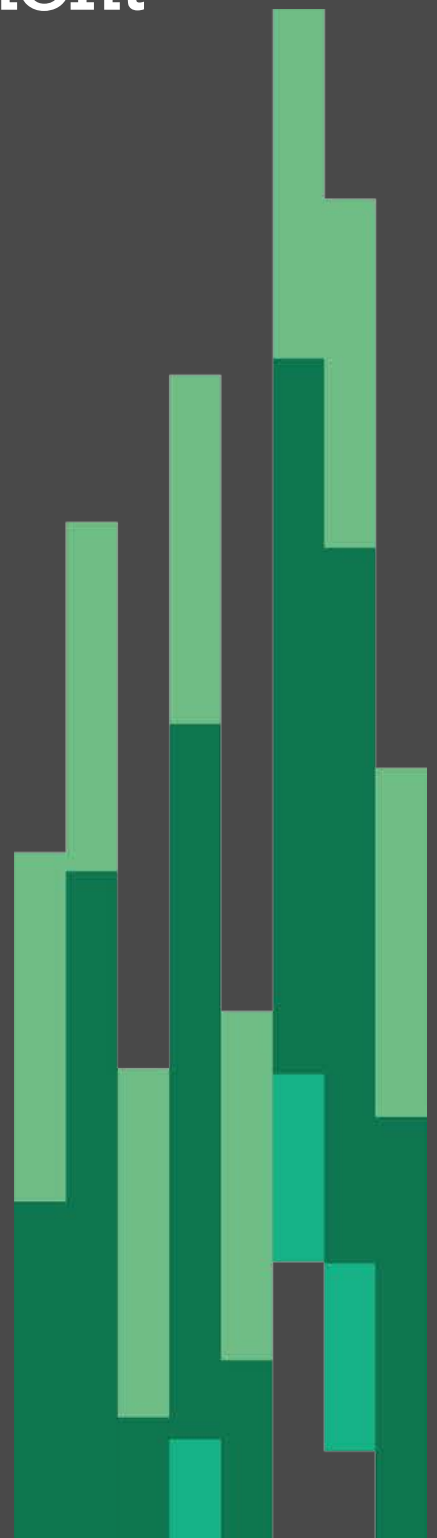


Members of Parliament (Victoria) Annual Adjustment Determination 2021

Victorian
Independent
Remuneration
Tribunal



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 2021



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*:

A.1 Delete '\$182,413' in clause 5.1 and replace it with '\$186,973'.

A.2 Delete clause 6.1 and replace it with the following:

6.1 The additional salary per annum for a specified parliamentary holder listed in column 1 of the table in Schedule A is the value listed in column 2 of the table in Schedule A.

A.3 Delete 'column 4' in clause 9.1 and replace it with 'column 3'.

A.4 Delete '\$40,367' in sub-clause 10.1(a) and replace it with '\$40,690'.

A.5 Delete '\$43,830' in sub-clause 10.1(b) and replace it with '\$44,181'.

A.6 Delete '\$48,357' in sub-clause 10.1(c) and replace it with '\$48,744'.

A.7 Delete '\$10,000' in clause 15.1 and replace it with '\$10,080'.

A.8 Add ', rounded to the nearest dollar' after 'for a Member is' in clause 16.1.

A.9 Add ‘, multiplied by 1.008’ after:

- ‘multiplied by \$0.92’ in sub-clause 16.1 (a) i., and
- ‘multiplied by \$1.22’ in sub-clause 16.1 (a) ii., and
- ‘multiplied by \$2.14’ in sub-clause 16.1 (b).

A.10 Delete the table in Schedule A and replace it with the table in Schedule A of this instrument.

