

## ITEM NUMBER: 8.2

### CONFIDENTIAL REPORT

### CHIEF EXECUTIVE OFFICER – REMUNERATION BENCHMARKING

*Pursuant to Section 87(10) of the Local Government Act 1999 the Report attached to this agenda and the accompanying documentation is delivered to the Executive Committee upon the basis that the Committee consider the Report and the documents in confidence under Part 3 of the Act, specifically on the basis that Executive Committee will receive, discuss or consider:*

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

**Recommendation – Exclusion of the Public – Section 90(3)(a) Order**

1. That pursuant to Section 90(2) of the *Local Government Act 1999* the Executive Committee hereby orders that the public be excluded from attendance at this meeting with the exception of the General Manager Assets and Delivery and Staff minute taker in attendance at the meeting in order to consider Report No: 135/24 Chief Executive Officer – Remuneration Benchmarking in confidence.
  2. That in accordance with Section 90(3) of the *Local Government Act 1999* the Executive Committee is satisfied that it is necessary that the public be excluded to consider the information contained in Report No: 135/24 Chief Executive Officer – Remuneration Benchmarking on the following grounds:
    - a. pursuant to section 90(3)(a) of the Act, the information to be received, discussed or considered in relation to Report No: 135/24 Chief Executive Officer – Remuneration Benchmarking is information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead), being being Chief Executive Officer, Mr Roberto Bria, in that details of his salary will be discussed, which are sensitive and are details only know to those who have participated in the discussion.
  3. The Executive Committee is satisfied, the principle that the meeting be conducted in a place open to the public, has been outweighed by the need to keep the information or discussion confidential.
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**Item No:** 8.2

**Subject:** CHIEF EXECUTIVE OFFICER – REMUNERATION BENCHMARKING

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## Summary

At its meeting on 23 January 2024 the Executive Committee requested an assessment be undertaken of the Chief Executive Officer's remuneration package. The assessment was to specifically consider the job value of the role in overseeing Council's aged care facility.

As a result, an independent job value and remuneration benchmarking review has been undertaken on the current City of Holdfast Bay Chief Executive Officer position.

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## Recommendation

1. **The Executive Committee notes the outcome of the remuneration benchmarking of the Chief Executive Officer's position.**

### RETAIN IN CONFIDENCE - Section 91(7) Order

2. **That having considered Agenda Item 8.2 135/24 Chief Executive Officer – Remuneration Benchmarking in confidence under section 90(2) and (3)(a) of the *Local Government Act 1999*, the Executive Committee, pursuant to section 91(7) of that Act orders that the report and attachment be retained in confidence for a period of 24 months and this order be reviewed every 12 months.**
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## Background

Following the release of the Remuneration Tribunal's determination on Local Government CEO Remuneration bands, the Executive Committee requested information be provided on the job value of the Chief Executive Officer position, particularly the value of the responsibility for overseeing Council's aged care facility, Alwyndor.

## Report

Due to the complexity of the aged care sector, it was difficult to assess the work value of overseeing the Alwyndor facility without seeking specialised advice.

Mercer Consulting were engaged to undertake a job value and remuneration benchmarking review.

To inform the review, consultants from Mercer:

- Reviewed the role and organisation documentation provided by Administration to understand the nature, scope, influence, complexity and accountabilities of the role.
- Held a discussion with following key stakeholders to gain better understanding of the context and complexity:
  - Ms Amanda Wilson, Mayor, Holdfast Bay
  - Ms Pamela Jackson, General Manager Assets and Delivery
  - Mr Roberto Bria, CEO (incumbent).
- Evaluated the role using the MCED Job Evaluation System to review and assess the relative work value of the position.
- Analysed the current pay practice for the position incumbent.

The review entailed benchmarking against industries:

- that are typically conservative, stable, or low profit organisations;
- where employment is relatively secure. Career paths are well defined and developed and advancement opportunities are available; and
- where employees are often attracted and retained by intrinsic motivators and work/life balance.

Common examples of industries with these key characteristics include the public sector, local council, aged care, and not for profit.

The MCED Job Evaluation System takes into consideration the expertise, judgement and accountability associated with a position.

