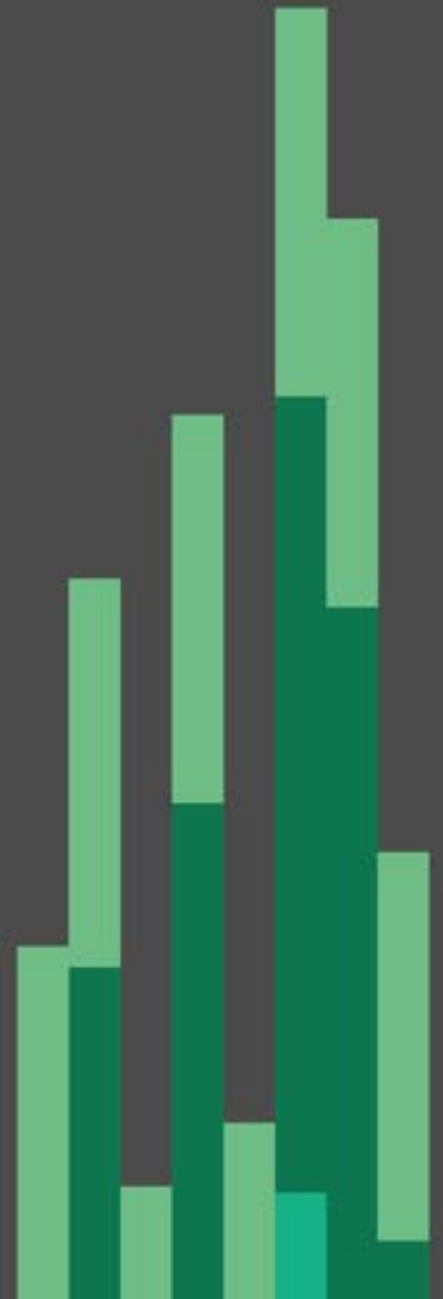
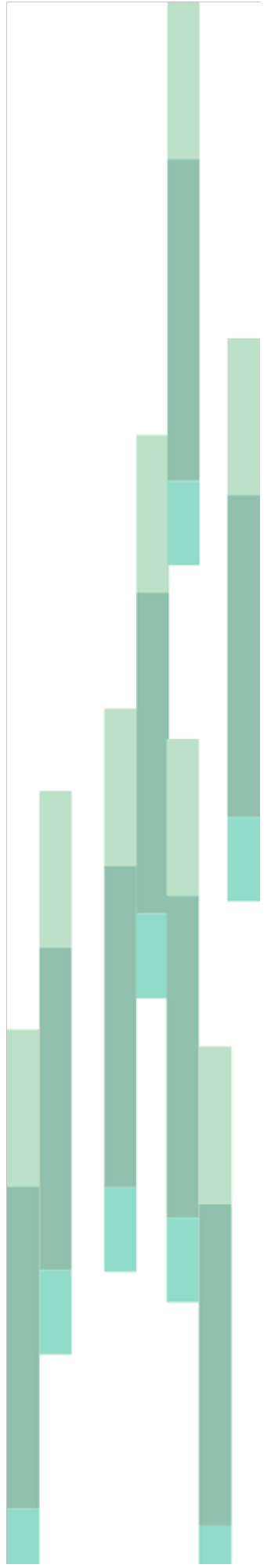

Victorian
Independent
Remuneration
Tribunal

Members of Parliament (Victoria) Annual Adjustment Determination 2024





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

Part 3—Determinations for annual adjustments in relation to Members.

Members of Parliament (Victoria) Annual Adjustment Determination 2024



- 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. 01/2023*:
- A.1 Delete '\$198,839' in clause 5.1 and replace it with '\$205,798'.
 - A.2 Delete '\$45,022' in clause 8.1(a) and replace it with '\$46,643'.
 - A.3 Delete '\$48,883' in clause 8.1(b) and replace it with '\$50,643'.
 - A.4 Delete '\$53,933' in clause 8.1(c) and replace it with '\$55,875'.
 - A.5 Delete '\$53,217' in clause 9.1(a) and replace it with '\$55,133'.
 - A.6 Delete '\$46,565' in clause 9.1(b) and replace it with '\$48,241'.
 - A.7 Delete '\$39,910' in clause 9.1(c) and replace it with '\$41,347'.
 - A.8 Delete '\$26,609' in clause 9.1(d) and replace it with '\$27,567'.
 - A.9 Delete '\$23,225' in clause 10.1(a) and replace it with '\$24,015'.
 - A.10 Delete '\$34,994' in clause 10.1(b) and replace it with '\$36,184'.
 - A.11 Delete '\$5,195' in clause 12.1(a) and replace it with '\$5,372'.
 - A.12 Delete '\$11,399' in clause 12.1(b) and replace it with '\$11,787'.
 - A.13 Delete '\$17,898' in clause 12.1(c) and replace it with '\$18,507'.

A.14 Delete '\$10,765' in clause 13.1 and replace it with '\$11,153'.

A.15 Add ', multiplied by 1.061' after:

- 'multiplied by \$1.03' in clause 14.1 (a) i., and
- 'multiplied by \$1.36' in clause 14.1 (a) ii., and
- 'multiplied by \$2.39' in clause 14.1 (b)., and
- 'multiplied by \$1.36' in clause 14.2 (b) i.

A.16 Delete the table in Schedule A and replace it with the table in Schedule A of this *Members of Parliament (Victoria) Annual Adjustment Determination 2024*.

B. This Determination commences on 1 July 2024.

C. The *Members of Parliament (Victoria) Determination No. 01/2023* as varied is available on the Tribunal's website.



Warren McCann
Chair
Victorian Independent
Remuneration Tribunal



Laurinda Gardner
Member
Victorian Independent
Remuneration Tribunal

Date: 1 July 2024

Schedule A — Additional salary and expense allowance rates

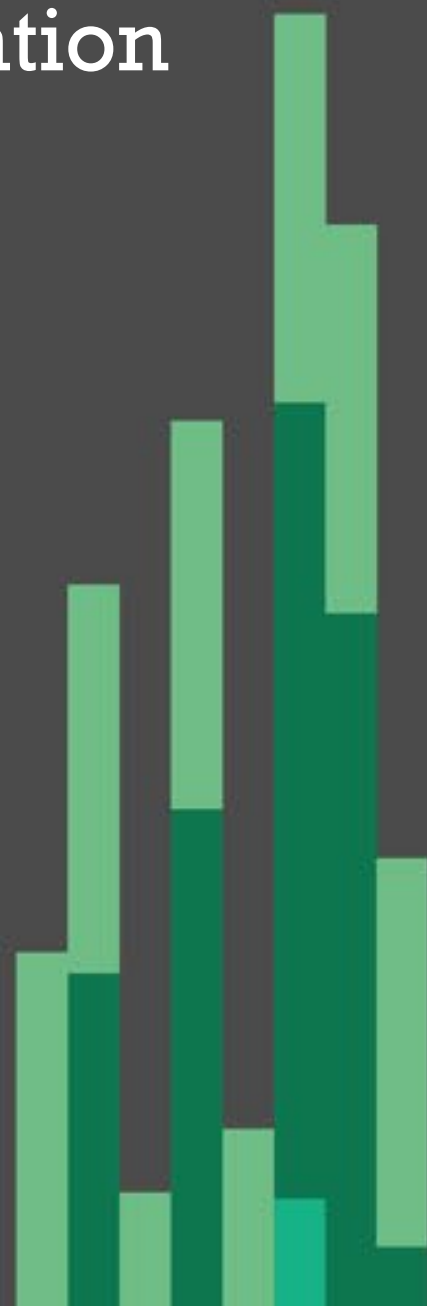
Column 1 Specified parliamentary office holder	Column 2 Additional salary from 1 July 2024 (\$ per annum)	Column 3 Expense allowance from 1 July 2024 (\$ per annum)
Premier	229,636	62,597
Deputy Premier	194,212	23,934
Any other responsible Minister of the Crown	172,982	18,412
Leader of the Opposition	172,982	18,412
President	151,100	7,365
Speaker	151,100	7,365
Deputy President	58,057	3,683
Deputy Speaker	58,057	3,683
Deputy Leader of the Opposition in the Assembly	82,752	3,683
Leader of the Opposition in the Council	82,752	3,683
Leader of the Third Party (unless they are also the Leader or Deputy Leader of the Opposition or a Minister of the Crown)	82,752	3,683
Cabinet Secretary	82,752	3,683
Parliamentary Secretary to the Premier	58,057	3,683
A Shadow Minister	17,983	12,888
Government Whip in the Assembly	37,043	0
Deputy Government Whip in the Assembly	20,579	0
Deputy Leader of the Opposition in the Council	37,043	0
A Parliamentary Secretary (other than the Parliamentary Secretary to the Premier)	47,767	3,683
Deputy Leader of the Third Party (unless they are also the Leader or Deputy Leader of the Opposition or a Minister of the Crown)	37,043	0
Government Whip in the Council	22,638	0
Opposition Whip in the Assembly	22,638	0
Opposition Whip in the Council	22,638	0
Whip of the Third Party in the Assembly	22,638	0
Whip of the Third Party in the Council	22,638	0
Secretary of the Party forming the Government	8,232	0
Secretary of the Opposition Party	8,232	0
Secretary of the Third Party	8,232	0
Chairperson of the Public Accounts and Estimates Committee	41,160	0

