

Office of the Mayor

EXECUTIVE REWARD STRATEGY

Soon after the new Gladstone Regional Council was formed it appointed an independent and reputable consulting firm to recommend to Council a remuneration strategy for the Chief Executive Officer, Directors and Managers of the Council.



The project was undertaken by Mr Jim Gayton from HR Advantage. You are encouraged to visit the HR Advantage website at hradvantage.com.au to confirm their credentials to undertake the task.

The HR Advantage report and recommendations which were all adopted by Council follows. In addition, individual remuneration contracts have been developed in accordance with the HR Advantage report. The Local Government Workplace Transition Code of Practice has also been applied as required by State legislation.

As the remuneration levels listed in the report are market based they represent the **total** package applicable to the position [ie. base salary plus 12% superannuation plus vehicle]. The value of the vehicle in the package which ranges from \$16,000 to \$22,500 is also based on market value.

The Council is very cognisant of its responsibilities to ratepayers who ultimately fund costs incurred by Council. We are also cognisant of the need to attract top executives and remunerate them accordingly.

That is why we have sought and adopted independent advice on the subject. We believe that this action is responsible and withstands the closest of scrutiny.

Your Mayor

GEORGE CREED

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Executive Reward Strategy Gladstone Regional Council

Jim Gayton – June 2008

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Methodology

- Review of Council documentation.
- Review of CEO, Assistant CEO, Director and Manager position documentation.
- Completion of Position Analysis Questionnaire by incumbents.
- Interview of incumbents.
- Analysis of role accountabilities and relative work value.
- Design of grade structures, reward design and reward quantum and allocation of Executive roles to appropriate levels.

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Key Issues

- Work value assessment.
- Grading structures.
- Which marketplace?
- Positioning in the marketplace.
- Reward design options.
- Reward quantum.
- Translation arrangements.
- Ongoing management.

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Work Value Assessment

HR Advantage utilised the following process to assess the work value of executive roles:

- Review of Council and researched information.
- Executive interviews.
- Relativity research.
- Work value assessment.
- Determination of Council's executive pecking order

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Work Value Assessment - Directors

Work value assessments - highest to lowest:

- Infrastructure Services.
- Corporate Services, Development - Strategic Planning, Statutory Planning.
- Commercial and Community.
- Parks and Recreation, Environment and Regulation, Infrastructure Planning.
- Assistant CEO, Governance.

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Work Value Assessment - Managers

Work value assessments - highest to lowest:

- Works Operations, Water and Sewerage.
- Financial Services, Human and Social Services, Construction Projects.
- Assets and Mapping.
- Human Resources, Coordinator Miriam Vale, Environment and Regulation, Design and Traffic.
- Parks and Conservation, Airport, Information Technology.
- Library, Statutory Planning, Workplace Health and Safety, Arts and Heritage, Performing Arts.
- Aquatic Centre, Fleet.

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Work Value Assessment - Managers

There is a considerable work value range between the assessed smallest of the Manager positions and the largest.

This is quite a common feature at Manager levels in Councils of the size of Gladstone. This differential in work value will need to be addressed in the development of Manager grading structures.

Grading Structures

In developing recommendations for grade structures the following considerations are taken into account:

- Relative work value clusters.
- Narrow or broad bands.
- Context specific considerations (interim or final structure).
- Local government practice.

Grading Structures - Directors

- Where the work valued differential is not significant, Councils generally at this level, choose a common or single grading structure, (reduce status differentials, support team work).
- A substantial work value differential exists at the Director level for roles in Gladstone Regional Council.
- HR Advantage recommends one grade structure for Director level, with one common reward range, however incorporating two pay zones within that range to recognize differential work value.