The resulting report, included as Attachment 1, outlines the process for determining the work value of a position. The report includes:

- a work value-based remuneration range at the Total Fixed Remuneration (TFR) from the Mercer National General Market at the 25th percentile, referencing the work value points from the evaluation; and
- a recommended market-based remuneration range for the positions under review.

*Refer Attachment 1*

### ***Findings of the report***

#### ***Work Value***

The table overleaf summarises the job evaluation outcome, including Alwyndor operations, determined by Mercer.

Position	Impact	Expertise	Judgement	Accountability	Total Work Value Points
Chief Executive Officer	Direct Expenditure \$94.17M	G-5-d+ (471)	E5 (356)	F-4-d (541)	1,368

Excluding Alwyndor operations, the total work value points is decreased by to 294 points, to 1,074.

#### *Market positioning (remuneration)*

General Market Remuneration Data, January 2024

Position	Total Work Value Points	Employment Cost 25th Percentile
Chief Executive Officer	1,368	\$434,200

Excluding Alwyndor operations, the employment cost 25<sup>th</sup> percentile is reduced to \$350,100.

#### *Current pay practice*

Position	Base Salary	Superannuation (11%)	Vehicle	Total Fixed Remuneration
Chief Executive Officer	\$294,842	\$32,433	\$12,264	\$339,538

As previously discussed with the Committee, on 1 July 2023 the Remuneration Tribunal Determination on the minimum and maximum remuneration for council Chief Executive Officers came into effect. The minimum and maximum remuneration for the band that the City of Holdfast Bay sits is \$319,280 to \$351,520. This band is expressed on a total remuneration package basis. Therefore, any changes to the Chief Executive's remuneration must sit within the band determined by the Remuneration Tribunal.

## Budget

The cost of the evaluation conducted by Mercer Consulting was \$6,250 +GST.

## Life Cycle Costs

There are no lifecycle costs associated with this report.

## Strategic Plan

Not applicable

## Council Policy

Not applicable

## Statutory Provisions

Remuneration Tribunal Determination No. 4 of 2023 – Minimum and Maximum Chief Executive Officer Remuneration

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**Written By:** General Manager, Assets and Delivery

**General Manager:** Assets and Delivery, Ms P Jackson

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# Attachment 1

# Chief Executive Officer Remuneration Benchmarking Review

City of Holdfast Bay

25 March 2024





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## Section 1

# Introduction

Mercer Consulting (Australia) is pleased to provide City of Holdfast Bay with independent evaluation and remuneration benchmarking and advice for the Chief Executive Officer (CEO) position.

## Approach

In providing this advice, Mercer has undertaken the following activities:

- Reviewed the role and organisation documentation provided by the Council to understand the nature, scope, influence, complexity and accountabilities of the role
- Held a discussion with following key stakeholders to gain better understanding of the context and complexity:
  - Ms Amanda Wilson, Mayor, Holdfast Bay
  - Ms Pamela Jackson, General Manager Assets & Delivery
  - Mr Roberto Bria, CEO (incumbent)
- Evaluated the role using the MCED job evaluation system to review and assess the relative work value of the position
- Provided a work value based remuneration range at the Total Fixed Remuneration (TFR) from the Mercer National General Market at the 25<sup>th</sup> percentile, referencing the work value points from the evaluation
- Analysed the current pay practice for the position incumbent
- Recommended a market based remuneration range for the positions under review
- Prepared this report.

The results of our position evaluation and remuneration advice are provided in this report. Further information on any aspect of this report can be obtained from Saras Bansal on 0498 608 204 or [saras.bansal@mercer.com](mailto:saras.bansal@mercer.com).

## Section 2

# Work Value Assessment

## Work Value

The position has been evaluated using the MCED Job Evaluation System. This system is designed to measure the relative size of positions. It measures the major components of job worth and enables the referencing of current pay data for similar sized roles.

In conducting the evaluation, the position was measured in terms of the actual requirements of the role, rather than the experience or skills possessed by the particular incumbent of the position, or their performance in the role. The position was sized based on three main factors:

- **Expertise** – the depth and breadth of knowledge, skills and experience required to be fully effective in the role, as well as the interpersonal/negotiation skills required
- **Judgement** – the thinking challenges of the role, the job environment, risk, operational problem solving and strategic planning/leadership required of the role
- **Accountability** – the impact of the role and the measured outcomes expected from the position.

