

14.1 CHIEF EXECUTIVE OFFICER'S REMUNERATION REVIEW

REPORT AUTHOR: General Manager, Governance & Community Affairs
GENERAL MANAGER: Not Applicable
CONTACT NUMBER: 8366 4549
FILE REFERENCE: qA64597
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of the report is to provide the Council with a recommendation from the Chief Executive Officer's Performance Review Committee (the Committee), regarding the remuneration arrangements for the Chief Executive Officer, following the completion of the Chief Executive Officer's Performance Review.

BACKGROUND

As Elected Members will recall, the *Chief Executive Officer 2024 Performance Review Report* (the Report), was presented to the Council for consideration at the Council meeting held on 8 October 2024 and, following consideration of the Report, was endorsed by the Council.

Under the terms of the Contract of Employment, it now remains for the Council to review the Total Remuneration Package.

Accordingly, at its meeting held on 8 October 2024, the Council authorised the Chief Executive Officer's Performance Review Committee to undertake a review of the Chief Executive Officer's remuneration and provide the Council with a recommendation in respect to the Chief Executive Officer's remuneration.

Mr Richard Altman of Richard Altman Consulting as the *Independent Human Resource Specialist (Independent qualified person* in accordance with Section 102A of the *Local Government Act 1999*), for the purpose of assisting, conducting and providing advice to the Committee in respect to the Performance Review, prepared the *CEO Salary Review Draft Report* (the Report) which was considered by the Chief Executive Officer's Performance Review Committee at its meeting held on 21 October 2024..

A copy of the *2024 Remuneration Review Report*, is contained within **Attachment A**.

This report sets out the recommendation of the Chief Executive Officer's Performance Review Committee regarding the Chief Executive Officer's remuneration for the Council's consideration.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

A proposed increase in salary can be accommodated within the existing budget allocations.

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Not Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Not Applicable.

RISK MANAGEMENT

Not Applicable.

CONSULTATION

• Elected Members

Elected Members have been kept informed of the Performance Review of the Chief Executive Officer through various reports and verbal updates by the General Manager, Governance & Community Affairs. All Elected Members have had the opportunity to provide input into the process through the Performance Review Survey.

• Community

Not Applicable.

• Staff

The Chief Executive Officer has been consulted throughout the process, in accordance with the Chief Executive Officer's Contract of Employment.

• Other Agencies

Not Applicable.

DISCUSSION

The salary component of the Chief Executive Officer's package is set out in Schedule 1 of the *Chief Executive Officer's Contract of Employment 1 November 2021* and currently stands at:

REMUNERATION AND BENEFITS

<i>Base Salary</i>	\$287,260.00
<i>9.3% Superannuation</i>	\$ 26,715.18
<i>Vehicle</i>	\$ 12,000.00
<i>Total Remuneration</i>	\$325,975.18

Mr Altman has taken into account the following, as set out in the *2024 Remuneration Review Report*, when considering the remuneration arrangements of the Chief Executive Officer:

- the Chief Executive Officer's Contract of Employment requires that any increase should at least equate with CPI Adelaide movements, which is 5.9% as at the September 2023 Quarter - effective from 1 November 2023;
- the Wage Price Index (WPI) movement for 2024 at March was 4.1%;
- the minimum award wage increased by 3.75% from 1 July 2024;
- the Remuneration Tribunal released its determination on 16 June 2023 and established 8 Bands, which set minimum and maximum remuneration rates for each Band. The Band maximum was updated from 1 July 2024;
- the Remuneration Tribunal has allocated the Chief Executive Officer of the City of Norwood Payneham & St Peters to Band 4, which sets out the minimum Total Remuneration at \$319,280 and the maximum Total Remuneration at \$358,550;
- the Chief Executive Officer's current adjusted Total Remuneration is \$333,975, taking into account the monetary value of an additional \$8,000 determined by the Remuneration Tribunal that is required to be applied to the value of a Council provided vehicle, is within Band 4¹;
- the Chief Executive Officer signed the new Contract of Employment on 12 October 2021, which was after 20 September 2021, the date of which the Determination released by the Remuneration Tribunal came into effect.

