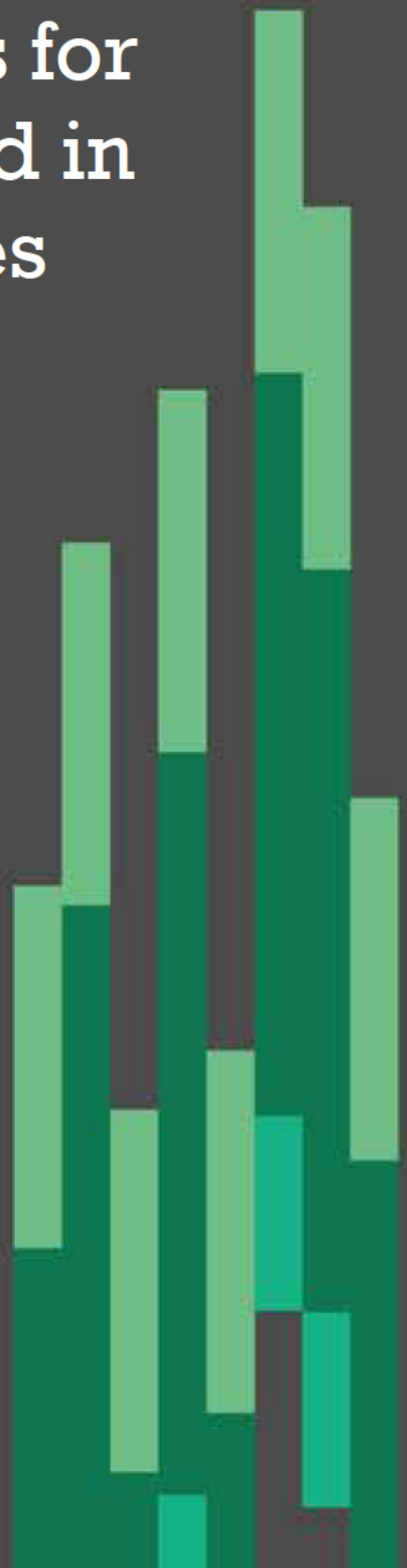


Remuneration bands for
executives employed in
public service bodies
(Victoria)
Annual Adjustment
Determination 2022

Victorian
Independent
Remuneration
Tribunal



DETERMINATION

[2022] DVPSA 01

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

Part 3—Determinations for annual adjustments in relation to executives employed in public service bodies.

Remuneration bands for executives employed in public service bodies (Victoria) Annual Adjustment Determination 2022



A. Pursuant to section 22(1) of the *Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019 (Vic)* (VIRTIPS Act), the Tribunal determines to make the following adjustments to the values of the remuneration bands set in the *Remuneration bands for executives employed in public service bodies (Victoria) Determination No. 01/2020*.

A.1 Delete Table 1 and replace it with the following:

Table 1: Values of remuneration bands for subordinate executives from 1 July 2022

Classification	Base of band TRP \$ per annum	Top of band TRP \$ per annum
Senior Executive Service-3	384,541	511,862
Senior Executive Service-2	267,446	384,540
Senior Executive Service-1	207,116	267,445

Note: The above values are for executives employed on a 1.0 FTE basis, and apply pro rata to executives employed on a part-time basis.

A.2 Delete Table 2 and replace it with the following:

Table 2: Values of remuneration bands for Administrative Office Heads from 1 July 2022

Classification	Base of band TRP \$ per annum	Top of band TRP \$ per annum
Administrative Office Head-3	384,541	511,862
Administrative Office Head-2	267,446	384,540
Administrative Office Head-1	207,116	267,445

Note: The above values are for executives employed on a 1.0 FTE basis, and apply pro rata to executives employed on a part-time basis.

A.3 Delete Table 3 and replace it with the following:

Table 3: Values of remuneration band for Department Heads and the Victorian Public Sector Commissioner from 1 July 2022

Classification	Base of band TRP \$ per annum	Top of band TRP \$ per annum
Department Head / Victorian Public Sector Commissioner	554,443	747,497

Note: The above values are for executives employed on a 1.0 FTE basis, and apply pro rata to executives employed on a part-time basis.

- B. This Determination commences on 1 July 2022.
- C. The *Remuneration bands for executives employed in public service bodies (Victoria) Determination No. 01/2020* as varied is available on the Tribunal's website.