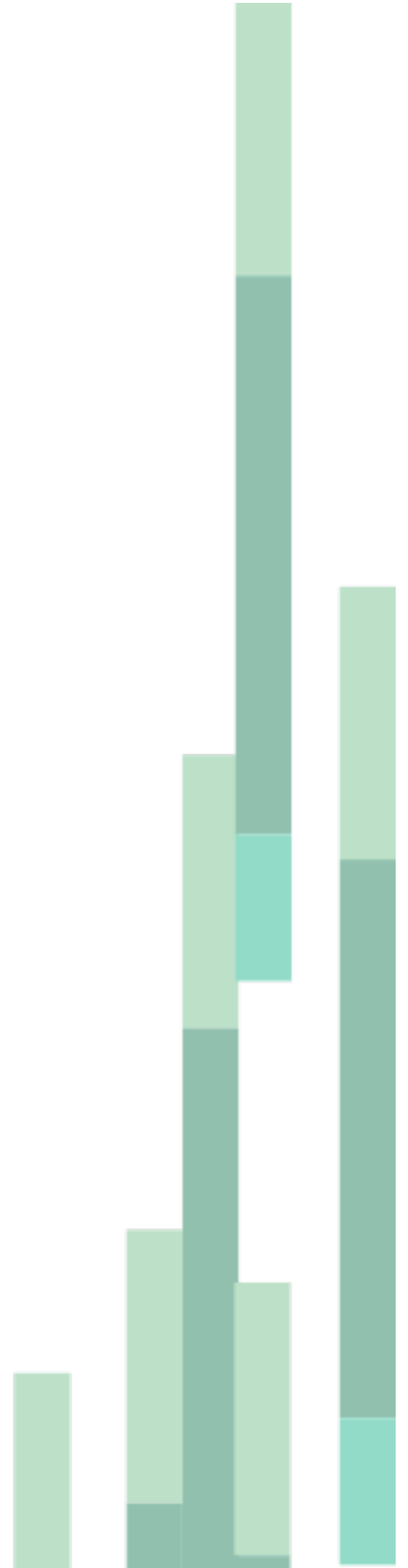
Chairperson of the Scrutiny of Acts and Regulations Committee	30,870	0
Chairperson of the Integrity and Oversight Committee	30,870	0
Chairperson of a standing committee appointed under standing order of the Assembly or the Council	20,579	0
Chairperson of a Joint Investigatory Committee within the meaning of the <i>Parliamentary Committees Act 2003</i> (Vic) which is not otherwise provided for in this table	20,579	0
Chairperson of joint select committee when resolution establishing committee so provides that chairperson is entitled	10,290	0
Deputy chairperson of the Public Accounts and Estimates Committee	8,232	0
Deputy chairperson of the Scrutiny of Acts and Regulations Committee	8,232	0
Deputy chairperson of the Integrity and Oversight Committee	8,232	0

Victorian
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Tribunal

Members of Parliament (Victoria) Annual Adjustment Determination 2024

Statement of Reasons





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Abbreviations and glossary



Term or abbreviation	Definition
2024 MP Annual Adjustment Determination	<i>Members of Parliament (Victoria) Annual Adjustment Determination 2024</i>
ABS	Australian Bureau of Statistics
Comprehensive Determination	<i>Members of Parliament (Victoria) Determination No. 01/2023</i>
CPI	Consumer Price Index
DTF	Department of Treasury and Finance
EA	Enterprise Agreement
EO&C Budget	Electorate Office and Communications Budget
FWC	Fair Work Commission
GDP	Gross Domestic Product
GGS	General Government Sector
GSP	Gross State Product
PASA	Parliamentary accommodation sitting allowance
MP	Member of the Parliament of Victoria
MP Guidelines	<i>Members of Parliament (Victoria) Guidelines No. 01/2023</i>
RBA	Reserve Bank of Australia
Tribunal	Victorian Independent Remuneration Tribunal
VAGO	Victorian Auditor-General's Office
Victorian Budget	<i>Victorian Budget 2024-25</i>
VPS	Victorian Public Service
VIRTIPS Act	<i>Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019 (Vic)</i>
Wages Policy	<i>Wages Policy and the Enterprise Bargaining Framework</i>
WPI	Wage Price Index

Summary



The Victorian Independent Remuneration Tribunal has made a Determination providing for an annual adjustment to the salaries and allowances payable to Members of the Parliament of Victoria (MPs).

The Tribunal's Determination increases the value of the salaries payable to MPs by 3.5 per cent from 1 July 2024. The basic salary payable to all MPs is \$205,798 per annum, with additional salaries payable to specified parliamentary office holders ranging from \$8,232 to \$229,636 per annum.

The Tribunal has also increased the expense allowance for eligible specified parliamentary office holders by 3.5 per cent, with the value of this allowance ranging from \$3,683 to \$62,597 per annum.

The full list of additional salaries and expense allowances for specified office holders is in Schedule A of the Determination.

This Statement of Reasons outlines the Tribunal's consideration of the following factors set out in legislation:

- the Victorian Government's wages policy
- the financial position and fiscal strategy of the State of Victoria
- current and projected economic conditions and trends
- submissions received in relation to the proposed Determination.

The Tribunal has given weight to the current *Wages Policy and the Enterprise Bargaining Framework* (Wages Policy) in light of the current fiscal circumstances of the State of Victoria and its strategies for dealing with net debt.

The Tribunal noted recent economic data that showed subdued economic growth rates, although nominal wages growth has picked up in response to tight labour market conditions and high inflation. Despite a mixed economic outlook, several indicators suggest an improved outlook for economic growth and growth in real wages.

Stakeholders who expressed a view on changes to MP salaries and allowances proposed that they be reduced, frozen or increased by 3 per cent to account for the State’s financial position and to be consistent with the Wages Policy.

The Tribunal also noted the Fair Work Commission’s 2024 decision to increase the National Minimum Wage and modern award minimum wages by 3.75 per cent and recent remuneration adjustments for Members of Parliament in other Australian jurisdictions, which ranged from no change in New South Wales to a 4 per cent increase for Queensland MPs.

MPs are also eligible to be paid several work-related parliamentary allowances. Other than the electorate allowance and the parliamentary accommodation sitting allowance, these allowances are available to MPs on a reimbursement basis.

The Tribunal adjusted the values of work-related parliamentary allowances in line with relevant price movements in the Victorian economy, as set out below:

Work-related parliamentary allowance	Change (%)	Value (or range) (\$ p.a.)
Electorate allowance	3.6	46,643 to 55,875
Parliamentary accommodation sitting allowance	3.6	27,567 to 55,133
Motor vehicle allowance	3.4	24,015 or 36,184
Commercial transport allowance	3.4	5,372 to 18,507
International travel allowance	3.6	11,153

The value of the travel allowance continues to be linked to the ‘travelling allowance’ rates as set by the Commonwealth Remuneration Tribunal.

