

Submission on the Review of General Manager and Senior Staff Remuneration

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Opening:

Thank you for the opportunity to make a submission on the Review of General Manager and Senior Staff Remuneration.

Local Government NSW (LGNSW) is the peak body for local government in NSW, representing NSW general purpose councils, county councils and related entities (“councils”).

LGNSW is also registered as an industrial organisation of employers under the *Industrial Relations Act 1996* (NSW) and is separately registered as an industrial organisation of employers under the *Fair Work (Registered Organisations) Act 2009* (Cth). As the only registered industrial organisation who represents the employer interests of local government in NSW we are well placed to contribute to this review.

This submission remains in draft form until endorsed by the LGNSW Board. Any revisions made by the Board will be forwarded as soon as possible.

Executive Summary:

Councils are largely autonomous bodies accountable to their electors. It is essential that they retain the ability to set the remuneration of their general managers and senior staff.

Councils are unlike any other category of private sector or government organisation. Every council is unique and has highly individualised needs concerning their executive level employees.

Councillors understand the nuances of their own council better than any external body or tribunal. Accordingly, the governing body of each council is the best judge on what rate of general manager and senior staff remuneration will best serve the council’s strategic objectives. With very little options to otherwise personalise general manager contracts, councillors and mayors need to maintain control over the Total Remuneration Package (TRP) in order to attract and retain the right people.

Councillors and mayors have the tools at hand to negotiate appropriate TRPs for general managers and senior staff. This submission sets out several resources that are regularly used by councils (and their agents) whilst negotiating TRPs. These reports and market databases enable councils to ensure that the TRPs of their general managers and senior staff are appropriate and benchmarked against industry standards.

Errors in the Consultation Paper

LGNSW generally acknowledges the relevance and accuracy of the background information contained in the *Review of General Manager and Senior Staff Remuneration: Consultation Paper* (Consultation Paper). However, in LGNSW’s opinion, some of the data relating to the remuneration paid to general managers is incorrect and significantly overstated due to double counting. For example, in the case of the remuneration of the general manager of the City of Parramatta Council, the Consultation Paper indicates a TRP of \$632,852.00. This figure, which LGNSW understands to have been derived from the Council’s annual report, includes

payments to an outgoing general manager, payments to an acting general manager and other sums not included in a single general manager's TRP. The effect of this error is significant. The \$632,852.00 sum is the salient feature of the Consultation Paper, and it forms the lens through which all parties will assess whether the remuneration of general managers needs to be regulated. The error causes the public to make conclusions based on a maximum TRP that LGNSW understands to be approximately 24% higher than the general manager's actual TRP amount.

Unique Nature of Councils

Councils are unlike other government or private sector organisations.

Firstly, as "body politics" councils must be both effective political entities and competitive businesses. This requires a complex marriage of political will and operational efficacy, for which the general manager and senior staff are ultimately responsible.

Secondly, councils operate a uniquely diverse range of specialised services that is incomparable to similarly sized private sector and government organisations. In addition to their political functions and authority, the range of services provided by councils includes town planning, engineering, construction, roads and parking, waste and recycling, sanitation, water and utilities, animal and environmental management services, recreation and culture facilities and programs, public health services and family, children's, youth, aged and disability services.

Councils are also highly regulated and under the constant scrutiny of the public through conventional media outlets and social media. General managers and senior staff must be capable of operating effectively in this environment and across each specialised area within their multifaceted organisations.

The Consultation Paper notes that the community has become increasingly concerned about the disparity between senior executive remuneration across the public and private sectors and with average workers' wages. This may be an accurate representation of contemporary community sentiment towards executive remuneration. However, it must be noted that the community is unlikely to appreciate the unique nature of local councils noted above, and accordingly their expectations are unlikely to account for the true degree of complexity in a general manager's role, or in the level of remuneration required in a competitive labour market to attract and retain persons with the necessary skills and attributes to undertake the role.

Councils also differ enormously from one another in size, scope, resources, and strategic objectives. Consequently, each council's essential criteria for its general manager and senior staff are highly individualised, as are the resources it has available to attract and retain executive personnel. Councillors and mayors understand the nuances of their own council and will always be the most informed body on determining what type and calibre of general manager and senior staff the council requires. Therefore, councillors and mayors need to retain the ability to set remuneration at the rates necessary to attract and retain the right people.

Tools for Setting General Manager and Senior Staff Remuneration:

Mayors and councillors are not left in the dark when negotiating the appropriate level of remuneration for general managers. They can, and do, use the reports and market databases noted below to ensure that their TRPs are appropriate and competitive within the labour market with similar positions elsewhere in government and private sector organisations.

LGNSW Remuneration Survey and Report:

LGNSW prepares an annual remuneration survey and report for the purposes of assisting councils in negotiating the appropriate TRP for their personnel. The survey collects data from the annual reports of all councils on the TRPs for general managers, directors, managers, and supervisors/specialists. The report then provides remuneration comparisons against other councils throughout NSW. Relativity between councils is consistently a decisive factor in TRP negotiations and LGNSW's data is regularly used to benchmark prospective TRPs against equivalent positions in similarly sized councils.

Remuneration Surveys and Reports by other Local Government Associations:

Like LGNSW, other Local Government Associations, such as the Western Australian Local Government Association (WALGA), conduct annual remuneration surveys and produce annual reports on the remuneration of general managers and executive level positions in councils.

Other market data and reports:

When necessary, councils can use other market data and reports available online regarding the remuneration of general managers, CEOs and other senior officers, across a broad range of industries and occupations. Examples include remuneration reports by Mastertek, Mercer and Hays.

Closing:

Councils have unique and highly individual needs for general managers and senior staff. Mayors and councillors are best placed to determine what type and calibre of personnel the council requires, and they have the tools necessary to ensure that the TRP offered reflects the market for comparable executive positions. If they are to retain the capacity to strategically direct the council by appointing the right general manager and senior staff for the council's needs, it is essential that they retain control over the remuneration of such positions.

LGNSW thanks the Office of Local Government for the opportunity to provide a submission to the Review of General Manager and Senior Staff Remuneration.

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