Warren McCann

Chair

Victorian Independent
Remuneration Tribunal



The Honourable Jennifer Acton

Member

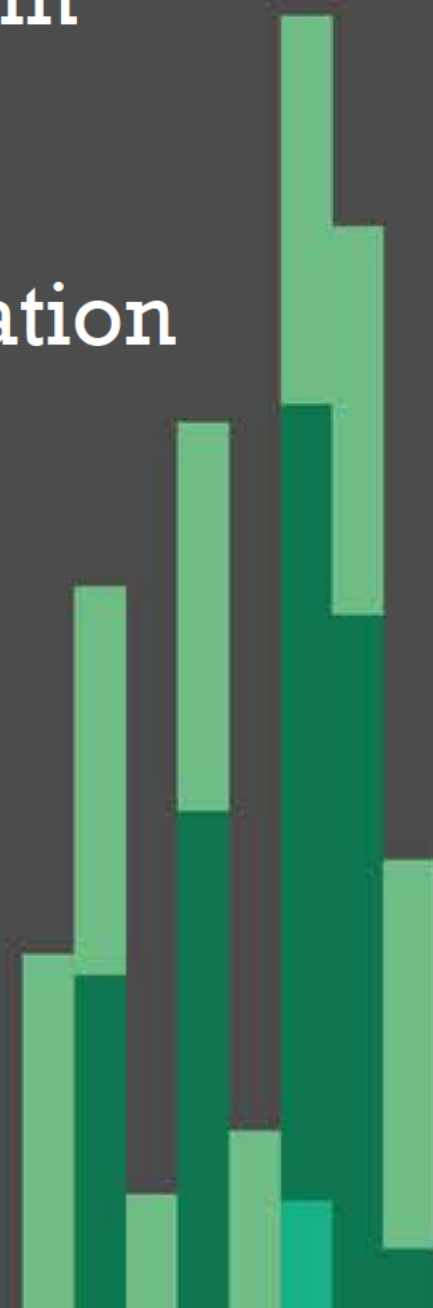
Victorian Independent
Remuneration Tribunal

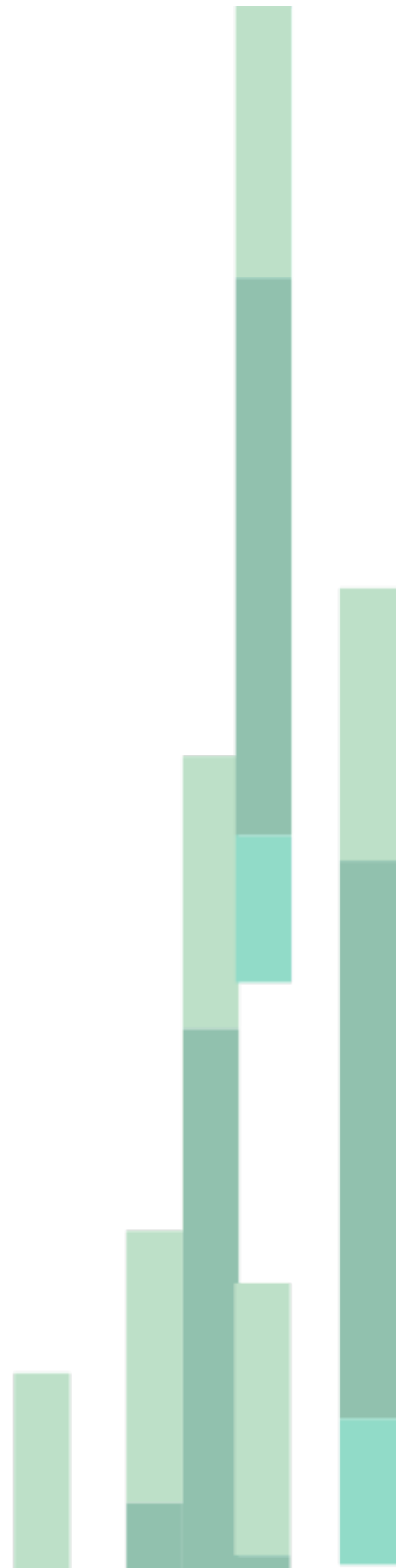
Date: 22/06/2022

Victorian
Independent
Remuneration
Tribunal

Remuneration bands for
executives employed in
public service bodies
(Victoria) Annual
Adjustment Determination
2022

