

**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 27 June 2008.

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 latter part of 2010 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;
- considered work value assessments of regional local government CEOs;
- 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, 6 May 2009 with a closing date of 22 May 2009. The advertisement was also placed on the Tribunal’s official website.

One submission was received from a member of the public who advocated a freeze on the salaries of local government CEOs.

Invitations to Local Governments and Regional Councils

On 15 May 2009, 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, 29 May 2009.

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; and
- Recruitment issues.

Eight submissions were received from local governments, namely the:

- Shire of Boddington;
- Shire of Busselton;
- Shire of Capel;
- Shire of Jerramungup;
- City of Joondalup;
- Shire of Mundaring;
- Shire of Toodyay; and
- City of Wanneroo.

Remuneration Survey

To assist the Tribunal, the Department of Local Government and Regional Development (DLGRD) conducted a survey of current remuneration or “total reward packages” provided to local government CEOs. The 2009 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 DLGRD:

- Population as at 31 March 2009 (*ABS Catalogue 3218.0*);
- Total FTEs 2007/08;
- Operating Expenditure 2007/08;
- 3 year averaged capital expenditure (2005/06 to 2007/08); and
- Annual average population growth 1998 to 2008.

Regional Local Government Work Value Assessments

The Tribunal considered data on the work value of the CEOs of regional local governments. The following seven regional local governments were assessed by consultants from Mercer (Australia) Pty Ltd ('Mercer'):

- Bunbury-Harvey Regional Council;
- Eastern Metropolitan Regional Council;
- Mid West Regional Council;
- Mindarie Regional Council;
- Rivers Regional Council;
- Southern Metropolitan Regional Council; and
- Tamala Park Regional Council.

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, DLGRD, 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 other relevant data.

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 Australian 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. In the case of regional local government CEOs, the Tribunal's new work value assessments on CEO positions and analysis of the CEO roles and responsibilities, assisted the Tribunal in refining its band allocation model.

Previously, the Tribunal has used an 11 level remuneration structure for regional local governments and a 9 band remuneration structure for other local governments. The Tribunal has now merged the two structures into one 9 band framework.

Submissions

Of the 8 written submissions received from local governments, 6 sought increases in their CEOs' remuneration band allocation while the remaining 2 sought no change.

An issue that emerged from one submission was that expenditure data used by the Tribunal was not consistent with that used by a particular local government. The Tribunal has used a consistent set of expenditure data sourced from the DLGRD to ensure that its remuneration recommendations from year to year are based on comparable data.

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 than 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 two local governments characterised by rapidly increasing populations and housing 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.

The Yarra Yarra Catchment Regional Council appointed a CEO in April 2008 after the Tribunal's 2008 remuneration survey had been undertaken. Consequently, this is the first report of the Tribunal in recommending a remuneration band for that CEO. It was not considered necessary to seek a work value assessment for the CEO position at the Yarra Yarra Catchment Regional Council as the position was part-time with a single water management focus. The Tribunal's recommended remuneration band for the

position is based on a full-time role and it is expected that the CEO would receive a proportion of the remuneration reflected in the recommended band.

After consideration of the work value assessments undertaken by Mercer and 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 four regional local government CEOs.

Labour Market and Economic Considerations

At this time the overriding consideration in determining salaries for office holders coming within the Tribunal's jurisdiction is the state of the economy. In this respect Western Australia's future is inextricably linked to international and national conditions. While there are tentative signs of recovery with increases in commodity prices, consumer spending and business confidence, until these movements are manifested in investment and employment growth, the economy will continue to languish. Forecasts reflect the widely held view that the global economy has entered a period of prolonged recession.

Notwithstanding significant boosts in public spending through the Commonwealth Government's stimulus packages and State Government infrastructure investments, a contraction in Western Australia's Gross State Product (GSP) of 1.25% is forecast by the Department of Treasury and Finance for 2009-10. A further contraction of 0.5% in GSP is predicted for 2010-11 before a return to growth of 3.75% in 2011-12. (*2009-10 Budget Paper No.3 – Economic and Fiscal Outlook* p.152)

It is within the context of this contraction in the economy that local government CEOs' salaries, the cost of which bear directly on the community in the first instance, must be considered. In the Tribunal's view, restraint that can be exercised now in salaries generally and in executive salaries in particular, will contribute to economic recovery.

RECOMMENDATIONS

In view of these considerations, the Tribunal recommends that there be no general increase in salary rates applicable under the recommended band allocations applying to CEOs in local governments. The Tribunal is mindful of the contribution that these officers make to the community and the demands that are being placed on local governments at this time. The Tribunal will again address this recommendation when it is prudent to do so.

After consideration of the relevant information and application of its band allocation model, the Tribunal recommends that there should be movement of two local governments within the band framework. These recommendations have been determined on the basis of changes in populations, budgets, staffing levels and factors particular to the local governments identified.