B. This Determination commences on 1 July 2021.

C. 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



Barbara Belcher AM

Member

Victorian Independent
Remuneration Tribunal

Date: 25/06/2021

Schedule A — Additional salary and expense allowance rates

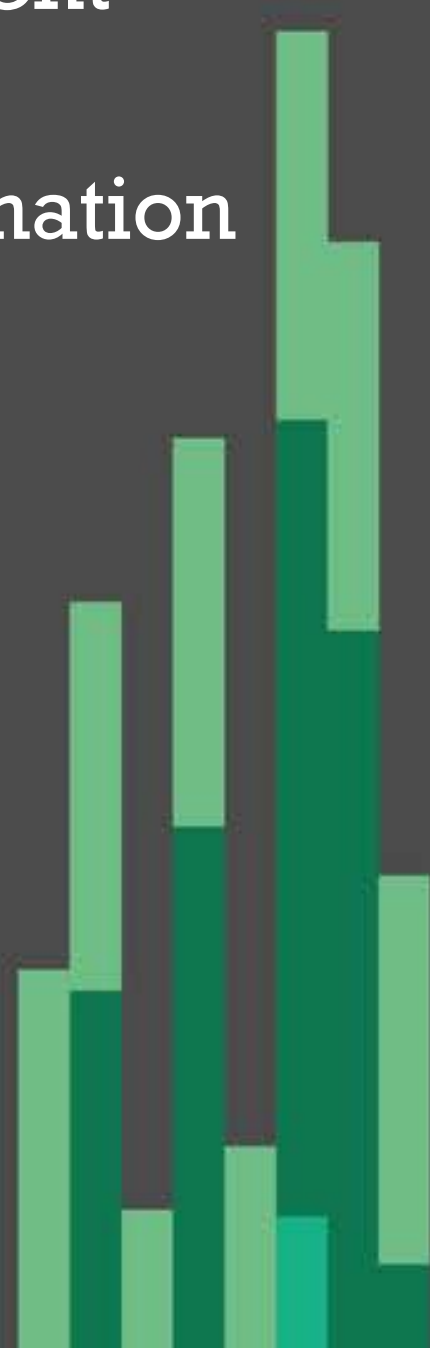
Column 1 Specified parliamentary office holder	Column 2 Additional salary from 1 July 2021 \$	Column 3 Expense allowance from 1 July 2021 \$
Premier	208,631	56,871
Deputy Premier	176,447	21,745
Any other responsible Minister of the Crown	157,158	16,727
Leader of the Opposition	157,158	16,727
President	137,278	6,691
Speaker	137,278	6,691
Deputy President	52,747	3,346
Deputy Speaker	52,747	3,346
Deputy Leader of the Opposition in the Assembly	75,183	3,346
Leader of the Opposition in the Council	75,183	3,346
Leader of the Third Party (unless they are also the Leader or Deputy Leader of the Opposition or a Minister of the Crown)	75,183	3,346
Cabinet Secretary	75,183	3,346
Parliamentary Secretary to the Premier	52,747	3,346
A Shadow Minister	16,337	11,709
Government Whip in the Assembly	33,655	0
Deputy Government Whip in the Assembly	18,697	0
Deputy Leader of the Opposition in the Council	33,655	0
A Parliamentary Secretary (other than the Parliamentary Secretary to the Premier)	43,397	3,346
Deputy Leader of the Third Party (unless they are also the Leader or Deputy Leader of the Opposition or a Minister of the Crown)	33,655	0
Government Whip in the Council	20,567	0
Opposition Whip in the Assembly	20,567	0
Opposition Whip in the Council	20,567	0
Whip of the Third Party in the Assembly	20,567	0
Whip of the Third Party in the Council	20,567	0
Secretary of the Party forming the Government	7,479	0
Secretary of the Opposition Party	7,479	0
Secretary of the Third Party	7,479	0
Chairperson of the Public Accounts and Estimates Committee	37,395	0
Chairperson of the Scrutiny of Acts and Regulations Committee	28,046	0
Chairperson of the Integrity and Oversight Committee	28,046	0

Chairperson of a standing committee appointed under standing order of the Assembly or the Council	18,697	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	18,697	0
Chairperson of joint select committee when resolution establishing committee so provides that chairperson is entitled	9,349	0
Deputy chairperson of the Public Accounts and Estimates Committee	7,479	0
Deputy chairperson of the Scrutiny of Acts and Regulations Committee	7,479	0
Deputy chairperson of the Integrity and Oversight Committee	7,479	0

Victorian
Independent
Remuneration
Tribunal

Members of Parliament (Victoria) Annual Adjustment Determination 2021

Statement of Reasons




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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.

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.

On 16 September 2019, the Tribunal issued the *Members of Parliament (Victoria) Determination No. 01/2019* (MP Comprehensive Determination),¹ 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.

¹ Victorian Independent Remuneration Tribunal, *Members of Parliament (Victoria) Determination No. 01/2019* (Victorian Independent Remuneration Tribunal: Melbourne, Victoria, September 2019) (MP Comprehensive Determination).

The MP Comprehensive Determination:

- reviewed the existing MP salaries and allowances framework
- took into account the salary and allowances for, and the roles and responsibilities of, Members of the Parliaments of the Commonwealth and other states and territories.²

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

The Tribunal determined to make no changes to the values of salaries and allowances in its *Members of Parliament (Victoria) Annual Adjustment Determination 2020* (2020 MP Annual Adjustment Determination).

This *Members of Parliament (Victoria) Annual Adjustment Determination 2021* (2021 MP Annual Adjustment Determination) provides for an adjustment to the values of the salaries and allowances set in the MP Comprehensive Determination.