Statement of Reasons





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Abbreviations and glossary



Term or abbreviation	Definition
2022 VPS Annual Adjustment Determination	<i>Remuneration bands for executives employed in public service bodies (Victoria) Annual Adjustment Determination 2022</i>
ABS	Australian Bureau of Statistics
AO	Administrative Office
AWOTE	average weekly ordinary time earnings
Budget	<i>Victorian Budget 2022/23</i>
CPI	Consumer Price Index
DTF	Department of Treasury and Finance
FWC	Fair Work Commission
GDP	Gross Domestic Product
GSP	Gross State Product
Handbook	VPS Executive Employment Handbook
MSCB	maximum superannuation contribution base
NMW	National Minimum Wage
NOI	notice of intention
PAA	<i>Public Administration Act 2004 (Vic)</i>
RBA	Reserve Bank of Australia
SG	Superannuation Guarantee
Standard Contract	Standard VPS Executive Contract
Tribunal	Victorian Independent Remuneration Tribunal
TRP	total remuneration package
VAGO	Victorian Auditor-General's Office
VIRTIPS Act	<i>Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019 (Vic)</i>
VPS	Victorian Public Service
VPSC	Victorian Public Sector Commission
VPS Comprehensive Determination	<i>Remuneration bands for executives employed in public service bodies (Victoria) Determination No. 01/2020</i>
VPS Enterprise Agreement	<i>Victorian Public Service Enterprise Agreement 2020</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
- remuneration bands for executives employed in public service bodies
- remuneration bands for executives employed in prescribed public entities
- allowances payable to Mayors, Deputy Mayors and Councillors in local government.

Section 21 of the VIRTIPS Act requires the Tribunal to make a Determination setting remuneration bands for executives employed in Victorian Public Service (VPS) bodies every four years. VPS bodies are defined under section 4(1) of the *Public Administration Act 2004* (Vic) (PAA) as:

- Departments
- Administrative Offices (AOs)
- the Victorian Public Sector Commission (VPSC).

Determinations made under section 21 of the VIRTIPS Act also apply to some executives in Victorian public entities who are employed under Part 3 of the PAA.¹

On 14 May 2020, the Tribunal issued the *Remuneration bands for executives employed in public service bodies (Victoria) Determination No. 01/2020* (VPS Comprehensive Determination). In setting the remuneration bands, the Tribunal comprehensively reviewed the roles of executives employed in public service bodies and the remuneration arrangements in place at that time.²

¹ Victorian Independent Remuneration Tribunal (2020), p. 5.

² VIRTIPS Act, s. 21.

Section 22 of the VIRTIPS Act requires the Tribunal to make a Determination providing for an annual adjustment to the values set in the Determination which is in effect under section 21 of the VIRTIPS Act.

On 25 June 2021, the Tribunal issued the *Remuneration bands for executives employed in public service bodies (Victoria) Annual Adjustment Determination 2021* which adjusted the values of the remuneration bands set in the VPS Comprehensive Determination, with effect from 1 July 2021.

This *Remuneration bands for executives employed in public service bodies (Victoria) Annual Adjustment Determination 2022* (2022 VPS Annual Adjustment Determination) provides for a further adjustment to the values of the remuneration bands, which will take effect from 1 July 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 exercising its powers, the Tribunal must act independently and impartially and is not subject to the control or direction of any person, including the Minister.³

³ VIRTIPS Act, s. 5.

1.2 Consultation

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

- published notice of its intention to make a Determination on its website, 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 notice of intention (NOI) included a summary of the matters the Tribunal was required to consider in the making of the Determination.

The Tribunal also wrote to public service bodies to inform them that the NOI had been published, and requested they also inform their executives about the NOI and the opportunity to make submissions.

The Tribunal received one written submission in relation to the Determination which concerned the differences in the mechanisms for pay progression available to executive and non-executive VPS employees. The Tribunal has considered this submission and has concluded it raises a matter which is outside the scope of the Tribunal's jurisdiction.

2 Victorian Government remuneration policies



In making this Determination, the Tribunal is required to 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.

2.1 Wages Policy

Box 2.1 reproduces the *Victorian Government Wages Policy and Enterprise Bargaining Framework* (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).