Finally, the Tribunal has adjusted the formula for the Electorate Office and Communications Budget — which is also provided on a reimbursement basis — to reflect movements in relevant costs, including for postage. The effective rate per voter has been increased by 6.1 per cent.

For ease of reference, the Tribunal has also published on its website a consolidated version of the Comprehensive Determination, incorporating changes made by the 2024 annual adjustment.

1 Context



The Tribunal is required to make an annual adjustment to the values of salaries and allowances payable to Members of the Victorian Parliament (MPs) set in a Determination under the *Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019* (Vic) (VIRTIPS Act).¹

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 responsible for the Tribunal.²

The Determination in effect is the *Members of Parliament (Victoria) Determination No. 01/2023* (Comprehensive Determination), which was made in June 2023.³ This Determination set the values of the following salaries and allowances:

- 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.

The Tribunal is required to include a statement of reasons in a Determination.⁴ This Statement of Reasons relates to the *Members of Parliament (Victoria) Annual Adjustment Determination 2024* (2024 MP Annual Adjustment Determination).

This Determination takes effect on 1 July 2024.

¹ VIRTIPS Act, s 18.

² VIRTIPS Act, s 5.

³ Victorian Independent Remuneration Tribunal (2023a).

⁴ VIRTIPS Act, s 24(3).

1.1 The Tribunal's approach

Before making a Determination, the VIRTIPS Act requires the Tribunal to:⁵

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

The Tribunal published a notice of its intention to make a Determination on its website and on the Victorian Public Notices website in April 2024. The notice contained a summary of the matters the Tribunal was required to consider and called for submissions by 17 May 2024. The Tribunal also sought submissions from MPs via the Clerks of the Parliament.

Chapter 2 of the Statement of Reasons sets out the Tribunal's consideration of the following legislative matters:⁶

- 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
- the financial position and fiscal strategy of the State of Victoria
- current and projected economic conditions and trends
- submissions received in relation to the proposed Determination.

Chapter 3 contains the Tribunal's decision and conclusions.

⁵ VIRTIPS Act, s 24(1).

⁶ VIRTIPS Act, s 24(2).

2 Factors considered



This chapter summarises the legislative and other factors that the Tribunal has considered in determining its adjustment to the salaries and allowances payable to MPs.

Detailed analysis of current and projected economic conditions, the Victorian Government's financial position and Wages Policy are set out in Appendix A.

2.1 Current and projected economic conditions and trends

The Tribunal's discussion of current and projected economic conditions has been informed by a range of sources, including:

- the latest data on key economic indicators published by the Australian Bureau of Statistics (ABS)
- statements by the Reserve Bank of Australia (RBA)
- the latest Commonwealth and Victorian budgets.

Economic growth is subdued, as cost-of-living pressures weigh on household consumption

Economic growth has slowed in Australia and Victoria in recent years and remains below its long-run average. In the year to March 2024, growth in Australian real Gross Domestic Product (GDP) was 1.1 per cent, while growth in Victorian State Final Demand was 1.5 per cent. GDP growth in the March quarter 2024 was driven by consumption,⁷ while Victorian economic activity has been supported by business investment and population growth.⁸

The RBA expects Australian GDP growth to pick up from late 2024, but to remain below its long-run (excluding the pandemic) average of 2.9 per cent.⁹ Similarly,

⁷ ABS (2024a).

⁸ DTF (2024b).

⁹ RBA (2024).

growth in Victoria is expected to pick up, with Gross State Product (GSP) projected to increase by 2.5 per cent in 2024-25.¹⁰

Inflation has moderated, but remains above the RBA's target

Headline inflation outcomes in Australia and Victoria have recently moderated, with the All Groups Consumer Price Index (CPI) for Australia and Melbourne both increasing by 3.6 per cent in the year to March 2024, largely due to slower growth in the prices of goods.¹¹

Both the RBA and Commonwealth Treasury expect inflation to moderate and return to the RBA's target range of 2 to 3 per cent in coming years, with Commonwealth Treasury expecting this to occur sooner owing to measures announced in the Commonwealth budget.¹² The *Victorian Budget 2024-25* (Victorian Budget) forecast Melbourne CPI growth will slow to 2.75 per cent in 2024-25.¹³

Nominal wages growth has picked up, while real wages growth is low

Nominal wages growth has picked up due to a tight labour market and high inflation and is around its highest level in over a decade, with the Australian Wage Price Index (WPI) increasing by 4.1 per cent in the year to March 2024.¹⁴

Wages growth has also picked up in Victoria, with WPI increasing at an annual rate of 3.6 per cent, although this is the lowest among the states.¹⁵ The public sector WPI has increased more slowly than the private sector WPI in Victoria (2.5 per cent compared to 3.9 per cent for the year to March 2024).¹⁶

Real wages grew by 0.5 per cent over the year to March 2024 in Australia, whilst remaining unchanged for Victoria over the same period.¹⁷

¹⁰ DTF (2024b).

¹¹ ABS (2024c).

¹² RBA (2024).

¹³ DTF (2024b).

¹⁴ ABS (2024f).

¹⁵ ABS (2024f).

¹⁶ ABS (2024g).

¹⁷ ABS (2024f); ABS (2024c).

The RBA forecasts Australian WPI growth to slow to 3.6 per cent by June 2025. Real wages are expected to grow in both Victoria and Australia, as nominal wages growth outpaces inflation.¹⁸

2.2 Financial position and fiscal strategy of the State of Victoria

In the Victorian Budget, the Victorian Government announced a range of strategies to improve the State's financial position.

The Victorian Government reiterated its existing fiscal strategy and added a new step 5:

- 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
- Step 5 – Reducing net debt as a proportion of GSP.

The general government sector (GGS) recorded an operating cash surplus of \$4.2 billion in 2022-23 and the Government is expecting a return to an operating surplus in 2025-26 (consistent with steps 2 and 3).¹⁹

Net debt for the GGS was \$115 billion at 30 June 2023, and is forecast to be around \$188 billion by 30 June 2027. However, net debt as a proportion of GSP is expected to stabilise at around 25 per cent from June 2026 (consistent with steps 4 and 5).²⁰

2.3 Wages Policy

In April 2023, the Treasurer of Victoria announced the introduction of a new Wages Policy, which provides for increases to wages and conditions under public sector enterprise agreements (EAs). In particular, the Wages Policy stipulates that:²¹

- increases in wages and conditions will be funded at a rate of growth of 3 per cent per annum over the life of the agreement

¹⁸ RBA (2024).

¹⁹ DTF (2024b), p. 4.

²⁰ DTF (2024b), p. 6.

²¹ Industrial Relations Victoria (2024).

- in addition to annual wage increases, a separate lump sum cash payment will be available, equivalent to an additional 0.5 per cent of overall agreement costs.

The Government and the Community and Public Sector Union have reached in-principle agreement on a new 2024 Victorian Public Service EA, under the framework provided by the Government's Wages Policy. This EA provides for:

- annual salary increases of 3 per cent over the life of the agreement
- a once-off lump sum payment of \$5,600 (pro-rata for part-time and eligible casual employees) for all non-executive employees
- an additional once-off payment of \$1,000 also payable to eligible shift workers
- an increase in the lump sum payment (from 1 per cent to 1.5 per cent of base salary) paid to employees at the top of their grade who have met their progression criteria.

2.4 Matters raised in submissions

The Tribunal received nine submissions. Five were written submissions from members of the public, while two MPs made written submissions and one MP made an oral submission. These submissions have been published on the Tribunal's website and, where requested by the submitter, have been de-identified. The Tribunal received one submission that the submitter requested be treated as confidential.

Several submitters suggested that the salaries and allowances paid to MPs should be reduced. Other options suggested by submitters were to either make no adjustment or to increase MP salaries and allowances by 3 per cent.

Submitters proposed that the Tribunal consider a mix of factors in making the Determination, including the government's financial position, Wages Policy and recent wage increases for public sector workers.