Grading Structure - Managers

HR Advantage recommends a three grade Manager structure to appropriately fit and cluster the variable and differential work value between the different Manager positions. The recommended grades and positions within each grade are set out adjacent:

Level 3	Level 2	Level 1
<ul style="list-style-type: none"> •Fleet. •Aquatic Centre. •Statutory Planning. •Arts and Heritage. •Workplace Health and Safety. •Library. •Performing Arts. 	<ul style="list-style-type: none"> •Human Resources. •Design and Traffic. •Coordinator, Miriam Vale. •Airport. •Environment and Regulation. •Parks and Conservation. •Assets and Mapping. •Information Technology. 	<ul style="list-style-type: none"> •Human and Social Services. •Financial Services. •Works Operations. •Water and Sewerage. •Construction Projects.

Which Marketplace? Options for Consideration.

One significant issue to determine in development of a reward strategy is the market against which Council will seek to align and be compared to. Options in this regard include:

- Local Government.
- Public Service (National/Queensland for example).
- Statutory Authorities (such as Energex and Queensland Rail).
- General Market (includes all industries, sectors and occupational groups).

Which Marketplace?

- Very few Councils elect to position with sectors other than local government (for example some capital cities have aligned to statutory authorities or the general market).
- HR Advantage recommends alignment to the local government sector.
- HR Advantage also recognizes the significant market pressures (supply and demand) that exist in the region and recommends the option, as and where appropriate and determined on a case by case basis, of a market-based attraction and retention loading.
- This loading can be applied by exception to respond to occupational group market pressures, mission-critical roles, attraction and retention, exceptional continued high performance.

Positioning in the Marketplace

Having determined alignment to the local government sector options of positioning within that sector include:

- 25th percentile (the reward position for the work value where 25% of positions are paid less and 75% paid more).
- Median (50% less and 50% paid more).
- 75th percentile (75% are paid less and 25% are paid more – the higher end of the market).

Positioning in the Marketplace

- HR Advantage recognises the regional labour market pressures, however, we recommend adoption of a median local government market positioning for executive roles (the equivalent of the 25th percentile of the General Market).
- Where specific market pressures require an alternative positioning, we recommend utilisation of the recommend market loading that will be determined on a case-by-case basis.

Reward Design Options

The design of an executive reward strategy needs to consider the appropriate alignment to and balance between executive performance and reward.

This requires consideration of two sides of the coin – what performance or contribution Council determines to recognize and to reward (What to Reward); and the manner in which that reward is delivered (How to Reward). The following table provides a range of options in that regard.

Reward Design Options

What to Reward	How to reward
➤ Showing up.	✓ Base pay/cash.
➤ Work value.	✓ Allowances.
➤ Competencies.	✓ Pay loading.
➤ Annually set targets.	✓ Pay range.
➤ Branch performance.	✓ Bonus.
➤ Council performance.	✓ Financial benefits (super).
➤ Values and behaviours.	✓ Benefits (e.g. vehicle).
➤ Years of service.	✓ Long-term incentives.
➤ Qualifications.	✓ Retention bonus
➤ Market (supply/demand).	✓ Recognition.

Reward Design Options

- **Single pay-point** (no flexibility, no opportunity to reward for performance).
- **Single pay-point plus bonus** (provides for reward for performance through bonus, difficult to administer requiring significant systems infrastructure to support decision-making and the strategy needs to be consistent with the Council culture, wanting to be developed and nurtured).
- **Pay range** (a more traditional approach in local government, opportunity to reward performance through paypoint positioning, relatively easy to administer).
- **Pay range plus bonus** (sophisticated complex system, can be difficult to administer).

Reward Design Options

Consistent with Mercer’s recommended pay model, HR Advantage recommends adoption of a pay range model for all levels of executives (CEO, Directors, and Managers applying the following model:

- Maximum of Pay Range - Exceptional Performer
- Midpoint of Pay Range - Competent Performer
- Minimum of Pay Range - New Appointee

Reward Quantums - CEO

- Based on HR Advantage's revised work value assessment, the recommended pay range for the Chief Executive Officer is set out below:

Minimum	Midpoint	Maximum
\$220,150	\$259,000	\$297,850.
- It should be noted that Councils are taking a very aggressive positioning, particularly in terms of CEO reward, given the current circumstances in Queensland Local Government.

