



No. X of 2024

**REPORT OF THE REMUNERATION TRIBUNAL**  
**2024 Review of Minimum and Maximum Remuneration for Local Government Chief Executive Officers**

**INTRODUCTION**

1. In September 2021, section 99A of the *Local Government Act 1999 (LG Act)* came into effect. This section requires the Remuneration Tribunal (**Tribunal**) to determine the minimum and maximum remuneration payable to Chief Executive Officers (**CEOs**) of Councils.
2. On 16 June 2023, the Remuneration Tribunal issued its inaugural Determination and Report of Local Government CEO minimum and maximum remuneration levels. Report 4 of 2023 details the approach of the Tribunal at that time and the issues which led to the inaugural Determination.
3. On 28 June 2024, the Tribunal issued a second Report and Determination in which it advised that it was undertaking a substantial review of the inaugural Determination, which it anticipated would be concluded by the end of 2024. As an interim step, the Tribunal provided a 2% increase to the maximum remuneration amounts.
4. The Tribunal has been provided with a substantial amount of information, together with widely divergent submissions.
5. In this Report the Tribunal has detailed its approach to this comprehensive review and explained the process and approach adopted to establish a series of bands which consider key Council characteristics. The Tribunal has taken the unusual step of issuing a draft Determination based on this Report and is providing the opportunity for comment on this until 12 March 2025. That Determination, once finalised, will have effect from 1 January 2025.
6. The Tribunal has adopted a framework for the grouping of Councils which is substantially based on total operating income as the primary indicator of CEO role complexity. Four other Council characteristics have been incorporated into this framework to recognise critical distinguishing factors between Councils (projected population growth, population dispersion, distance from Adelaide, socio-economic advantage / disadvantage). The framework provides for eight bands of Councils, with a separate category for the Adelaide City Council. Minimum and maximum remuneration levels have then been allocated to each band.

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### Legislative Provisions

7. Section 14 of the *Remuneration Act 1990* (SA) (**Act**) provides that the Tribunal has jurisdiction to determine the remuneration, or a specified part of the remuneration, payable in respect of certain offices, if that jurisdiction is conferred upon the Tribunal by any other Act or by the Governor, by proclamation.
8. Section 99A of the LG Act confers jurisdiction upon the Tribunal to determine the minimum and maximum remuneration that may be paid or provided to CEOs of Councils constituted under the LG Act.
9. That jurisdiction is confined to the specification of minimum and maximum amounts only. It is not within the Tribunal's jurisdiction to determine allowances in addition to the minimum and maximum remuneration amounts. It follows that the Tribunal must adopt a consistent approach to the definition of what is, and what is not, included within the definition of remuneration. This Report seeks to provide further clarity in this respect.
10. Additionally, it is important that the Tribunal notes that section 147(5) of the *Statutes Amendment (Local Government Review) Act 2021* (SA) is significant in that it refers to CEOs who were holding office at the commencement of the LG Act.
11. This section states:
 

"The remuneration of a chief executive officer holding office on the commencement of section 99A of the principal Act (as inserted by this Act) is not affected during the term of that office by a determination under section 99A."
12. The Tribunal has adopted the position that Councils who had contracts with their CEO in place prior to 20 September 2021, when the LG Act commenced, are not obligated to comply with the Tribunal's determinations, to the extent to which these contracts may be inconsistent. The Tribunal has not sought to differentiate between Councils in this respect, given the stated object of the LG Act was that the Tribunal should set salaries for Council CEOs to provide assurances to communities that CEOs are paid appropriately for the work they do.

13. Any Council that is unsure about its obligations to comply with this Report and Determination, or the various components that constitute remuneration as provided for in this Report or Determination, should seek legal and/or tax advice.

#### **The Inaugural Report**

14. Information initially provided to the Tribunal in 2023 demonstrated widely divergent approaches to how remuneration was defined and assessed, and demonstrated significant and largely unexplained diversity between remuneration amounts for Councils. The inaugural Determination placed Councils in remuneration bands that were determined based on the data provided by Councils in relation to the total remuneration package of their CEO. The bandwidth for each band varied between \$6,240 and \$32,240. This inaugural Report identified significant differences in how Councils assessed and reported on CEO remuneration. The most significant differences related to how the value of motor vehicles, housing and additional leave entitlements were recognised. In the inaugural Report the Tribunal set out its approach to the definition and quantification of remuneration, which stated:

“67. The Tribunal’s preference is to progress toward establishing minimum and maximum remuneration levels founded on an assessment of skill and competence levels. Such an approach would allow the flexibility to set remuneration consistent with the challenges confronting a given council. However, the limited information available to the Tribunal, combined with the very small number of submissions, simply does not support such an approach at this time. Councils are encouraged to make submissions about such an approach in the future.

68. The Tribunal is not able to determine the minimum and maximum remuneration levels based on factors such as the geographical size of the council, revenue of the council and other factors as listed in paragraph 18 above. It considers these factors to be sensible criterion to guide any future determinations of the Tribunal, however, under the current legislation such an approach requires the cooperation of councils.