In addition to adjustments to MP salaries and allowances, several submitters raised other issues with the Tribunal related to the broader regulatory framework, which are discussed in Chapter 3.

2.5 Other relevant considerations

Adjustments in other jurisdictions

At the time of making this Determination, two Australian jurisdictions had made adjustments to the salaries paid to MPs from 1 July 2024, with Commonwealth MPs receiving a 3.5 per cent increase and Queensland MPs receiving a 4 per cent increase in salaries.²²

In New South Wales, MP salaries have been frozen until July 2025.²³

Annual Wage Review Decision 2023-24

The Fair Work Commissions (FWC) *Annual Wage Review 2023-24* decision increased the National Minimum Wage and all modern award minimum wages by 3.75 per cent with effect from 1 July 2024.²⁴

²² Remuneration Tribunal (Commonwealth) (2024); Queensland Independent Remuneration Tribunal (2023), p. 7.

²³ Parliamentary Remuneration Tribunal (NSW) (2023), p. 18.

²⁴ FWC (2024), p. 66.

3 Tribunal's decisions



3.1 Adjustments to basic salary, additional salaries and expense allowance

The basic salary for all MPs and additional salaries for specified parliamentary office holders are designed to compensate MPs for fulfilling their responsibilities and performing their duties. Additionally, specified parliamentary office holders receive an expense allowance to cover expenses particular to that office.²⁵

Having regard to all of the considerations from Chapter 2, the Tribunal has decided to increase the basic salary for Victorian MPs, along with the additional salaries and expense allowance for specified parliamentary office holders, by 3.5 per cent.

In doing so, the Tribunal was particularly mindful of the current financial position and Wages Policy of the Victorian Government and recent annual movements in wages and prices in Victoria.

3.2 Adjustments to the value of work-related parliamentary allowances and the EO&C Budget

In making adjustments to the value of other work-related allowances for MPs, the Tribunal had particular regard to price movements in the Victorian economy.

Adjustment to the electorate allowance

The electorate allowance is paid to all MPs for the costs associated with providing services to their constituents.²⁶ The value of the electorate allowance varies by the

²⁵ Victorian Independent Remuneration Tribunal (2023a), pp. 49, 51.

²⁶ VIRTIPS Act, s 17(3)(e).

size of an MP's electorate, reflecting the higher costs of providing services in larger electorates.²⁷

The Tribunal determined to increase the value of the electorate allowance by 3.6 per cent, which is in line with the annual growth in the Melbourne CPI (to March 2024).

Adjustment to the EO&C Budget

Each MP is entitled to an EO&C Budget, which is available on a reimbursement basis, to:²⁸

- cover the operating costs and maintenance of their electorate office
- facilitate communication with their electorate regarding their public duties.

The Tribunal's analysis of data provided by the Department of Parliamentary Services regarding expenses claimed by MPs from the EO&C Budget in 2022-23, found that:

- 49 per cent of the Budget was spent on goods and services, including advertising, printing and communications costs
- 30 per cent of the Budget was allocated for employing additional electorate officers, other staff-related expenses and electorate office costs
- 21 per cent of the Budget was used for postage costs.

One submitter considered that the EO&C Budget was insufficient to cover the increasing costs of postal services, which limits the ability of MPs to communicate with their constituents.

The Tribunal decided to increase the EO&C Budget using expenditure weights based on the latest claims data. The Tribunal then applied the annual change in the 'postal services' sub-group of the Melbourne CPI to March 2024 to postal costs and the annual change in the Melbourne CPI over the same period to all other costs. The overall increase to the EO&C Budget is 6.1 per cent on a per voter basis.

Adjustment to travel and transport-related allowances

The travel and transport-related allowances are designed to cover work-related travel and transport expenses incurred by MPs while performing their public

²⁷ Victorian Independent Remuneration Tribunal (2023a), pp. 23-24.

²⁸ *Parliamentary Salaries, Allowances and Superannuation Act 1968* (Vic), s 7F.

duties.²⁹ These allowances ensure that MPs are reimbursed for costs associated with fulfilling their responsibilities across various locations.

Motor vehicle allowance

The motor vehicle allowance is available to MPs who opt not to receive a fully maintained motor vehicle. MPs are expected to use this allowance to cover the costs of any necessary motor vehicle travel within Victoria related to their public duties.³⁰

The Tribunal has increased the value of the motor vehicle allowance by 3.4 per cent, in line with the annual growth in the ‘transport’ group of Melbourne CPI to March 2024.

Travel allowance

The travel allowance reimburses MPs for the costs of accommodation, meals and incidentals incurred during domestic travel. This allowance is available to all MPs on a reimbursement basis.³¹

In the Comprehensive Determination, the Tribunal set the ‘travelling allowance rate’ for overnight stays in commercial accommodation to match the rate established by the Commonwealth Remuneration Tribunal.³² The Tribunal has chosen to maintain this alignment, so the travel allowance will continue to be adjusted in accordance with future Determinations made by the Commonwealth Remuneration Tribunal.

Parliamentary accommodation sitting allowance

The PASA is available to MPs in regional electorates who choose to maintain a second residence in metropolitan Melbourne to assist them in carrying out their public duties.³³ The value of this allowance varies depending on the office held by the MP, if any, and is paid as a fixed amount, provided the MP meets the eligibility criteria.

In the Comprehensive Determination, the Tribunal decided to retain the PASA noting that it provided support for people in regional areas with family responsibilities to stand for Parliament and represent their communities. At that

²⁹ Victorian Independent Remuneration Tribunal (2023a), p. 108.

³⁰ Victorian Independent Remuneration Tribunal (2023a), p. 108.

³¹ Victorian Independent Remuneration Tribunal (2023a), p. 64.

³² The Remuneration Tribunal (Commonwealth) Determination in force at the time of making this Determination was the *Remuneration Tribunal (Members of Parliament) Determination (No.2) 2023*.

³³ Victorian Independent Remuneration Tribunal (2023b), p. 23.

time, the Tribunal did not adjust the value of the PASA, which has remained unchanged since 2020.³⁴

Having regard to the purpose of the PASA and relevant benchmarks, including the value of the travel allowance, the Tribunal decided to increase the PASA by 3.6 per cent. This reflects annual growth in the Melbourne CPI (to March 2024).

Commercial transport allowance

The commercial transport allowance covers the cost of transport undertaken by an MP within Australia to perform their public duties.³⁵ This allowance is available to all MPs on a reimbursement basis.

Similar to the motor vehicle allowance, the Tribunal decided to increase the value of the commercial transport allowance by 3.4 per cent, in line with the annual growth in the 'transport' group of the Melbourne CPI (to March 2024).

International travel allowance

The international travel allowance is available to MPs for expenses incurred during international travel undertaken in the performance of their public duties. This allowance is available to all MPs on a reimbursement basis.³⁶

In its Comprehensive Determination, the Tribunal adjusted this allowance by 6.8 per cent in line with the annual change in the Melbourne CPI due to volatility in international travel costs.³⁷ While ABS data for the year to March 2024 indicates a decrease in the cost of international travel (as measured by the 'international holiday travel and accommodation' sub-group of the Melbourne CPI), it is not yet clear that international travel costs have stabilised.

Consequently, the Tribunal decided to increase the international travel allowance by 3.6 per cent, which reflects the annual growth in Melbourne CPI (to March 2024).

³⁴ Victorian Independent Remuneration Tribunal (2023a), p. 110.

³⁵ Victorian Independent Remuneration Tribunal (2023b), p. 26.

³⁶ Victorian Independent Remuneration Tribunal (2023b), p. 27.

³⁷ Victorian Independent Remuneration Tribunal (2023a), pp. 109-110.

3.3 Other matters raised with the Tribunal

Some submissions raised other matters related to the broader regulatory framework governing MP salaries and allowances, including the Tribunal's MP Guidelines which set rules and eligibility criteria for the use of certain work-related parliamentary allowances and the EO&C Budget.

One submission requested the Tribunal provide greater flexibility in the use of certain work-related parliamentary allowances to support MPs with a medical condition or illness to undertake their public duties. The Tribunal agrees-in-principle that greater flexibility should be provided and intends to publish updated MP Guidelines in mid-2024 as an interim step.