The Tribunal is required to include a Statement of Reasons in a Determination.³ This Statement of Reasons relates to the 2021 MP Annual Adjustment Determination.

1.1 Legislative requirements

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

- publish notice of its intention to make a Determination (s24(1)(a))
- include details about the proposed Determination in the public notice (s24(1)(b))
- give any affected person or class of persons a reasonable opportunity to make a submission in relation to the proposed Determination (s24(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 (s24(2)(a))
- the financial position and fiscal strategy of the State of Victoria (s24(2)(b))

² VIRTIPS Act, ss17(3) and 17(7).

³ VIRTIPS Act, s24(3).

- current and projected economic conditions and trends (s24(2)(c))
- submissions received in relation to the proposed Determination (s24(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.⁴

The 2021 MP Annual Adjustment Determination will take effect from 1 July 2021.⁵

1.2 Consultation

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

- published its notice of intention (NOI) to make a Determination on its website, including details about the proposed Determination, in April 2021
- gave any affected person or class of affected persons a reasonable opportunity to make a submission regarding the proposed Determination.

The NOI included a summary of the matters the Tribunal is required to consider in the making of the Determination. The Tribunal also requested that the Department of Parliamentary Services (DPS) circulate the NOI directly to MPs.

The Tribunal received one submission: a written submission from DPS regarding the ability of MPs to carry over part of the EO&C Budget. This submission is considered in chapter 3 of the Statement of Reasons.

1.3 New MP Guidelines

In early 2021, the Tribunal made the *Members of Parliament (Victoria) Guidelines No. 01/2021* (MP Guidelines). The MP Guidelines govern the eligibility and use of some work-related parliamentary allowances and the EO&C Budget.

The making of the Guidelines followed a comprehensive review of the Tribunal's *Members of Parliament (Victoria) Guidelines No. 02/2019*. The new MP Guidelines came into effect on 1 May 2021.⁶

⁴ VIRTIPS Act, s5.

⁵ VIRTIPS Act, s25(5).

⁶ Victorian Independent Remuneration Tribunal, 'Review of the Tribunal's Members of Parliament Guidelines', last reviewed 17 June 2021, <https://www.vic.gov.au/review-tribunals-members-parliament-guidelines>.

2 Economic factors



In making this Determination, the Tribunal is required to give consideration to:

- current and projected economic conditions and trends (s24(2)(c) of the VIRTIPS Act)
- the financial position and fiscal strategy of the State of Victoria (s24(2)(b))
- 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 (s24(2)(a)).

2.1 Current and projected economic conditions and trends

The Tribunal examined international, Australian and Victorian economic and financial conditions and trends. There is considerable uncertainty about future conditions, following policy responses to the coronavirus (COVID-19) pandemic. The Tribunal relied upon the trend and forecast data available to it at the time of making this Determination.

On 27 May 2021, the Acting Premier of Victoria announced that the State of Victoria would move to ‘circuit breaker’ COVID-19 restrictions.⁷ The restrictions were in place for two weeks (one week for regional Victoria), after which some restrictions were eased. Official estimates of the economic and financial impacts of these restrictions were not available at the time of making this Determination.

International economic conditions

The Reserve Bank of Australia’s (RBA) latest *Statement on Monetary Policy* (May 2021) noted that strong global growth is expected this year and next as the global economy recovers from the COVID-19 pandemic. The RBA stated that prospects for a strong and durable recovery have improved due to progress with vaccinations, fiscal policy support in many economies and accommodative

⁷ James Merlino, ‘Statement from the Acting Premier’, media release, accessed 10 June 2021, <https://www.premier.vic.gov.au/statement-acting-premier-1>.

monetary policy. Nonetheless, the RBA also noted that Gross Domestic Product (GDP) is expected to remain well below its pre-pandemic trajectory in many economies, and that the international outlook will remain highly uncertain for some time.⁸

Australian economic conditions

Australian Bureau of Statistics (ABS) data show that Australia's GDP grew by 1.8 per cent over the March quarter 2021, and by 1.1 per cent over the preceding 12 months. This followed consecutive quarters in which GDP growth exceeded 3 per cent — the first time this has occurred in the history of the National Accounts. As a result, GDP is now 0.8 per cent higher than its pre-pandemic level.⁹

The RBA Statement noted that the Australian economy is continuing to recover strongly from the impact of the COVID-19 pandemic, and is:

*... transitioning from recovery to the expansion phase earlier and with more momentum than expected.*¹⁰