In October 2020, under the previous Wages Policy,⁴ the *Victorian Public Service Enterprise Agreement 2020* (VPS Enterprise Agreement) began operation.⁵ The VPS Enterprise Agreement provides for annual increases to the salary bands for non-executive VPS employees averaging 2 per cent per annum over the life of the agreement.

Since 1 July 2021, when the Tribunal's last annual adjustment took effect, VPS non-executive salary bands have increased by 2.77 per cent on a cumulative basis, consisting of:

- a 1.5 per cent increase, applied from 1 September 2021
- a 1.25 per cent increase, applied from 1 June 2022.

In addition, the VPS Enterprise Agreement provides non-executive employees with a mobility payment,⁶ paid as a lump sum on 1 July each year, including 1 July 2022. The mobility payment is approximately equal to 1.25 per cent of the top of the relevant salary band.

2.2 Executive employment and remuneration policies

The Standard VPS Executive Contract (Standard Contract) and VPS Executive Employment Handbook (Handbook) set out the employment and remuneration policies that apply to VPS executives.

The Standard Contract is mandated for the employment of all VPS executives, and sets out employment details including the remuneration package, performance standards and other employment conditions.⁷ All VPS executive contracts have common conditions dealing with:

- contract term and renewal
- performance management
- reimbursement for expenses
- leave entitlements
- termination.

⁴ The previous Wages Policy operated until 31 December 2021.

⁵ *Victorian Public Service Enterprise Agreement 2020* [AG2020/2580].

⁶ According to the VPS Enterprise Agreement, the purpose of the mobility payment is to reflect the government's need for employees to be responsively deployed to support changing priorities.

⁷ VPSC (2019), p. 17.

The Handbook and Standard Contract set out the components of an executive's total remuneration package (TRP), defined as the sum of:⁸

- base salary
- superannuation contributions
- employment benefits (i.e. non-salary) specified in the executive's contract of employment
- the annual cost to the employer of providing the non-monetary benefits, including any fringe benefits tax payable.

The Handbook provides that executives may include non-salary benefits as part of their TRP, including:⁹

- a motor vehicle obtained through the Executive Vehicle Scheme¹⁰
- a motor vehicle obtained through a novated leasing arrangement
- the VPS health insurance scheme
- salary sacrificed superannuation contributions.

The Standard Contract provides for an annual review of each executive's remuneration, which can be adjusted annually by the executive's employer up to a maximum rate — known as the 'guideline rate' — as set by the Premier.¹¹ The guideline rate is set at 1.5 per cent for both 2021-22 and 2022-23.

Policy related to changes in superannuation entitlements

Under Commonwealth law, the Superannuation Guarantee (SG) and maximum superannuation contribution base (MSCB) apply to executives who are members of an accumulation scheme.¹²

The SG is the minimum amount of employer superannuation contributions to which an employee is entitled, expressed as a percentage of the employee's 'ordinary time earnings'.¹³ The MSCB acts as a cap on the 'ordinary time earnings' that are used to calculate an employee's superannuation entitlements — earnings over the MSCB are not counted for the purpose of calculating entitlements.¹⁴

⁸ VPSC (2019), p. 21.

⁹ VPSC (2019), p. 33.

¹⁰ Under the Executive Vehicle Scheme, executives can access a motor vehicle under a salary sacrifice arrangement where the executive contributes to the cost of the vehicle (VPSC (2019), p. 37).

¹¹ VPSC (2019), pp. 24-25.

¹² VPSC (2019), p. 43.

¹³ Australian Taxation Office (2022b).

¹⁴ *Superannuation Guarantee (Administration) Act 1992* (Cth), s. 6(1).

The superannuation entitlements of executives in an accumulation scheme may increase each year as a result of the indexation of the MSCB and/or changes to the SG rate.

On 1 July 2022, the following changes will occur:

- the SG will increase from 10 per cent to 10.5 per cent
- the MSCB will increase in line with changes in Australian average weekly ordinary time earnings (AWOTE), from \$58,920 per quarter (\$235,680 per annum) to \$60,220 per quarter (\$240,880 per annum).

The Handbook states that public service employers must bear the cost of such increases in superannuation liabilities. In particular, the Handbook stipulates that employers are not to offset the cost of changes to superannuation entitlements by passing on less of an annual remuneration adjustment (determined following the annual review of the executive's remuneration required by the Standard Contract, explained above) to an individual executive than they would have otherwise.¹⁵ In the remainder of this Statement of Reasons, this requirement is referred to as the 'Superannuation Policy'.