One submitter proposed that the Tribunal consider adding an electorate to the list of electorates in the MP Guidelines for which an MP is eligible to claim the PASA.

The Tribunal substantively reviewed the MP Guidelines, including the eligibility criteria for the PASA, in 2023. The Tribunal intends to consider these matters further when it undertakes its next substantive review of the Guidelines.

Another submission called for changes to the MP Guidelines to enable additional electorate office staff funded via the EO&C Budget to be employed on a 'non-casual' basis (such as on a fixed-term arrangement). The Tribunal notes that the employment arrangements for all electorate office staff are principally a matter for the Parliament.

Finally, another submission called for changes to the additional salary and expense allowances for Government and Opposition Whips, and for the position of 'Shadow Parliamentary Secretary' to be added to the list of specified parliamentary offices.

The Tribunal does not have the power to change the list of specified parliamentary offices, which is defined in the VIRTIPS Act.³⁸ However, the Tribunal intends to undertake an analysis of additional salaries (including relativities) for parliamentary office holders to inform its next Comprehensive Determination for MPs due in 2027. Consideration of the expense allowance will be part of this analysis.³⁹

³⁸ VIRTIPS Act, s 3.

³⁹ Victorian Independent Remuneration Tribunal (2023a), p. 106.

3.4 Conclusion

This Statement of Reasons explains the Tribunal's considerations in making the 2024 MP Annual Adjustment Determination.

Before making the Determination, the Tribunal published a notice of its intention to make a Determination and called for submissions in April 2024. The Tribunal considered each submission it received and expresses its appreciation to all those who made submissions or otherwise participated in the process and assisted the Tribunal to perform its functions.

In accordance with the VIRTIPS Act, the Tribunal has made an annual adjustment to the values of the salaries and allowances payable to MPs, taking into account a range of legislative and other considerations.

The Tribunal has made the following adjustments:

- a 3.5 per cent increase to MP salaries and the expense allowance
- a 3.6 per cent increase to the electorate allowance, international travel allowance and PASA
- a 3.4 per cent increase to the motor vehicle and commercial transport allowances
- an increase of 6.1 per cent (on a per voter basis) to the EO&C Budget.

The Determination will take effect on 1 July 2024.

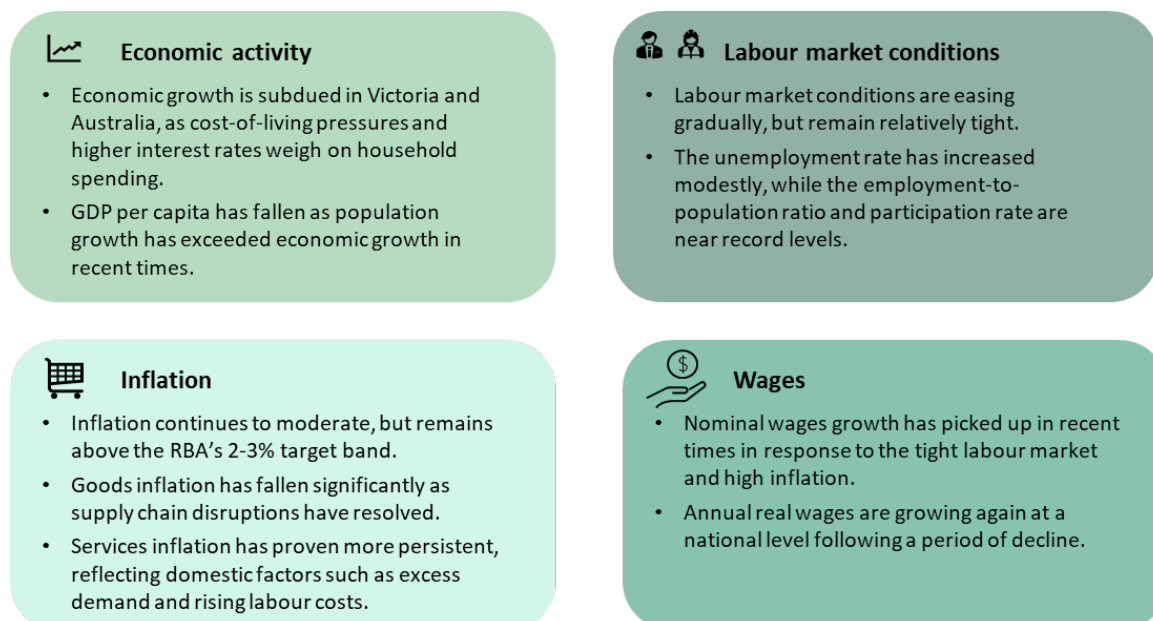
Appendix A – Detailed economic and financial considerations



A.1 Current economic conditions

Figure A.1 provides a high-level overview of current economic conditions, which are described in further detail in the coming sections.

Figure A.1: Overview of conditions in the Australian and Victorian economies, June 2024

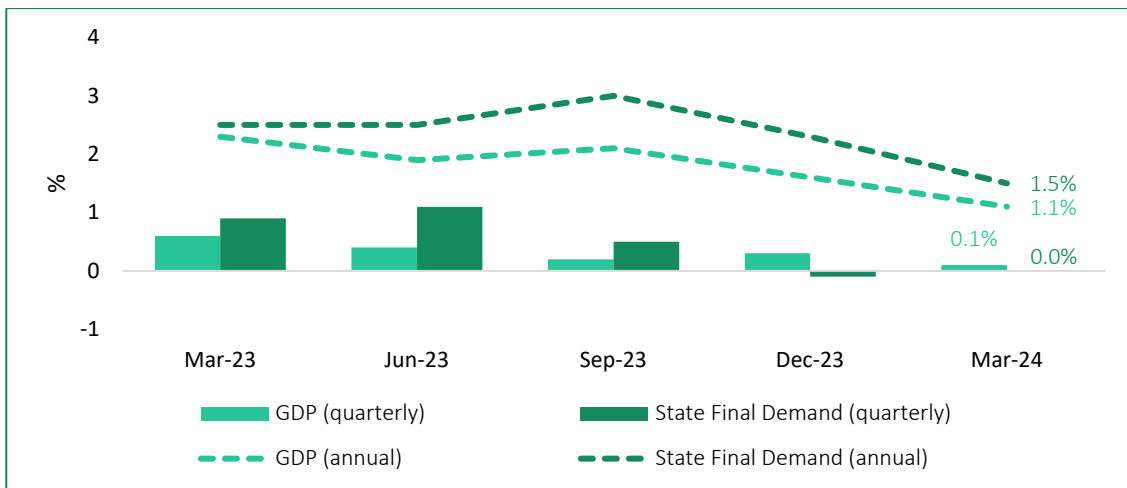


Economic growth is subdued as cost-of-living pressures and higher interest rates weigh on household consumption

Economic growth has slowed in Australia and Victoria from the high levels associated with the recovery from the COVID-19 pandemic.

Australia’s real Gross Domestic Product (GDP) rose 0.1 per cent over the March quarter 2024 and 1.1 per cent through the year. Excluding the pandemic period, this was the weakest annual growth since the early 1990s. Victoria’s State Final Demand held steady in the March quarter 2024 and rose 1.5 per cent through the year (Figure A.2). The latter is well below its long-run (excluding the pandemic period) average growth rate of 3.5 per cent.⁴⁰

Figure A.2: Quarterly and annual growth in real GDP and Victorian State Final Demand, March quarter 2023 to March quarter 2024



Source: ABS (2024a).