An assessment is made across eight sub-factors. A summary of the factors that are considered when assessing positions using the MCED methodology is included in **Appendix A**.

Figure 1: MCED Methodology



Table 1 summarises the job evaluation outcome determined by Mercer.

Table 1: MCED Job Evaluation Profile

Position	Impact	Expertise	Judgement	Accountability	Total Work Value Points
Chief Executive Officer	Direct Expenditure \$94.17M	G-5-d+ (471)	E5 (356)	F-4-d (541)	1368

## Role Rationale

The CEO is responsible for setting the overall vision, mission, and goals of the council, and ensuring that they align with the needs and expectations of its stakeholders. The CEO is also responsible for developing and implementing strategies to achieve these goals, and for overseeing the day-to-day operations of the council.

In addition to strategic leadership, the CEO plays a crucial role in building and maintaining relationships with key stakeholders, such as council members, government officials, community leaders, and other organizations. The CEO represents the council in external engagements and acts as a spokesperson for the organization, advocating for its interests and promoting its initiatives.

Furthermore, the CEO is responsible for managing the council's resources effectively, including its budget, personnel, and infrastructure. This involves making informed decisions about resource allocation, ensuring financial sustainability, and fostering a positive and productive work environment.

Additionally, the CEO is tasked with overseeing the development and management of residential, community, and therapy services at Alwyndor. This involves ensuring the provision of high-quality services that meet the needs of the residents and the broader community, while also maintaining effective operational and financial management.

The role has the direct budget responsibility of circa ~\$94.17million and around ~500 FTE.

## Section 3

# Benchmark Remuneration Data

## Market Positioning

Consistent with our previous advice, Mercer has sourced market remuneration information, referencing the Mercer National General Market 25<sup>th</sup> percentile, at the corresponding work value.

Table 2 provides market remuneration data midpoints for Total Fixed Remuneration (TFR) which consists of base salary plus the value of all cash (e.g. superannuation, allowances) and non-cash benefits (e.g. motor vehicles, car parking) plus the cost of Fringe Benefits Tax (FBT) as applied in a typical corporate environment with no exemptions or rebates applicable. It does not include any bonus/incentive payment.

The data is rounded to the nearest \$100 and is effective January 2024, which is the most current data available. Refer to Appendix B for a glossary of standard remuneration definitions.

Table 2: General Market Remuneration Data, January 2024

Position	Total Work Value Points	Employment Cost 25 <sup>th</sup> Percentile
Chief Executive Officer	1368	\$434,200

## Analysis of Current Pay Practice

Mercer has used the current pay data provided by the Council to analyse the organisation's pay practice for the CEO position. The below table summarises incumbent's current package:

Table 3: Current Incumbent Employment Cost Package Data

Position	Base Salary	Superannuation (11%)	Vehicle	Total Fixed Remuneration
Chief Executive Officer	\$294,842	\$32,433	\$12,264	\$339,538

Mercer has analysed the above current pay practice in Table 4 overleaf using a comparison in the form of a comp ratio, which represents a ratio between the incumbent's actual rate of pay and the comparative market rate. For example:

A comparison has been provided in the form of a compa-ratio, which represents a ratio between the incumbent's actual rate of pay and the comparative market rate.

For example:

$$\frac{\text{Actual Pay}}{\text{Market Pay}} = \frac{\$100,000}{\$100,000} = 1.10 \text{ compa ratio (i.e. paid 10\% above the market rate)}$$

A low compa-ratio (e.g. 0.85 – 0.80) can indicate:

- Under-payment
- Recent appointment
- Poor performance rating
- A readily available supply of skills for that particular job or job family.

A high compa-ratio (e.g. 1.15 – 1.20) can indicate:

- Over-payment
- Excellent performance rating
- A high demand and low supply of skills for that particular role.

Either a low or high compa-ratio over a period of time indicates that there is a significant pay or performance issue that needs to be addressed by the organisation.

**Table 4: Analysis of Current Total Fixed Remuneration**

Position	Incumbent TFR	TFR General Market 25 <sup>th</sup> Percentile	Compa-ratio
Chief Executive Officer	\$339,538	\$434,200	0.78

It is noted that the incumbent is positioned 22% below market total fixed remuneration midpoint at the 25<sup>th</sup> percentile.

