

**SALARIES AND ALLOWANCES TRIBUNAL
REPORT UNDER SECTION 7A OF THE *SALARIES AND ALLOWANCES ACT 1975***

LOCAL GOVERNMENT CHIEF EXECUTIVE OFFICERS

In accordance with Section 7A of the *Salaries and Allowances Act 1975* (“the Act”), the Salaries and Allowances Tribunal is required to “inquire into and make a report containing recommendations as to the remuneration to be paid or provided to Chief Executive Officers (CEOs) of local governments.”

For the Tribunal to meet its obligation under Section 7A of the Act, it must ensure that not more than one year elapses between one report and the next.

BACKGROUND

The Tribunal last issued its report on the remuneration of local government CEOs on 26 June 2009.

The recommendations are made for the purpose specified in section 5.39(7) of the *Local Government Act 1995*, that is, “to be taken into account by the local government before entering into, or renewing, a contract of employment with a CEO”.

The present determination is being made at a time when the Western Australian Government is implementing a local government reform agenda that includes voluntary amalgamations and resource sharing arrangements between local governments. Advice received by the Tribunal indicates that any new amalgamations and resource sharing arrangements will become evident in the middle of 2011 and beyond. Consequently, the outcomes of the local government reform process will be taken into account in future reports of the Tribunal.

CURRENT ENQUIRY

In discharging the responsibilities given to it by the Parliament, the Tribunal has in the context of its current enquiry adopted the following approach. The Tribunal has:

- advertised for public submissions;
- written to local governments and regional councils inviting submissions about their CEO positions;
- surveyed local government CEOs in respect of current remuneration packages;
- collected population, expenditure and staff employment data on local governments;
- interviewed a number of CEOs to clarify changes in responsibilities;
- considered relevant labour market and economic data; and
- sought advice from its Statutory Adviser.

Public Submissions

An advertisement calling for public submissions to the Tribunal’s enquiry was placed in *The West Australian* newspaper on Monday, 16 April 2010 with a closing date of 14 May 2010.

Two individual submissions were received, one from a member of the public and one from an elected councillor, both of whom advocated a freeze on the salaries of local government CEOs.

Invitations to Local Governments and Regional Councils

On 6 May 2010, the Tribunal wrote by email to all Mayors, Presidents and Chairpersons of local governments and regional councils inviting submissions related to particular issues and characteristics relevant to the remuneration paid to their chief executive officers. The closing date for submissions was Friday, 26 May 2010.

In making submissions, local governments were provided with a template submission format to ensure that the Tribunal was able to capture data on a broad range of significant issues including:

- Major growth and development;
- Significant social and economic issues;
- Significant demand to service and support non-resident needs;
- High impact environmental management issues and responsibilities;
- Greater diversity of services delivered than normally provided by similar sized local governments;
- Recruitment issues; and
- Other distinguishing features.

A submission from the Local Government Managers Australia (LGMA) WA Division Inc was received. The submission was generally critical of the criteria used by the Tribunal's questionnaire sent to local government CEOs and offered their opinions on each of the criteria. LGMA was also critical of the Tribunal's 2009 decision to "freeze" the salaries of local government CEOs and recommended an appropriate increase in 2010 recognising that the increase is for a two year period.

Twelve submissions were received from local governments, namely the:

- City of Armadale;
- Town of Claremont;
- Shire of Collie;
- Shire of Harvey;
- City of Joondalup;
- City of Kalgoorlie-Boulder;
- Town of Kwinana;
- City of Melville;
- Town of Port Hedland;
- Shire of Roebourne;
- Town of Vincent; and
- Shire of Westonia.

Remuneration Survey

To assist the Tribunal, the Department of Local Government (DLG) conducted a survey of current remuneration or "total reward packages" provided to all local government CEOs. The 2010 survey included the remuneration paid to regional local government CEOs.

Local Government Population, Expenditure and Staff Levels

The Tribunal has requested and received the following data from the DLG:

- Population as at 31 March 2010 (*ABS Catalogue 3218.0*);
- Total FTEs 2008/09;
- Operating Expenditure 2008/09;
- 3 year averaged capital expenditure (2006/07 to 2008/09); and
- Annual average population growth 2000 to 2009.

Labour Market and Economic Data

Relevant labour market and economic data were sought from a variety of sources. These included the Wage Price Index, Average Weekly Earnings, the Consumer Price Index and Total Employment Growth. Economic forecasts at a State level were also considered.