According to the ABS, the ‘weak’ GDP result in the March quarter 2024 reflects subdued domestic demand, with increased consumption offset by falling investment. The ABS noted that its latest release included upward revisions to recent data on household consumption, which has been stronger than previously indicated. Despite this, growth in household consumption remains subdued by historical standards and continues to be driven by spending on essentials.⁴¹

The Victorian Budget observed that growth in the Victorian economy over 2023-24 has been supported by strong business investment and population growth. Meanwhile, growth in household consumption has been subdued amid ongoing pressure on household budgets from high inflation and higher interest rates.⁴²

Population growth has rebounded significantly since Australia’s international borders were re-opened in early 2022 and has exceeded economic growth rates in recent times.⁴³ As a result, real GDP per capita has declined or held steady for

⁴⁰ ABS (2024a). Throughout this chapter, unless referring to an observation made by the RBA, long-run (excluding the pandemic) average refers to the average over the period from 2000 to 2019 (inclusive) as calculated by the Tribunal.

⁴¹ ABS (2024a).

⁴² DTF (2024b), p. 18.

⁴³ ABS (2023).

five consecutive quarters, falling 0.4 per cent in the March quarter 2024 and 1.3 per cent through the year.⁴⁴

ABS data shows that GDP per hour worked — a measure of labour productivity — held steady in the March quarter 2024, after growing over the second half of 2023. This recent growth follows a period of five quarters in which labour productivity declined.⁴⁵ The RBA observed that an improvement in productivity outcomes had been expected, partly due to strong business investment, though it noted that growth was weaker than expected in the December quarter 2023.⁴⁶

Inflation has moderated, but remains high

Headline inflation has moderated in Victoria and Australia more broadly but remains above the RBA's 2 to 3 per cent target band.

ABS data show that annual growth in the All Groups Consumer Price Index for Melbourne (Melbourne CPI) declined to 3.6 per cent in the March quarter 2024, well below the peak of 8 per cent recorded in the December quarter 2022. However, a larger than expected quarterly rise (1 per cent) saw the annual inflation rate decline more slowly than in previous quarters (Figure A.3).⁴⁷

Most components of the Melbourne CPI recorded an increase over the 12 months to the March quarter 2024.⁴⁸ The Tribunal particularly noted the following annual movements in selected components, which are of relevance to this Determination:⁴⁹

- 'transport' increased by 3.4 per cent
- 'housing' increased by 4.1 per cent, driven by a 6.8 per cent increase in 'Rents'
- 'international holiday travel and accommodation' decreased by 2.4 per cent.

⁴⁴ ABS (2024a).

⁴⁵ ABS (2024a).

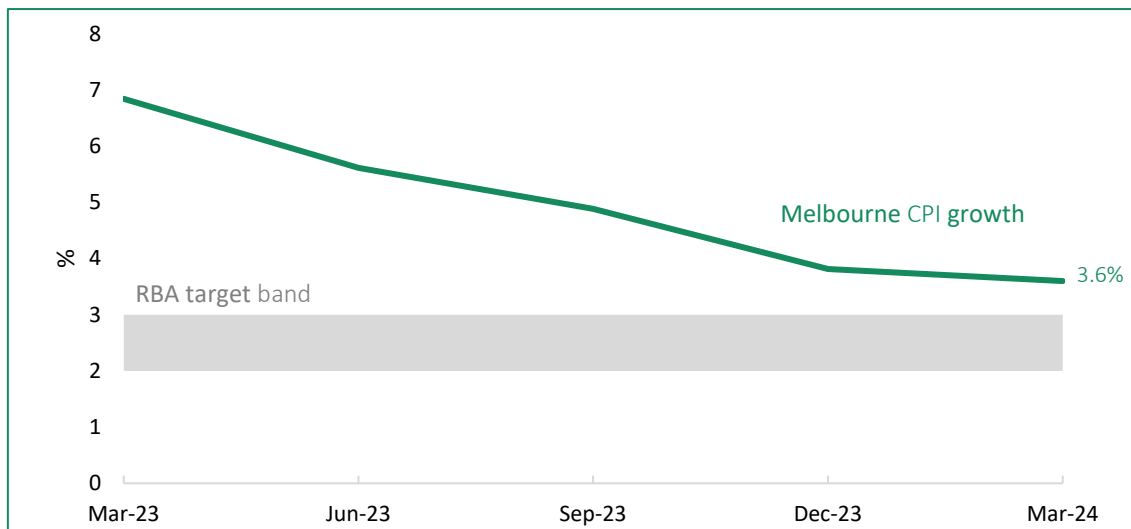
⁴⁶ RBA (2024), pp. 29, 44.

⁴⁷ ABS (2024c).

⁴⁸ The CPI measures changes in the price of a 'basket' of goods and services which account for a high proportion of expenditure by Australian households. It is composed of 11 groups (e.g. 'food and non-alcoholic beverages', 'housing', 'transport') which can be further broken down into sub-groups and expenditure classes (of which there are 33 and 87 in total, respectively), which group similar goods and services.

⁴⁹ ABS (2024c).

Figure A.3: Annual growth in the Melbourne CPI, March quarter 2023 to March quarter 2024



Source: ABS (2024c).

Movements in the Melbourne CPI were consistent with national outcomes, with the Australian CPI rising 1 per cent in the March quarter 2024 and 3.6 per cent through the year. Measures of Australian underlying inflation, which reduce the impact of irregular or temporary price changes, also continue to ease. Annual trimmed mean inflation — the RBA’s preferred measure of underlying inflation — fell to 4 per cent in the March quarter 2024, having decreased for five consecutive quarters since peaking at 6.8 per cent in the December quarter 2022.⁵⁰

The ABS’ monthly Australian CPI indicator has risen for two consecutive months, from 3.4 per cent in February 2024 to 3.6 per cent in April 2024.⁵¹ Eight out of the 11 CPI groups also recorded increases over that period, indicating that inflationary pressures remain elevated and broad-based.

The RBA’s latest *Statement on Monetary Policy* (May 2024) and the Victorian Budget both noted that the recent moderation in inflation outcomes in Australia and Victoria has been largely due to slower growth in the prices of goods. ABS data shows that goods inflation has fallen sharply since its peak in mid-2022, consistent with the easing of global supply chain pressures. By contrast, services inflation peaked later and is declining more gradually.⁵²

⁵⁰ ABS (2024c).

⁵¹ ABS (2024e).

⁵² ABS (2024c).

Labour market conditions are gradually easing, but remain tight

Conditions in the Australian and Victorian labour markets have been ‘tight’ in recent years but are gradually easing.

In its May 2024 *Statement*, the RBA observed that the easing in the national labour market had been slower than expected, with much of the easing occurring through declines in average hours worked and job vacancies. On the other hand, it noted that the Australian unemployment rate — a key indicator of spare capacity in the labour market — had increased only modestly.⁵³

In its latest *Labour Force* release (May 2024), the ABS observed that Australia’s employment-to-population ratio and participation rate remain much higher than their pre-pandemic levels. According to the ABS:⁵⁴

Together with elevated levels of job vacancies, this suggests the labour market remains relatively tight, though less [tight] than in late 2022 and early 2023.

The Australian participation rate also remains near record high levels, while the Australian unemployment rate rose modestly over the past year to be 4 per cent in May 2024.⁵⁵

A similar scenario is unfolding in the Victorian labour market. According to the Victorian Budget, the State’s labour market remains ‘strong’, with the share of working-age Victorians in employment and labour force participation remaining near record levels. Nonetheless, it also noted that employment growth has eased from the relatively high levels observed in previous years.⁵⁶ Since the release of the Victorian Budget, ABS data show that the Victorian unemployment rate increased to 4.4 per cent in May 2024 to be the highest of the states and territories.⁵⁷

Nominal wages growth has picked up

Nominal wages growth has picked up in recent years in response to the tight labour market and high inflation, and is currently around its highest level in over a decade. Annual growth in the Australian Wage Price Index (WPI) was 4.2 per cent

⁵³ RBA (2024), p. 28.

⁵⁴ ABS (2024d).

⁵⁵ ABS (2024d).

⁵⁶ DTF (2024b), p. 27.

⁵⁷ ABS (2024d).

