

# Submission

**Salaries and Allowances Tribunal**

**Remuneration Inquiry: Local  
Government Chief Executive Officers  
and Elected Members**

**December 2024**

# About WALGA

The Western Australian Local Government Association (WALGA) is an independent, member-based, not-for-profit organisation representing and supporting the WA Local Government sector.

Our membership includes all 139 Local Governments in the State. WALGA uses its influence, support and expertise to deliver better outcomes for WA Local Governments and their communities. We do this through effective advocacy to all levels of Government on behalf of our Members, and by the provision of expert advice, services and support to Local Governments.

WALGA's vision is for agile and inclusive Local Governments enhancing community wellbeing and enabling economic prosperity.

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# Background

WALGA appreciates the opportunity to make a submission on behalf of its Local Government Members to inform the Salaries and Allowances Tribunal's Inquiry into Local Government Chief Executive Officer and Elected Member Remuneration for 2025-26.

The remuneration framework is respected and supported by the Local Government sector and provides assurance to the community that Elected Members and Chief Executive Officers are being remunerated appropriately in accordance with their skills, expertise, and contribution.

To keep pace with the increasing responsibilities and challenges of the role of Elected Members, and to ensure Local Governments can continue to attract quality Chief Executive Officers to the sector, WALGA recommends an increase to both Elected Member fees and allowances and Chief Executive Officer remuneration bands.

Similarly, whilst the Tribunal in its 2024 Determination undertook to review the Regional/Isolation Allowance, WALGA recommends further transparency around the methodology and criteria for the Allowance by way of publication of guidance by the Tribunal. The Allowance is an important means of supplementing Chief Executive Officer payment for smaller, more remote Local Governments to recruit and retain suitably skilled Chief Executive Officers.

Finally, with the forthcoming tranche 2 amendments to the *Local Government Act 1995* comes an expanded role for audit, risk and improvement committees, as well as a new, statutory requirement for Local Governments to have an independent member (chair) on those committees. To ensure suitable independent members can be attracted to these roles, particularly for those smaller, remote and isolated Local Governments, WALGA recommends a new category of remuneration for independent audit, risk and improvement committee members and chairs which adequately reflects the level of skill, knowledge and time commitment required of the role.

## Elected Member Fees and Allowances

WALGA would like to reinforce both the necessary and challenging nature of the role of Elected Members in Local Government. WALGA and its Members support appropriate remuneration of Local Government Elected Members on the basis of:

1. ***Vibrant democracy and good governance:*** *fees and allowances payable to Elected Members should be sufficient to ensure that a diversity of candidates from a range of backgrounds seek election to Local Government leadership positions. Further, corporate governance literature suggests that diverse leadership groups make better decisions.*

It is WALGA's view that the remuneration framework for Elected Members can meaningfully contribute to enhancing the diversity of representation on Councils to better reflect community demography. As community representatives, it is important that a Council includes members from a range of backgrounds and life experiences. Despite ongoing advocacy efforts and increases to fees and allowances in recent years, there is still more to be done in this area. The remuneration framework can play a role in these efforts by ensuring that serving on Council is not financially prohibitive to a broad range of prospective community leaders.

The recent changes to superannuation for Elected Members, as part of the tranche 2 reforms to the *Local Government Act 1995*, are welcomed by WALGA and its Members. Whilst this change will go some way towards furthering diversity on Councils, ensuring remuneration payments keep pace with external economic conditions is critical.

2. ***Demands of the role:*** *as the complexity of Local Government increases, and the demands placed upon Elected Members grow in the social media age, the remuneration paid to Elected Members for their significant time commitment must compensate them for the personal and opportunity costs of taking on significant community leadership positions.*

The tranche 1 amendments to the *Local Government Act 1995* introduced in 2023 included an alignment of Council sizes to populations sizes. This has meant a significant reduction in the number of Councillors for some Local Governments around the state. As a result, the community liaison, representation, and leadership responsibilities will be borne by fewer Elected Members at some Local Governments. To this end, remuneration needs to not only keep pace with economic conditions, but also align with the full scope of responsibilities and demands expected of an Elected Member in WA.