Advice from Statutory Advisor

The Tribunal sought advice from its statutory advisor, Ms Jennifer Mathews, Director General, DLG, who has been appointed by the Premier in accordance with section 10(4)(c) of the Act to assist the Tribunal in its enquiries as they relate to the remuneration of local government CEOs. Ms Mathews provided advice on a range of matters including current issues affecting local governments, changes to local government areas or positions and progress on amalgamations in the context of the Government's reform process.

CONSIDERATIONS

In the context of its current enquiry, the Tribunal considered all CEO positions in local governments and regional councils, all submissions, work value assessments on the roles of regional local government CEOs, advice from the Tribunal's Statutory Adviser, data on the labour market and the economy, and remuneration structures for other classes of senior public sector offices.

Band Allocation Model

The model applied by the Tribunal in recommending remuneration bands was renewed with fresh data related to the key parameters of population, expenditure and numbers of staff employed. The Tribunal also sought data in relation to its market position to assist in refining its remuneration band model.

Submissions

Of the 13 written submissions received from local governments, 11 sought increases in their CEO's remuneration band allocation while the remaining 2 sought no change.

The Tribunal took into account the submission from the LGMA regarding the adequacy of the criteria used by the Tribunal in calling for submissions. The criteria were designed to elicit information about the social, environmental and economic factors facing local governments and their impact on the roles of the CEOs. A review of submissions made to the Tribunal using the criteria indicated that each of the local governments was able to adapt them to their own needs and describe the varying issues

applying to their particular circumstances. The Tribunal found the quality of submissions was generally of a high standard and appreciated the contributions made by local governments to the inquiry.

Local Governments

On the basis of the data collected by the Tribunal and information provided in submissions, the Tribunal identified those local governments with the potential to be allocated to a different remuneration band from their existing band allocation. Further analysis was undertaken and advice was considered in respect of these local governments.

The Tribunal determined that adjustments would be made to the recommended remuneration bands for 13 local governments characterised principally by sustained expenditure growth, increasing population and significant infrastructure development.

Regional Local Governments

There are currently 11 regional local governments constituted under the *Local Government Act*:

- Bunbury- Harvey Regional Council;
- Eastern Metropolitan Regional Council;
- Mid West Regional Council (formerly Wildflower Country Regional Council);
- Mindarie Regional Council;
- Murchison Regional Vermin Council;
- Pilbara Regional Council;
- Rivers Regional Council (formerly South East Metropolitan Regional Council);
- South Metropolitan Regional Council;
- Tamala Park Regional Council;
- Western Metropolitan Regional Council; and
- Yarra Yarra Catchment Regional Council.

The Tribunal has been informed that the CEOs of the Murchison Regional Vermin Council, Pilbara Regional Council and the Western Metropolitan Regional Council are not in receipt of remuneration. Accordingly, the Tribunal has not recommended remuneration bands for these positions.

Some regional local governments employ a part-time CEO, however the Tribunal's recommended remuneration band for these positions is based on a full-time role. It is expected that part-time CEOs would receive a proportion of the remuneration reflected in the recommended band.

Using the work value assessments undertaken by Mercer (Australia) Pty Ltd ('Mercer') in 2009 as a base line and after consideration of a range of other data relating to the scope of the CEO positions, the Tribunal determined that an adjustment would be made to the recommended remuneration band of three regional local government CEOs.

In making recommendations about the remuneration of regional local government CEOs, the Tribunal recognises that the roles of these CEOs tend to be subject to more rapid and marked change than the roles of their counterparts who are CEOs for a single municipality. For example, one regional local government has moved from the planning phase to the development phase for a major urban land development while

another is moving from a planning phase to a project management phase on a major facilities construction project. These constitute significant changes to the roles of the CEOs. The Tribunal has recognised such changes and these are reflected in the recommendations in this report. The Tribunal is also conscious that when negotiating CEO contracts, the constituent councils are best placed to determine the specific salary point appropriate for their CEO, taking into account such factors as changing responsibilities, performance, experience and recruitment issues.

Labour Market and Economic Considerations

In June 2009, when the Tribunal issued its report on the remuneration of local government CEOs, the state of the economy was the overriding consideration in determining the salaries of office holders within the Tribunal's jurisdiction. While Australia has fared much better than most western developed economies since June 2009, it is evident that Australia's economic future is not insulated from that of the rest of the world. The volatility of the global economic environment continues with the unfolding European debt crisis.