The RBA's Statement observed that the recovery has been supported by favourable health outcomes, the removal of restrictions and substantial fiscal and monetary support, as well as stronger household spending, dwelling investment and exports. Nonetheless, the recovery is expected to be uneven as the pandemic continues to weigh on some parts of the economy (e.g. tourism and educational service providers).¹¹

In the RBA's baseline scenario, GDP is expected to grow by 4.75 per cent over 2021 and 3.5 per cent over 2022. The baseline scenario assumes that:

- the domestic vaccine rollout accelerates in the second half of the year
- international borders are reopened gradually from early 2022
- there are no further large virus outbreaks and extended hard lockdowns, and any restrictions imposed are brief.¹²

⁸ RBA, *Statement on Monetary Policy – May 2021* (Reserve Bank of Australia: Sydney, NSW, February 2021), 1-5.

⁹ ABS, *Australian National Accounts: National Income, Expenditure and Product*, March 2021.

¹⁰ RBA, *Statement on Monetary Policy – May 2021*, 71.

¹¹ RBA, *Statement on Monetary Policy – May 2021*, 1, 29, 71.

¹² RBA, *Statement on Monetary Policy – May 2021*, 71.

ABS data also show that the national unemployment rate has continued to fall, reaching 5.1 per cent in May 2021. This is the lowest the unemployment rate has been since February 2020.¹³

The RBA's Statement forecast that the unemployment rate will continue to decrease, reaching 5 per cent by the end of 2021 and 4.75 per cent by mid-2022. This is expected to put some upward pressure on wages and inflation, which remain 'subdued' according to the RBA.¹⁴ The RBA expects the Australian Wage Price Index (WPI) to grow by a little under 2 per cent over 2021, with growth to increase to around 2.25 per cent by mid-2023. Meanwhile, underlying inflation is expected to increase gradually to 1.75 per cent by mid-2022.¹⁵

According to the RBA Governor, Dr Philip Lowe:

*The [RBA] Board wants to see the recent recovery transition into strong and durable economic growth, with low unemployment and faster growth in wages than we have seen recently.*¹⁶

On 16 June 2021, the Fair Work Commission issued its *Annual Wage Review 2020-21 Decision*. The Decision increases the national minimum wage and modern award minimum wages by 2.5 per cent.¹⁷ This increase takes effect from 1 July 2021, subject to limited exceptions.¹⁸ The Decision noted that Australia's economic environment is markedly better than it was in the previous year, and the economy has recovered from the impacts of the COVID-19 pandemic to a greater extent and more quickly than anticipated.¹⁹

Victorian economic conditions

The *Victorian Budget 2021/22* (Victorian Budget) noted the 'significant impact' that the COVID-19 pandemic has had on the Victorian economy.²⁰ In 2020, the state experienced its first economic downturn in 28 years.²¹ Victoria's Gross State Product (GSP) fell by 0.5 per cent during 2019-20, and the Victorian Budget

¹³ ABS, *Labour Force, Australia*, May 2021.

¹⁴ RBA, *Statement on Monetary Policy – May 2021*, 71.

¹⁵ RBA, *Statement on Monetary Policy – May 2021*, 71, 77.

¹⁶ Phillip Lowe, *From Recovery to Expansion*, keynote address at the Australian Farm Institute Conference, Toowoomba, 17 June 2021.

¹⁷ Fair Work Commission (FWC), *Annual Wage Review Decision 2021-21*, (FWC: Melbourne, Victoria, 16 June 2021), 44.

¹⁸ The Decision delayed the operative date of the increase for several awards including the travel, food services and retail sectors, due to differences in the pace at which sections of the economy have been recovering from the coronavirus (COVID19) pandemic (among other matters).

¹⁹ FWC, *Annual Wage Review Decision 2020-21*, 24 and 44.

²⁰ Department of Treasury and Finance (DTF), *Victorian Budget 2021/22 – Budget Paper No. 2: Strategy and Outlook* (State Government of Victoria: Melbourne, May 2021), 1.

