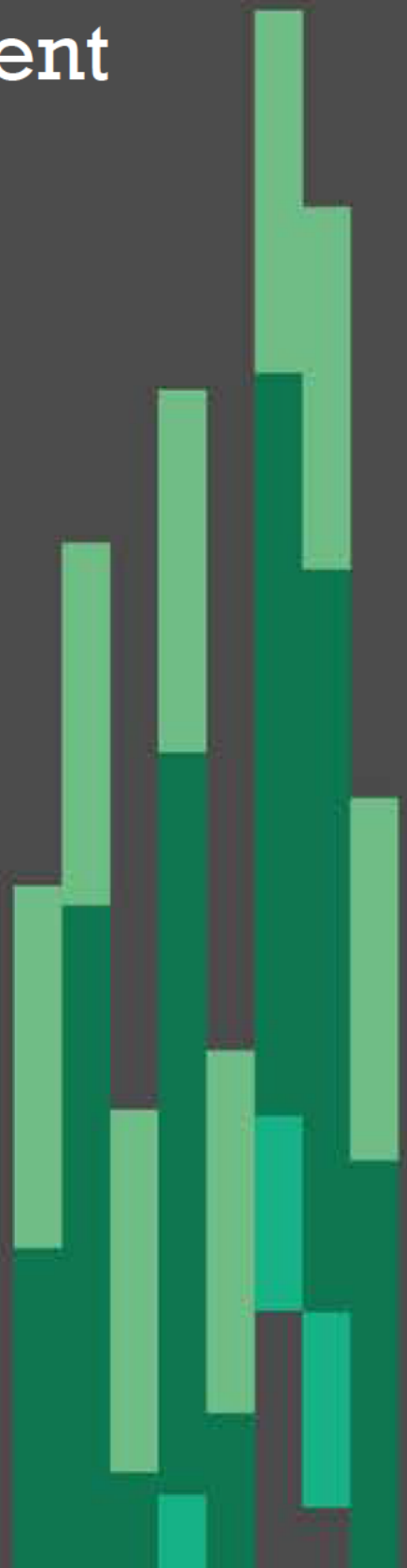


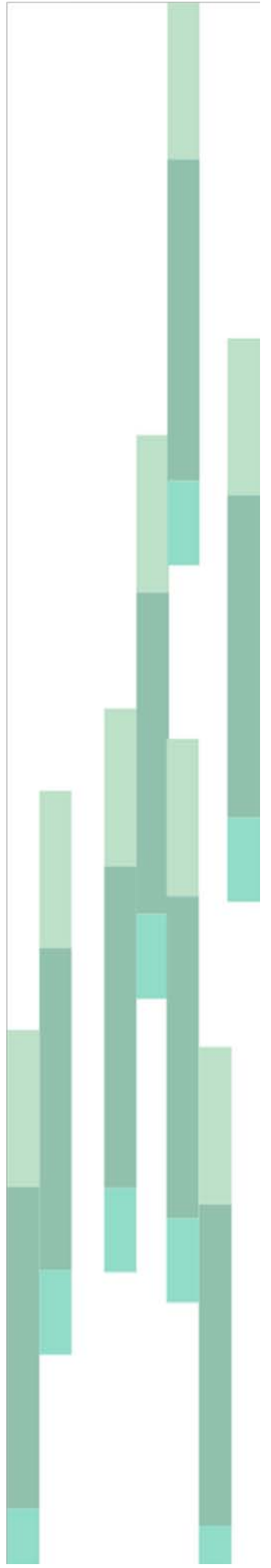
# Members of Parliament (Victoria) Annual Adjustment Determination 2022

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Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019 (Vic)

Part 3— Annual adjustment Determination in relation to Members.

# Members of Parliament (Victoria) Annual Adjustment Determination 2022



A. Pursuant to section 18(1) of the *Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019* (Vic) (VIRTIPS Act), the Tribunal determines to make the following adjustment to the values of the salaries and allowances set in the *Members of Parliament (Victoria) Determination No. 01/2019* **from 1 July 2022**:

A.1 Delete '\$186,973' in clause 5.1 and replace it with '\$192,115'.

A.2 Delete '\$40,690' in clause 10.1(a) and replace it with '\$42,155'.

A.3 Delete '\$44,181' in clause 10.1(b) and replace it with '\$45,771'.

A.4 Delete '\$48,744' in clause 10.1(c) and replace it with '\$50,499'.

A.5 Delete '\$20,000' in clause 12.1(a) and replace it with '\$22,353'.

A.6 Delete '\$30,000' in clause 12.1(b) and replace it with '\$33,680'.

A.7 Delete '1.008' and replace it with '1.044' in:

- clause 16.1 (a) i., and
- clause 16.1 (a) ii., and
- clause 16.1 (b).

A.8 Delete clause 16.2(b) and replace it with the following:

'(b) for the period from 1 December to 30 June of the financial year, 7/12ths of:

- i. if the Member is a Member of the Legislative Assembly, the sum of:
  - the amount calculated in accordance with clause 16.1(a) i., and
  - the total number of voters enrolled in the electoral district that the Member represents (according to the electoral roll prepared by the Victorian Electoral Commission, pursuant to section 29 of the *Electoral Act 2002* (Vic), in relation to the general election) multiplied by \$1.22, multiplied by 1.044; or
- ii. if the Member is a Member of the Legislative Council, the amount calculated in accordance with clause 16.1(b).'

A.9 Delete the table in Schedule A and replace it with the table in Schedule A of this Members of Parliament (Victoria) Annual Adjustment Determination 2022.

B. Pursuant to section 18(1) of the VIRTIPS Act, the Tribunal determines to make the following adjustment to the *Members of Parliament (Victoria) Determination No. 01/2019* **from 1 November 2022:**

B.1 Delete the tables in Schedule B and replace them with the tables in Schedule B of this Members of Parliament (Victoria) Annual Adjustment Determination 2022.