The following changes in band allocations have been reflected in the recommendations:

- Capel Band 3 to Band 4
- Toodyay Band 2 to Band 3

Using the same 9 band framework applicable to local governments, the recommendation for the following regional local governments have been changed:

- Bunbury Harvey Below Band 1 (formerly Level 1) to Band 1
- Mid West Below Band 1 (formerly Level 2) to Band 1
- Rivers Below Band 1 (formerly Level 2) to Band 1
- Tamala Park Band 2 (formerly Level 4) to Band 4.

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 2009 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 26th day of June 2009.

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	\$103,048 - \$139,386	30
Band 2	\$114,980 - \$156,199	41
Band 3	\$126,912 - \$171,927	20
Band 4	\$136,674 - \$185,486	4
Band 5	\$149,691 - \$202,300	10
Band 6	\$165,962 - \$224,536	12
Band 7	\$184,402 - \$249,485	10
Band 8	\$201,215 - \$271,721	11
Band 9	\$218,570 - \$296,127	2

PART 2 - LOCAL GOVERNMENT CLASSIFICATIONS

LOCAL GOVERNMENT *	BAND	TOTAL REWARD PACKAGE
Albany	7	\$184,402 - \$249,485
Armadale	7	\$184,402 - \$249,485
Ashburton	5	\$149,691 - \$202,300
Augusta-Margaret River	5	\$149,691 - \$202,300
Bassendean	5	\$149,691 - \$202,300
Bayswater	8	\$201,215 - \$271,721
Belmont	7	\$184,402 - \$249,485
Beverley	2	\$114,980 - \$156,199
Boddington	1	\$103,048 - \$139,386
Boyup Brook	2	\$114,980 - \$156,199
Bridgetown-Greenbushes	3	\$126,912 - \$171,927
Brookton	2	\$114,980 - \$156,199
Broome	6	\$165,962 - \$224,536
Broomehill	1	\$103,048 - \$139,386
Bruce Rock	2	\$114,980 - \$156,199
Bunbury	7	\$184,402 - \$249,485
Busselton	7	\$184,402 - \$249,485
Cambridge	7	\$184,402 - \$249,485
Canning	8	\$201,215 - \$271,721

LOCAL GOVERNMENT *	BAND	TOTAL REWARD PACKAGE
Capel	4	\$136,674 - \$185,486
Carnamah	2	\$114,980 - \$156,199
Carnarvon	5	\$149,691 - \$202,300
Chapman Valley	2	\$114,980 - \$156,199
Chittering	2	\$114,980 - \$156,199
Claremont	4	\$136,674 - \$185,486
Cockburn	8	\$201,215 - \$271,721
Collie	3	\$126,912 - \$171,927
Coolgardie	3	\$126,912 - \$171,927
Coorow	2	\$114,980 - \$156,199
Corrigin	2	\$114,980 - \$156,199
Cottesloe	3	\$126,912 - \$171,927
Cranbrook	2	\$114,980 - \$156,199
Cuballing	1	\$103,048 - \$139,386
Cue	1	\$103,048 - \$139,386
Cunderdin	2	\$114,980 - \$156,199
Dalwallinu	2	\$114,980 - \$156,199
Dandaragan	3	\$126,912 - \$171,927
Dardanup	3	\$126,912 - \$171,927
Denmark	3	\$126,912 - \$171,927
Derby-West Kimberley	6	\$165,962 - \$224,536
Donnybrook-Balingup	3	\$126,912 - \$171,927
Dowerin	1	\$103,048 - \$139,386
Dumbleyung	1	\$103,048 - \$139,386
Dundas	1	\$103,048 - \$139,386
East Fremantle	3	\$126,912 - \$171,927
East Pilbara	6	\$165,962 - \$224,536
Esperance	6	\$165,962 - \$224,536
Exmouth	2	\$114,980 - \$156,199
Fremantle	8	\$201,215 - \$271,721
Geraldton - Greenough	7	\$184,402 - \$249,485
Gingin	3	\$126,912 - \$171,927
Gnowangerup	1	\$103,048 - \$139,386
Goomalling	2	\$114,980 - \$156,199
Gosnells	8	\$201,215 - \$271,721
Halls Creek	4	\$136,674 - \$185,486
Harvey	5	\$149,691 - \$202,300
Irwin	2	\$114,980 - \$156,199