69. For this inaugural review, the Tribunal has determined to group councils into eight bands. While these bands have some generally common characteristics, the Tribunal recognises differences and potential anomalies in terms of council characteristics within and between some of these bands. Each band is based on the data provided by councils in relation to the total remuneration package of their CEO. The Tribunal has then applied assumptions in relation to the value of the provision of a motor vehicle and any additional leave entitlements beyond that of usual administrative staff. This has resulted in a figure described as an “adjusted total remuneration package” for each CEO who is covered by this review.”

15. In June 2024, the Tribunal issued Report and Determination 1 of 2024 which noted that a substantial review of the inaugural Determination was being undertaken and provided for a 2% increase to the maximum amounts. In that Report the Tribunal indicated its intention to complete this review by the end of 2024.

#### **Submissions**

16. Following the inaugural Determination the Tribunal received limited feedback from Councils about its approach. This went to concern about groupings and the extent to which individual Councils would seek reviews based on their circumstances.

17. The Tribunal met with the Local Government Association to discuss future approaches, including the costs associated with any review. The Tribunal notes that these costs are ultimately allocated to Councils by virtue of the LG Act.
18. In February 2024, the Tribunal issued a brief consultation paper which identified options for comment and consideration by Local Government CEOs, Mayors, and elected members. Consistent with the requirements of section 10(2) of the Act, the Premier and the Minister for Local Government were also invited to make submissions in response to this paper.
19. The Tribunal received 35 submissions in response to the consultation paper. The entities that made submissions are listed below.

Council	Submission made on behalf of	Summary of issues raised
Kangaroo Island Council	Council	<ul style="list-style-type: none"> <li>• Position description and small amount of information provided in relation to remuneration arrangements.</li> </ul>
District Council of Orroroo Carrieton	CEO	<ul style="list-style-type: none"> <li>• Remote locality issues and access to essential services.</li> <li>• Considerations of size of the workforce.</li> <li>• Legislative responsibility is the same for all CEOs.</li> <li>• Support for individual expert review.</li> </ul>
Mayor, Wattle Range Council	Individual	<ul style="list-style-type: none"> <li>• Suggested use of elected member bands and noted close alignment with McArthur Categories and Australian Council of Local Government classifications.</li> </ul>
City of Tea Tree Gully	Council	<ul style="list-style-type: none"> <li>• Provided specific Council characteristics and complexities of the role.</li> <li>• Suggested use of elected member bands.</li> </ul>
Lower Eyre Council	Council	<ul style="list-style-type: none"> <li>• Support for individual expert review.</li> <li>• Whilst it was not resolved by Council, some members wanted to raise concerns about the Tribunal inadvertently placing Council's under financial pressure to provide a remuneration package they cannot afford and suggested another viable option may be to allow Council's to determine remuneration for their CEO.</li> </ul>
Whyalla City Council	Council	<ul style="list-style-type: none"> <li>• Supported an individual expert review.</li> <li>• Suggested use of elected member bands.</li> <li>• Proposed a more limited definition of remuneration with increased regional allowances.</li> <li>• Noted that the motor vehicle setting process needs to be clarified as well as the provision of accommodation.</li> <li>• Noted the salary for a temporary/interim/acting CEO has not been considered by the Tribunal.</li> </ul>

City of Mount Gambier	Council	<ul style="list-style-type: none"> <li>• Provided specific Council characteristics and complexities of the role.</li> <li>• Proposed use of a combination of elected member bands and the WA system.</li> <li>• Suggested further clarification of remuneration definitions.</li> </ul>
Administrator, District Council of Coober Pedy	Administrator	<ul style="list-style-type: none"> <li>• Proposed an individual expert review with costs shared by the SA Government.</li> <li>• Requested better recognition of regional and remote locality issues, access to essential services including accommodation and cost of living issues, resourcing issues and additional responsibility for distribution of electricity and water supply.</li> </ul>
Naracoorte Lucindale Council	Council	<ul style="list-style-type: none"> <li>• Suggested use of elected member bands and/or Australian Council of Local Government classifications and/or McArthur salary survey.</li> <li>• Utilise information already received by the Tribunal.</li> </ul>
Mayor, City of Marion	Individual	<ul style="list-style-type: none"> <li>• Suggested use of WA model and elected member bands.</li> <li>• Considerations to geographic size, revenue, number of electors, diversity and complexity of CEO functions and duties.</li> <li>• Possible use of Local Government Association grouping approach to determine membership fees.</li> </ul>
Mayor, District Council of Yankalilla	Individual	<ul style="list-style-type: none"> <li>• Supported an individual expert review.</li> <li>• Suggested use of elected member bands.</li> </ul>
Southern Mallee District Council	CEO	<ul style="list-style-type: none"> <li>• General support for the Port Adelaide Enfield Council CEO submission.</li> </ul>
City of Charles Sturt	CEO	<ul style="list-style-type: none"> <li>• Support for the Port Adelaide Enfield Council CEO submission.</li> <li>• Supported an individual expert review, with the cost shared on a scalable formula, rather than an equal basis.</li> </ul>
Copper Coast Council	Council	<ul style="list-style-type: none"> <li>• Supported an independent expert review and/or use of elected member bands.</li> <li>• Proposed a more limited definition of remuneration increasing regional allowances and excluding Fringe Benefits Tax.</li> </ul>
The Rural City of Murray Bridge	CEO and elected members	<ul style="list-style-type: none"> <li>• Proposed a more limited definition of remuneration with increased regional allowances, akin to WA model.</li> </ul>