The Department of Premier and Cabinet has issued guidance to Victorian public sector employers about how to comply with the Superannuation Policy when providing an annual adjustment to an executive's TRP.¹⁶

The guidance explains that, for executives whose remuneration is expressed as a TRP:

- the employer's chosen annual adjustment rate is to be applied to the salary component of the executive's TRP
- the superannuation component of the executive's TRP is to be separately adjusted to reflect their new superannuation entitlements.

¹⁵ VPSC (2019), p. 43.

¹⁶ Victorian Government (2022).

3 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)).

3.1 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.¹⁷

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.¹⁸ However, the RBA noted that GDP forecasts for most of Australia's trading

¹⁷ RBA (2022c), p. 5.

¹⁸ 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’.¹⁹

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.

Overall, GDP increased by 3.3 per cent over the 12 months to March 2022.²⁰ 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 2023.²¹

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 2009.²² 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-2024.²³ In a June 2022 interview, RBA Governor Philip Lowe noted that, by year end, he expects (headline) inflation to get to seven per cent.²⁴

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 2020

¹⁹ RBA (2022c), p. 11-12.

²⁰ ABS (2022a).

²¹ RBA (2022c), p. 59.

²² ABS (2022b).

²³ RBA (2022c), p. 59.

²⁴ RBA (2022a).

meeting, Governor Lowe flagged further increases over the coming months, stating:²⁵

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'.²⁶ The seasonally-adjusted national unemployment rate remained at 3.9 per cent in May 2022,²⁷ 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 2022.²⁸ 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 2023.²⁹

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 2018.³⁰ 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).³¹

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 2022.³² It also increased modern award minimum wages by 4.6 per cent, subject to a minimum increase of \$40 per week.³³ 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 2022.³⁴ The FWC

²⁵ RBA (2022b).

²⁶ RBA (2022c), p. 23.

²⁷ ABS(2022c).

²⁸ ABS (2022c).

²⁹ RBA (2022c), p. 59.

³⁰ ABS (2022d).

³¹ RBA (2022c), p. 65.

³² FWC (2022), pp. 44, 60.

³³ FWC (2022), p. 46.

³⁴ 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.³⁵

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 2021.³⁶ ABS data also show that the seasonally-adjusted unemployment rate reached an all-time low of 3.7 per cent in Victoria in May 2022.³⁷ 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 2022.³⁸

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).³⁹

Regarding movements in wages, the Victorian WPI increased by 2.3 per cent over the 12 months to March 2022,⁴⁰ while another commonly used measure of wage movements — AWOTE of full-time adults in Victoria — grew 2.4 per cent over the 12 months to November 2021.⁴¹ An additional measure of changes in wages, the average annualised wage increase for federal enterprise agreements which commenced in Victoria during the December quarter 2021, was 2.7 per cent.⁴²

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

³⁵ FWC (2022), pp. 45-47.

³⁶ ABS (2022a).

³⁷ ABS (2022c).

³⁸ ABS (2022c).

³⁹ ABS (2022b).

⁴⁰ ABS (2022d).

⁴¹ ABS (2021).

⁴² Attorney General’s Department (Cth) (2022).

and early 2022’, and that the economy is in a ‘strong position heading into 2022-23’.⁴³

The Budget reported the following outlook for Victoria:⁴⁴

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 3.1. In summary:⁴⁵

- 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 3.1: Budget forecasts for the Victorian economy

Indicator	2021-22	2022-23	2023-24	2024-25	2025-26
Real GSP ^(a)	5.50	3.25	2.25	2.75	2.75
Unemployment rate ^(b)	4.25	4.00	4.25	4.50	4.75
Melbourne CPI ^(a)	3.00	2.50	2.25	2.50	2.50
Victorian WPI ^(a)	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 3.1 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

⁴³ DTF (2022a), p. 17.

⁴⁴ DTF (2022a), p. 17.

⁴⁵ 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.

3.2 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.⁴⁶ Net debt also increased to \$94.6 billion as at 31 March 2022.⁴⁷

The Budget reiterated the Victorian Government’s commitment to the four-step fiscal strategy outlined in the previous year’s *Victorian Budget 2021/22*:⁴⁸

- 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 2022-23.⁴⁹

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 2026.⁵⁰

⁴⁶ DTF (2022b), p. 210.