C. This Determination commences on 1 July 2022.

D. The *Members of Parliament (Victoria) Determination No. 01/2019* as varied is available on the Tribunal's website.



Warren McCann

Chair

Victorian Independent  
Remuneration Tribunal



The Honourable Jennifer Acton

Member

Victorian Independent  
Remuneration Tribunal

Date: 22/06/2022

## Schedule A — Additional salary and expense allowance rates

Column 1	Column 2	Column 3
Specified parliamentary office holder	Additional salary from 1 July 2022	Expense allowance from 1 July 2022
	\$	\$
Premier	214,368	58,435
Deputy Premier	181,299	22,343
Any other responsible Minister of the Crown	161,480	17,187
Leader of the Opposition	161,480	17,187
President	141,053	6,875
Speaker	141,053	6,875
Deputy President	54,197	3,438
Deputy Speaker	54,197	3,438
Deputy Leader of the Opposition in the Assembly	77,250	3,438
Leader of the Opposition in the Council	77,250	3,438
Leader of the Third Party (unless they are also the Leader or Deputy Leader of the Opposition or a Minister of the Crown)	77,250	3,438
Cabinet Secretary	77,250	3,438
Parliamentary Secretary to the Premier	54,197	3,438
A Shadow Minister	16,787	12,031
Government Whip in the Assembly	34,580	0
Deputy Government Whip in the Assembly	19,211	0
Deputy Leader of the Opposition in the Council	34,580	0
A Parliamentary Secretary (other than the Parliamentary Secretary to the Premier)	44,591	3,438
Deputy Leader of the Third Party (unless they are also the Leader or Deputy Leader of the Opposition or a Minister of the Crown)	34,580	0
Government Whip in the Council	21,132	0
Opposition Whip in the Assembly	21,132	0
Opposition Whip in the Council	21,132	0
Whip of the Third Party in the Assembly	21,132	0
Whip of the Third Party in the Council	21,132	0

Secretary of the Party forming the Government	7,685	0
Secretary of the Opposition Party	7,685	0
Secretary of the Third Party	7,685	0
Chairperson of the Public Accounts and Estimates Committee	38,423	0
Chairperson of the Scrutiny of Acts and Regulations Committee	28,817	0
Chairperson of the Integrity and Oversight Committee	28,817	0
Chairperson of a standing committee appointed under standing order of the Assembly or the Council	19,211	0
Chairperson of a Joint Investigatory Committee within the meaning of the <i>Parliamentary Committees Act 2003</i> (Vic) which is not otherwise provided for in this table	19,211	0
Chairperson of joint select committee when resolution establishing committee so provides that chairperson is entitled	9,606	0
Deputy chairperson of the Public Accounts and Estimates Committee	7,685	0
Deputy chairperson of the Scrutiny of Acts and Regulations Committee	7,685	0
Deputy chairperson of the Integrity and Oversight Committee	7,685	0

## Schedule B — Electorates of Victoria

Table 1 — electorates of less than 500 square kilometres<sup>(a)</sup>

Electoral districts for the Legislative Assembly	
Albert Park	Malvern
Ashwood	Melbourne
Bayswater	Melton
Bellarine	Mill Park
Bentleigh	Monbulk
Berwick	Mordialloc
Box Hill	Mornington
Brighton	Mulgrave
Broadmeadows	Narre Warren North
Brunswick	Narre Warren South
Bulleen	Nepean
Bundoora	Niddrie
Carrum	Northcote
Caulfield	Oakleigh
Clarinda	Pakenham
Cranbourne	Pascoe Vale
Croydon	Prahran
Dandenong	Preston
Eltham	Point Cook
Essendon	Richmond
Evelyn	Ringwood
Footscray	Rowville
Frankston	Sandringham
Geelong	South Barwon
Glen Waverley	St Albans
Greenvale	Sunbury
Hastings	Sydenham
Hawthorn	Tarneit
Ivanhoe	Thomastown
Kalkallo	Warrandyte
Kew	Wendouree
Kororoit	Werribee
Laverton	Williamstown
Electoral regions for the Legislative Council	
Southern Metropolitan	

Note: (a) effective from 1 November 2022.

**Table 2 — electorates of 500 square kilometres or more but less than 5,000 square kilometres<sup>(a)</sup>**

Electoral districts for the Legislative Assembly	
Bass	Macedon
Bendigo East	Morwell
Bendigo West	Narracan
Eureka	Shepparton
Lara	Yan Yean
Electoral regions for the Legislative Council	
North-Eastern Metropolitan	South-Eastern Metropolitan
Northern Metropolitan	Western Metropolitan

Note: (a) effective from 1 November 2022.



**Table 3 — electorates of 5,000 square kilometres or more but less than 10,000 square kilometres<sup>(a)</sup>**

Electoral districts for the Legislative Assembly	
Benambra	Polwarth
Gippsland South	South-West Coast
Electoral regions for the Legislative Council	
N/A	

Note: (a) effective from 1 November 2022.

**Table 4 — electorates of 10,000 square kilometres or more but less than 20,000 square kilometres<sup>(a)</sup>**

Electoral districts for the Legislative Assembly	
Eildon	Ovens Valley
Euroa	Ripon
Murray Plains	
Electoral regions for the Legislative Council	
N/A	

Note: (a) effective from 1 November 2022.

**Table 5 — electorates of 20,000 square kilometres or more<sup>(a)</sup>**

Electoral districts for the Legislative Assembly	
Gippsland East	Mildura
Lowan	
Electoral regions for the Legislative Council	
Eastern Victoria	Western Victoria
Northern Victoria	

Note: (a) effective from 1 November 2022.

