

Chief Executive Officer Remuneration Benchmarking Review

City of Adelaide

6 September 2024



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Section 1

Introduction

Mercer Consulting (Australia) has undertaken an independent evaluation and remuneration benchmarking analysis for the Chief Executive Officer (CEO) position with the City of Adelaide. The outcome and advice from the analysis is provided herein.

Approach

In providing this advice, Mercer has undertaken the following activities:

- Reviewed the role and organisation documentation provided by the Council to understand the nature, scope, influence, complexity and accountabilities of the role
- Held a discussion with the following key stakeholders to gain a better understanding of the context and complexity:
 - The Right Honourable The Lord Mayor of Adelaide, Dr Jane Lomax-Smith AM
 - Mr Anthony Spartalis, Acting Chief Operating Officer
 - Mr Mick Petrovski, Acting Senior Advisor to the Lord Mayor, Office of the CEO
- Evaluated the role using the MCED job evaluation system to review and assess the relative work value of the position
- Provided a work value based remuneration range at the Total Fixed Remuneration (TFR) from the Mercer National General Market at the 25th percentile, referencing the work value points from the evaluation
- Recommended a market based remuneration range for the position under review
- Prepared this report.

The results of our position evaluation and remuneration advice are provided in this report. Further information on any aspect of this report can be obtained from Saras Bansal on 0498 608 204 or saras.bansal@mercer.com.

Section 2

Work Value Assessment

Work Value

The position has been evaluated using the MCED Job Evaluation System. This system is designed to measure the relative size of positions. It measures the major components of job worth and enables the referencing of current pay data for similar sized roles.

In conducting the evaluation, the position was measured in terms of the actual requirements of the role, rather than the experience or skills possessed by any particular incumbent of the position, or their performance in the role. The position was sized based on three main factors:

- (a) **Expertise** – the depth and breadth of knowledge, skills and experience required to be fully effective in the role, as well as the interpersonal/negotiation skills required
- (b) **Judgement** – the thinking challenges of the role, the job environment, risk, operational problem solving and strategic planning/leadership required of the role
- (c) **Accountability** – the impact of the role and the measured outcomes expected from the position.

An assessment is made across eight sub-factors. A summary of the factors that are considered when assessing positions using the MCED methodology is included in **Appendix A**.

Figure 1: MCED Methodology



Mercer previously evaluated the role in July 2021; however, the scope and operating scale of the role has evolved since that time; for comparison purposes both assessments are included in Table 1 with the changes highlighted in red.

Table 1: MCED Job Evaluation Profile

Position	Impact	Expertise	Judgement	Accountability	Total Work Value Points
Chief Executive Officer	Direct Expenditure \$280M	G5-e- (541)	E+5 (373)	F5-d (715)	1629
Chief Executive Officer (July 2021)	Direct Expenditure \$254M	G5-e- (541)	<i>E5</i> (356)	<i>F5-d</i> (715)	1612

Role Rationale

The CEO is responsible for delivery of the overall vision, mission, and goals of the Council, and ensuring that they align with the needs and expectations of its stakeholders. The CEO is also responsible for developing and implementing strategies to achieve these goals, and for overseeing the day-to-day operations of the Council. The role works closely with the Council and the Lord Mayor to develop policies that address community needs and align with legislative requirements and ensures that these policies are effectively implemented and monitored.

Additionally, the CEO engages with various stakeholders, including community members, government agencies, businesses, and other organisations to build and maintain positive relationships, seek input and feedback, and collaborate with stakeholders to address community needs and achieve the Council's goals. Another key aspect of the role is to manage risk to the Council's operations and reputation, while ensuring compliance with relevant legislation, regulations, and policies. The CEO also provides regular reports to the Council, keeping them informed about the progress of initiatives, financial performance, and other significant matters.

The role has direct budget responsibility of circa ~\$280million and around ~900 FTE.

The CEO role entails responsibility for overseeing a substantial portfolio of intricate and high-risk projects that have a significant impact on the state. This involves managing a diverse group of influential stakeholders who hold considerable sway at the government level. Accordingly, the Job Environment sub factor has been increased from E to E+.

The other subfactors remains unchanged as they reflect the requirement of modelling leadership, cultivating a culture of excellence and success, promoting a commitment to sustainable, commercially viable, and high-quality outcomes, within the Council and throughout the community.