⁴⁷ DTF (2022b), p. 211.

⁴⁸ DTF (2022a), p. 3.

⁴⁹ DTF (2022a), p. 5.

⁵⁰ 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:⁵¹

... 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:⁵²

- 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.

⁵¹ VAGO (2021), p. 1.

⁵² VAGO (2021), p. 3.

4 Tribunal's considerations



The Tribunal now turns to determining an annual adjustment to the values of the remuneration bands for executives employed in public service bodies.

The values of the remuneration bands for executives employed in public service bodies are expressed as a TRP, inclusive of salary and superannuation. Consistent with Victorian Government executive remuneration policies, and with the approach it took in 2021, the Tribunal has decided to adjust the salary and superannuation components of the remuneration bands separately by adjusting the notional:

- salary component of the remuneration band values by a 'standard rate'
- superannuation component of each band value to incorporate changes to minimum superannuation entitlements from 1 July 2022.

4.1 Salary component

In determining the increase in the notional salary component, 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 and the current Victorian Government statements or policies with respect to wages (or equivalent) and the remuneration and allowances of any specified occupational group.

In regard to current and projected inflationary pressures in the Australian and Victorian economies, the data show that in the year to March 2022, the Melbourne CPI grew by 4.5 per cent and underlying inflation (as measured by the trimmed mean) for Australia was 3.7 per cent. The RBA Governor has also noted that he expects the national headline inflation rate to reach seven per cent by the end of 2022.⁵³

⁵³ RBA (2022a).

The latest CPI data for the March quarter 2022 does not reflect reduced fuel prices due to excise reductions. The Commonwealth Government has temporarily reduced the fuel excise for a six-month period (30 March 2022 to 28 September 2022) and estimated this will save an Australian household with at least one vehicle around \$300.⁵⁴

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 decision to increase modern award minimum wages by 4.6 per cent (subject to a minimum increase of \$40 per week) effective from 1 July 2022.

In addition, the Tribunal has considered recent movements in the remuneration of non-executive VPS employees under the VPS Enterprise Agreement. Since 1 July 2021, the values of the salary bands for non-executives have increased by a cumulative 2.77 per cent. An annual mobility payment equal to approximately 1.25 per cent of the top of the relevant salary band also applies to non-executive employees under the VPS Enterprise Agreement.

Taking into account these various considerations, the Tribunal has determined to adjust the notional salary component of the remuneration bands by a 'standard rate' of 3.6 per cent for 2022-23.

Table 4.1 shows the impact of applying the 'standard rate' adjustment of 3.6 per cent on the notional salary component of the values of the VPS executive remuneration bands.

⁵⁴ Commonwealth Government of Australia (2022).

Table 4.1: Change to notional salary component of the remuneration bands due to the 'standard rate' adjustment

Classification	30 June 2022 value		Change to notional salary component due to 'standard rate' ^(b)
	TRP value \$ p.a.	Notional salary component ^(a) \$ p.a.	
SES-1/AO Head-1			
base of band	199,014	180,922	6,513
top of band	257,111	233,737	8,415
SES-2/AO Head-2			
base of band	257,112	233,738	8,415
top of band	370,331	346,763	12,484
SES-3/AO Head-3			
base of band	370,332	346,764	12,484
top of band	493,229	469,661	16,908
Secretaries/VPSC			
Commissioner			
base of band	534,331	510,763	18,387
top of band	720,676	697,108	25,096

Notes: (a) Calculated by reducing the TRP value by the amount of the superannuation entitlement as at 30 June 2022. The superannuation entitlement is based on Commonwealth superannuation law as at 30 June 2022 — SG rate of 10% and MSCB of \$235,680 per annum. (b) Calculated by multiplying the notional salary component by the 'standard rate' of 3.6 per cent.

4.2 Superannuation component

On 1 July 2022, the superannuation entitlements of eligible employees, including VPS executives in an accumulation scheme, will increase under Commonwealth law. The Superannuation Policy requires employers to bear the cost of these increases. This means that VPS employers must — in addition to any annual adjustment made to an executive's TRP — increase that executive's TRP to reflect the increase in superannuation entitlements.⁵⁵

Taking into account the factors it is required to consider under the VIRTIPS Act, and consistent with the approach it took last year, the Tribunal has determined to adjust the notional superannuation component of the remuneration bands in line with the Superannuation Policy (Table 4.2).