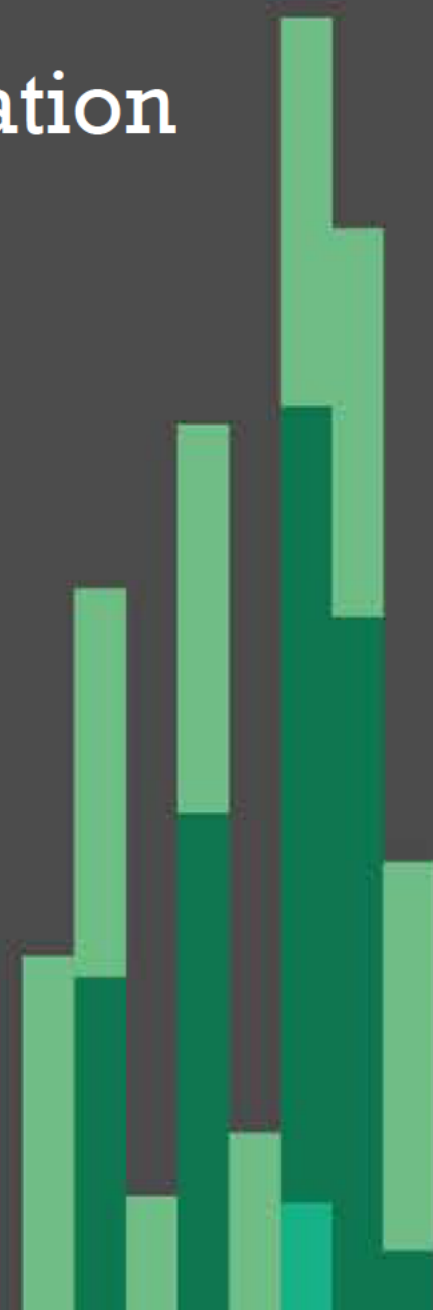
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# Members of Parliament (Victoria) Annual Adjustment Determination 2022

## Statement of Reasons





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# Abbreviations and glossary



Term or abbreviation	Definition
2022 MP Annual Adjustment Determination	<i>Members of Parliament (Victoria) Annual Adjustment Determination 2022</i>
ABS	Australian Bureau of Statistics
Budget	<i>Victorian Budget 2022/23</i>
CPI	Consumer Price Index
DPS	Department of Parliamentary Services
DTF	Department of Treasury and Finance
EO&C Budget	Electorate Office and Communications Budget
FWC	Fair Work Commission
GDP	Gross Domestic Product
GSP	Gross State Product
MP Comprehensive Determination	<i>Members of Parliament (Victoria) Determination No. 01/2019</i>
NMW	National Minimum Wage
NOI	notice of intention
PAA	<i>Public Administration Act 2004 (Vic)</i>
PASA	parliamentary accommodation sitting allowance
PSAS Act	<i>Parliamentary Salaries, Allowances and Superannuation Act 1968 (Vic)</i>
RBA	Reserve Bank of Australia
VAGO	Victorian Auditor-General's Office
VIRTIPS Act	<i>Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019 (Vic)</i>
Wages Policy	<i>Victorian Government Wages Policy and Enterprise Bargaining Framework</i>
WPI	Wage Price Index

# 1 Context



The *Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019* (Vic) (VIRTIPS Act) establishes the Victorian Independent Remuneration Tribunal (Tribunal).

The VIRTIPS Act requires the Tribunal to inquire into and make Determinations in relation to:

- salaries and allowances for Members of the Parliament of Victoria (MPs)
- remuneration bands for executives employed in public service bodies
- remuneration bands for executives employed in prescribed public entities
- allowances provided to Mayors, Deputy Mayors and Councillors in local government.

On 16 September 2019, under section 17 of the VIRTIPS Act, the Tribunal issued the *Members of Parliament (Victoria) Determination No. 01/2019* (MP Comprehensive Determination),<sup>1</sup> which set the values of the:

- basic salary
- additional salaries for specified parliamentary office holders
- electorate allowance
- expense allowance for certain specified parliamentary office holders
- parliamentary accommodation sitting allowance (PASA)
- travel allowance
- motor vehicle allowance
- commercial transport allowance
- international travel allowance
- Electorate Office and Communications (EO&C) Budget.

Section 18 of the VIRTIPS Act requires the Tribunal to make a Determination to provide an annual adjustment to the values set in the Determination in effect under section 17 of the VIRTIPS Act.

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<sup>1</sup> Victorian Independent Remuneration Tribunal (2019).



This *Members of Parliament (Victoria) Annual Adjustment Determination 2022* (2022 MP Annual Adjustment Determination) provides for an adjustment to the values of the salaries and allowances set in the MP Comprehensive Determination and adjusted from time to time.

The Tribunal is required to include a Statement of Reasons in a Determination.<sup>2</sup> This Statement of Reasons relates to the 2022 MP Annual Adjustment Determination.

Section 17 of the VIRTIPS Act requires the Tribunal to make a new Determination of MP salaries and allowances within six months after the first sitting day of each subsequent Parliament — that is, every four years. The 2022 Victorian state election is scheduled to be held on 26 November 2022.

## 1.1 Legislative requirements

Before making a Determination, the VIRTIPS Act requires the Tribunal to:

- publish notice of its intention to make a Determination (s. 24(1)(a))
- include details about the proposed Determination in the public notice (s. 24(1)(b))
- give any affected person or class of persons a reasonable opportunity to make a submission in relation to the proposed Determination (s. 24(1)(c)).

In making a Determination, the Tribunal must also consider:

- any statement or policy issued by the Government of Victoria which is in force with respect to its Wages Policy (or equivalent) and the remuneration and allowances of any specified occupational group (s. 24(2)(a))
- the financial position and fiscal strategy of the State of Victoria (s. 24(2)(b))
- current and projected economic conditions and trends (s. 24(2)(c))
- submissions received in relation to the proposed Determination (s. 24(2)(d)).

In performing its functions and the exercise of its powers, the Tribunal must act independently and impartially and is not subject to the control or direction of any person, including the Minister.<sup>3</sup>

The 2022 MP Annual Adjustment Determination takes effect on 1 July 2022.<sup>4</sup>

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<sup>2</sup> VIRTIPS Act, s. 24(3).

<sup>3</sup> VIRTIPS Act, s. 5.

<sup>4</sup> VIRTIPS Act, s. 25(5).

## 1.2 Consultation

In April 2022, in accordance with section 24(1) of the VIRTIPS Act, the Tribunal:

- published its notice of intention (NOI) on its website to make a Determination, including details about the proposed Determination
- gave any affected person or class of affected persons a reasonable opportunity to make a submission regarding the proposed Determination.