Economic events have affected and will continue to affect the labour market in Australia. In reviewing the market position for local government CEOs in Western Australia, the Tribunal found that its remuneration bands had fallen behind the market position it took in 2006. One indicator of this is that since the Tribunal's last general adjustment to CEO remuneration bands effective from 1 July 2008, the Wage Price Index for public sector employees in Western Australia for the has increased by 10.4 per cent.

While no general increase in the remuneration of local government CEOs was recommended in 2009, the Tribunal found that approximately 74 per cent of CEOs were awarded a salary package increase by their Councils. Approximately 26 per cent of those CEOs had contracts that included a Consumer Price Index (CPI) based increase. The cumulative increase in the Perth CPI has been 5.6 per cent for the two year period ending 31 March 2010.

In view of these labour market and economic considerations, the Tribunal has determined that there should be an adjustment both to the salary bands themselves and a general increase related to growth in the cost of living.

RECOMMENDATIONS

The Tribunal recommends a general adjustment of 3.5 per cent to the remuneration payable to local government CEOs. This adjustment represents a modest increase in the cost of living and is also reflective of a more promising economic outlook. However, where a CEO's employment contract provides for an automatic indexed adjustment, the 3.5 per cent increase under this adjustment shall not apply.

In addition the Tribunal has adjusted its remuneration band framework for Local Government CEOs in line with the percentile ranking commensurate with the standard adopted by the Tribunal in the past. This maintains the band structure at the 25th percentile of the executive salaries.

These variations are reflected in the following schedule.

After consideration of the relevant information and application of its band allocation model, the Tribunal recommends that the following adjustments to band allocations for local governments be made:

- Chittering Band 2 to Band 3;
- Exmouth Band 2 to Band 3;
- Irwin Band 2 to Band 3;
- Waroona Band 2 to Band 3;
- Gingin Band 3 to Band 4;
- Capel Band 4 to Band 5;
- Harvey Band 5 to Band 6;
- Kwinana Band 6 to Band 7;
- Mundaring Band 6 to Band 7;
- Roebourne Band 6 to Band 7;
- Vincent Band 6 to Band 7;
- Kalgoorlie-Boulder Band 7 to Band 8; and
- Wanneroo Band 8 to Band 9.

In addition, after consideration of the factors applicable to regional local government CEOs, the Tribunal recommends the following adjustments to band allocations be made:

- Rivers Band 1 to Band 3;
- Tamala Park Band 4 to Band 6; and
- Eastern Metropolitan Band 6 to Band 7.

In considering these recommendations, local governments are referred to section 5.39(7) of the *Local Government Act 1995*.

The Tribunal recommends that with effect from 1 July 2010 the Total Reward Package paid or provided to local government and regional local government CEOs be as set out in the attached Schedule.

Signed at Perth this 25th day of June 2010.

W S Coleman AM
CHAIRMAN

C A Broadbent
MEMBER

B J Moore
MEMBER

SALARIES AND ALLOWANCES TRIBUNAL

SCHEDULE

PART 1 - LOCAL GOVERNMENT TOTAL REWARD PACKAGE

BAND	TOTAL REWARD PACKAGE	NUMBER OF LOCAL GOVERNMENTS
Band 1	\$109,321 - \$147,871	28
Band 2	\$121,979 - \$165,708	39
Band 3	\$134,638 - \$182,393	23
Band 4	\$144,994 - \$196,777	4
Band 5	\$158,803 - \$214,615	10
Band 6	\$176,065 - \$238,205	9
Band 7	\$195,627 - \$264,672	13
Band 8	\$231,464 - \$288,262	10
Band 9	\$231,875 - \$314,154	3

PART 2 - LOCAL GOVERNMENT CLASSIFICATIONS

LOCAL GOVERNMENT *	BAND	TOTAL REWARD PACKAGE
Albany	7	\$195,627 - \$264,672
Armadale	7	\$195,627 - \$264,672
Ashburton	5	\$158,803 - \$214,615
Augusta-Margaret River	5	\$158,803 - \$214,615
Bassendean	5	\$158,803 - \$214,615
Bayswater	8	\$231,464 - \$288,262
Belmont	7	\$195,627 - \$264,672
Beverley	2	\$121,979 - \$165,708
Boddington	1	\$109,321 - \$147,871
Boyup Brook	2	\$121,979 - \$165,708
Bridgetown-Greenbushes	3	\$134,638 - \$182,393
Brookton	2	\$121,979 - \$165,708
Broome	6	\$176,065 - \$238,205
Broomehill - Tambellup	2	\$121,979 - \$165,708
Bruce Rock	2	\$121,979 - \$165,708
Bunbury	7	\$195,627 - \$264,672
Busselton	7	\$195,627 - \$264,672
Cambridge	7	\$195,627 - \$264,672
Canning	8	\$231,464 - \$288,262
Capel	5	\$158,803 - \$214,615
Carnamah	2	\$121,979 - \$165,708