Manager, People and Culture, City of Port Lincoln	Council	<ul style="list-style-type: none"> <li>Supported an individual expert review.</li> </ul>
City of Port Adelaide Enfield	CEO with support indicated by 51 CEOs	<ul style="list-style-type: none"> <li>No support for an independent expert review.</li> <li>Support for the WA type approach linked to existing elected member bands and suggested banding approach in this regard.</li> </ul>
City of Adelaide	Council	<ul style="list-style-type: none"> <li>Support for an independent expert review.</li> </ul>
City of Campbelltown	Council CEO performance management review Panel Chair	<ul style="list-style-type: none"> <li>Support for an independent expert review.</li> </ul>
Mayor, City of Holdfast Bay	Individual	<ul style="list-style-type: none"> <li>Support for the WA type approach linked to existing elected member bands, with the opportunity to make submissions where unique factors exist.</li> <li>There should be capacity for individual Councils to obtain reviews based on work value considerations.</li> </ul>
City of Playford	Council	<ul style="list-style-type: none"> <li>Supported equivalent banding between elected members and CEOs with remuneration levels assessed by a consultancy firm.</li> <li>Future reviews should reflect the complexities of growing communities.</li> </ul>
City of Salisbury	Council	<ul style="list-style-type: none"> <li>Supported use of an independent expert review whereby consideration is given to categorisation similar to elected member bands, having regard to role, size, population, revenue, economic, social, demographic and regional factors.</li> </ul>
Barunga West Council	Council	<ul style="list-style-type: none"> <li>Supported consideration of elected member bands.</li> <li>Supported use of an independent expert review, with the same entity engaged who developed the WA model.</li> <li>Proposed a more limited definition of remuneration with increased use of regional allowances and excluding Fringe Benefits Tax.</li> <li>Proposed a remoteness allowance.</li> </ul>
Mayor, District Council of Kimba	Council	<ul style="list-style-type: none"> <li>Supported an individual expert review.</li> <li>Suggested use of elected member bands.</li> <li>Proposed a more limited definition of remuneration with increased regional allowances.</li> <li>Noted that the motor vehicle setting process needs to be clarified as well as the provision of accommodation.</li> </ul>

		<ul style="list-style-type: none"> <li>Noted the salary for a temporary/interim/acting CEO has not been considered by the Tribunal.</li> </ul>
Wakefield Regional Council	CEO	<ul style="list-style-type: none"> <li>Suggested some variables may include rateable and type of properties, size of LGA, proximity to major urban centres, assets under management vs ability to raise rates, commercial operations, community facilities, lack of services.</li> <li>With impacts on remuneration including security of tenure, length, complexity of role, organisational structure, physical location, vehicle and housing allowances, competition from other employment sectors, relevant experience required.</li> </ul>
Tatiara District Council	Council	<ul style="list-style-type: none"> <li>Supported use of an independent expert review and consideration of use of the elected member bands.</li> </ul>
Wudinna District Council	CEO and Mayor	<ul style="list-style-type: none"> <li>Supported consideration of elected member bands.</li> <li>Supported use of an independent expert review, with the same entity engaged who developed the WA model.</li> <li>Proposed a more limited definition of remuneration with increased use of regional allowances and excluding Fringe Benefits Tax.</li> </ul>
City of Onkaparinga	Council CEO Performance Management Committee	<ul style="list-style-type: none"> <li>Supported use of an independent expert review / adoption of the WA model.</li> <li>Supported use of the elected member bands.</li> </ul>
Coorong District Council	Council	<ul style="list-style-type: none"> <li>Supported the Port Adelaide Enfield Council CEO submission.</li> <li>Supported adoption of the WA model linked to existing elected member bands.</li> <li>Proposed increased flexibility for Councils to set CEO remuneration.</li> </ul>
	Elected members	<ul style="list-style-type: none"> <li>CEO remuneration should be a self-determining role of Councils.</li> <li>Regional Councils need flexibility in package arrangements to compete against larger metropolitan Councils.</li> </ul>
The District Council of Ceduna	CEO	<ul style="list-style-type: none"> <li>Supported an individual expert review.</li> <li>Suggested use of elected member bands.</li> <li>Proposed a more limited definition of remuneration with increased regional allowances.</li> </ul>