²¹ DTF, *Victorian Budget 2021/22 – Budget Paper No. 2, 1*; ABS, *Labour Force, Australia*, April 2021.

estimated a further 2 per cent fall in 2020-21 (albeit an improvement on the 4 per cent fall estimated in the previous budget).²²

However, the Victorian Budget also noted that Victoria's economic recovery has begun.²³ State Final Demand²⁴ grew by just under 10 per cent in the 6 months to March 2021, the highest growth rate of all states and territories. This was driven by a 15 per cent increase in household consumption following the easing of public health-related restrictions.²⁵

ABS data show that conditions in the Victorian labour market have also improved. Employment has returned to pre-pandemic levels, with the number of employed persons increasing by more than 250,000 (almost 8 per cent) between September 2020 and May 2021. This has led to a fall in the State's unemployment rate, which was 4.8 per cent as at May 2021 (down from the peak of 7.5 per cent recorded in June 2020).²⁶

The Victorian Budget, which was released in May 2021, reported the following economic outlook for Victoria:

- real GSP is forecast to grow by 6.5 per cent in 2021-22, with the economy expected to return to its pre-pandemic size by late 2021
- the unemployment rate is expected to average 5.75 per cent in 2021-22.²⁷

The Victorian Budget stated that risks to Victoria's economic outlook remain greater than normal due to the COVID-19 pandemic, and as such, forecasts are subject to a higher degree of uncertainty than usual. Further outbreaks of COVID-19 domestically, requiring the extended reintroduction of restrictions, would lead to falls in consumer spending and employment. Similarly, a slower than expected recovery in net overseas migration — such as might occur if there are any significant delays or problems with the global vaccine roll-out — would weigh on Victoria's longer-term economic outlook. On the other hand, the combination of rising employment, household wealth and consumer confidence could cause

²² DTF, *Victorian Budget 2021/22 – Budget Paper No. 2*, 22.

²³ DTF, *Victorian Budget 2021/22 – Budget Paper No. 2*, 1.

²⁴ Defined by the ABS as a measure of the total value of goods and services sold in the state to buyers who wish to either consume them or retain them in the form of capital assets.

²⁵ ABS, *Australian National Accounts: National Income, Expenditure and Product*, March 2021.

²⁶ ABS, *Labour Force, Australia*, April 2021.

²⁷ DTF, *Victorian Budget 2021/22 – Overview*, 4.

consumer spending to rise more strongly than expected over 2021-22, thereby supporting the economic recovery.²⁸

Regarding price movements, ABS data show that the All Groups Consumer Price Index for Melbourne (Melbourne CPI) grew by 0.8 per cent between March 2020 and March 2021, the lowest growth rate of all capital cities. Five of the 11 component groups experienced negative growth, led by Communication (-2.0 per cent) and Education (-1.1 per cent), while the Transport group was unchanged (0.0 per cent) over the preceding 12 months.²⁹ The annual percentage change for the International holiday travel and accommodation sub-group to March 2021 was 0.8 per cent.³⁰

The Rents sub-group of the Melbourne CPI decreased by 1.4 per cent between March 2020 and March 2021. The Metropolitan Rental Index (MRI), published quarterly by the Department of Families, Fairness and Housing, measures changes in median rental prices in metropolitan Melbourne after controlling for factors such as geographical location and property type. In the 12 months to March 2021, the MRI decreased by 7.7 per cent – this annual rate of change is well below that in the 12 months to March 2020 (1.5 per cent) and well below the long-term average annual increase over the past ten years (1.7 per cent).³¹

Regarding wage movements, ABS data show that the Victorian WPI increased by 1.5 per cent for the 12 months to March 2021.³² Another commonly used measure of wage movements, full-time average weekly ordinary time earnings (AWOTE) of Victorian adults, grew by around 4.4 per cent between November 2019 and November 2020.³³

Table 2.1 sets out the Victorian Budget forecasts for the Melbourne CPI and the Victorian WPI.

²⁸ DTF, *Victorian Budget 2021/22 – Budget Paper No. 2*, 42-43.

²⁹ ABS, *Consumer Price Index, Australia*, cat. no. 6401.0, March 2021.

³⁰ 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, *Consumer Price Index, Australia*, cat. no. 6401.0, March 2021.

³¹ Homes Victoria, *Rental Report March Quarter 2021*, June 2021.

³² ABS, *Wage Price Index, Australia*, cat. no. 6345.0, March 2021.

³³ ABS, *Average Weekly Earnings, Australia*, cat no. 6302.0, November 2020.

Table 2.1: Forecast growth in Melbourne CPI and Victorian WPI

Indicator	Annual growth (%)			
	2021-22	2022-23	2023-23	2024-25
CPI	1.50	1.75	2.00	2.25
WPI	1.75	2.00	2.25	2.50

Source: DTF, *Budget Paper No. 2*.

Caution needs to be exercised in relation to data reporting movements in prices and wages since the onset of the COVID-19 pandemic. These data have been impacted by significant changes in the economy and to the composition of the labour force due to the pandemic, as well as temporary policy changes to address its impacts. As a result, these data may not be representative of long-term trends.

2.2 Financial position and fiscal strategy of the State of Victoria

The Tribunal’s analysis of financial factors draws on the latest Victorian Auditor-General Office’s report on Victoria’s finances and the Victorian Budget.