The increase to the notional superannuation component reflects changes to the notional salary component as determined by the Tribunal, as well as changes to

⁵⁵ VPSC (2019), p. 46.

the SG and MSCB that will take effect on 1 July 2022 — the SG will increase from 10 to 10.5 per cent, and the MSCB will increase from \$235,680 to \$240,880.

Table 4.2: Change to the notional superannuation component of the remuneration bands

Classification	Value as at 30 June 2022			Value as at 1 July 2022		Change to the superannuation component ^(d) \$
	TRP \$ p.a.	Salary component \$ p.a.	Superannuation component ^(a) \$ p.a.	Salary component ^(b) \$ p.a.	Superannuation component ^(c) \$ p.a.	
SES-1/AO Head-1						
base of band	199,014	180,922	18,092	187,435	19,681	1,589
top of band	257,111	233,737	23,374	242,152	25,293	1,919
SES-2/AO Head-2						
base of band	257,112	233,738	23,374	242,153	25,293	1,919
top of band	370,331	346,763	23,568	359,247	25,293	1,725
SES-3/AO Head-3						
base of band	370,332	346,764	23,568	359,248	25,293	1,725
top of band	493,229	469,661	23,568	486,569	25,293	1,725
Secretaries/VPSC Commissioner						
base of band	534,331	510,763	23,568	529,150	25,293	1,725
top of band	720,676	697,108	23,568	722,204	25,293	1,725

Notes: (a) Superannuation entitlement based on Commonwealth superannuation law as at 30 June 2022 — SG rate of 10% and MSCB of \$235,680 p.a. (b) Equal to 30 June 2022 value plus the 3.6 per cent 'standard rate'. (c) Superannuation entitlement (rounded up to the nearest dollar) based on Commonwealth superannuation law as at 1 July 2022 — SG rate of 10.5% and MSCB of \$240,880 p.a. (d) Calculated by subtracting the superannuation component as at 30 June 2022 from the superannuation component as at 1 July 2022.

4.3 Total adjustment to the bands

The values of the remuneration bands that will apply from 1 July 2022 are shown in Table 4.3. The Tribunal has determined that the annual adjustment to each of the remuneration band values is equal to the sum of:

- adjustments applied to the salary component of the remuneration bands — based on a ‘standard rate’ of 3.6 per cent
- adjustments applied to the superannuation component of the remuneration bands to reflect changes to executive superannuation entitlements that will occur on 1 July 2022 under Commonwealth law.

Table 4.3: Annual adjustment to the remuneration band values as at 1 July 2022

Classification	Value at 30 June 2022 \$ p.a.	Adjustments		Total adjustment \$	Value at 1 July 2022 \$ p.a.
		Salary component \$	Superannuation component \$		
SES-1/AO Head-1					
base of band	199,014	6,513	1,589	8,102	207,116
top of band	257,111	8,415	1,919	10,334	267,445
SES-2/AO Head-2					
base of band	257,112	8,415	1,919	10,334	267,446
top of band	370,331	12,484	1,725	14,209	384,540
SES-3/AO Head-3					
base of band	370,332	12,484	1,725	14,209	384,541
top of band	493,229	16,908	1,725	18,633	511,862
Secretaries/VPSC					
Commissioner					
base of band	534,331	18,387	1,725	20,112	554,443
top of band	720,676	25,096	1,725	26,821	747,497

4.4 Conclusion

This Statement of Reasons explains the Tribunal’s considerations in making the 2022 VPS Annual Adjustment Determination.

In April 2022, the Tribunal published on its website notice of its intention to make a Determination, including details about the proposed Determination and a summary of the matters it was required to consider. The Tribunal also gave any affected person or class of affected persons a reasonable opportunity to make a

submission regarding the proposed Determination. The Tribunal received one written submission.

In accordance with the VIRTIPS Act, the Tribunal has determined to make an annual adjustment to the values of the remuneration bands, taking into account a range of considerations including:

- current Victorian Government statements or policies with respect to wages (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)).

This Determination adjusts the values of the remuneration bands by:

- a 'standard rate' of 3.6 per cent applied to the notional salary component of the remuneration bands
- a further amount, ranging from \$1,589 to \$1,919, to take into account changes to executive superannuation entitlements that will occur on 1 July 2022.

This Determination will take effect on 1 July 2022.

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