		<ul style="list-style-type: none"> <li>Noted that the motor vehicle setting process needs to be clarified as well as the provision of accommodation.</li> <li>Noted the salary for a temporary/interim/acting CEO has not been considered by the Tribunal.</li> <li>Provided some Council characteristics.</li> </ul>
Yorke Peninsula Council	Council	<ul style="list-style-type: none"> <li>Information about current remuneration and position description provided.</li> </ul>
Mid-Murray Council	Council	<ul style="list-style-type: none"> <li>Proposed use of an independent expert review with consideration of the WA model and possible application of the elected member bands.</li> <li>Any anomalies to be reviewed by exception.</li> <li>Recommended the bands be indexed annually by an independent standard such as CPI with the opportunity to request exemptions based on individual circumstances or performance.</li> <li>Reviews to then be considered on a 4-year cycle.</li> </ul>
The Corporation of the Town of Walkerville	Council	<ul style="list-style-type: none"> <li>Supported the use of an independent expert review.</li> <li>Raised concerns about the effectiveness of the legislation and provided information about its recent recruitment process.</li> </ul>
District Council of Grant	CEO and elected members	<ul style="list-style-type: none"> <li>Supported use of the elected member bands consistent with the Port Adelaide Enfield Council CEO submission.</li> <li>Noted that salary bands should be broader and overlapping.</li> <li>Suggested the Tribunal be tasked with reviewing unfair contract clauses/conditions.</li> <li>Proposed a more limited definition of remuneration with increased use of regional allowances and excluding Fringe Benefits Tax.</li> </ul>
City of Port Augusta		<ul style="list-style-type: none"> <li>CEO Remuneration information and position description provided.</li> </ul>

20. On 14 May 2024, the Tribunal met with Mark Withers (CEO City of Port Adelaide Enfield), Tony Harrison (CEO City of Marion) and Maree Wauchope (CEO Barunga West Council). The Tribunal also separately met with the following representatives from the Whyalla City Council, Mayor Phill Stone, Kathy Jarrett (Director Corporate), Grant Jennings (Manager Finance and Knowledge Management) and Sue King (Manager People and Culture).

21. While there was broad support for a changed approach to setting minimum and maximum remuneration amounts, there was substantial diversity in the proposed approach. Very few

- submissions addressed current remuneration arrangements as distinct from proposing a broad approach.
22. The submissions indicated little support for consideration of Councils on an individual basis.
  23. There was substantial support for the Tribunal's proposition that it could engage a specialist remuneration advisor to review individual CEO roles and provide advice to the Tribunal. Some concerns about the cost associated with this approach were noted.
  24. Council submissions referred the Tribunal to various approaches, including the Western Australian approach and the current groupings for Local Government elected members.
  25. Despite a request to this effect, less than a third of the Councils provided their CEO's position description.
  26. A group submission made by the Port Adelaide Enfield CEO, supported by a significant number of Council CEOs, proposed an approach, broadly modelled on the Western Australian system, which reflected "market rates" and recognised regional issues, provided for 7 bands with substantial differences between the minimum and maximum amounts in each band.
  27. The Tribunal has also accessed and considered substantial data about the characteristics and attributes of Councils. This data includes the following information:
    - ACLG Codes and Council in Focus groups
    - Council total operating income
    - Council staff size
    - Council areas
    - Council locations, including distance from Adelaide
    - Population density
    - Population dispersion
    - Council growth projections and histories
    - Socio-Economic indexes for Councils (based on Australian Bureau of Statistics data)
  28. The Tribunal has consulted directly with 21 Mayors about how CEO performance and remuneration issues are addressed. The information these Mayors provided, together with the submissions, disclose a reasonable degree of consistency of approach to remuneration setting processes. This process consistency contrasts sharply with the significant differences in remuneration amounts for similar Councils, which were noted in the Tribunal's inaugural Report.
  29. The Tribunal noted that Councils utilise external advisors to assist them, or a sub-committee of the Council, in reviewing CEO performance. On the premise that the Council is satisfied with that performance, the external advisor then commonly provides advice about comparable remuneration or remuneration increases. This advice typically proposes increases aligned with the Council's general enterprise agreement, whilst noting remuneration ranges of Councils based on the external advisor's knowledge of other Councils. In this regard, the comparisons may not relate to objectively determined groups of Councils. This approach has resulted in substantial intermittent remuneration adjustments. The approach to setting a remuneration level when a new CEO is appointed is highly variable, with some Councils bringing in new, and less experienced CEO's at substantially lower remuneration rates than their predecessors, with the expectation that rates for these CEOs will increase significantly as their performance develops. Many of the Mayors with whom the Tribunal consulted advised that they relied

heavily on the bands set by the Tribunal as a guide to reviewing CEO remuneration. The Tribunal noted substantially different approaches to remuneration in predominantly rural areas and in areas where there has been a long serving CEO.