Victorian Auditor-General Office’s report

The latest Victorian Auditor-General Office’s *Report on the Annual Financial Report of the State of Victoria*, released in November 2020, noted that the COVID-19 pandemic ‘necessitated a significant shift in the state’s revenue and expenditure policies, with longer-term consequences for financial sustainability’.³⁴ The report highlighted the significant unexpected falls in revenue, and increases in expenditure in 2019-20 and consequently debt, compared with 2018-19 and the original and revised budgets.

Victorian Budget

The Victorian Budget forecast an operating deficit (for the general government sector) of approximately \$11.6 billion for 2021-22, with smaller deficits expected in the following years. Net debt is forecast to be \$102.1 billion (20.3 per cent of GSP) in 2021-22 and to increase to \$156.3 billion (26.8 per cent of GSP) in 2024-25. These forecasts reflect an improvement relative to the previous budget, which the

³⁴ Victorian Auditor-General’s Office, *Auditor-General’s Report on the Annual Financial Report of the State of Victoria: 2019-20* (Victorian Auditor-General’s Office: Melbourne, November 2020), 1.

Victorian Budget stated is principally due to improvements in the Victorian Government's operating position.³⁵

The Victorian Budget noted that uncertainty around Victoria's revenue outlook remains elevated due to the COVID-19 pandemic. In particular, deviation from forecasting assumptions — which include that further domestic outbreaks of COVID-19 are contained and result only in localised, short-term restrictions — would weigh on the revenue outlook over the budget and forward estimates.³⁶

The Victorian Budget also outlined the Victorian Government's four-step fiscal strategy:

- 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.

The Victorian Budget includes significant infrastructure spending to support economic recovery, with annual Government infrastructure investment expected to average \$22.5 billion over the budget and forward estimates.³⁷

The Victorian Government has also outlined several efficiency measures for departments and the broader public sector, as part of its strategy to return to an operating surplus in the medium term. In particular:

- indexation of departments' base funding will be revised, with different rates to apply to wage and non-wage components³⁸
- from 1 January 2022, the guaranteed annual wage increases for non-executive public sector employees will be reduced from 2 per cent to 1.5 per cent through the Victorian Government's Wages Policy (see below).³⁹

³⁵ DTF, *Victorian Budget 2021/22 – Budget Paper No. 2*, 6.

³⁶ DTF, *Victorian Budget 2021/22 – Budget Paper No. 5: Statement of Finances* (State Government of Victoria: Melbourne, May 2021), 166.

³⁷ DTF, *Victorian Budget 2021/22 – Budget Paper No. 2*, 6.

³⁸ DTF, *Victorian Budget 2021/22 – Budget Paper No. 2*, 6.

³⁹ Victorian Government, 'Contributing a Fair Share for a Stronger Victoria', media release, accessed 21 May 2021, <https://www.premier.vic.gov.au/contributing-fair-share-stronger-victoria>.

2.3 Wages Policy

Box 2.1 reproduces the *Victorian Government Wages Policy and Enterprise Bargaining Framework* (Wages Policy), which applies to departments and agencies in 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 2 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 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 on or before 30 June 2020 which permits one annual wage and allowance increase capped at 2.5 per cent (instead of at 2 per cent).

Source: Industrial Relations Victoria, ‘Victorian Government Wages Policy’, *Wages Policy and the Enterprise Bargaining Framework* (State Government of Victoria: Melbourne, Victoria, 2019).

In October 2020, the *Victorian Public Service Enterprise Agreement 2020* (Enterprise Agreement) was finalised in accordance with the Wages Policy and began operation.⁴⁰ The enterprise agreement provides annual increases to the salary bands for non-executive VPS employees averaging 2 per cent per year over the life of the agreement. In addition, it provides non-executive employees with a mobility payment⁴¹ paid as a lump sum on 1 July of each year. The mobility

⁴⁰ *Victorian Public Service Enterprise Agreement 2020* [AG2020/2580].

⁴¹ The Enterprise Agreement states that the purpose of the mobility payment is to reflect the Victorian Government’s need for employees to be responsively deployed to support changing priorities.

payment is equal to approximately 1.25 per cent of the top of the relevant VPS salary band.

Since the 2020 MP Annual Adjustment Determination was made, the VPS non-executive salary bands have increased by 2.77 per cent on a cumulative basis:

- a 1.5 per cent increase was applied retrospectively from 20 March 2020
- a 1.25 per cent was applied from 1 December 2020.

