognise the greater and full complexity of the role at the CoA.

Current Approach to Salary Structuring

CoA's practice to date bases common law contracts on a Total Employment Cost (TEC) which reflects cash components only (that is, salary and super). Non-cash benefits (such as car parks, professional membership fees, development allowances, etc), whilst included in contracts, do not have a dollar value assigned within the TEC (depicted in schedules to a contract). All components are however publicly declared in our salary register and published regularly on our website. Accordingly, the contract for the incoming CEO will also be structured on the same basis.

CoA intends to review this approach at some point in the future. As part of the Tribunal's future advice, as part of the recent review, we suggest the Tribunal also provides guidance in terms of how all components of remuneration (cash and non-cash) are to be treated in terms of disclosure for salary registers, to allow an apple for apples comparison from council to council.

Benchmarking

Our most recent CEO recruitment process was designed to have national and international reach. As part of this process, Davidson (the independent human resource specialist engaged to assist the CEO Selection Panel), undertook benchmarking for CEO and second-level senior executives in councils across Australia (attached).

Our experience was that while the campaign did attract some interest from interstate candidates, it became clear that the salary on offer at CoA (based on the band referred to above) was prohibitive in attracting senior candidates from interstate. For example, many regional council CEOs and metropolitan Directors (or equivalent) receive salaries significantly higher than we could offer. Even adding in the non-cash benefits CoA provides, which total about \$9,000, the comparative band is \$423,000 to \$440,000. This is still significantly below regional interstate local government remuneration packages.

To assist us with understanding an appropriate salary for the CoA CEO, following on from discussion with you, we have engaged Mercer to review the CEO role to determine an appropriate remuneration. This is the same approach we take to other common law contracted staff. It is unclear why this has not previously occurred regarding the CEO role. The Mercer approach is intended to provide an objective remuneration review and provide relativity to other senior roles at CoA. Once we have the results, we will forward these to you for information.

By way of comparison, we analysed the salary of former CEO, Mr Peter Smith. Mr Smith was employed at CoA from 2009 to 2015. His salary at the end of his employment with the CoA was \$398,000. When simply applying CPI to his finishing salary (using the Reserve Bank of Australia's calculator), the equivalent salary in 2023 dollars is \$490,000. The current band is significantly below this, noting the escalated salary paid to Mr Smith is more in line with the regional eastern seaboard councils.

Interim Determination

Following our conversation, we would like to take up your offer for you to provide an interim determination, to indicate a more contemporary level of remuneration for the CoA CEO role. Subject to timing, this will be relevant in the context of our regular performance reviews and may necessitate providing further formal advice to the Council. The information we are providing you, and any advice we receive from you, will be presented to the Council by way of a formal report in relation to the remuneration of our new CEO.

If you require any additional information or wish to discuss this matter further, the most appropriate contact is Mr Anthony Spartalis, Acting Chief Operating Officer by email at a.spartalis@cityofadelaide.com.au.

Yours sincerely,



Dr Jane Lomax-Smith
Lord Mayor

20th July 2024

Attachment A

| Remuneration Tribunal Request | CoA Response |
|--|---|
| CEO benchmarking document from Davidson | Attached |
| Position description for current CEO | Attached |
| Current remuneration figure for the CEO, and the various components of that remuneration | <p>Clare Mockler (previous CEO):</p> <p>Base (cash): \$374,545</p> <p>Super (11%): \$41,200</p> <p>Total TEC: \$415,745</p> <p>The CEO also receives parking, reimbursement of up to two professional memberships up to \$5,000 per annum, and a professional development allowance of \$5,000 per annum (which accumulates).</p> <p>Note: these are not reflected in the Contract as part of the Total Employment Cost (TEC).</p> <p>Michael Sedgman (recently appointed CEO):</p> <p>Base (cash): \$381,166</p> <p>Super (11%): \$43,834</p> <p>Total TEC: \$425,000</p> <p>The CEO also receives parking, reimbursement of up to two relevant professional memberships per annum, and a professional development allowance of \$2,500 per annum (which accumulates).</p> |
| A list of changes/ adjustments to CEO remuneration since approximately 1 January 2022 | <p>Clare Mockler commenced as CEO on 21 September 2021.</p> <p>CEO remuneration (salary + super) since that date is as follows:</p> <p>21 September 2021: \$400,000</p> <p>1 July 2022: \$401,818 (superannuation increase automatically applied as per contract)</p> <p>1 October 2022: \$413,873 (+3% - outcome of performance review)</p> <p>1 July 2023: \$415,745 (superannuation increase automatically applied as per contract)</p> |
| External expert for the process of reviewing CEO remuneration | Andrew Reed (Hender) is the independent HR advisor/expert who assists the CEO Performance Review Panel. |
| Confirmation of any link between CEO's remuneration and senior staff, and if there is, how this is established | <p>Senior Staff roles are "Mercered", yet it appears that the CEO is not.</p> <p>The current People Manager, at CoA since December 2022, is not aware of any direct link between the CEO remuneration and that of Senior Staff, with Senior Staff remuneration being determined by the CEO, and CEO remuneration being determined by Council.</p> |