## Section 4

# Remuneration Ranges

### Market Remuneration Ranges

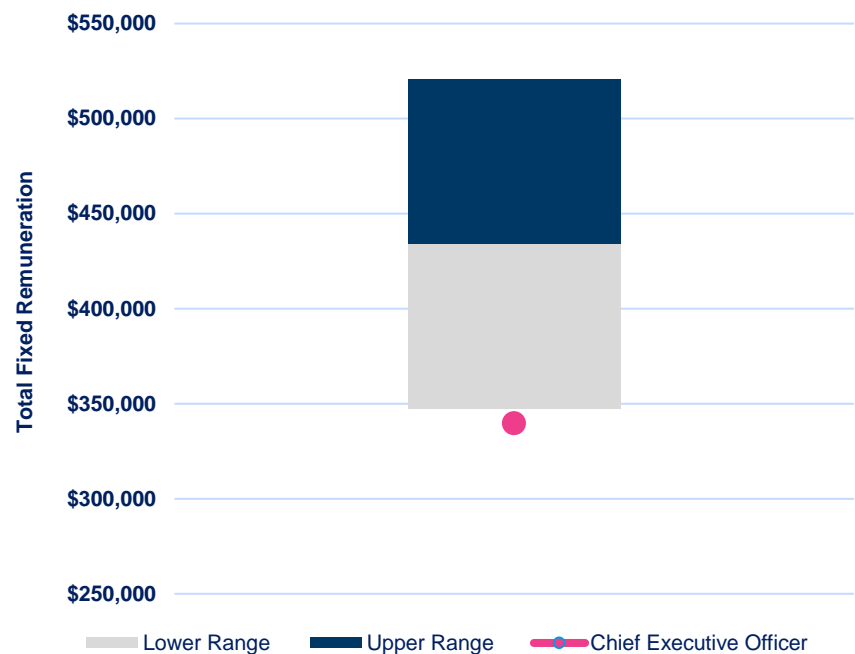
Mercer has also applied a  $\pm 20\%$  range around the 25<sup>th</sup> percentile of the TFR. Many organisations manage remuneration for their employees within a market based range. This provides the flexibility to respond to individual factors related to the position incumbent and/or to particular market pressures that may prevail. A remuneration range provides the opportunity to:

- Recognise differences in individual competence and general performance in the job
- Take account of specific market pressures either in terms of attraction, or retention
- Recognise the value of particular scarce individual skills that are not reflected in the work value assessment.

Table 5: Market Remuneration Ranges, January 2024

Position	Incumbent TFR	Range Spread	Minimum (80%)	Midpoint (25 <sup>th</sup> Percentile)	Maximum (120%)	Current Position in the Range
Chief Executive Officer	\$339,538	$\pm 20\%$	\$347,400	\$434,200	\$521,000	Below the range

Chart 1: Market Remuneration Ranges and Incumbent positioning



It is noted that the current incumbent is remunerated below the recommended remuneration range.

## Section 5

# Remuneration Considerations

In determining positioning within the remuneration range for an individual, consideration should be given to a number of factors, which are outlined below. Please refer to Appendix C for more information on determining and managing remuneration within a range.

In making individual remuneration decisions, City of Holdfast Bay should consider the following:

- An incumbent's competence and depth of experience.
- An incumbent's level of performance and contribution to the organisation.
- Overall organisation performance and the criticality of the position and incumbent to the organisation.
- The extent to which non-remuneration factors exist e.g. career progression, non-monetary benefits, etc. and
- The organisation's capacity to pay.