The Tribunal also requested that the Department of Parliamentary Services (DPS) circulate the NOI directly to MPs.

The NOI included a summary of the matters the Tribunal is required to consider in the making of the Determination.

The Tribunal received one submission from Samantha Ratnam MLC, Leader of the Victorian Greens, made on behalf of MPs from the Australian Greens Victoria. The submission is summarised in Box 1.1.

### Box 1.1: Summary — submission received from Samantha Ratnam MLC, Leader of the Greens, made on behalf of MPs from the Australian Greens Victoria

With regard to the value of MP salaries, the submission stated:

*The Australian Greens Victoria MPs propose that if the Tribunal was considering increasing MP salaries, any increase should not exceed 1.5% given our generous base salary and the public sector wage cap that the Victorian Government has imposed on the rest of the Victorian Public Service. No more than a 1.5% wage increase is appropriate and is consistent with the Victorian Government's current wages policy and enterprise bargaining framework. We believe it is unnecessary and inequitable for members of parliament to receive wage increases in excess of those being offered by the government to other public sector workers.*

With regard to the value of the EO&C Budget and the electorate allowance, the submission requested that the Tribunal consider the extent to which the value of the EO&C Budget and the electorate allowance has been reduced due to inflation, and stated that:

- Greens MPs in the Victorian Parliament primarily use the electorate allowance and EO&C Budget to communicate with constituents, although these resources also need to cover other costs (e.g. additional staffing needs)
- some MPs may also need to spend a significant portion of the EO&C Budget on employing additional electorate office staff, above the 2.5 full-time equivalent electorate office staff positions employed by the Parliament on behalf of the MP
- due to increases in postage costs, the EO&C Budget 'can now only provide for one (maximum) addressed mail to the electorate per year'.

## 1.3 Changes to electorates

In October 2021, the Electoral Boundaries Commission released its report on changes to State electorates and electoral boundaries in Victoria, which will take effect on 1 November 2022.<sup>5</sup>

As part of these changes, nine electoral districts and one electoral region will be abolished and replaced by the same number of new districts and regions. In addition, the geographic size of many electorates, and the number of voters in those electorates, will change.

These changes have been reflected in this 2022 MP Annual Adjustment Determination, as set out in Chapter 3.

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<sup>5</sup> Electoral Boundaries Commission (2021).

# 2 Economic factors



In accordance with the VIRTIPS Act, the Tribunal is required to consider:

- current and projected economic conditions and trends (s. 24(2)(c))
- the financial position and fiscal strategy of the State of Victoria (s. 24(2)(b)).

## 2.1 Current and projected economic conditions and trends

The Tribunal has examined international, Australian and Victorian economic and financial conditions and trends. Considerable uncertainty about future conditions associated with the ongoing coronavirus (COVID-19) pandemic remains, in addition to uncertainty arising from recent geopolitical developments overseas. The Tribunal has relied upon data and forecasts available to it at the time of making this Determination.

### International economic conditions

The Reserve Bank of Australia's (RBA) latest *Statement on Monetary Policy* (May 2022) noted that upward pressure on inflation, evident in the global economy in the second half of 2021, has persisted into 2022. The RBA observed that, while inflationary pressures are 'broad based', the recent rise in inflation largely reflects price increases associated with the Russian invasion of Ukraine. Recent increases in inflation have led to a decline in real wages, and hence purchasing power, across many economies.<sup>6</sup>

Gross Domestic Product (GDP) increased strongly in most economies over the year to March 2022, reflecting factors such as the easing of mobility restrictions associated with COVID-19 and accommodative monetary and fiscal policy.<sup>7</sup> However, the RBA noted that GDP forecasts for most of Australia's trading

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<sup>6</sup> RBA (2022c), p. 5.

<sup>7</sup> RBA (2022c), p. 9.

partners have been revised down and that the ‘balance of risks to the global economic outlook appear to be skewed to the downside’.<sup>8</sup>

## Australian economic conditions

The Australian economy proved resilient in the face of the outbreak of the Omicron variant of COVID-19 and east coast floods in early 2022, with data from the Australian Bureau of Statistics (ABS) indicating that Australia’s GDP rose by 0.8 per cent in the first three months of 2022. This follows the 3.6 per cent growth recorded in the last three months of 2021 as restrictions introduced in response to the outbreak of the Delta variant of COVID-19 were eased. As such, GDP increased by 3.3 per cent over the 12 months to March 2022.<sup>9</sup> The RBA expects GDP to continue to increase over the coming year. Under its ‘central scenario’, it forecasts growth of 4.25 per cent for 2022 and two per cent for 2023.<sup>10</sup>

The RBA noted that inflation has picked up significantly since the middle of 2021, albeit not to the extent seen in many other advanced economies. The Consumer Price Index (CPI) rose 5.1 per cent over the 12 months to March 2022, while trimmed mean inflation (a measure of underlying inflation) was 3.7 per cent — its highest level since March 2009.<sup>11</sup> The RBA’s May Statement forecast CPI and trimmed mean inflation to peak in the second half of 2022 at around six per cent and 4.75 per cent, before returning to three per cent (the top of the RBA’s target range) by mid-2024.<sup>12</sup> In a June 2022 interview, RBA Governor Philip Lowe noted that, by year end, he expects (headline) inflation to get to seven per cent.<sup>13</sup>

In response to inflationary pressures, the RBA raised its target for the cash rate by 0.25 percentage points in May 2022, followed by a further 0.5 percentage point increase in June 2022. These increases — the first since November 2010 — brought the cash rate target from an all-time low of 0.1 per cent to 0.85 per cent. In announcing the RBA’s decision to increase the cash rate target at its June 2022

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<sup>8</sup> RBA (2022c), p. 11-12.

<sup>9</sup> ABS (2022a).

<sup>10</sup> RBA (2022c), p. 59.

<sup>11</sup> ABS (2022b).

<sup>12</sup> RBA (2022c), p. 59.

