



STRICTLY PRIVATE & CONFIDENTIAL



**CHIEF EXECUTIVE OFFICER
REMUNERATION ADVICE**

AUGUST 2016



1. Process Methodology

In order to obtain the information necessary to establish appropriate remuneration benchmarks for this position, we researched a number of comparable entities to determine salary packages for comparable positions. We also researched recent positions filled by our organisation (and recent individuals interviewed) as a further indication of current market rates. All participants were assured of their anonymity (where the information is not public knowledge) and the confidentiality of the process. In return for their contribution to the process, we may contact the participating organisations and individuals after the completion of this assignment and provide them with *limited verbal* feedback of the results. No specific remuneration data for your incumbent or others in the survey will be released to any party outside Hender Consulting under any circumstances.

As the City of Burnside is unique in terms of its members, structure, turnover and staff, the organisations researched are therefore different in at least one of the above factors. We have endeavoured to allow for these differences and incorporated adjustments to our recommendations accordingly.

Nonetheless, some care must be taken when using these figures as universal benchmarks as recent packages negotiated have, at times, reflected a variety of circumstances such as the successful candidature by internal candidates, appointment of candidates with no local government experience to the sector and the necessity to pay premiums to attract interstate or overseas candidates.

Roles such as this also have a unique “stakeholder management” responsibility which commands a certain remuneration premium.

2. Factors Influencing Remuneration Levels

Salary packages across comparable roles are determined by factors (in no particular order) such as:-

- relevant qualifications;
- senior management experience;
- relevant industry experience;
- length of time in the role;
- management and budgetary responsibilities;
- financial performance and asset base of the organisation;
- demonstrated leadership capabilities;
- scope and complexity of responsibilities;
- head hunter activity in and outside the sector;
- contribution to strategic direction;
- difficulty and cost to replace;
- current market rates;
- succession planning;
- achievement of individual performance criteria set by the Board/Council;
- amount of organisation specific intellectual property controlled by the individual;
- the risk factor in the projects under management;
- internal pay relativities;
- degree of public accountability;
- personal profile of the individual;
- technical skill shortages (albeit diminishing) and other demographics in the Adelaide market;



- remuneration relativities with the eastern states and WA;
- the existence of retention and attraction bonuses on offer for comparable positions;
- the timing of the salary review in the contract or tenure cycle of the incumbent;
- any bonus or at risk component;
- socio-economic outcomes demonstrated;
- increasing public scrutiny of executive remuneration in the currently economic climate;
- very recent appointments and current recruitments within the sector.

We believe greater weight should be given to some of the factors above than any “national industry data” which will not have been adjusted for differentials in cost of living etc. That is, we recommend caution with using raw industry association data because it is indeed just data and lacks the contextual adjustments.

Thus, we have endeavoured to value the factors above and allow for them in our advice such that our recommendations are built around true context rather than being based on data alone. The final decision regarding remuneration should not be made without thorough consideration of the aforementioned dot point factors.

Of the organisations and individuals researched, all have salary packages that include a cash component and the compulsory superannuation contribution. A motor vehicle with full private use and maximum salary sacrifice benefits is also often provided. A fully maintained motor vehicle (unrestricted use) is on average, valued at \$15,000 p.a. * (which could be considered conservative against a number of local and national remuneration studies). Some organisations value the vehicle slightly higher or lower. On this occasion, Hender Consulting has been provided the value the vehicle has been valued, which is around half the value commonly apportioned by other entities.

Additional benefits vary from organisation to organisation and include the payment of business expense accounts, club and association memberships, overseas travel and seminar attendance, study assistance and sabbaticals. Tools of trade such as mobile telephones and laptop computers along with remote access and internet cost reimbursement are also commonly provided. These benefits are often standard as part of genuine executive packages and have therefore been excluded from the calculations as a *given*. It is important to note that senior executives are increasingly viewing remote access and reimbursement of broadband expenses as a *normal* condition and central to their work life balance objectives. It is also important to consider which party is paying the FBT attached to such non financial benefits.