## Appendix A

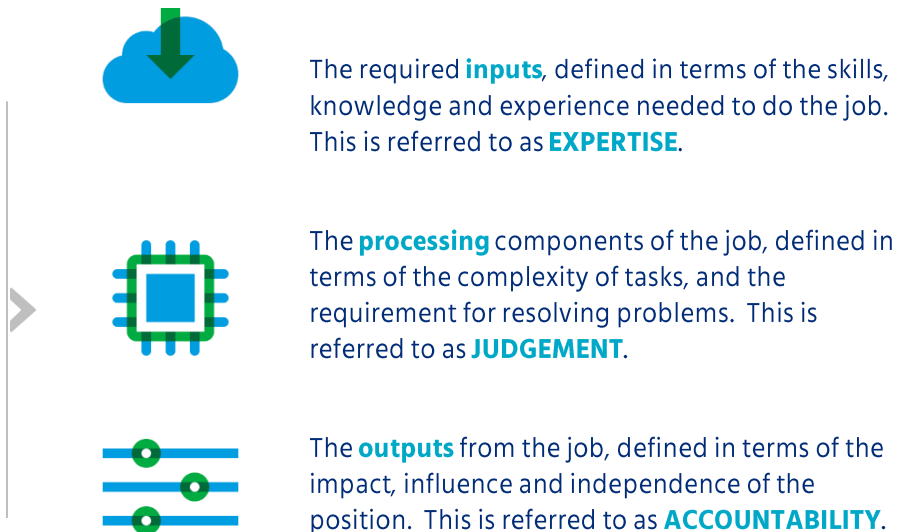
# MCED Evaluation System

Job Evaluation is a method for assessing the work value (or size) of jobs. It provides a systematic and defensible approach for the development of classification frameworks and the assessment of individual roles. Therefore, it provides a sound basis for salary management.

The Mercer CED Job Evaluation System is designed to measure the relative size of positions. It measures the major components of job worth to achieve this. This well-established method examines the complexity of job demands of individual positions in a way that allows a systematic and analytical comparison of positions.

Information used in the job evaluation process may come from interviews and from position descriptions. In conducting evaluations, a position is measured in terms of the actual requirements of the job, rather than the experience or skills possessed by the particular incumbent of the position.

The Mercer CED Job Evaluation System expresses the worth of a position in work value points. These points are determined by assessing eight subfactors which are based on a systems approach to understanding jobs. The eight Mercer CED subfactors form three primary factors.



In the evaluation process for each job, assessments are made for each of the eight subfactors:

- Each subfactor typically has from three to eight levels. Definitions for each level determine how the position is rated on each subfactor. Each position's requirements are compared with detailed, standard definitions to find the level of each subfactor which most accurately describes the characteristics of the job
- A standardised points chart is then referenced to assign numerical points to each factor.

The total of the points assigned for all factors is the work value score for the position which indicates the relative size of the job in terms of intrinsic work value.



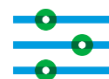
### **EXPERTISE**

The expertise factor measures the requirements of the position for education, training and work experience, the diversity of individual tasks as well as interpersonal skills.



### **JUDGEMENT**

The judgement factor evaluates reasoning components of a job, focusing on the task definition and complexity, the constraining within which employees need to resolve problems and other thinking challenges of the position.



### **ACCOUNTABILITY**

This factor evaluates the nature of the position's authority and involvement in managing the organisation's resources. It includes the influence of the position's advice and accountability for results of decisions.

### **KNOWLEDGE & EXPERIENCE**

This subfactor measures the education, training and work experience requirements of the position. As knowledge is the result of education and training and experience, both the nature and extent of knowledge are considered. When evaluating a position, we consider the training and experience required to do the job. This does not necessarily reflect the training and experience of the current job holder.

#### **BREADTH**

This aspect of expertise measures the diversity of functions performed by the position. It considers not only the breadth of knowledge requirements for the position, but also the impact of various environmental influences on the position. Such influences may include geographic considerations or the variety and nature of product/ services and suppliers/ clients. The breadth sub factor also considers the need to integrate diverse or related activities.

#### **INTERPERSONAL SKILLS**

This subfactor measures the position's requirement for skill in managing people and in negotiations. It is NOT meant to be a measure of the amount of interpersonal skills possessed by any incumbent, but rather is concerned with the people management, persuasive and negotiating skills required to achieve the position objectives.

### **JOB ENVIRONMENT**

Job environment identifies the clarity, objectives, guidelines and policies as well as the nature and variety of tasks, steps, processes, methods or activities in the work performed. It measures the degree to which a position holder must vary the work and develop new techniques.

#### **REASONING**

This facet of judgement focuses on the requirements in the position for reasoning, analysis and creativity. Its emphasis is on the need for analysing and solving problems.

### **IMPACT**

This subfactor is measured in terms of the resources for which the position is primarily held accountable or the impact made by the policy advice or service given. It may be measured in monetary terms or on a policy/advice significance scale.

#### **INDEPENDENCE & INFLUENCE**

This subfactor focuses on the position's level of accountability and independence in the commitment of resources, provision of advice or delivery of services. The requirement for acting as a spokesperson for the organisation is also considered. The extent of accountability is considered in conjunction with the position impact measure chosen.