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Reward Quantums - Directors

It should be noted that Director and Manager roles in the new Gladstone Regional Council, all other things being equal, are at a higher work value than levels in their originating Councils and therefore would generally justify (subject to performance) higher reward levels.

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Recommended Pay Range - Directors

Pay Zone 1	EC Range*	Pay Zone 2
Maximum	\$199,300.	
Midpoint	\$173,300	Maximum
Minimum	\$147,300	Midpoint
	\$125,200	Minimum

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Recommended Pay Range - Managers

Level 3*	Level 2*	Level 1*
Max: \$108,180	Max: \$130,300	Max: \$156,170
Mid: \$94,070**	Mid: \$113,300**	Mid: \$135,800**
Min: \$84,660	Min: \$101,970	Min: \$122,220
*Employment Cost; intermediary paypoints, to be determined.	*Employment Cost; intermediary paypoints, to be determined.	*Employment Cost; intermediary paypoints, to be determined.
**Competent Level	**Competent Level	**Competent Level
*Fleet. *Aquatic Centre. *Statutory Planning. *Arts and Heritage. *Workplace Health and Safety. *Library. *Performing Arts.	*Human Resources. *Design and Traffic. *Coordinator, Miriam Vale. *Airport. *Environment and Regulation. *Parks and Conservation. *Assets and Mapping. *Information Technology.	*Human and Social Services. *Financial Services. *Works Operations. *Water and Sewerage. *Construction Projects.

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Private Use of Motor Vehicle value in the Package.

- Motor vehicle policy consistency in relation to executive private use is still under review.
- A package value of:
 - \$16,000 would be appropriate for a fully maintained baseline Commodore or Falcon;
 - \$18,000 for a Berlina or equivalent;
 - \$22,500 for a 6cyl Fairmont Ghia or equivalent;
 with full private use (restricted to Queensland requiring CEO approval for interstate usage), availability during annual leave and long service leave.
- The executive vehicle policy may include consideration of option to cash out the car, access to the vehicle for business purposes by other staff, the range of choice of vehicles provided, financial arrangements where vehicles are upgraded/downgraded, access to novated/associate lease arrangements, restrictions on usage etc.
- Council's accepted policy will determine the specific value of private use of the vehicle included within the executive's package.

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Translation Arrangements

Translation from existing arrangements can predominately be applied under the following two approaches:

- Competency based (movement to the paypoint, based on the assessed performance level of the individual executive).
- Next closest pay-point (as an interim measure, movement to the paypoint on the new pay range that is immediately above, and closest to the existing package).

Consideration when reward for individual executives was last reviewed and adjusted should be taken into account when considering translation paypoint. Given the circumstances of amalgamation, it might be appropriate to utilise the "next closest paypoint approach." to provide ample opportunity to probably and equitably assess the performance level of individual executives.

HR Advantage would be happy to discuss amendments to pay ranges recommended to assist in translation arrangements.

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Ongoing Management

HR Advantage recommends alignment of key corporate cycles:

- Annual strategic planning cycle.
- Budget cycle.
- Executive annual pay scale review process – conducted May / June each year to adjust pay scales to maintain competitive reward position. Hr Advantage can provide independent advice at minimal cost.
- Performance/reward alignment – determination of which paypoint an executive should be positioned.
- Performance management process.

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Consultant Experience

HR Advantage 2007 and 2008 BRW National Best Consulting Firm.

Jim Gayton - example local government executive reward experience:

- Gold Coast, Logan, Central Highlands, Townsville, Burdekin, Thuringowa, Wagga Wagga, Belmont, Calliope, Isaac, Darwin, Mackay, Maroochy, Redlands, Warwick, Nedlands etc.
- WA Salaries and Allowances Tribunal – all WA Local Government and Regional Council CEO's.

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