**Individual Council applications for increased maximum remuneration amounts**

30. On 9 July 2024, the Tribunal received an application and submission from the Principal Administrator of the District Council of Coober Pedy, for an increase in the maximum amount of remuneration it could pay to recruit a new CEO. This application followed multiple unsuccessful recruitment attempts. The Tribunal addressed this application in its Report 4 of 2024.
31. During the consultations with Mayors, another Council foreshadowed an application to increase the maximum amount payable to attract an appropriate candidate. This Council did not subsequently formally pursue this request, and the Tribunal was advised that a suitable applicant had been selected within the existing bands.
32. On 11 September 2024, the City of Holdfast Bay applied to have the maximum amount it could pay to a new CEO increased. While the City of Holdfast Bay subsequently advised that it received a range of applications, and the Tribunal has noted that an appointment has been made, the City of Holdfast Bay maintained its request to have the maximum amount increased. This application was addressed by the Tribunal in its Report 18 of 2024 where the Tribunal declined to make an individual Council Determination and advised that the City of Holdfast Bay position would be considered as part of this broader review.
33. The Tribunal has reviewed each of these Councils as part of this broader review.

**The Tribunal's approach to reviewing minimum and maximum amounts**

34. Consistent with its inaugural Report, the Tribunal considers that a more sustainable longer-term approach is necessary. Notwithstanding all the information which the Tribunal now has, it remains aware that some Councils have not provided submissions, that most of the Councils have not provided position descriptions and that a significant proportion of the submissions note unique characteristics of their Council.
35. It is also clear to the Tribunal that at least some Councils may have misunderstood the definition of remuneration and particularly, motor vehicle costing approaches and that some elected members, and possibly some CEO's may benefit from clarification of the principles being applied by the Tribunal. The Tribunal has provided additional clarification later in this Report.
36. The Tribunal acknowledges at the outset that the nature of its jurisdiction is inherently limited to the specification of minimum and maximum remuneration. It is not within the Tribunal's jurisdiction to determine allowances in addition to the minimum and maximum remuneration amounts. Accordingly, the Tribunal has reviewed an array of factors that are commonly considered in establishing remuneration levels. These range from regional attraction and retention components of remuneration to the recognition of the many functions undertaken by Local Governments that are outside of traditional expectations.
37. The Tribunal has adopted an approach whereby it seeks to achieve the following broad objectives:

- Minimum and maximum remuneration amounts need to reflect the complexity of roles and responsibilities necessary to allow Councils to recruit and retain appropriately skilled and qualified CEOs.
  - Remuneration minimums and maximums must provide a significant degree of assurance to Council ratepayers, that their CEO is being equitably remunerated.
  - The minimum and maximum remuneration amounts need to provide an appropriate degree of guidance to elected members to assist them in setting and reviewing CEO remuneration.
  - Any system of setting minimum and maximum remuneration must be capable of simple and low-cost revision to facilitate regular review.
38. The Tribunal has reviewed possible approaches against these broad objectives. The significant diversity of remuneration levels noted in the inaugural Report means that some Councils with similar characteristics pay their CEOs quite different remuneration, while some CEOs are paid similar remuneration despite working for Councils with substantially different characteristics.
39. The information available to the Tribunal confirms that the capability and performance of both elected members and CEOs impacts on remuneration considerations. However, recognition of performance issues is the prerogative of elected members and, if necessary, the State Government. Councils have the capacity to take account of CEO performance issues when setting remuneration between the minimum and maximum amounts set by the Tribunal.
40. The Tribunal does not consider a system whereby individual Councils apply to the Tribunal to review and set CEO remuneration is sustainable. Such a system would be administratively cumbersome and could create perceived or actual remuneration discrepancies between Councils.
41. A common argument was that the grouping arrangement traditionally applied by the Tribunal to assess elected member allowances should have been used as the basis for the grouping of CEO remuneration. These propositions similarly fail to meet the Tribunal's broad objectives. In its Report 2 of 2022, the Tribunal expressed reservations about the current groupings and invited Local Government to consider alternative approaches. The current groupings have their genesis in very dated population comparisons. If these same groupings were applied to CEOs, they would create significant anomalies and fail to recognise other characteristics of Councils relevant to the role complexity of CEOs. Furthermore, the gap between minimum and maximum remuneration levels would likely be so substantial that the objectives of providing assurances to Council ratepayers and guidance to elected members would not be met.
42. The Tribunal also considered use of the Australian Classification of Local Government (**ACLG**) categories, determined by the Australian Bureau of Statistics, as the basis for setting remuneration. The ACLG categories are based on population and population density and result in 16 categories for South Australian Councils. The Tribunal was not satisfied that the factors included in this system properly characterised CEO functions and, in any event, using such a system led to unsustainably large and inconsistent remuneration groupings.
43. The Tribunal has reviewed the Western Australian system of specifying minimum and maximum remuneration levels. This approach was considered in the development of the LG Act. That Western Australian system has now been in operation for many years and was initially established following a comprehensive review of each then current CEO job role. Of more recent times the number of groups of Councils has been reduced by regulation. Western Australia also has a longstanding and relatively consistent approach to the recognition of regional locations across public and many private sector occupational groups. There is no

equivalent mechanism in South Australia. The Western Australian local government structures are significantly different to the South Australian structures in that there are many more smaller Councils. Finally, the adoption of the Western Australian approach would result in gaps between minimum and maximum remuneration amounts that are so substantial that they would also fail to meet the objectives of providing assurances to local communities and guidance to elected members.