<sup>13</sup> RBA (2022a).

meeting, Governor Lowe flagged further increases over the coming months, stating:<sup>14</sup>

*The [RBA] Board expects to take further steps in the process of normalising monetary conditions in Australia over the months ahead. The size and timing of future interest rate increases will be guided by the incoming data and the Board's assessment of the outlook for inflation and the labour market. The Board is committed to doing what is necessary to ensure that inflation in Australia returns to target over time.*

Regarding the labour market, the RBA's May Statement noted that 'conditions are the most robust in many years'.<sup>15</sup> The seasonally-adjusted national unemployment rate remained at 3.9 per cent in May 2022,<sup>16</sup> its lowest level in almost 50 years. Meanwhile, the seasonally-adjusted participation rate remains at historically high levels, increasing to 66.7 per cent in May 2022.<sup>17</sup> The RBA expects a further tightening in the labour market in the coming months, with the national unemployment rate forecast to decline to around 3.5 per cent in early 2023.<sup>18</sup>

As labour market conditions continue to tighten, the RBA expects wages growth to pick up. According to ABS data, the Wage Price Index (WPI) rose by 2.4 per cent over the 12 months to March 2022 — the largest annual increase since December 2018.<sup>19</sup> The RBA forecasts growth in the WPI to increase to around 3 per cent by the end of 2022, and 3.75 per cent in mid-2024 (which would represent the highest growth since 2012).<sup>20</sup>

The Fair Work Commission (FWC) issued its *Annual Wage Review 2021-22 Decision* on 15 June 2022. This Decision increased the National Minimum Wage (NMW) by \$40 per week (5.2 per cent), with effect from 1 July 2022.<sup>21</sup> It also increased modern award minimum wages by 4.6 per cent, subject to a minimum increase of \$40 per week.<sup>22</sup> The increases to modern award minimum wages are effective from 1 July 2022, with the exception of certain awards in the aviation, hospitality and tourism sectors, whose increases take effect on 1 October 2022.<sup>23</sup> The FWC

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<sup>14</sup> RBA (2022b).

<sup>15</sup> RBA (2022c), p. 23.

<sup>16</sup> ABS (2022c).

<sup>17</sup> ABS (2022c).

<sup>18</sup> RBA (2022c), p. 59.

<sup>19</sup> ABS (2022d).

<sup>20</sup> RBA (2022c), p. 65.

<sup>21</sup> FWC (2022), pp. 44, 60.

<sup>22</sup> FWC (2022), p. 46.

<sup>23</sup> FWC (2022), pp. 61-62.

stated that its Decision would provide relief to low paid workers in the context of rising inflation without having a ‘significant adverse effect on the performance and competitiveness’ of the Australian economy.<sup>24</sup>

## Victorian economic conditions

ABS data indicate that Victoria’s State Final Demand rose by 2.4 per cent in the first three months of 2022 — the highest growth of all the states and territories — after having risen to be above pre-pandemic levels by the end of 2021.<sup>25</sup> ABS data also show that the seasonally-adjusted unemployment rate reached an all-time low of 3.7 per cent in Victoria in May 2022.<sup>26</sup> The seasonally-adjusted participation rate reached an all-time high of 67.4 per cent in April 2022, before edging slightly lower to 66.9 per cent in May 2022.<sup>27</sup>

Regarding movements in prices, the All Groups CPI for Melbourne increased by 4.5 per cent over the 12 months to March 2022 — the highest annual growth since September 2008. The All Groups CPI for Melbourne excluding ‘volatile items’ (food and automotive fuel) increased by 3.6 per cent. Nine of the 11 component groups experienced increases, led by ‘Transport’ (13.3 per cent), ‘Education’ (5.5 per cent) and ‘Furnishings, household equipment and services’ (4.9 per cent). The ‘International holiday travel and accommodation’ sub-group decreased by 8.2 per cent over the 12 months to March 2022.<sup>28</sup>

Regarding movements in wages, the Victorian WPI increased by 2.3 per cent over the 12 months to March 2022,<sup>29</sup> while another commonly used measure of wage movements — average weekly ordinary time earnings of full-time adults in Victoria — grew 2.4 per cent over the 12 months to November 2021.<sup>30</sup> An additional measure of changes in wages, the average annualised wage increase AAWI for federal enterprise agreements which commenced in Victoria during the December quarter 2021, was 2.7 per cent.<sup>31</sup>

The *Victorian Budget 2022/23* (Budget), released in May 2022, noted that the Victorian economy has been ‘resilient in the face of COVID-19 outbreaks in 2021

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<sup>24</sup> FWC (2022), pp. 45-47.

<sup>25</sup> ABS (2022a).

<sup>26</sup> ABS (2022c).

<sup>27</sup> ABS (2022c).

<sup>28</sup> The ABS samples a number of overseas destinations and collects prices for airfares, tours and overseas accommodation to measure the international holiday travel and accommodation sub-group of Melbourne CPI (ABS (2022b)).

<sup>29</sup> ABS (2022d).

<sup>30</sup> ABS (2021).

<sup>31</sup> Attorney General’s Department (Cth) (2022).

and early 2022’, and that the economy is in a ‘strong position heading into 2022-23’.<sup>32</sup>

The Budget reported the following outlook for Victoria:<sup>33</sup>

*The [Victorian] economy is moving beyond recovery to a consolidation phase. High vaccination rates, a gradual increase in migration and substantial household savings should all support further strong economic growth over the coming year.*

The forecasts for the Victorian economy contained in the Budget are re-produced in Table 2.1. In summary:<sup>34</sup>

- real Gross State Product (GSP) is forecast to grow by 5.5 per cent in 2021-22, and by 3.25 per cent in 2022-23
- the Victorian unemployment rate is expected to average 4.25 per cent in 2021-22 and 4 per cent in 2022-23
- annual growth in the Melbourne CPI is expected to average 3 per cent in 2021-22 and 2.5 per cent in 2022-23
- annual growth in the Victorian WPI is expected to average 2.5 per cent in 2021-22 and 2.75 per cent in 2022-23.