Section 3

Benchmark Remuneration Data

Market Positioning

Consistent with our previous advice, Mercer has sourced market remuneration information, referencing the Mercer National General Market 25th percentile, at the corresponding work value.

Table 2 provides market remuneration data midpoints for Total Fixed Remuneration (TFR) which consists of base salary plus the value of all cash (e.g. superannuation, allowances) and non-cash benefits (e.g. motor vehicles, car parking) plus the cost of Fringe Benefits Tax (FBT) as applied in a typical corporate environment with no exemptions or rebates applicable. It does not include any bonus/incentive payment.

The data rounded to the nearest \$100 and is effective July 2024, which is the most current data available. Refer to **Appendix B** for a glossary of standard remuneration definitions.

Table 2: General Market Remuneration Data, July 2024

Position	Total Work Value Points	Employment Cost 25 th Percentile
Chief Executive Officer	1629	\$543,300

Remuneration Ranges

As per previous recommendation, Mercer has developed a remuneration range for the role which reflects the 25th percentile midpoint data as the *maximum* of the range with 20% range created below this reference rate to reflect broader market remuneration at this work value level. The adjusted midpoint also aligns with the City of Adelaide's approach to positioning the roles covered under Common Law Contracts at the 90th percentile of the range, indicated by a compa-ratio of 0.9.

The rationale is in line with the public service jurisdictions practices across Australia, which tend to consider the 25th percentile of the MNGM as the aspirational market reference point when setting remuneration for leadership roles. This is based on a range of factors including capacity to pay, community expectations in relation to public sector pay, and positioning relative to other public sector jurisdictions.

Many organisations manage remuneration for their employees within a market-based range. This provides the flexibility to respond to individual factors related to the position incumbent and/or to particular market pressures that may prevail.

A remuneration range provides the opportunity to:

- Recognise differences in individual competence and general performance in the job.
- Take account of specific market pressures either in terms of attraction, or retention
- Recognise the value of particular scarce individual skills that are not reflected in the work value assessment.

Table 3: Market Remuneration Ranges, July 2024

Position	Range Spread	Minimum	Midpoint (25 th Percentile)	Maximum
Chief Executive Officer	20%	\$444,500	\$493,900	\$543,300

Mercer acknowledges that in accordance with section 99A of the Local Government Act 1999 (SA) (LG Act) the Remuneration Tribunal of South Australia determines the minimum and maximum remuneration for Chief Executive Officers of Local Government Councils in South Australia. In accordance with determination No.1 of 2024 (current at the date of this report) the City of Adelaide falls within Band 1, with a total remuneration package ranging from \$414,000 to \$440,232.

Observation: The current *maximum* of the Remuneration Tribunal remuneration range for the City of Adelaide Chief Executive Officer is below the *minimum* of the Mercer recommended range as at July 2024.

Section 4

Remuneration Considerations

In determining positioning within the remuneration range for an individual, consideration should be given to a number of factors, which are outlined below. Please refer to **Appendix C** for more information on determining and managing remuneration within a range.

In making individual remuneration decisions, City of Adelaide should consider the following:

- An incumbent's competence and depth of experience.
- An incumbent's level of performance and contribution to the organisation.
- Overall organisation performance and the criticality of the position and incumbent to the organisation.
- The extent to which non-remuneration factors exist e.g. career progression, non-monetary benefits, etc. and
- The organisation's capacity to pay.