44. The approach suggested by the significant group of CEOs also results in such a gap between minimum and maximum remuneration amounts that it fails to meet the Tribunal's objectives. Additionally, the Tribunal is not satisfied that such an approach would be sustainable on a long-term basis, particularly given the reservations it expressed in 2023.
45. The Tribunal considered engaging a remuneration specialist to consult individually with each Council to assess appropriate remuneration arrangements. It has decided such an approach would be both time consuming, and unnecessary given the substantial material already available to compare Councils. Such an approach would also impose a significant additional cost burden on the Local Government sector and would have the potential to become obsolete quickly.
46. The Tribunal has adopted an approach which takes account of key Council characteristics that impact on the complexity of the role. These characteristics need to have appropriate weightings attached to them. The overall approach must be consistent with common remuneration setting processes applied to public and private sector organisations.
47. A specialist remuneration advisory firm, Mercer Consulting (Australia) Pty Ltd (**Mercer**), was engaged to assist the Tribunal in ensuring the integrity and consistency of the component parts of remuneration considerations, and to facilitate a process by which the Tribunal could assess and weight the characteristics of Councils considered relevant to remuneration.
48. The brief given to Mercer had two broad components. Firstly, Mercer was asked to review the Tribunal's approach to, and definition of total remuneration package components, to provide maximum assistance to Councils and ensure a consistent and equitable approach to establishing minimum and maximum remuneration levels, in accordance with the direction on the total remuneration spread being provided to Mercer by the Tribunal.
49. Secondly, Mercer was asked to assist the Tribunal in developing bands or groups of Councils within a framework comprising of minimum and maximum remuneration levels determined by the Tribunal. For the avoidance of doubt, Mercer was not engaged to undertake an individual review of each Council, which would have had a significant cost associated with it.
50. In selecting the appropriate remuneration advisor, the Tribunal complied with the South Australian Government contracting approach. Additionally, because of the potential for any acknowledged expert in this field to be associated in some way with Local Government, the Tribunal received advice and guidance about its contracting processes from a probity advisor and has ensured that Mercer has undertaken this function in a manner which is separate from the remuneration advice that it may provide to Councils. It is appropriate that the Tribunal notes the Mercer contribution with thanks.

#### **What is included in the Total Remuneration Package**

51. In its inaugural Report the Tribunal stated the following:

"44. In determining what constitutes remuneration, the Tribunal has considered the following components:

- Monetary remuneration
  - Superannuation, including the statutory minimum employer contributions, any salary sacrifice component and any additional payments made by a council
  - Annual leave loading
  - Additional leave entitlements
  - Bonuses and performance incentives - in cash or otherwise
  - The private benefit value of any motor vehicle and/or equipment (excluding mobile telephones and portable computing equipment provided to the CEO by the council)
  - School or childcare fees, including school uniforms
  - Newspaper/magazine/online subscriptions
  - Personal travel or any other benefit taken in lieu of salary by the CEO (and immediate family at the discretion of the council)
  - Health insurance
  - Any and all allowances
  - Any other form of payment - cash or otherwise
  - Any Fringe Benefits Tax paid by council in respect of any of the above.”
52. While the Tribunal is satisfied that the inclusion of these components is consistent with commonly applied remuneration definitions, it has reviewed these considerations as part of this Report.
53. The consultations with Councils disclosed a degree of confusion on the part of some Councils about how certain components should be costed.
54. The Tribunal has reviewed remuneration approaches through the survey information available from its 2022/23 CEO survey. Mercer has provided additional guidance on these issues, which has been, with the exception of housing and accommodation, generally accepted by the Tribunal. Consequently, the Tribunal confirms the following approaches to matters included within the concept of a total remuneration package, which it is satisfied reflect common public and private sector practices.