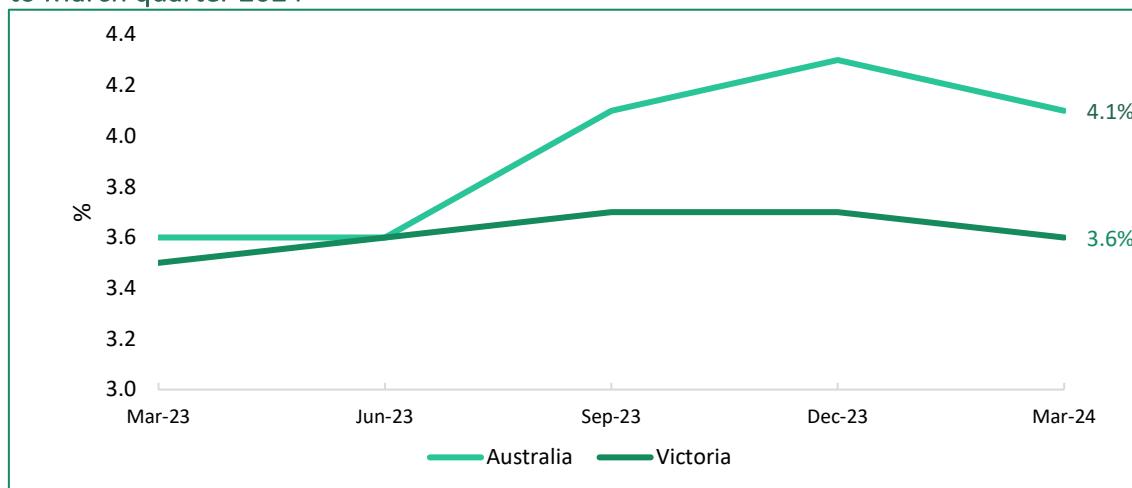
in the December quarter 2023 (the highest growth rate since early 2009), before moderating slightly to 4.1 per cent in the March quarter 2024.⁵⁸

The RBA has observed that wages growth appears to have peaked for workers on individual arrangements, whose wages are the most responsive to economic conditions. By contrast, it noted that wages growth is continuing to strengthen for enterprise agreements (EAs), which are slower to respond to economic conditions.⁵⁹ Data from the Commonwealth Department of Employment and Workplace Relations shows that the average annualised wage increase for agreements approved in the December quarter 2023 was 4.3 per cent.⁶⁰

Award wages and the National Minimum Wage have also grown in recent years. In its *Annual Wage Review 2023-24*, the Fair Work Commission (FWC) increased the National Minimum Wage and all modern award minimum wages by 3.75 per cent with effect from 1 July 2024.⁶¹

Wages growth has also picked up in Victoria, although to a lesser extent than in Australia as a whole. The Victorian WPI rose 3.6 per cent over the 12 months to the March quarter 2024, the lowest growth among the states, and has grown slower than the national WPI since mid-2023 (Figure A.4).⁶²

Figure A.4: Annual WPI growth (all sectors), Victoria and Australia, March quarter 2023 to March quarter 2024



Source: ABS (2024f).

⁵⁸ ABS (2024f).

⁵⁹ RBA (2024), p. 29.

⁶⁰ Department of Employment and Workplace Relations (Commonwealth) (2024), p. 7.

⁶¹ FWC (2024), p. 8.

⁶² ABS (2024f).

The public sector in Victoria (which comprises the Victorian Government, local governments and Australian Government agencies operating in Victoria)⁶³ has experienced lower wages growth than the private sector in recent years, in a reversal of the pre-pandemic trend. Over the 12 months to the March quarter 2024, public sector wages grew by 2.5 per cent, compared with 3.9 per cent in the private sector.⁶⁴ The Victorian Government's submission to the FWC's *Annual Wage Review 2023-24* observed that a relevant factor in this regard is the influence of the prevalent pay setting method in each sector (EAs in the public sector, individual arrangements in the private sector).⁶⁵

Nationally, broader measures of employee earnings have generally grown faster than base wages. Depending on the measure, this may reflect compositional factors like increases in full-time employment and hours worked. It might also reflect the use of other forms of compensation (such as bonuses) to attract and retain employees in a tight labour market. For example, ABS data shows that:

- average compensation per employee (also known as Average Earnings from the National Accounts) grew by 5 per cent over 2023⁶⁶
- average weekly ordinary time earnings for full-time Australian adults grew by 4.5 per cent over the 12 months to November 2023⁶⁷
- the Australian WPI including bonuses rose 4.2 per cent over the 12 months to the March quarter 2024.⁶⁸

Real wages are growing again following a period of decline due to high inflation

While nominal wages are growing at the fastest pace in some time, real wages have declined considerably since early 2021, and have only recently started growing again.

The Australian headline inflation rate consistently exceeded annual WPI growth from mid-2021 to mid-2023, resulting in falling real wages. However, as inflation and nominal wages growth have moderated and strengthened, respectively, real wages have stabilised and begun to grow again. At the national level, real wages grew by 0.5 per cent over the 12 months to the March quarter 2024. By contrast,

⁶³ ABS (2024g).

⁶⁴ ABS (2024f).

⁶⁵ DTF (2024c), p. 8.

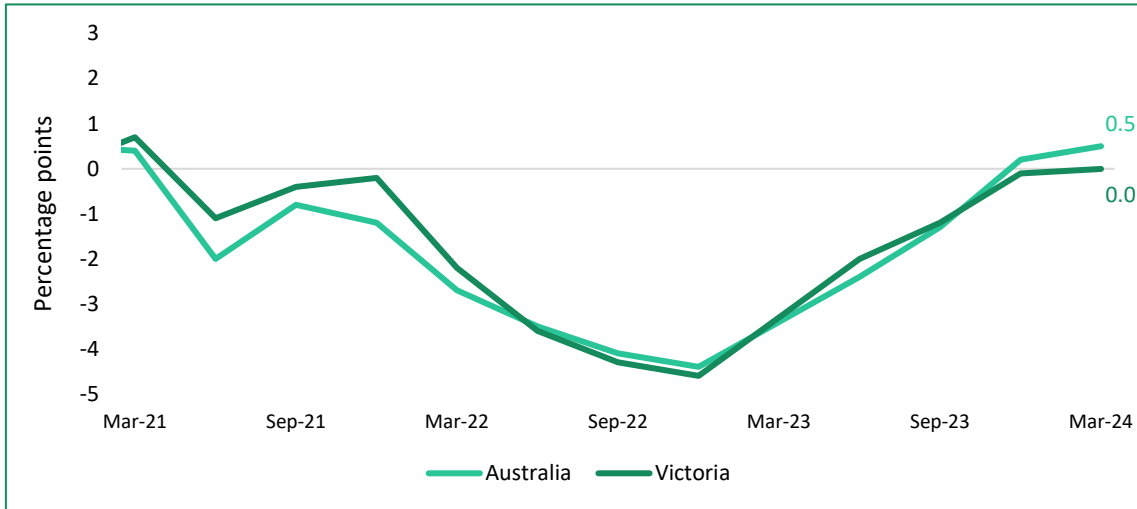
⁶⁶ ABS (2024a).

⁶⁷ ABS (2024b).

⁶⁸ ABS (2024f).

real wages in Victoria were unchanged over the same period and have not grown in annual terms since early 2021 (Figure A.5).

Figure A.5: Difference between annual CPI and WPI growth rates, Australia and Victoria, March quarter 2021 to March quarter 2024



Note: Positive/negative values indicate that annual WPI growth for that period was higher/lower than annual CPI growth for the same period. Victorian figures calculated on basis of changes in the Melbourne CPI and Victorian WPI. Sources: ABS (2024c); ABS (2024f).

A.2 Economic outlook

The Tribunal’s understanding of the outlook for the Australian and Victorian economies has been informed by the latest forecasts and analysis from the RBA and the federal and Victorian budgets.

Key forecasts are reproduced in Tables A.1 and A.2, followed by more detailed analysis.