In addition to the above, at its meeting held on 21 October 2024, the Committee, in making its determination and recommendation to the Council in respect to the Chief Executive Officer's remuneration, took into account the outcome Chief Executive Officer's 2024 Performance Review.

The Chief Executive Officer's performance was measured against the Position & Person Description which forms part of the Chief Executive Officer's Contract of Employment.

The Survey consisted of eight (8) sections covering the Chief Executive Officer's Key Result Areas as set out in the Chief Executive Officer's Position & Person Description.

The sections included the following:

- Service;
- Management;
- Financial Management;
- Statutory Obligations;
- Strategic Planning;
- Marketing and Promotion;
- Council; and
- Human Resource Management.

In addition, as part of the process, Elected Members were asked to provide feedback on the Chief Executive Officer's Key Performance Indicators (KPIs).

The overall rating of the Chief Executive Officer's performance across all KRAs was 4.6, based on a range of between 4.0 to 5.3 across the KRAs.

Mr Altman has stated that "*this represents a strong outcome for the CEO*"².

¹ Page 7, 2024 Remuneration Review Report

² Page 5, 2024 Remuneration Review Report

Following consideration of the various factors, the Committee resolved the following:

That the Chief Executive Officer's Performance Review Committee recommends to the Council that:

1. *the Car component of the Chief Executive Officer's Total Remuneration remain at \$12,000 which reflects to actual FBT cost to the Council; and*

2. *taking into account the outcome of the Chief Executive Officer's 2024 Performance Review the Chief Executive Officer's Total Remuneration be adjusted as follows:*

REMUNERATION AND BENEFITS

Base Salary	\$316,560.00
9.3% Superannuation	\$ 29,440.00
Vehicle	\$ 12,000.00
Total Remuneration	\$358,000.00

OPTIONS

The Council must review the Total Remuneration Package, in accordance with the terms of the *Chief Executive Officer's Contract of Employment*.

However, it is at the Council's discretion in respect to whether any adjustments are made and the quantum of any adjustments.

CONCLUSION

The proposed increase to the Chief Executive Officer's Total Remuneration Package will ensure the value of the Chief Executive Officer's salary and package is in line with those currently paid to other Chief Executive Officers of Councils of a similar size and complexity and meets the parameters that have been set by the Remuneration Tribunal.

COMMENTS

Nil

RECOMMENDATION 1

That pursuant to Section 90(2) and (3) of the *Local Government Act 1999* the Council orders that the public and the Council staff present, with the exception of the General Manager, Governance & Civic Affairs be excluded from the meeting on the basis that the Council will receive, discuss and consider:

(a) information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead).

and the Council is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/consideration of the information confidential.

RECOMMENDATION 2

That, taking into account the outcome of the Chief Executive Officer's 2024 Performance Review, the Chief Executive Officer's Total Remuneration be adjusted as follows:

REMUNERATION AND BENEFITS

Base Salary	\$316,560.00
9.3% Superannuation	\$ 29,440.00
Vehicle	\$ 12,000.00
Total Remuneration	\$358,000.00

RECOMMENDATION 3

Under Section 91(7) and (9) of the *Local Government Act 1999* the Committee orders that the report and discussion be kept confidential for a period not exceeding 12 months, after which time the order will be reviewed.

Cr Robinson moved:

That pursuant to Section 90(2) and (3) of the Local Government Act 1999 the Council orders that the public and the Council staff present, with the exception of the General Manager, Governance & Civic Affairs and Administration Assistant, Governance & Civic Affairs be excluded from the meeting on the basis that the Council will receive, discuss and consider:

(a) information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead).

and the Council is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/consideration of the information confidential.

Seconded by Cr Knoblauch and carried unanimously.

Cr Callisto moved:

That, taking into account the outcome of the Chief Executive Officer's 2024 Performance Review, the Chief Executive Officer's Total Remuneration be adjusted as follows:

REMUNERATION AND BENEFITS

Base Salary	\$316,560.00
9.3% Superannuation	\$ 29,440.00
Vehicle	\$ 12,000.00
Total Remuneration	\$358,000.00

Seconded by Cr Piggott and carried unanimously.