LOCAL GOVERNMENT *	BAND	TOTAL REWARD PACKAGE
Jerramungup	2	\$114,980 - \$156,199
Joondalup	8	\$201,215 - \$271,721
Kalamunda	6	\$165,962 - \$224,536
Kalgoorlie-Boulder	7	\$184,402 - \$249,485
Katanning	2	\$114,980 - \$156,199
Kellerberrin	2	\$114,980 - \$156,199
Kent	2	\$114,980 - \$156,199
Kojonup	3	\$126,912 - \$171,927
Kondinin	2	\$114,980 - \$156,199
Koorda	2	\$114,980 - \$156,199
Kulin	2	\$114,980 - \$156,199
Kwinana	6	\$165,962 - \$224,536
Lake Grace	2	\$114,980 - \$156,199
Laverton	3	\$126,912 - \$171,927
Leonora	3	\$126,912 - \$171,927
Mandurah	8	\$201,215 - \$271,721
Manjimup	5	\$149,691 - \$202,300
Meekatharra	2	\$114,980 - \$156,199
Melville	8	\$201,215 - \$271,721
Menzies	1	\$103,048 - \$139,386
Merredin	3	\$126,912 - \$171,927
Mingenew	1	\$103,048 - \$139,386
Moora	3	\$126,912 - \$171,927
Morawa	2	\$114,980 - \$156,199
Mosman Park	3	\$126,912 - \$171,927
Mount Magnet	2	\$114,980 - \$156,199
Mount Marshall	2	\$114,980 - \$156,199
Mukinbudin	1	\$103,048 - \$139,386
Mullewa	2	\$114,980 - \$156,199
Mundaring	6	\$165,962 - \$224,536
Murchison	1	\$103,048 - \$139,386
Murray	5	\$149,691 - \$202,300
Nannup	2	\$114,980 - \$156,199
Narembeen	2	\$114,980 - \$156,199
Narrogin Shire of	1	\$103,048 - \$139,386
Narrogin Town of	2	\$114,980 - \$156,199
Nedlands	6	\$165,962 - \$224,536
Ngaanyatjarraku	2	\$114,980 - \$156,199

LOCAL GOVERNMENT *	BAND	TOTAL REWARD PACKAGE
Northam	5	\$149,691 - \$202,300
Northampton	2	\$114,980 - \$156,199
Nungarin	1	\$103,048 - \$139,386
Peppermint Grove	1	\$103,048 - \$139,386
Perenjori	2	\$114,980 - \$156,199
Perth	9	\$218,570 - \$296,127
Pingelly	1	\$103,048 - \$139,386
Plantagenet	4	\$136,674 - \$185,486
Port Hedland	6	\$165,962 - \$224,536
Quairading	2	\$114,980 - \$156,199
Ravensthorpe	3	\$126,912 - \$171,927
Rockingham	8	\$201,215 - \$271,721
Roebourne	6	\$165,962 - \$224,536
Sandstone	1	\$103,048 - \$139,386
Serpentine-Jarrahdale	5	\$149,691 - \$202,300
Shark Bay	2	\$114,980 - \$156,199
South Perth	7	\$184,402 - \$249,485
Stirling	9	\$218,570 - \$296,127
Subiaco	7	\$184,402 - \$249,485
Swan	8	\$201,215 - \$271,721
Tambellup	1	\$103,048 - \$139,386
Tammin	1	\$103,048 - \$139,386
Three Springs	1	\$103,048 - \$139,386
Toodyay	3	\$126,912 - \$171,927
Trayning	1	\$103,048 - \$139,386
Upper Gascoyne	1	\$103,048 - \$139,386
Victoria Park	6	\$165,962 - \$224,536
Victoria Plains	2	\$114,980 - \$156,199
Vincent	6	\$165,962 - \$224,536
Wagin	2	\$114,980 - \$156,199
Wandering	1	\$103,048 - \$139,386
Wanneroo	8	\$201,215 - \$271,721
Waroona	2	\$114,980 - \$156,199
West Arthur	1	\$103,048 - \$139,386
Westonia	1	\$103,048 - \$139,386
Wickepin	1	\$103,048 - \$139,386
Williams	1	\$103,048 - \$139,386
Wiluna	2	\$114,980 - \$156,199
Wongan-Ballidu	2	\$114,980 - \$156,199

LOCAL GOVERNMENT *	BAND	TOTAL REWARD PACKAGE
Woodanilling	1	\$103,048 - \$139,386
Wyalkatchem	1	\$103,048 - \$139,386
Wyndham-East Kimberley	5	\$149,691 - \$202,300
Yalgoo	1	\$103,048 - \$139,386
Yilgarn	3	\$126,912 - \$171,927
York	3	\$126,912 - \$171,927

* 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	\$103,048 - \$139,386	4
Band 2	\$114,980 - \$156,199	0
Band 3	\$126,912 - \$171,927	0
Band 4	\$136,674 - \$185,486	1
Band 5	\$149,691 - \$202,300	1
Band 6	\$165,962 - \$224,536	1
Band 7	\$184,402 - \$249,485	1
Band 8	\$201,215 - \$271,721	0
Band 9	\$218,570 - \$296,127	0

PART 4 – REGIONAL LOCAL GOVERNMENT CLASSIFICATIONS

REGIONAL LOCAL GOVERNMENT **	BAND	TOTAL REWARD PACKAGE
Bunbury-Harvey	1	\$103,048 - \$139,386
Eastern Metropolitan	6	\$165,962 - \$224,536
Mid West	1	\$103,048 - \$139,386
Mindarie	5	\$149,691 - \$202,300
Rivers	1	\$103,048 - \$139,386
Southern Metropolitan	7	\$184,402 - \$249,485
Tamala Park	4	\$136,674 - \$185,486
Yarra Yarra	1	\$103,048 - \$139,386

**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 26th day of June 2009.

W S Coleman AM
CHAIRMAN

C A Broadbent
MEMBER

B J Moore
MEMBER

SALARIES AND ALLOWANCES TRIBUNAL