#### **Motor Vehicles**

55. The Tribunal notes that Councils may approve the provision of a motor vehicle to a CEO as part of the CEO's remuneration package, as a tool of trade or offer a motor vehicle allowance by way of additional remuneration.
56. The Tribunal obtained advice from Mercer on the inclusion of motor vehicles in a CEO's remuneration package. The Tribunal noted that a combination of accounting and remuneration packaging approaches are applied by Councils and concluded that, because of the diversity of vehicle cost assessments, and private use components, it is not possible to establish a common benefit value that can notionally be attached to the provision of a vehicle.
57. Having considered Mercer's advice, the Tribunal is of the view that if a motor vehicle is provided as part of the remuneration package, determining a benefit value depends on the type and cost of vehicle, and the extent of personal use of the vehicle along with other assumptions. The provision of the vehicle will be subject to Fringe Benefits Tax (**FBT**). The benefit value of the

vehicle and FBT attributable to the personal use of the vehicle and all other monetary components and allowances in lieu of provision of a motor vehicle, other than as a tool of trade, must be included in the CEO's total remuneration and must not cause the CEO's total remuneration package to exceed the maximum of the remuneration range of the relevant band. Councils are responsible for complying with the requirements of the Australian Taxation Office (ATO) in relation to the calculation of the benefit and FBT, using any of the ATO approved methods. If a motor vehicle is provided as a tool of trade, no FBT is payable.

58. Further, a cash equivalent allowance in lieu of a motor vehicle will form part of the total remuneration package and form part of the CEO's total remuneration.
59. The Tribunal has not detailed the different approaches to motor vehicle costings adopted by the ATO as these are readily available to Councils. However, the Tribunal strongly recommends that Councils recognise that any benefit, relating to a motor vehicle, including the associated FBT, is included in, and not separate from, the CEO's total remuneration package.

#### **Housing and Accommodation**

60. The information available to the Tribunal confirms that Councils may offer housing or accommodation, or a housing allowance to a CEO to attract and/or retain that CEO or where suitable housing is not available.
61. The Tribunal acknowledges that the provision of housing in designated remote areas is exempt from FBT under the *Fringe Benefit Tax Assessment Act 1986* (Cth) and that the ATO is currently reviewing the relevant definitions and that the cost of Council owned housing is variable.
62. Mercer recommended that the provision of housing/accommodation or a housing allowance in a remote location not be included in the definition of remuneration. The Tribunal has not accepted this recommendation because it is concerned that such an approach creates potential substantial inequities, depending on the definition of remoteness for FBT purposes. Additionally, the Tribunal is concerned that the exclusion of housing provision or allowances from the definition of a total remuneration package, effectively invites its inclusion in areas where this is not currently applicable or required, with consequent cost implications for the Councils concerned. However, as explained later in this Report, the Tribunal has recognised locational remoteness as a factor in setting minimum and maximum remuneration bands.
63. This means that the cost of housing or accommodation, or an allowance for housing is a component of remuneration and should be recognised as such. The determination of the amount to be included in the total remuneration of the CEO is the amount that would be used to calculate the FBT payable (whether FBT is payable or not per ATO Remote Area definitions). The application of FBT is then a matter which is dependent on whether the relevant town or city is exempted from FBT by the ATO.

#### **Superannuation**

64. There are multiple different superannuation arrangements adopted for Local Government CEOs. These include accumulation-based schemes and defined benefit funds, with varying employee contributions. The Tribunal has adopted the position that, irrespective of whether the scheme is an accumulation or a defined benefit fund, the standard position is that superannuation costs should reflect the minimum employer contribution, which is currently 11.5%. If a Council contributes in excess of the minimum employer contribution amount, the superannuation component should be increased accordingly.

**Annual Leave of more than 4 weeks per annum**

- 65. Two discrete arrangements for additional annual leave have been considered by the Tribunal.
- 66. Arrangements for purchased additional leave, whereby the additional leave is funded by additional working hours or through a reduction in weekly or monthly pay, do not represent an additional benefit.
- 67. In contrast, the Tribunal is aware of arrangements for CEOs where annual leave of more than four weeks per year is part of the remuneration package without any reduction in remuneration. This circumstance represents an additional cost imposed on a Council so that the amount of leave in addition to four weeks needs to be added to the annual total remuneration package amount. The Tribunal is of the view that where additional leave is granted to remotely based CEOs to enable them to travel or return to their hometown or city without unduly impinging on the annual leave entitlement, this additional leave grant should not be included in the calculation of total remuneration.

**Remuneration Definitions**

- 68. The Tribunal has adopted the following definitions of remuneration components for inclusion in the Determination accompanying this Report:

Component	Definition
Monetary remuneration	Base salary (cash component).
Superannuation	Includes the statutory minimum employer contributions, any salary sacrifice component, and any additional payments made by a Council.
Annual Leave Loading	As defined in the relevant employment contract.
Additional Leave Entitlements	Dollar value of additional leave provided over and above statutory entitlement, except where this is provided to allow remotely based CEOs to travel to their hometown or capital city to commence / return from leave.
Bonuses	Dollar value of any bonuses or performance incentives, whether received in cash or kind.
Motor Vehicle	The value of the cash allowance or the private benefit value of the motor vehicle to the CEO using either the Prime Cost (depreciation), Operating Cost, or Statutory Formula in accordance with the ATO rules.  Must include FBT payable by the CEO.  Refer to: <a href="https://www.ato.gov.au/calculators-and-tools/fringe-benefits-tax-car-calculator">https://www.ato.gov.au/calculators-and-tools/fringe-benefits-tax-car-calculator</a>
Housing Allowance	The dollar value of any housing allowance or rental subsidy and associated FBT. Consistent with the ATO remote area FBT requirements.  Note, designated remote areas are exempt from FBT – refer to:

	<a href="https://www.ato.gov.au/api/public/content/0-2f3d266d-5f78-4188-add6-f218387a0485?1730844950186">https://www.ato.gov.au/api/public/content/0-2f3d266d-5f78-4188-add6-f218387a0485?1730844950186</a>
Other Fees and Allowances	Includes, but not limited to, any or all of the following: <ul style="list-style-type: none"> <li>• School or childcare fees, including school uniforms</li> <li>• Newspaper/magazine/online subscriptions</li> <li>• Value of perquisites provided to the CEO i.e. memberships</li> <li>• Personal travel or any other benefit taken in lieu of salary by the CEO (and immediate family at the discretion of the council)</li> <li>• Health insurance</li> <li>• Any and all other allowances</li> <li>• Any other form of payment - cash or otherwise</li> <li>• Any Fringe Benefits Tax paid by council in respect of any of the above</li> </ul>
Total Remuneration Package (TRP)	The total of all the above components.

69. Consistent with the approach taken in the inaugural Report, the Tribunal has concluded that mobile telephones and portable computing equipment provided to CEOs, fundamentally for work purposes, but which may be used for reasonable personal use, should not be regarded as remuneration for these purposes. The Tribunal considers that these items are inherent requirements for a CEO function and, in any event, any additional reasonable use represents a minimal additional cost such that separating personal and business use involves unreasonable administrative costs.
70. The Tribunal has not included professional development costs that directly relate to the performance of CEO duties and membership of professional associations related to the performance of CEO functions in its assessment of remuneration.
71. The Tribunal has not included one-off payments that relate directly and solely to relocation expenses in its consideration of remuneration.

**Characteristics of Councils that differentiate between Council CEOs**

72. To develop its approach to grouping and comparing Councils, the Tribunal has received substantial assistance from Mercer to ensure that its consideration of Council characteristics properly relate to expectations of CEOs. This analysis of Council characteristics that relate to the demands on CEOs has been conducted in two stages. The initial stage involved a comparison of the characteristics considered relevant to the complexity of the CEO role to establish a framework for consideration of Councils. The second stage has involved identifying appropriate minimum and maximum remuneration amounts.
73. As was the case in its inaugural Determination, the Tribunal has not included Roxby Downs Council in this review. This is because Roxby Downs Council operates under an indenture agreement and has an entirely different funding and operating base to every other Council.
74. In consultation with Mercer, the Tribunal considered all the available data about Council characteristics. It then selected the following primary and modifying criteria:

CRITERIA		KEY MEASURE (SOURCE)	RATIONALE
PRIMARY CRITERIA	Revenue	Total operating income (Source: Council's Financial Statements)	Total operating income - General Rates; Other Rates; Other Charges; Mandatory and Discretionary Rebates & Remissions and Write-offs; Total Rates; Statutory Charges; User Charges; Grants, Subsidies and Contributions; Investment Income; Reimbursements; Other Income; Share of Profit - Joint Ventures & Associates. Reflects the scale and complexity of operations on an ongoing basis.
MODIFYING CRITERIA	Projected population growth	Annualised population growth based on data from 2021 to 2031 (Source: SA Department for Trade and Investment)	Adopting both a historical and projected view over a 10 year period smooths out/reduces any potential projection anomalies/errors. Any significant infrastructure and service delivery impacts on Council as a result of projected population growth would tend to be based on a longer term planning horizon. This measure picks up the complexities associated with future planning and infrastructure development that is not captured in the total operating income of Council or the other modifying criteria.
	Population Dispersion	Population dispersion based on estimated average distance (in kilometres) between each person in the council area and the centre of population for the region (Source: Keystone Data)	Population dispersion considers both population and geography. It reflects the travel demands placed on Chief Executives in geographically dispersed councils that is not captured by total operating income, or the other modifying criteria. It also acts as a proxy for a travel allowance.
	Distance from Adelaide	Distance of primary council location from Adelaide (Source: SA Remuneration Tribunal)	Recognises the need to travel to access services not available within the council area (e.g. medical and education) which, while not directly impacting the complexity of the CEO role, creates greater distance and travelling challenges for CEOs in rural and remote areas.
	Socio-economic Advantage / Disadvantage	SEIFA index of relative socio-economic disadvantage, decile (Source: ABS)	SEIFA is a commonly used measure to assess the socio-economic status of an area and accounts for differences in complexities of councils with different levels of socio-economic advantage/disadvantage. Council areas with a lower decile are considered more complex.

75. The Tribunal has adopted the position that the single most significant characteristic of Councils that impacts on the CEO roles is total operating income (as defined in reports periodically issued by the SA Local Government Grants Commission) as described in the above table. There is a close correlation between total operating income and staffing numbers and close