Cr Piggott moved:

Under Section 91(7) and (9) of the Local Government Act 1999 the Committee orders that the report and discussion be kept confidential for a period not exceeding 12 months, after which time the order will be reviewed.

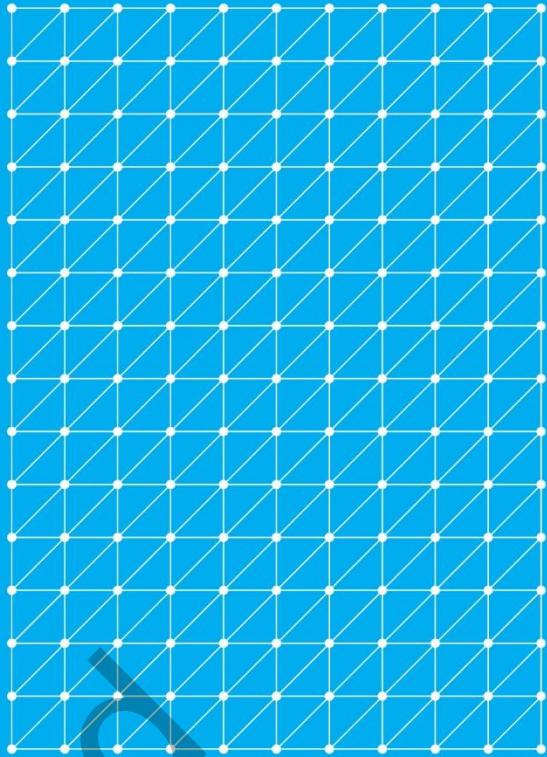
Seconded by Cr Granozio and carried unanimously.

Attachment A

Confidential

Chief Executive Officer's Remuneration Review

Released



Released

**CITY OF NORWOOD
PAYNEHAM ST PETERS
CHIEF EXECUTIVE
OFFICER
2024 REMUNERATION
REVIEW REPORT
JULY 2024**



City of
Norwood
Payneham
& St Peters

RICHARD ALTMAN CONSULTING
people, performance and productivity

Contents

Background.....	3
Determinations of the South Australian Remuneration Tribunal	3
CPI Movements	6
Additional Remuneration Data	7
Remuneration Consideration:.....	8

Released

Background

The Employment Agreement for the CEO requires that an annual remuneration review be conducted and that such review will not result in a decrease in the Total Employment Cost (TEC) Package. Clause 13.2 of the Agreement requires Council to provide a minimum annual increase in the TEC Package, to be effective from the anniversary of the commencement date, of no less than the percentage change in the Consumer Price Index (all groups) Adelaide (CPI) September quarter immediately prior to the anniversary of the commencement date.

Clause 13.3 requires, in addition to the CPI increases required in clause 13.2, that Council conduct a further review of the TEC Package which must be completed within one month of the completion of the performance review, and that any increment be provided from a date determined by Council.

We understand the CEO for the City of **NPSP currently receives a TEC Package of \$325,975 effective from 1 November 2022**. As stated above, the employment agreement (clause 13.2) requires that Council provide an annual CPI increase to the TEC Package, but we are advised this was not paid following the Determination by the SA Remuneration Tribunal handed down in 2023, which set CEO remuneration. The applicable increase should have been 5.9%.

On June 16, 2023, the South Australian Remuneration Tribunal (Tribunal) handed down its determination (No. 4 of 2023), in relation to the minimum and maximum Chief Executive Officer remuneration of Local Government Councils to whom section 99A of the Local Government Act 1999 (SA) (the Act) applies. This determination had been foreshadowed for some time and was an initiative by the SA Government to have an external, independent body determine CEO remuneration, rather than individual Councils.

In this report we have outlined the findings of the Tribunal, as well as providing some additional remuneration information to better inform Council.