**Table 2.1: Budget forecasts for the Victorian economy**

Indicator	2021-22	2022-23	2023-24	2024-25	2025-26
Real GSP <sup>(a)</sup>	5.50	3.25	2.25	2.75	2.75
Unemployment rate <sup>(b)</sup>	4.25	4.00	4.25	4.50	4.75
Melbourne CPI <sup>(a)</sup>	3.00	2.50	2.25	2.50	2.50
Victorian WPI <sup>(a)</sup>	2.50	2.75	3.00	3.00	3.00

Notes: (a) Values represent percentage change over the financial year. (b) Values represent average rate across the financial year.

Source: DTF (2022a), p. 24.

The Budget notes that the forecasts summarised in Table 2.1 are ‘subject to greater uncertainty than usual’, and are predicated on the following assumptions relating to COVID-19:

- high vaccination rates, and increased adaptation by consumers and businesses, limit the economic impacts of future outbreaks of COVID-19

<sup>32</sup> DTF (2022a), p. 17.

<sup>33</sup> DTF (2022a), p. 17.

<sup>34</sup> DTF (2022a), p. 24.



- migration will remain low until mid-2022 and then gradually pick up as international students return slowly and as tourist numbers pick up throughout 2022.

## 2.2 Financial position and fiscal strategy of the State of Victoria

The Tribunal’s analysis of financial factors has drawn on the latest report from the Victorian Auditor-General’s Office (VAGO) on Victoria’s finances and the Budget.

### Victorian Budget

According to the Budget, the general government sector recorded an operating deficit of \$9.4 billion for the nine months to 31 March 2022. Total expenses were around 15 per cent higher than the corresponding period in the previous financial year, reflecting the impact of support measures implemented in response to the COVID-19 pandemic.<sup>35</sup> Net debt also increased to \$94.6 billion as at 31 March 2022.<sup>36</sup>

The Budget reiterated the Victorian Government’s commitment to the four-step fiscal strategy outlined in the previous year’s *Victorian Budget 2021/22*:<sup>37</sup>

- Step 1 — creating jobs, reducing unemployment and restoring economic growth
- Step 2 — returning to an operating cash surplus
- Step 3 — returning to operating surpluses
- Step 4 — stabilising debt levels.

An operating deficit (for the general government sector) of approximately \$17.6 billion is forecast for 2021-22, with smaller deficits forecast for the following years before an expected return to an operating surplus in 2025-26. Meanwhile, a return to an operating cash flow surplus is forecast for 2022-23.<sup>38</sup>

The Budget forecast net debt would reach \$101.9 billion (19.8 per cent of GSP) in June 2022, and increase to \$167.5 billion (26.5 per cent of GSP) by June 2026.<sup>39</sup>

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<sup>35</sup> DTF (2022b), p. 210.

<sup>36</sup> DTF (2022b), p. 211.

<sup>37</sup> DTF (2022a), p. 3.

<sup>38</sup> DTF (2022a), p. 5.

<sup>39</sup> DTF (2022a), p. 5.

## VAGO report

The latest VAGO *Report on the Annual Financial Report of the State of Victoria*, released in November 2021, stated that:<sup>40</sup>

*... the COVID-19 pandemic continues to affect the financial performance and position of the state, with longer term consequences for its financial sustainability.*

In its report, VAGO:<sup>41</sup>

- observed that government revenue remained below, and expenditure well above, pre-pandemic expectations
- highlighted emerging risks, including operating expenditure growth in the general government sector and the increasing cost of capital works.

## 2.3 Wages Policy

Box 2.1 reproduces the Wages Policy, which applies to the Victorian public sector and is in force at the time of making this Determination.

### Box 2.1: Victorian Government Wages Policy

The Victorian Government Wages Policy and Enterprise Bargaining Framework has three pillars:

- Pillar 1: Wages — increases in wages and conditions will be capped at a rate of growth of 1.5 per cent per annum over the life of the agreement. In practice this means employee wages and conditions will be allowed to grow at this rate.
- Pillar 2: Best Practice Employment Commitment — all public sector agencies will be required to make a Best Practice Employment Commitment which will outline measures to operationalise elements of the Government’s Public Sector Priorities that reflect good practice within Government and can be implemented operationally or without significant costs.
- Pillar 3: Additional strategic changes — additional changes to allowances and other conditions (not general wages) will be capped at 0.5 per cent per annum of the salary base and will only be allowed if the Government agrees that the changes will address key operational or strategic priorities for the agency, and/or one or more of the Public Sector Priorities.

A ‘Secondary Pathway’ is also available for public sector agencies whose current enterprise agreement reaches its nominal expiry date between 1 January 2022 and 31 December 2022 which permits one annual wage and allowance increase capped at 2 per cent (instead of at 1.5 per cent).

Source: Industrial Relations Victoria (2021).

<sup>40</sup> VAGO (2021), p. 1.

<sup>41</sup> VAGO (2021), p. 3.

# 3 Tribunal's considerations



The Tribunal now turns to its considerations for determining an annual adjustment to the values of the:

- basic salary
- additional salaries for specified parliamentary office holders
- expense allowance for certain specified parliamentary office holders
- electorate allowance
- EO&C Budget
- international travel allowance
- commercial transport allowance
- travel allowance
- motor vehicle allowance
- PASA.

This chapter also discusses minor updates to the MP Comprehensive Determination to reflect changes made to electorates by the Electoral Boundaries Commission.

## 3.1 Adjustments to the values of salaries and allowances

This section outlines the Tribunal's considerations for adjusting the values of MP salaries and allowances.

## Basic salary, additional salaries and expense allowance

The basic salary, and the additional salaries for specified parliamentary office holders, are components of the MP remuneration framework that are paid in recognition of the work undertaken by each MP.

The expense allowance is payable to certain specified parliamentary office holders and has salary-type features.

In determining the increase in the basic salary, additional salaries and expense allowance, the Tribunal has considered the variety of information on economic conditions and trends available to it, as well as the financial position and the fiscal strategy for Victoria, the Victorian Government Wages Policy and submissions made to it.