Appendix A

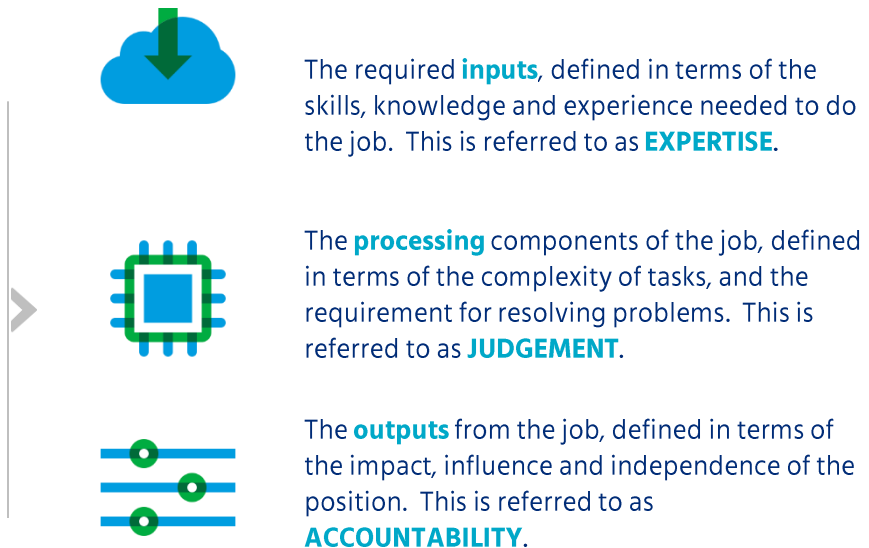
MCED Evaluation System

Job Evaluation is a method for assessing the work value (or size) of jobs. It provides a systematic and defensible approach for the development of classification frameworks and the assessment of individual roles. Therefore, it provides a sound basis for salary management.

The Mercer CED Job Evaluation System is designed to measure the relative size of positions. It measures the major components of job worth to achieve this. This well-established method examines the complexity of job demands of individual positions in a way that allows a systematic and analytical comparison of positions.

Information used in the job evaluation process may come from interviews and from position descriptions. In conducting evaluations, a position is measured in terms of the actual requirements of the job, rather than the experience or skills possessed by the particular incumbent of the position.

The Mercer CED Job Evaluation System expresses the worth of a position in work value points. These points are determined by assessing eight subfactors which are based on a systems approach to understanding jobs. The eight Mercer CED subfactors form three primary factors.



In the evaluation process for each job, assessments are made for each of the eight subfactors:

- Each subfactor typically has from three to eight levels. Definitions for each level determine how the position is rated on each subfactor. Each position's requirements are compared with detailed, standard definitions to find the level of each subfactor which most accurately describes the characteristics of the job.
- A standardised points chart is then referenced to assign numerical points to each factor.

The total of the points assigned for all factors is the work value score for the position which indicates the relative size of the job in terms of intrinsic work value.



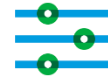
EXPERTISE

The expertise factor measures the requirements of the position for education, training and work experience, the diversity of individual tasks as well as interpersonal skills.



JUDGEMENT

The judgement factor evaluates reasoning components of a job, focusing on the task definition and complexity, the constraining within which employees need to resolve problems and other thinking challenges of the position.



ACCOUNTABILITY

This factor evaluates the nature of the position's authority and involvement in managing the organisation's resources. It includes the influence of the position's advice and accountability for results of decisions.



KNOWLEDGE & EXPERIENCE

This subfactor measures the education, training and work experience requirements of the position. As knowledge is the result of education and training and experience, both the nature and extent of knowledge are considered. When evaluating a position, we consider the training and experience required to do the job. This does not necessarily reflect the training and experience of the current job holder.

BREADTH

This aspect of expertise measures the diversity of functions performed by the position. It considers not only the breadth of knowledge requirements for the position, but also the impact of various environmental influences on the position. Such influences may include geographic considerations or the variety and nature of product/ services and suppliers/ clients. The breadth sub factor also considers the need to integrate diverse or related activities.

INTERPERSONAL SKILLS

This subfactor measures the position's requirement for skill in managing people and in negotiations. It is NOT meant to be a measure of the amount of interpersonal skills possessed by any incumbent, but rather is concerned with the people management, persuasive and negotiating skills required to achieve the position objectives.



JOB ENVIRONMENT

Job environment identifies the clarity, objectives, guidelines and policies as well as the nature and variety of tasks, steps, processes, methods or activities in the work performed. It measures the degree to which a position holder must vary the work and develop new techniques.

REASONING

This facet of judgement focuses on the requirements in the position for reasoning, analysis and creativity. Its emphasis is on the need for analysing and solving problems.



IMPACT

This subfactor is measured in terms of the resources for which the position is primarily held accountable or the impact made by the policy advice or service given. It may be measured in monetary terms or on a policy/advice significance scale.

INDEPENDENCE & INFLUENCE

This subfactor focuses on the position's level of accountability and independence in the commitment of resources, provision of advice or delivery of services. The requirement for acting as a spokesperson for the organisation is also considered. The extent of accountability is considered in conjunction with the position impact measure chosen.