Determinations of the South Australian Remuneration Tribunal

The Tribunal established eight bands for CEO total remuneration that were to apply from July 1, 2023. The Tribunal handed down a further Determination (no. 1 of 2024) which made changes to the maximum for each Band to be effective from 1 July 2024. The following minimum and maximums apply:

Band	Total Remuneration Package
1	\$414,000 - \$440,232
2	\$396,240 - \$410,530
3	\$357,760 - \$388,253
4	\$319,280 - \$358,550
5	\$299,520 - \$323,544
6	\$272,480 - \$298,085
7	\$235,040 - \$270,504
8	\$197,600 - \$234,437

The Tribunal determined that the appropriate band for the CEO of the City of NPSP is Band 4 along with the following Councils:

- City of Burnside
- City of Holdfast Bay
- City of Marion
- City of Playford
- City of Tea Tree Gully
- City of Whyalla
- Barossa Council
- Town of Gawler
- Yorke Peninsula Council

We have reviewed the Remuneration Tribunal Determination and the Local Government Act, and consulted with Administration at the City of NPSP. The Tribunal sought remuneration data from Councils in early 2023 and have considered current remuneration in establishing the Bands. In its Determination, the Tribunal has considered the value of a motor vehicle in the total employment cost (TEC) package of CEOs, in particular the private use component and the Fringe Benefits Tax (FBT) resulting from private use. The CEO's Employment Agreement enables the unlimited private use of the vehicle (Schedule 2), and also provides that Council will be responsible for the cost of FBT (12.10). As a result, Council valued the CEO's TEC at \$325,975 at 1 November 2022, and the components are as follows:

NPSP TEC	
Base Salary	\$ 287,260
Superannuation	\$ 26,715
Motor Vehicle (NPSP)	\$ 12,000
TEC	\$ 325,975

The Tribunal found inconsistencies across Councils in relation to the value of the motor vehicle component to be included in the TEC. In paragraph 51 of the Determination the Tribunal sets out its methodology for valuing a motor vehicle.

"To assist the Tribunal in setting minimum and maximum levels of remuneration, for the purpose of this review, it has built an assumption into the data obtained for motor vehicles. Where the value of the motor vehicle and Fringe Benefits Tax was below \$20,000, the Tribunal added the difference to the total package of remuneration (i.e. if the council provided a value of \$15,000 for the motor vehicle and Fringe Benefits Tax, then the Tribunal has added \$5,000 to the total package of remuneration). Where a Council has not provided Fringe Benefits Tax information, the Tribunal has estimated that value and incorporated that estimate into its assessment of total remuneration".

In determining the minimum and maximum for each Band, the Tribunal valued motor vehicles as outlined above and defined this as the "adjusted total remuneration package" (paragraph 3 of the Determination). It is important to note that number and to consider both the NPSP TEC package and the adjusted total remuneration package in relation to the minimum and maximum for Band 4.

	NPSP TEC	Adjusted TR Package
Base Salary	\$ 287,260	\$ 287,260
Superannuation	\$ 26,715	\$ 26,715
Motor Vehicle (NPSP)	\$ 12,000	\$ 12,000
Motor Vehicle Adjustment		\$ 8,000
TEC/Adjusted TR Package	\$ 325,975	\$ 333,975

We note the superannuation contribution for the CEO in Schedule 2 of the employment agreement is shown as 9.3% of annualised salary. The CEO is part of a defined benefit scheme that was in place for Local Government when he joined Council.

With current total adjusted remuneration of \$333,975 or NPSP TEC of \$325,975 the CEO is above the Band 4 minimum of \$319,280 and below the maximum of \$358,550.

The Tribunal further ruled that:

77. Any decision in relation to an annual increase for CEO remuneration within the bands set by the Tribunal remains a matter for each council in accordance with section 99A(1) of the LG Act.

Section 99A of the Act further provides for the following:

(1) *Subject to this section, the remuneration of the chief executive officer of a council will be determined by the council.*

(2) *The Remuneration Tribunal will determine (from time to time) the minimum and maximum remuneration that may be paid or provided to chief executive officers of councils.*

(10) *A council must ensure that the remuneration of its chief executive officer is within the relevant minimum and maximum remuneration determined by the Remuneration Tribunal for the purposes of this section.*

Section 99A (10) of the Act states that a Council **must** ensure that the remuneration of the CEO is within the relevant minimum and maximum. It is our understanding that the intent of the legislation is to have an independent body establish the minimum and maximum remuneration paid to CEOs, while leaving Council to decide remuneration within that Band.