Carnarvon	5	\$158,803 - \$214,615
Chapman Valley	2	\$121,979 - \$165,708
Chittering	3	\$134,638 - \$182,393
Claremont	4	\$144,994 - \$196,777
Cockburn	8	\$231,464 - \$288,262
Collie	3	\$134,638 - \$182,393
Coolgardie	3	\$134,638 - \$182,393
Coorow	2	\$121,979 - \$165,708
Corrigin	2	\$121,979 - \$165,708
Cottesloe	3	\$134,638 - \$182,393
Cranbrook	2	\$121,979 - \$165,708
Cuballing	1	\$109,321 - \$147,871
Cue	1	\$109,321 - \$147,871
Cunderdin	2	\$121,979 - \$165,708
Dalwallinu	2	\$121,979 - \$165,708
Dandaragan	3	\$134,638 - \$182,393
Dardanup	3	\$134,638 - \$182,393
Denmark	3	\$134,638 - \$182,393
Derby-West Kimberley	6	\$176,065 - \$238,205
Donnybrook-Balingup	3	\$134,638 - \$182,393
Dowerin	1	\$109,321 - \$147,871
Dumbleyung	1	\$109,321 - \$147,871
Dundas	1	\$109,321 - \$147,871
East Fremantle	3	\$134,638 - \$182,393
East Pilbara	6	\$176,065 - \$238,205
Esperance	6	\$176,065 - \$238,205
Exmouth	3	\$134,638 - \$182,393
Fremantle	8	\$231,464 - \$288,262
Geraldton - Greenough	7	\$195,627 - \$264,672
Gingin	4	\$144,994 - \$196,777
Gnowangerup	1	\$109,321 - \$147,871
Goomalling	2	\$121,979 - \$165,708
Gosnells	8	\$231,464 - \$288,262
Halls Creek	4	\$144,994 - \$196,777
Harvey	6	\$176,065 - \$238,205
Irwin	3	\$134,638 - \$182,393
Jerramungup	2	\$121,979 - \$165,708
Joondalup	8	\$231,464 - \$288,262
Kalamunda	6	\$176,065 - \$238,205

Kalgoorlie-Boulder	8	\$231,464 - \$288,262
Katanning	2	\$121,979 - \$165,708
Kellerberrin	2	\$121,979 - \$165,708
Kent	2	\$121,979 - \$165,708
Kojonup	3	\$134,638 - \$182,393
Kondinin	2	\$121,979 - \$165,708
Koorda	2	\$121,979 - \$165,708
Kulin	2	\$121,979 - \$165,708
Kwinana	7	\$195,627 - \$264,672
Lake Grace	2	\$121,979 - \$165,708
Laverton	3	\$134,638 - \$182,393
Leonora	3	\$134,638 - \$182,393
Mandurah	8	\$231,464 - \$288,262
Manjimup	5	\$158,803 - \$214,615
Meekatharra	2	\$121,979 - \$165,708
Melville	8	\$231,464 - \$288,262
Menzies	1	\$109,321 - \$147,871
Merredin	3	\$134,638 - \$182,393
Mingenew	1	\$109,321 - \$147,871
Moora	3	\$134,638 - \$182,393
Morawa	2	\$121,979 - \$165,708
Mosman Park	3	\$134,638 - \$182,393
Mount Magnet	2	\$121,979 - \$165,708
Mount Marshall	2	\$121,979 - \$165,708
Mukinbudin	1	\$109,321 - \$147,871
Mullewa	2	\$121,979 - \$165,708
Mundaring	7	\$195,627 - \$264,672
Murchison	1	\$109,321 - \$147,871
Murray	5	\$158,803 - \$214,615
Nannup	2	\$121,979 - \$165,708
Narembeen	2	\$121,979 - \$165,708
Narrogin Shire of	1	\$109,321 - \$147,871
Narrogin Town of	2	\$121,979 - \$165,708
Nedlands	6	\$176,065 - \$238,205
Ngaanyatjarraku	2	\$121,979 - \$165,708
Northam	5	\$158,803 - \$214,615
Northampton	2	\$121,979 - \$165,708
Nungarin	1	\$109,321 - \$147,871
Peppermint Grove	1	\$109,321 - \$147,871
Perenjori	2	\$121,979 - \$165,708
Perth	9	\$231,875 - \$314,154