It is also worth noting that meetings of Elected Members are predominantly held outside of usual work hours. Many Elected Members have already completed a full day of work before preparing for and attending meetings in the evening to carry out Council business.

3. ***Skills and training:*** *as Elected Members continue to undertake training (including compulsory Council Member Essentials training) the time that Elected Members spend on professional development should be recognised by the fees and allowances framework.*

As a Registered Training Organisation, WALGA has a firm belief in continuous learning and professional development for its Member Local Governments, including Elected Members. Recognising the time and energy expended by Elected Members towards these efforts, in addition to their usual Council workload, is important and will contribute towards ensuring Elected Members have the skills and abilities to best serve their communities.

4. ***Economic conditions:*** *Elected Member fees and allowances must be considered within the surrounding economic environment. Elected Members are not immune from broader economic conditions that may impact their ability to support themselves and their families. The value of fees and allowances paid to Elected Members should keep pace with the increasing costs of living and rates of inflation.*

WALGA and its Members were pleased to see a 4% increase to Elected Member remuneration in the 2024 Determination. However, since that Determination, the economic environment, characterised by soaring living costs and ongoing interest rate rises, is continuing to put pressure on households, including those of Elected Members and potential candidates.

In recent years, the economic environment in Australia has been challenging for households due to high inflation and the rising cost of living. The Consumer Price Index (CPI) for Perth as of the September 2024 quarter is sitting at 3.8%. Over the last three financial years, Perth CPI increased by 17.8%. Whilst the price increases have eased for goods in Perth, services continue to grow at a faster pace over the last 12 months, including rents (+10.0%) and insurance (+16.1%).

Headline CPI figures have been impacted by electricity credits, so it is useful to look at the ABS's series of Perth CPI 'excluding food and energy'. This peaked at 8.2% in December 2022 and is 4.9% in the September quarter. This higher level over the last year implies that inflation isn't slowing as fast as the headline CPI suggests. Perth CPI 'excluding food and energy' has increased 17.1% over the last three financial years.

Nationwide, the Reserve Bank of Australia's (RBA) preferred inflation measure of the Trimmed mean is 3.5%, above their target band of 2% to 3%. At their most recent meeting in September, the RBA held the cash rate target at its current level of 4.35% and emphasised that interest rates

will continue to be restrictive until they are confident that inflation is sustainably returning to the target band.

The value of fees and allowances paid to Elected Members must reflect the broader economic conditions and should keep pace with the increasing cost of living and inflationary pressures to ensure serving on Council is not financially prohibitive for a diverse group of community leaders and potential candidates.

## Recommendation

- 1. That Elected Member Fees and Allowances (including maximum reimbursable expenses) are increased by 4%.**

# Chief Executive Officer Remuneration Bands

The role of Chief Executive Officer within Local Government is undeniably one of importance. As well as requiring a high level of skill and expertise, the role of Chief Executive Officer often requires attendance at meetings and events outside of usual working hours. The skill, workload and time commitment required from the role must be fairly compensated to both retain existing Chief Executive Officers, as well as attract new, prospective candidates with the requisite qualifications and experience.

The role must compete in the broader labour market, which is continuing to perform strongly with a record 1.62 million people now employed, up 3.1% over the last 12 months.

Job creation in WA has matched the high population growth rate as migrants from overseas and interstate are filling skills gaps. As a result, job vacancies have fallen to 42,000 in June, down from a record 66,500 in March 2022.

The participation rate, which measures the proportion of people of working-age that are in the workforce, continues to sit close to record highs at 68.9% in WA. This is above the national figure of 67.1% and continues to be the highest of all the states. Along with a high employment to population ratio, this demonstrates that there is little slack within the labour market and highlights the importance of migration in filling job vacancies and driving economic growth.