In regard to current and projected inflationary pressures in the Australian and Victorian economies, the data shows that in the year to March 2022 the Melbourne CPI grew by 4.5 per cent, while underlying inflation (as measured by the trimmed mean) for Australia was 3.7 per cent. The RBA Governor has noted that he expects the national headline inflation rate to reach seven per cent by the end of 2022.<sup>42</sup>

The Tribunal has also had regard to the FWC's *Annual Wage Review 2021-22 Decision*, which increased the NMW by 5.2 per cent and, in particular, its increase to modern award minimum wages by 4.6 per cent (subject to a minimum increase of \$40 per week) effective from 1 July 2022.

Remuneration tribunals have recently adjusted the salaries of MPs in other jurisdictions as follows:

- Commonwealth — 2.75 per cent increase to MP base salary and additional salaries<sup>43</sup>
- New South Wales — 2 per cent increase to MP base salary and additional salaries<sup>44</sup>
- Queensland — 2.25 per cent from March 2022 and 2.5 per cent from September 2022 increase to MP base salary and additional salaries.<sup>45</sup>

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<sup>42</sup> RBA (2022a).

<sup>43</sup> Australian Government Remuneration Tribunal (2022).

<sup>44</sup> Parliamentary Remuneration Tribunal (NSW) (2022).

<sup>45</sup> Queensland Independent Remuneration Tribunal (2021).

On balance and having regard to the fact that the Tribunal is required to make a new comprehensive Determination for MPs in 2023, which will present it with an opportunity to further review the MP salaries and allowances framework, the Tribunal has determined to increase the values of the basic salary for Victorian MPs, and the additional salaries and expense allowance for specified parliamentary office holders, by 2.75 per cent for 2022-23.

## **Electorate allowance and the EO&C Budget**

The electorate allowance is paid to all MPs for the costs associated with MPs 'providing services to their constituents'.<sup>46</sup> The value of the electorate allowance paid varies by the size of the MP's electorate, reflecting the higher costs of providing services in larger electorates.<sup>47</sup>

An EO&C Budget is provided to each MP to:<sup>48</sup>

- fund the operating costs and maintenance of their electorate office
- communicate with their electorate in relation to the performance of their public duties.

The Tribunal's analysis of average expenses claimed by MPs from the EO&C Budget in the first half of 2021-22 found that approximately:<sup>49</sup>

- 70 per cent of the Budget was used to meet the costs of acquiring goods and services such as advertising, printing and communications and postage
- 30 per cent was used to meet the costs of employing additional electorate officers and for staff-related matters.

The purpose of the electorate allowance and the EO&C Budget and the average expenses claims are instructive as to which indices are most relevant to the annual adjustment of them.

The Tribunal has determined to adjust the electorate allowance and the EO&C Budget in line with the movement in the Melbourne CPI excluding 'volatile items' over the year to March 2022.

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<sup>46</sup> VIRTIPS Act, s. 17(3)(e).

<sup>47</sup> Victorian Independent Remuneration Tribunal (2019), p. 59.

<sup>48</sup> *Parliamentary Salaries, Allowances and Superannuation Act 1968* (Vic) (PSAS Act), s. 7F.

<sup>49</sup> The Department of Parliamentary Services and the Clerks of the Parliament have published quarterly reports since late 2019 on expenses claimed from the EO&C Budget and allowances paid to MPs (Parliament of Victoria (n.d.)).

## Travel and transport-related allowances

The travel and transport-related components of the salaries and allowances framework — motor vehicle allowance, travel allowance, commercial transport allowance, international travel allowance and PASA — are intended to cover work-related travel and transport costs incurred by MPs as part of carrying out their public duties.<sup>50</sup>

The motor vehicle allowance and the PASA are both paid as fixed amounts, provided an MP meets the eligibility criteria applying to each, while the international travel allowance, commercial transport allowance and travel allowance are paid as a reimbursement of actual expenditure incurred for certain eligible expenditures.

According to the quarterly reports on allowances paid to MPs,<sup>51</sup> during the first three quarters of 2021-22:

- no MPs claimed the international travel allowance
- six MPs claimed the commercial transport allowance, with \$460 being the average amount claimed by those MPs over the period — significantly lower than the maximum amount that may be claimed each year (varying between \$5,000 and \$17,226, depending on electorate size).

The Tribunal has determined to make no adjustment to the value of the international travel allowance and the commercial travel allowance. CPI data for the 12 months to March 2022 shows a significant fall in the cost of international travel,<sup>52</sup> and the maximum amount that can be claimed each year for the commercial transport allowance remains relevant.

The Tribunal also makes no adjustment to the travel allowance. In the MP Comprehensive Determination made in 2019, the Tribunal set the maximum travel allowance payable per overnight stay in commercial accommodation in a particular location as equal to the travelling allowance rate as set (from time to time) by the Commonwealth Remuneration Tribunal.

The motor vehicle allowance is provided to those MPs who elect not to be provided with a fully maintained motor vehicle.<sup>53</sup> MPs are expected to use the

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<sup>50</sup> Victorian Independent Remuneration Tribunal (2021).

<sup>51</sup> Parliament of Victoria (n.d.).

<sup>52</sup> ABS (2022b).

<sup>53</sup> PSAS Act, s. 6(1)(c).

motor vehicle allowance to cover the cost of any motor vehicle travel within Victoria that is required as part of carrying out public duties. CPI data show that over the 12 months to March 2022, the cost of purchasing, maintaining and operating a motor vehicle in Victoria has increased.

However, the Commonwealth Government has temporarily reduced the fuel excise for a six-month period (30 March 2022 to 28 September 2022), estimating this would save an Australian household with at least one vehicle around \$300.<sup>54</sup> The latest CPI data, which is for the March quarter 2022, does not reflect reduced fuel prices due to excise reductions.

In the circumstances, the Tribunal has determined to adjust the motor vehicle allowance by:

- indexing it in line with the annual percentage change in the ‘Transport’ group of the Melbourne CPI to March 2022
- reducing the indexed value by the Commonwealth Government’s average expected household saving due to fuel excise reductions.