Pingelly	1	\$109,321 - \$147,871
Plantagenet	4	\$144,994 - \$196,777
Port Hedland	6	\$176,065 - \$238,205
Quairading	2	\$121,979 - \$165,708
Ravensthorpe	3	\$134,638 - \$182,393
Rockingham	8	\$231,464 - \$288,262
Roebourne	7	\$195,627 - \$264,672
Sandstone	1	\$109,321 - \$147,871
Serpentine-Jarrahdale	5	\$158,803 - \$214,615
Shark Bay	2	\$121,979 - \$165,708
South Perth	7	\$195,627 - \$264,672
Stirling	9	\$231,875 - \$314,154
Subiaco	7	\$195,627 - \$264,672
Swan	8	\$231,464 - \$288,262
Tammin	1	\$109,321 - \$147,871
Three Springs	1	\$109,321 - \$147,871
Toodyay	3	\$134,638 - \$182,393
Trayning	1	\$109,321 - \$147,871
Upper Gascoyne	1	\$109,321 - \$147,871
Victoria Park	6	\$176,065 - \$238,205
Victoria Plains	2	\$121,979 - \$165,708
Vincent	7	\$195,627 - \$264,672
Wagin	2	\$121,979 - \$165,708
Wandering	1	\$109,321 - \$147,871
Wanneroo	9	\$231,875 - \$314,154
Waroon	3	\$134,638 - \$182,393
West Arthur	1	\$109,321 - \$147,871
Westonia	1	\$109,321 - \$147,871
Wickepin	1	\$109,321 - \$147,871
Williams	1	\$109,321 - \$147,871
Wiluna	2	\$121,979 - \$165,708
Wongan-Ballidu	2	\$121,979 - \$165,708
Woodanilling	1	\$109,321 - \$147,871
Wyalkatchem	1	\$109,321 - \$147,871
Wyndham-East Kimberley	5	\$158,803 - \$214,615
Yalgoo	1	\$109,321 - \$147,871
Yilgarn	3	\$134,638 - \$182,393
York	3	\$134,638 - \$182,393

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

PART 3 – REGIONAL LOCAL GOVERNMENT TOTAL REWARD PACKAGE

BAND	TOTAL REWARD PACKAGE	NUMBER OF REGIONAL LOCAL GOVERNMENTS
Band 1	\$109,321 - \$147,871	3
Band 2	\$121,979 - \$165,708	
Band 3	\$134,638 - \$182,393	1
Band 4	\$144,994 - \$196,777	
Band 5	\$158,803 - \$214,615	1
Band 6	\$176,065 - \$238,205	1
Band 7	\$195,627 - \$264,672	2
Band 8	\$231,464 - \$288,262	
Band 9	\$231,875 - \$314,154	

PART 4 – REGIONAL LOCAL GOVERNMENT CLASSIFICATIONS

REGIONAL LOCAL GOVERNMENT **	BAND	TOTAL REWARD PACKAGE
Bunbury-Harvey	1	\$109,321 - \$147,871
Eastern Metropolitan	7	\$195,627 - \$264,672
Mid West	1	\$109,321 - \$147,871
Mindarie	5	\$158,803 - \$214,615
Rivers	3	\$134,638 - \$182,393
Southern Metropolitan	7	\$195,627 - \$264,672
Tamala Park	6	\$176,065 - \$238,205
Yarra Yarra	1	\$109,321 - \$147,871

**The Pilbara Regional Council and the Western Metropolitan Regional Council are not included as their CEOs are not in receipt of remuneration

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 may be 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). The Tribunal has been advised 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, may be considered appropriate, but such payments should not be used to artificially inflate the employee's Total Reward Package.

Signed at Perth this 25th day of June 2010.

W S Coleman AM
CHAIRMAN

C A Broadbent
MEMBER

B J Moore
MEMBER

SALARIES AND ALLOWANCES TRIBUNAL