In-line with this, the unemployment rate remains low at 3.9%, the equal lowest of the states and below the Australian figure of 4.2%. It has now been three years since the unemployment rate has exceeded 4.3% and with an average of 3.8% over the last 12 months, the unemployment rate has yet to increase significantly. The state budget forecasts an unemployment rate averaging 4.0% over 2024-25.

As a result of the tight labour market, wages in WA increased 4.2% in 2023-24 which was above the 4.0% that was forecast in the 2023-24 State Budget. Wages growth has eased from 4.7% in the December quarter, suggesting that the peak has been reached. Looking forward, the state budget forecasts wages growth to continue to ease with wages expected to grow 3.75% over 2024-25. This is above the forecast Consumer Price Index of 3.0%, which would result in real wages growth for the first time since 2021-22.

WALGA acknowledges the 2024 Determination that resulted in an increase to Chief Executive Officer remuneration bands by 4%, as well as the increase to Band 4 Total Reward Package range.

Nonetheless, a similar band increase for 2025-26 is necessary to keep pace with the broader economic context, and to ensure that Local Governments can attract the best candidates to fill the essential role of Chief Executive Officer within the current competitive labour market.

## Recommendation

2. That the Chief Executive Officer remuneration bands are increased by 4%.

## Regional/Isolation Allowance

The availability and amount of the Regional/Isolation Allowance payable to Chief Executive Officers remains an issue of importance for the WA Local Government sector. The Allowance is an important means for our Members, particularly the most remote or isolated Local Governments, to supplement remuneration and attract suitably qualified Chief Executive Officers. The shortage of Chief Executive Officers in regional areas of the state has been an ongoing issue for Local Governments in WA. This is having an impact on the sector more broadly, with flow on issues to the efficient operations and accountability of many regional Councils.

WALGA and its Members acknowledge the Tribunals commitment in the 2024 Determination to continue to monitor and review the Allowance. Pending the outcome of this review process, WALGA is again seeking greater flexibility with the upper limit of the Allowance, and greater transparency regarding the methodology of application for the Allowance.

## Recommendations

3. That the maximum payable Regional/Isolation Allowance be increased for Local Governments that are particularly isolated, long distances from population centres, and lacking in amenities.
4. That clear guidance be published to the Local Government sector outlining how the Regional/Isolation Allowance is applied in terms of methodology, criteria and weightings.

## Independent Audit, Risk and Improvement Committee Member Fees

The forthcoming tranche 2 amendments to the *Local Government Act WA* (1995) includes a new requirement that audit, risk and improvement committees have an independent chair. The creation of a statutory independent position will put an additional burden on Local Governments in appointing someone to the position, and the difficulty of doing so will only be compounded by the relatively low fees for independent committee members in the current Determination.

The tranche 2 amendments will also effectively widen the scope of audit committees to “audit, risk and improvement committees”. This means independent members will be required to have

sufficient experience and knowledge in the areas of audit, risk and the functioning of Local Government to be able to effectively serve in the role.

The current independent member fees are too low to attract qualified candidates to such a skills-based position. This has the potential to cause significant disruptions to the functioning of those Local Governments where there is considerable practical difficulty in finding and retaining a suitable independent member who can effectively chair meetings.

The rates of fees payable to independent members on these committees should more reflect a consultant or hourly rate to better recognise and compensate the considerable time commitment required, and to attract and retain a suitably qualified independent member to the role for all Local Governments.

Any fee payable to an independent audit committee member and chair must take into consideration the breadth of skills and knowledge required, as well as the time commitment needed to fulfil the role. To best achieve this, WALGA recommends that a new category for independent audit, risk and improvement committee member fees be created by the Tribunal. There will be a requirement to have a fee for the independent chair position as well as an independent member position as Local Governments may have more than one independent member, so this will need to be captured in the category. Moreover, given that the statutory requirement and scope of the role of the committee are the same for every Local Government, the new category should not be separated into bands.

## Recommendation

5. **That a new fee category for independent audit, risk and improvement committee members be created without bands, and the fee be set at a suitable level to recognise the skills and knowledge required for such a role.**
6. **That the new category provides for a fee for the independent chair position and as well as an independent member position.**