INVOLVEMENT

The involvement subfactor is concerned with the nature of the position's accountability for the management of, or influence over, organisation resources. For example, one consideration might be whether the position has accountability for a particular resource fully delegated to it or shared with other positions.

Appendix B

Glossary of Remuneration Definitions

- **Base Salary (BS)** consists of annual salary excluding allowances or additional payments (sometimes referred to as cash salary).
- **Total Fixed Remuneration (TFR)** consists of Base Salary plus the value of all cash (e.g. superannuation, allowances) and non-cash benefits (e.g. motor vehicles, car parking) plus the cost of Fringe Benefits Tax as applied in a typical corporate environment with no exemptions or rebates applicable.

*Base Salary and Employment Cost do not include any bonus/incentive payment.

- The **25th percentile** is the position where 25% of organisations pay less and 75% of organisations pay more for a similarly sized role.
- The **General Market** represents all the data in our database (that is all industries, sectors and job families) and provides an overall representation of the market. This market is often used by organisations where skills are relatively transferable across industries/sectors, and where an industry, sector or job family does not have specific factors strongly influencing remuneration movements.

Appendix C

Application of Remuneration Ranges

To implement the remuneration ranges, Mercer recommends City of Adelaide assess the current pay position of the incumbent, considering the individual whole-of-job performance and competence. Please note that fixed pay rewards whole-of-job performance, whereas bonus/incentive payments typically reward the achievement of a small number of stretch targets. Mercer also notes that it is becoming increasingly important to consider market factors in setting remuneration for key position.

When managing pay within a range, the competitive market rate or midpoint typically represents competent and complete performance of all aspects of the position.

Positioning in the bottom half of a range would typically be reserved for:

- New appointees
- Poor or marginal performers who are not competently fulfilling all aspects of the role; or
- Those positions where the business would be able to compete satisfactory in the market for the salary on offer.

Remuneration in the upper half of the range would typically be assigned to reward for:

- Consistently good performers of high competence
- Very experienced and valued staff where the organisation is somewhat dependent on their retention
- Staff with specialised skills that are both scarce and critical to business success; or
- Job holders in isolated/specialist jobs where short term market forces have pushed remuneration up relative to other positions.

	Qualifications & Competency	Performance Considerations	Remuneration Market Considerations	Culture Considerations	Business Criticality	Impact of Loss
MAXIMUM	Highly competent. Leadership skills possessed. Advanced knowledge in the field.	Consistently outstanding performance. Incumbent working beyond position requirements.	Highly specialised skills, scarce and critical to the business. High paying market.	Plays leadership roles in enhancing and building commitment to the organisation's values and culture externally and internally.	Role or person is critical to achievement of business outcomes. Has major influence in business critical area. Participates in development of business critical initiatives.	Loss of this executive would significantly disadvantage the organisation in the medium to longer term.
	Competent in all respects. Additional training and qualifications completed.	Consistently superior performance. Meets unusual challenges/demands.		Assertive contribution to the organisation's values and culture externally and internally and its development.	Has influence in business critical area. Is significant point of contact on certain business critical issues.	Loss of this individual would disadvantage the organisation in the medium term.
MIDPOINT	Required competencies possessed and demonstrated. Fully qualified. Experienced.	Effective job performance meeting job requirements.	Need to make a pay offer sufficiently attractive to recruit required skills.	Consistent supporter of the organisation's values and culture internally and externally.		
COMPETITIVE MARKET POSITIONING	Key competencies developed and demonstrated. Some competencies still developing.	Adequate performance but capable of improvement. Some performance limitations.		Capacity for improvement to support the organisation's values and culture.	Has expertise regarding certain business critical issues. Increasing contribution and responsibility in business critical area.	Loss of this individual would disadvantage the organisation in the short to medium term.
	Meets qualifications requirements only. Inexperienced. Unproven.	Recent appointee. Unproven performance in the position elsewhere.	Able to compete satisfactorily in the market place.	Personal style behaviour and communication at odds with the organisation's values and culture.	Important role or person but not yet critical to business success.	Loss of this individual would disadvantage the organisation, however the loss could be covered in the short term.
MINIMUM						



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