Finally, consistent with the approach it has taken in previous years, the Tribunal has determined to make no change to the value of the PASA. In the MP Comprehensive Determination made in 2019, the Tribunal noted a reduced need for the PASA as a result of the revised arrangements it made to the travel allowance.<sup>55</sup>

The new comprehensive Determination for MPs that the Tribunal is required to make in 2023, will provide an opportunity to further review MP allowances.

## 3.2 Minor updates to reflect electorate changes

As set out in Chapter 1, the Electoral Boundaries Commission has announced changes to State electorates and electorate boundaries in Victoria. These changes will take effect on 1 November 2022.

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<sup>54</sup> Commonwealth Government of Australia (2022).

<sup>55</sup> MP Comprehensive Determination, p. 145.

To account for these changes, the Tribunal has updated the following aspects of the MP Comprehensive Determination:

- Clause 16.2, which sets the value of the EO&C Budget in a financial year in which a general election is held
- Schedule B, which includes five tables that list electorates according to geographic size.

### **Clause 16.2 — value of the EO&C Budget**

Clause 16 of the MP Comprehensive Determination sets the value of the EO&C Budget.

For Members of the Legislative Assembly, part of the EO&C Budget is set with reference to the total number of voters enrolled in the electoral district they represent, as last published by the Victorian Electoral Commission as at the last day of February of the previous financial year.

Clause 16.2 of the MP Comprehensive Determination sets out how the value of the EO&C Budget is calculated in a financial year in which a general election will be held. It states that the value of the EO&C Budget is set separately for:

- 1 July to 30 November
- 1 December to 30 June.

In November 2022, several electorates will be abolished and an equal number of electorates will be established. In addition, the number of voters in some electorates will change as a result of the redistribution.

These changes mean that, immediately following the 2022 election that will occur in November, voter enrolment data required for calculating the EO&C Budget (based on February of the previous financial year) will not be available (for newly established electorates) or will not be relevant (electorates with changed boundaries). To account for this, the Tribunal has determined that for the period 1 December to 30 June following the general election:

- the value of the EO&C Budget for a Member of the Legislative Assembly will be calculated with reference to the number of voters recorded in the electoral roll prepared for the election, rather than being determined using data from February, for the electoral district



- the method for calculating the value of the EO&C Budget for Members of the Legislative Council will remain unchanged.

## Schedule B

Schedule B of the MP Comprehensive Determination lists electoral districts and regions in five tables, based on geographic size. The value of the electorate, motor vehicle and commercial transport allowances that an MP may receive (subject to eligibility requirements) varies according to Schedule B.

The Tribunal has determined to update Schedule B to reflect changes to State electorates and electorate boundaries that take effect from 1 November 2022. The updates to Schedule B (summarised in tables 3.1, 3.2 and 3.3) made in this Determination will also take effect on 1 November 2022.

**Table 3.1: Electorates to be removed from Schedule B of the MP Comprehensive Determination, with effect from 1 November 2022**

Electorate	Current table in Schedule B
<b>Electoral Districts</b>	
Altona	Table 1
Buninyong	Table 2
Burwood	Table 1
Ferntree Gully	Table 1
Forest Hill	Table 1
Gembrook	Table 1
Keysborough	Table 1
Mount Waverley	Table 1
Yuroke	Table 1
<b>Electoral Regions</b>	
Eastern Metropolitan	Table 1

Source: Electoral Boundaries Commission (2021).

**Table 3.2: Electorates to be added to Schedule B of the MP Comprehensive Determination, with effect from 1 November 2022**

Electorate	Electorate size from 1 November 2022 (km <sup>2</sup> )	Table in Schedule B that will apply from 1 November 2022
<b>Electoral Districts</b>		
Ashwood	29	Table 1
Berwick	99	Table 1
Eureka	3,915	Table 2
Glen Waverley	36	Table 1
Greenvale	60	Table 1
Kalkallo	262	Table 1
Laverton	87	Table 1
Pakenham	226	Table 1

Electorate	Electorate size from 1 November 2022 (km <sup>2</sup> )	Table in Schedule B that will apply from 1 November 2022
Point Cook	88	Table 1
<b>Electoral Regions</b>		
North-Eastern Metropolitan	509	Table 2

Source: Electoral Boundaries Commission (2021).

Table 3.3: Electorates to be moved to a new table in Schedule B of the MP Comprehensive Determination, with effect from 1 November 2022

Electorate	Current table in Schedule B	Electorate size from 1 November 2022 (km <sup>2</sup> )	Table in Schedule B that will apply from 1 November 2022
<b>Electoral Districts</b>			
South Barwon	Table 2	361	Table 1
Ovens Valley	Table 3	10,558	Table 4
Benambra	Table 4	9,147	Table 2
Polwarth	Table 4	8,860	Table 3
<b>Electoral Regions</b>			
N/A			

Source: Electoral Boundaries Commission (2021).

### 3.3 Conclusion

This Statement of Reasons explains the Tribunal's considerations in making the 2022 MP Annual Adjustment Determination which included the following legislative factors:

- any statement or policy issued by the Government of Victoria which is in force with respect to its Wages Policy (or equivalent) and the remuneration and allowances of any specified occupational group (s. 24(2)(a) of the VIRTIPS Act)
- the financial position and fiscal strategy of the State of Victoria (s. 24(2)(b))
- current and projected economic conditions and trends (s. 24(2)(c))
- submissions received in relation to the proposed Determination (s. 24(2)(d)).

In April 2022, the Tribunal published its NOI to make a Determination on its website, including details about the proposed Determination and a summary of the matters it was required to consider and invited any and all affected persons or classes of affected persons to make a submission regarding the proposed Determination. The Tribunal received one submission.

In accordance with the VIRTIPS Act, the Tribunal has determined to make a 2.75 per cent annual adjustment to the values of MP salaries, and also an annual adjustment to the EO&C Budget and the following allowances provided to MPs:

- expense allowance
- electorate allowance
- motor vehicle allowance.

The Tribunal has determined it will make no adjustment to the following allowances for MPs:

- international travel allowance
- commercial transport allowance
- PASA.

The Determination will take effect on 1 July 2022.

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