3. Findings & Recommendations

We understand that Paul’s current remuneration package is \$225,664.18 p.a comprising:

Annual base salary	\$199,586.01
Superannuation 9.5%	\$19,578.17
Fully maintained vehicle, unrestricted use	\$6,500
Total	\$225,664.18



Although this package is below that for a number of comparable roles and Paul's performance has been deemed by respondents to be consistently good or better over multiple years, the recessed economic conditions and falling inflation rates are still having a downward effect on executive remuneration rises, so an adjustment close to or above the equivalent to the Council's EBA would appear to be very hard to defend despite his good performance. If little appetite exists for an increase above 2% we again encourage Council to consider other reward mechanisms (additional leave, flexibility etc.) to reflect his performance without triggering a budgetary impact.

Our recommendation is for a movement of 2% in the total value of the package. It is important to note that in certain industry settings executive remuneration increments are now some of the lowest on record (with even downward movements in a range of domains). Consequently, an argument for no change can be built. However, it would be difficult to defend the fairness of a zero increment for Paul whilst staff covered under the EBA are receiving 3%, considering he has been deemed to be above the *good* level in his 15/16 performance appraisal.

Paul would be a credible candidate in the sector for roles paying on or above \$230,000 p.a. and thus some adjustment towards this level is warranted from a moderate risk management perspective alone. It also ensures the package is *broadly* competitive, should the organisation be in the market to replace him in the next few years.

4. CPI and Real Wage Movements

Until the first global recession/downturn, inflation rates for the last few years had remained stable and within or around the Reserve Bank of Australia (RBA) target band of 2-3% p.a. Recent yearly figures have been highly volatile and at times this has either increased or decreased pressure on wages. Nominal wages growth had often been above inflation in the range between 4% and 5% (and above). Senior executive salaries were generally rising at a higher rate than for lower positions and thus annual incremental changes of above 5% were very common until recent years. The well documented economic slowdowns have naturally brought inflation back within and even below the RBA target range and thus recent year CPI adjustments have not been as great. It is important to view any adjustment towards the market as separate from maintaining the real value of the package.

To illustrate the volatile national Headline CPI movements (year ended) over the last few years and to illustrate the importance of careful consideration of inflationary factors, we have included the recent results following :-

Year Ended	CPI	
June	08	4.5%
September	08	5.0%
December	08	3.7%
March	09	2.5%
June	09	1.5%
September	09	1.3%
December	09	2.1%
March	10	2.9%
June	10	3.1%
September	10	2.8%
December	10	2.7%



March	11	3.3%
June	11	3.6%
September	11	3.5%
December	11	3.1%
March	12	1.6%
June	12	1.2%
September	12	2.0%
March	13	2.5%
June	13	2.4%
September	13	2.2%
December	13	2.7%
March	14	2.9%
June	14	3.0%
September	14	2.3%
December	14	1.7%
March	15	1.3%
June	15	1.5%
September	15	1.5%
December	15	1.7%
March	16	1.3%
June	16	1.0%

The current figures are some of the lowest on record and are flowing through to record low interest rates and wages growth.

We are conscious that some of the above figures may be unusual results, but nonetheless stress that any increases above them are technically real increases. However, strong performance by incumbents, interstate differentials and difficulty to replace factors do provide good support for higher increments.

5. Genuine Flexibility and Other Movements

Senior candidates are increasingly rating genuine flexibility as a more important factor than exact remuneration. We advise that the organisation offers every flexible condition possible to ensure such that, where remuneration is comparable, this creates a competitive edge. Do not hesitate to contact us if you wish to discuss these points further or if you would like some input (at no additional consulting fee) regarding remuneration decisions.

Should you have any queries related to any aspects of this report, please do not hesitate to contact me.

Assuring you of our objective, independent and considered advice.

With kind regards and thanks for the opportunity to facilitate this important process.

Andrew Reed
Principal Consultant
Direct line : (08) 8100 8836
email andrew.reed@hender.com.au