We have reviewed the transitional provision at section 147(5) of the Statutes Amendment (Local Government Review) Act 2021. It provides that the remuneration of a CEO who was holding office on the commencement of section 99A of the Local Government Act 1999, will not be affected during the term of office by the Determination.

The effect of the transitional provision is that the Determination is immediately relevant only to CEO employment agreements entered into after 20 September 2021, but only from the effective date of the Determination and not retrospectively, to an earlier commencement date for the agreement. We note that the CEO signed his current employment agreement on 12 October 2021 and the agreement was effective from 1 November 2021. It is our view that the CEO is covered by the Determination and Council must ensure his remuneration is within the Band. We understand that Administration sought a legal opinion which confirmed that the CEO's remuneration is covered by the Determination.

CPI Movements

Clause 13.2 of the CEO Employment Agreement requires Council to provide a minimum annual increase in the TEC Package to be effective from the anniversary of the commencement date, of no less than the percentage change in the Consumer Price Index (all groups) Adelaide (CPI) September quarter immediately prior to the anniversary of the commencement date. We understand that Council deferred that increase given the Remuneration Tribunal's Determination and the introduction of Bands, and also as Council planned to conduct a performance review. It was decided that a review of remuneration would be conducted as part of the performance review process.

The table below shows that contractually, the CEO is entitled an increase of 5.9% from 1 November 2023.

Quarter	National CPI	Adelaide CPI
September 2023	5.4%	5.9%
December 2023	4.1%	4.8%
March 2024	3.6%	4.3%

The following table shows the new TEC NPSP and the Tribunal's Adjusted Total Remuneration package following the required increase of 5.9%.

	NPSP TEC 1/11/2023	Adjusted TR Package 1/11/2023
Base Salary	\$ 287,260	\$ 287,260
5.9% CPI Increase	\$ 16,948	\$ 16,948
Annualised Salary	\$ 304,208	\$ 304,208
Superannuation (9.3%)	\$ 28,291	\$ 28,291
Motor Vehicle (NPSP)	\$ 12,000	\$ 12,000
Motor Vehicle Adjustment		\$ 8,000
TEC/Adjusted TR Package	\$ 344,500	\$ 352,500

The increase required by the Employment Agreement is 5.9%. Such an increase on the package as valued by NPSP, would take total remuneration to \$344,500, which is still \$14,050 below the maximum for Band 4 and, if applied to the package as valued by the Tribunal, total adjusted remuneration would increase to \$352,500, which is below the Band 4 maximum of \$358,550.

Additional Remuneration Data

In conducting remuneration reviews of this kind, we also generally provide the annual Wage Price Index (WPI) movements. The WPI measures annual movements in remuneration nationally and the March 2024 quarter showed annual movements of 4.1% across all sectors.

The annual movement in the minimum wage is an additional reference point. Many employers are considering this annual adjustment in determining their annual salary increases. From 1 July the minimum wage increased to \$24.10 per hour, an increase of 3.75% from July 2023.

It is of interest to note some comments and observations about the labour market generally. Our survey of employers and recruiters indicates that the demand for people remains high. Many organisations reported that while they expect growth during 2024, it may be limited if they cannot find people to support that growth.

Remuneration Consideration:

We note the following:

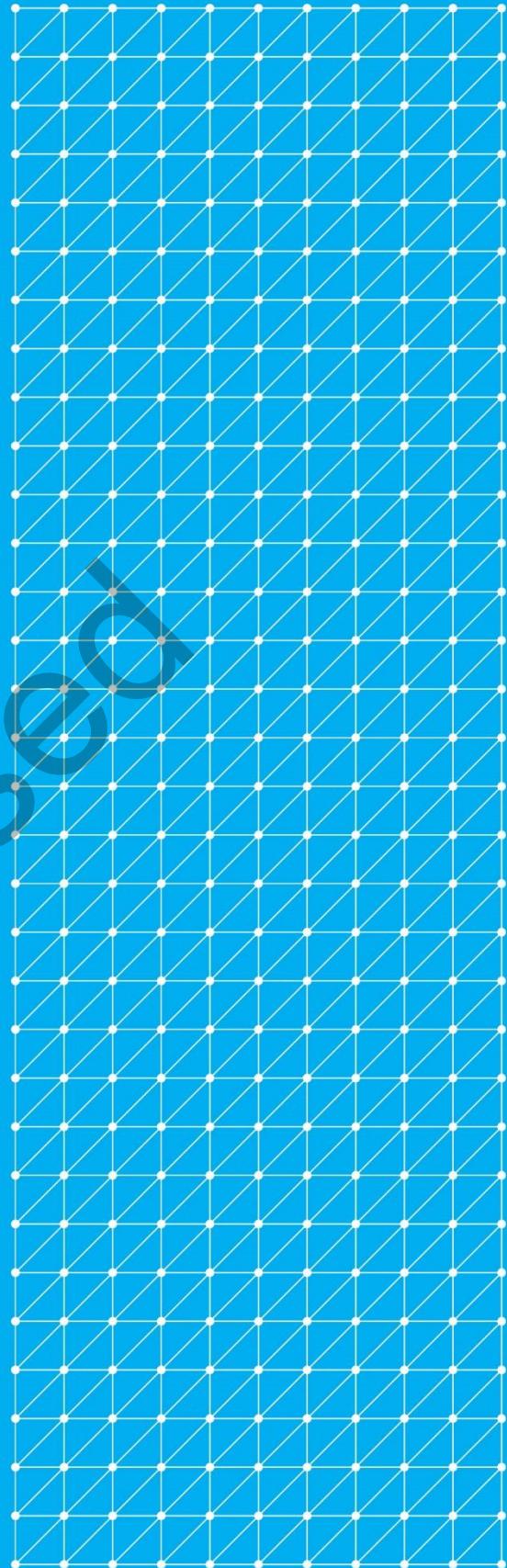
- The CEO's Employment Agreement requires that any increase at least equate with CPI Adelaide movements, which is 5.9% at September 2023. This should have been effective from 1 November 2023.
- The Wage Price Index (WPI) movement for 2024 at March was 4.1%.
- The minimum award wage was increased by 3.75% from 1 July 2024.
- The Remuneration Tribunal handed down its determination on 16 June 2023 and established 8 Bands. They set minimum and maximum remuneration for each Band. The Band maximum was updated from 1 July 2024.
- The Remuneration Tribunal determined that the CEO of the City of NPSP be in Band 4, setting the minimum at \$319,280 and the maximum be \$358,550.
- The CEO's current adjusted total remuneration is \$333,975 which is within Band 4.
- The CEO signed a new employment agreement on 12/10/2021 which is after 20 September 2021, so the CEO's remuneration is covered by the Bands.

Council must offer the CEO a minimum adjustment of 5.9% from 1 November 2023 to meet the requirements of the employment agreement. Using the current NPSP TEC of \$325,975 and applying 5.9% would increase the TEC to \$344,500 and using the adjusted total remuneration and applying the required 5.9% increase would increase the total to \$352,500. It is clear that applying the 5.9% increase to either the NPSP TEC or the adjusted total remuneration means the CEO is still within Band 4.

Council is also required to consider the outcome of the performance review, which has delivered a positive result from both Elected Members and Direct Reports. Reviewer groups provided an overall rating of 4.6 which is above Competent and toward Very Good. This would add to the case for providing an increase of greater than CPI.

It is important to consider the possible impact of a further increase in TEC during 2024/2025. As outlined, Council is required to provide a CPI increase annually from 1 November but also has to ensure the CEO's remuneration is within Band 4. Should Council provide an increase of 5.9% from 1 November 2023 as shown above the CEO's remuneration is getting close to the Band 4 maximum. Using NPSP TEC would result in TEC being about 3.9% below the maximum, and using adjusted total remuneration would result in adjusted TR being only 1.7% below the Band 4 maximum. This could well impact Council's ability to meet the requirements of the employment agreement and provide a further CPI increase from 1 November 2024. We recommend that Council seek legal advice in relation to its obligations to meet the requirements of the employment agreement and ensure the CEO remains within Band 4.

Release



RICHARD ALTMAN CONSULTING
connecting your business

ABN 56 520 998 713
PO Box 1085, North Adelaide, South Australia 5006

Mobile 0414 441 502
raltman@raconsulting.com.au
www.raconsulting.com.au