Victorian Public Sector Wages Policy from 2022

The Victorian Government has announced changes to the Wages Policy that will apply from 1 January 2022. From that date:

- the annual cap on wages and conditions, under Pillar 1 of the Wages Policy, will be adjusted from 2 per cent to 1.5 per cent
- additional changes to allowances and other conditions (not general wages) under Pillar 3 of the Wages Policy will be capped at 0.5 per cent of the salary base per annum
- a limited one-year rollover option with a 2 per cent increase will be available for parties whose current enterprise agreements reach their nominal expiry date in 2022.⁴²

⁴² Industrial Relations Victoria, 'Victorian Government Wages Policy', *Wages Policy and the Enterprise Bargaining Framework* (State Government of Victoria: Melbourne, Victoria, 2021).

3 Tribunal's considerations



The Tribunal now turns to determine an annual adjustment to 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.

This chapter also considers the matter raised in the submission from DPS.

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 additional salaries components of the MP remuneration framework are paid in recognition of the work undertaken by an MP.

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

Taking into account the legislative factors it is required to consider, the Tribunal has decided to increase the values of the basic salary, additional salaries and expense allowance by 2.5 per cent for 2021-22.

In this regard, the Tribunal has considered it particularly relevant that there were no changes to the values of MP salaries and allowances made in the Tribunal's 2020 MP Annual Adjustment Determination. As a result of this Determination, the average increase in an MP's basic salary between 1 July 2020 and 1 July 2022 will be 1.25 per cent, which is generally consistent with Wages Policy.

Further, the State's economic outlook is expected to improve, for example, Victoria's GSP is expected to grow by 6.5 per cent and unemployment is expected to average 5.75 per cent in 2021-22.

In addition, Australia's markedly better economic environment and stronger than expected recovery from the COVID-19 pandemic was recently recognised in the Fair Work Commission's *Annual Wage Review 2020-21 Decision*, which increased the national minimum wage and modern award wages by 2.5 per cent.

The adjusted values in the Determination instrument are rounded to the nearest dollar.

Electorate allowance and EO&C Budget

The electorate allowance is paid for costs associated with MPs providing services to their constituents.⁴³ The value of the electorate allowance varies by size of electorate, reflecting the higher costs of providing services to larger electorates.⁴⁴ In setting the value for the electorate allowance in the MP Comprehensive Determination, the Tribunal also considered the (then current) value of the electorate allowance relative to movements in prices in the Victorian economy.⁴⁵

The EO&C Budget is provided to MPs to maintain an electorate office and communicate with their electorate in relation to the performance of their public duties. Tribunal analysis of the average expenses claimed by MPs for the EO&C Budget found that they were predominantly for goods and services (rather than salary-type expenditure), such as advertising, printing and communications and postage expenses.

⁴³ VIRTIPS Act, s17(3)(e).

⁴⁴ MP Comprehensive Determination, 59.

⁴⁵ MP Comprehensive Determination, 147.

The Tribunal has taken into account the factors it is required to consider and decided that a smaller increase (relative to the increase to salary and salary-type components) to the electorate allowance and EO&C Budget components is warranted. These components are paid to cover an MP's costs in providing services, maintaining an office and communicating with their electorate. The Tribunal considers that a price index — representing changes in the cost of goods and services — is an appropriate measure for adjusting these components.

The Tribunal has determined to adjust the electorate allowance and the EO&C Budget by 0.8 per cent, in line with the movement in the Melbourne CPI.⁴⁶ The adjusted values of these components in the Determination instrument are rounded to the nearest dollar.

Travel and transport-related allowances

The travel and transport-related components of the framework — PASA, travel allowance, motor vehicle allowance, commercial transport allowance and international travel allowance — are intended to cover the work-related travel and transport costs incurred by MPs. With the exception of the PASA,⁴⁷ these are paid as a reimbursement of actual expenditure incurred.

Taking into account the factors it is required to consider, the Tribunal has determined not to make any changes to the values of the motor vehicle allowance and commercial transport allowance, noting that the Transport group of the Melbourne CPI was unchanged over the year to March 2021.⁴⁸

However, the Tribunal has determined to increase the international travel allowance by 0.8 per cent, which is in line with the annual percentage change to March 2021 in the International holiday travel and accommodation sub-group. This appears to be the closest relevant measure for changes in the cost of international travel.

The arrangements for the travel allowance are also unchanged. In its MP Comprehensive Determination, the Tribunal decided to set the maximum travel allowance per night payable at the travelling allowance rate set (from time to time)

⁴⁶ ABS, *Consumer Price Index, Australia*, March 2021.

⁴⁷ The PASA is available to regional MPs who choose to maintain a second residence in metropolitan Melbourne to help them carry out their parliamentary duties while in Melbourne.