#### **INVOLVEMENT**

The involvement subfactor is concerned with the nature of the position's accountability for the management of, or influence over, organisation resources. For example, one consideration might be whether the position has accountability for a particular resource fully delegated to it or shared with other positions.

## Appendix B

# Glossary of Remuneration Definitions

- **Base Salary (BS)** consists of annual salary excluding allowances or additional payments (sometimes referred to as cash salary).
- **Total Fixed Remuneration (TFR)** consists of Base Salary plus the value of all cash (e.g. superannuation, allowances) and non-cash benefits (e.g. motor vehicles, car parking) plus the cost of Fringe Benefits Tax as applied in a typical corporate environment with no exemptions or rebates applicable.

\*Base Salary and Employment Cost do not include any bonus/incentive payment.

- The **25<sup>th</sup> percentile** is the position where 25% of organisations pay less and 75% of organisations pay more for a similarly sized role.
- The **General Market** represents all the data in our database (that is all industries, sectors and job families) and provides an overall representation of the market. This market is often used by organisations where skills are relatively transferable across industries/sectors, and where an industry, sector or job family does not have specific factors strongly influencing remuneration movements.

## Appendix C

# Application of Remuneration Ranges

To implement the remuneration ranges, Mercer recommends the Council assess the current pay position of each incumbent, taking into account their individual whole-of-job performance and competence. Please note that fixed pay rewards whole-of-job performance, whereas bonus/incentive payments typically reward the achievement of a small number of stretch targets. Mercer also notes that it is becoming increasingly important to consider market factors in setting remuneration for key positions.

When managing pay within a range, the competitive market rate or midpoint typically represents competent and complete performance of all aspects of the position.

Positioning in the bottom half of a range would typically be reserved for:

- New appointees
- Poor or marginal performers who are not competently fulfilling all aspects of the role; or
- Those positions where the business would be able to compete satisfactory in the market for the salary on offer.

Remuneration in the upper half of the range would typically be assigned to reward for:

- Consistently good performers of high competence
- Very experienced and valued staff where the organisation is somewhat dependent on their retention
- Staff with specialised skills that are both scarce and critical to business success; or
- Job holders in isolated/specialist jobs where short term market forces have pushed remuneration up relative to other positions.

	Qualifications & Competency	Performance Considerations	Remuneration Market Considerations	Culture Considerations	Business Criticality	Impact of Loss
MAXIMUM	Highly competent. Leadership skills possessed. Advanced knowledge in the field.	Consistently outstanding performance. Incumbent working beyond position requirements.	Highly specialised skills, scarce and critical to the business. High paying market.	Plays leadership roles in enhancing and building commitment to the organisation's values and culture externally and internally.	Role or person is critical to achievement of business outcomes. Has major influence in business critical area.	Loss of this executive would significantly disadvantage the organisation in the medium to longer term.
COMPETITIVE MARKET POSITIONING	Competent in all respects. Additional training and qualifications completed.	Consistently superior performance. Meets unusual challenges/demands.		Assertive contribution to the organisation's values and culture externally and internally and its development.	Participates in development of business critical initiatives. Has influence in business critical area. Is significant point of contact on certain business critical issues.	Loss of this individual would disadvantage the organisation in the medium term.
	Required competencies possessed and demonstrated. Fully qualified. Experienced.	Effective job performance meeting job requirements.	Need to make a pay offer sufficiently attractive to recruit required skills.	Consistent supporter of the organisation's values and culture internally and externally.		
	Key competencies developed and demonstrated. Some competencies still developing.	Adequate performance but capable of improvement. Some performance limitations.		Capacity for improvement to support the organisation's values and culture.	Has expertise regarding certain business critical issues. Increasing contribution and responsibility in business critical area.	Loss of this individual would disadvantage the organisation in the short to medium term.
	Meets qualifications requirements only. Inexperienced. Unproven.	Recent appointee. Unproven performance in the position elsewhere.	Able to compete satisfactorily in the market place.	Personal style behaviour and communication at odds with the organisation's values and culture.	Important role or person but not yet critical to business success.	Loss of this individual would disadvantage the organisation, however the loss could be covered in the short term.
MINIMUM						



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