⁴⁸ ABS, *Consumer Price Index, Australia*, March 2021.

by the Commonwealth Remuneration Tribunal as the travel allowance for an overnight stay in commercial accommodation in a particular location.

Finally, the Tribunal has determined to make no change to the value of the PASA for the financial year ending 30 June 2022. In its MP Comprehensive Determination, the Tribunal noted the reduced need for the PASA as a result of the revised arrangements for the travel allowance.⁴⁹ In addition, the Tribunal is conscious that the MRI decreased by 7.7 per cent in the 12 months to March 2021 and the Rents sub-group of the Melbourne CPI decreased by 1.4 per cent during the same period.

3.2 Other matters

The Tribunal received a submission from DPS about a potential issue regarding the ability of MPs to carry over 50 per cent of the EO&C Budget.

DPS submitted that:

- the amount set in the MP Comprehensive Determination (which an MP's EO&C Budget claim must not exceed) is calculated using a formula based on voter count, with no reference to amounts carried forward from the previous financial year
- it has been a longstanding practice for MPs to be able to carry forward up to 50 per cent of their EO&C Budget from one financial year to the next
- although guideline 8(6) of the *Members of Parliament (Victoria) Guidelines No. 1/2021* (MP Guidelines) enables funds to be carried forward (subject to conditions), the current wording of guideline 8(5) may limit the use of the funds carried forward by capping the total claim to the amount set in the MP Comprehensive Determination.

Clause 16.1 of the MP Comprehensive Determination contains the formula that calculates the amount of an MP's EO&C Budget (box 3.1).

⁴⁹ MP Comprehensive Determination, 145.

Box 3.1: extract of clause 16 of the MP Comprehensive Determination

16 Electorate Office and Communications budget

- 16.1 Subject to clauses 16.2, 16.3 and 16.4, the Electorate Office and Communications Budget per financial year for a Member is:
- (a) if the Member is a Member of the Legislative Assembly, the sum of:
 - i. the total number of voters enrolled in Victoria (as last published by the Victorian Electoral Commission as at the last day of February of the previous financial year), divided by 88, multiplied by \$0.92, and
 - ii. the total number of voters enrolled in the electoral district that the Member represents (as last published by the Victorian Electoral Commission as at the last day of February of the previous financial year) multiplied by \$1.22; or
 - (b) if the Member is a Member of the Legislative Council, the total number of voters enrolled in Victoria (as last published by the Victorian Electoral Commission as at the last day of February of the previous financial year), divided by 88, multiplied by \$2.14.

....

Source: MP Comprehensive Determination, 7-8.

The relevant sub-guidelines in the MP Guidelines are set out in in box 3.2.

Box 3.2: extract of sub-guidelines 8(5) and 8(6) of the MP Guidelines

8 Provision of the EO&C Budget

....

- (5) Subject to sub-guideline (6), a Member must ensure that the total amount claimed under the EO&C Budget each financial year does not exceed the amount set in the Determination.
- (6) A Member may carry over up to 50 per cent of their EO&C Budget allocation for a financial year (excluding any carry over from the previous financial year) to the next financial year, subject to the availability of funds and the approval of the Treasurer of Victoria.

Source: MP Guidelines, guideline 8.

The Tribunal notes that while clause 16 of the MP Comprehensive Determination (as varied) sets the value of an MP's EO&C Budget per financial year, the MP Guidelines allow an MP to carry over up to 50 per cent of their allocation to the next financial year, subject to certain requirements. The Tribunal confirms that the total EO&C Budget available to an MP in a particular financial year may exceed the amount set in clause 16 of the MP Comprehensive Determination by the amount of the carry over.

3.3 Conclusion

This Statement of Reasons explains the Tribunal's considerations in making the 2021 MP Annual Adjustment Determination.

In making this Determination, the Tribunal's considerations 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 (s24(2)(a) of the VIRTIPS Act)
- the financial position and fiscal strategy of the State of Victoria (s24(2)(b))
- current and projected economic conditions and trends (s24(2)(c))
- submissions received in relation to the proposed Determination (s24(2)(d)).

In April 2021, 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. 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 submission which concerned the carry over of the EO&C Budget.

In accordance with the VIRTIPS Act, the Tribunal has determined to make an annual adjustment to the values of the salaries and allowances provided to MPs of:

- 2.5 per cent to basic salary, additional salaries for specified parliamentary office holders and expense allowance
- 0.8 per cent to the electorate allowance, international travel allowance and EO&C Budget.

The Tribunal has determined to make no adjustment to the PASA, motor vehicle allowance and commercial transport allowance.

The Determination will take effect on 1 July 2021.