Table A.1: Selected RBA and Commonwealth Treasury^(a) forecasts for the Australian economy

Indicator	Source	June 2024	Dec 2024	June 2025	Dec 2025	June 2026
Real GDP ^(b)	RBA	1.2	1.6	2.1	2.3	2.4
Population ^(b)	RBA	2.0	1.5	1.4	1.4	1.4
CPI ^(b)	RBA	3.8	3.8	3.2	2.8	2.6
	Treasury	3.5	N/A	2.8	N/A	2.8
Trimmed mean ^(b)	RBA	3.8	3.4	3.1	2.8	2.6
Employment ^(b)	RBA	2.1	1.4	1.2	1.3	1.4
	Treasury	2.3	N/A	0.8	N/A	1.3
Unemployment rate ^(c)	RBA	4.0	4.2	4.3	4.3	4.3
	Treasury	4.0	N/A	4.5	N/A	4.5
WPI ^(b)	RBA	4.2	3.8	3.6	3.4	3.3
	Treasury	4.0	N/A	3.3	N/A	3.3
Labour productivity ^(b)	RBA	1.8	0.8	1.3	1.2	1.1

Notes: (a) Commonwealth Treasury forecasts are presented to one quarter of one per cent and have been rounded up to one decimal place. (b) Percentage change through the year. (c) Average rate in the quarter.

Sources: RBA (2024), p. 51; Commonwealth of Australia (2024), p. 53.

Table A.2: Victorian Budget forecasts for the Victorian economy

Indicator	2023-24	2024-25	2025-26	2026-27	2027-28
Real Gross State Product ^(a)	2.00	2.50	2.75	2.75	2.75
Population ^(b)	2.30	1.80	1.70	1.70	1.70
Melbourne CPI ^(a)	4.00	2.75	2.50	2.50	2.50
Employment ^(a)	3.25	1.00	1.75	1.75	1.75
Unemployment rate ^(c)	4.00	4.25	4.50	4.75	4.75
Victorian WPI ^(a)	3.75	3.75	3.25	3.25	3.25

Notes: (a) Percentage change in year-average terms compared with the previous year. (b) Percentage change over the year to 30 June. (c) Year average.

Source: DTF (2024b), p. 18.

Economic growth is forecast to pick up in coming years, driven by a recovery in household spending

The RBA expects economic growth to remain subdued in the near-term, before picking up from late 2024 as the recovery in real incomes leads to a pick-up in household consumption. Annual growth in real GDP is forecast to be 1.2 per cent in June 2024, before increasing to 2.1 per cent in June 2025 and 2.4 per cent in June 2026.⁶⁹ Nonetheless, growth is expected to remain below the long-run (excluding the pandemic period) average of 2.9 per cent.

The Victorian Budget forecast Victoria's real GSP to grow by 2 per cent in 2023-24, before picking up to 2.5 per cent in 2024-25. Similar to the national outlook, the pick-up in growth is expected to be driven by household consumption, which is

⁶⁹ RBA (2024), pp. 43, 51.

forecast to contribute 1.5 percentage points to GSP growth in 2024-25. On the other hand, public demand — which includes spending and capital expenditure by the Victorian Government — is expected to make a broadly flat contribution to growth, consistent with a moderating investment pipeline (see section A.3).⁷⁰

The RBA is forecasting population growth to moderate over the next couple of years and return to its pre-pandemic average, and to grow more slowly than real GDP from late 2024 onwards.⁷¹ Were this to eventuate, it would support a recovery in real GDP per capita.

In terms of productivity, the RBA expects growth to pick up further and stabilise around its long-run (excluding the pandemic) average, but notes that the outlook is highly uncertain. In particular, it observed that a return to the lower rates of business dynamism and competition that were associated with weak productivity outcomes in the 2010s would similarly weigh on growth going forward.⁷²

Inflation is forecast to continue easing in the medium-term, with a return to target expected in the next 6–18 months

The latest inflation forecasts published by the RBA, which preceded the federal budget, have national CPI growth rising in the near-term due to temporary factors such as rising petrol prices and the unwinding of energy rebates. Despite this, the RBA's medium-term inflation outlook remains largely unchanged, with annual CPI growth expected to return to the 2 to 3 per cent target band by late 2025.⁷³

By comparison, the federal budget expects headline inflation to return to target by mid-2025, and potentially by the end of 2024. Specifically, the Commonwealth Treasury forecast annual CPI growth to be 3.5 per cent in June 2024, before declining to 2.75 per cent in June 2025 (compared with 3.8 per cent and 3.2 per cent, respectively, by the RBA).⁷⁴

The Victorian Budget forecast annual growth in the Melbourne CPI to average 4 per cent in 2023-24, before easing to 2.75 per cent in 2024-25. The Department of Treasury and Finance (DTF) noted that the pace of easing will be determined

⁷⁰ DTF (2024b), pp. 23-24, 26.

⁷¹ RBA (2024), pp. 50-51.

⁷² RBA (2024), pp. 44-45.

⁷³ RBA (2024), pp. 45-46.

⁷⁴ Commonwealth of Australia (2024), p. 53.

largely by the outlook for services inflation, which is expected to continue to decline more slowly than goods inflation.⁷⁵

Labour market conditions are expected to continue easing gradually

The easing in labour market conditions is expected to continue, with the RBA forecasting employment growth to slow and fall below growth in the working-age population for a time. This is expected to drive further easing in the national unemployment rate, which is forecast to rise to 4.2 per cent by the end of 2024, before stabilising around 4.3 per cent — a level considered consistent with full employment — from mid-2025. Labour force participation is expected to decline slightly due to cyclical factors, but to remain high by historical standards.⁷⁶

The Commonwealth Treasury's outlook for the national labour market is broadly consistent with the RBA's. Of note, Treasury is forecasting a sharper slowdown in employment growth, and consequently a larger increase in the unemployment rate, which it expects to reach 4.5 per cent by mid-2025.⁷⁷

In relation to the Victorian labour market, the Victorian Budget similarly forecast employment growth to slow from an average of 3.25 per cent in 2023-24 to 1 per cent in 2024-25. The unemployment rate is expected to average 4.25 per cent in 2024-25, before increasing to 4.5 per cent in 2025-26.⁷⁸

Wages growth is expected to moderate as the labour market eases

The RBA has observed that nominal wages growth appears to have peaked for the current cycle, with growth forecast to moderate gradually over the coming years. In particular, annual growth in the Australian WPI is forecast to be 4.2 per cent in June 2024, before declining to 3.6 per cent by June 2025.⁷⁹ The federal budget forecast a slightly faster decline in wages growth, with national WPI growth expected to be 4 per cent in June 2024 and 3.3 per cent in June 2025.⁸⁰

⁷⁵ DTF (2024b), p. 29.

⁷⁶ RBA (2024), pp. 44, 51.

⁷⁷ Commonwealth of Australia (2024), p. 53.

⁷⁸ DTF (2024b), p. 18.

⁷⁹ RBA (2024), p. 51.

⁸⁰ Commonwealth of Australia (2024), p. 53.

The Victorian Budget forecast annual growth in the Victorian WPI to average 3.75 per cent in each of 2023-24 and 2024-25, before returning to 3.25 per cent from 2025-26.⁸¹ The Tribunal notes that, at the time of making this Determination, the Victorian Government was negotiating several major public sector EAs under its revised wages policy, which provides for higher wage outcomes than previously (see section A.4). Consistent with the experience in other states, the commencement of those agreements is likely to boost public sector wages growth, which has been relatively subdued compared with the private sector.

Real wages are expected to grow over the coming years in both Victoria and Australia, as nominal wages growth is forecast to moderate more slowly than inflation. For example, the RBA is forecasting real wages (in annual terms) to rise 0.4 per cent in June 2024, hold steady in December 2024, and then resume growing from June 2025.⁸²

There are risks to the economic outlook, particularly around inflation

In its May 2024 *Statement*, the RBA concluded that the risk that inflation takes longer than expected to return to target had increased since February 2024. In particular, it noted that the stronger-than-expected inflation outcome in the March quarter 2024 could indicate that domestic inflationary pressures are ‘stickier’ than currently assumed. This could be the case, for example, if the assumed pick-up in productivity growth does not eventuate, leading to higher input costs for businesses that may then be passed on to consumers.

Geopolitical tensions have also increased the risk of further supply shocks, according to the RBA, which could lead to a rebound in goods inflation. The RBA observed that a prolonged period of high inflation would risk ‘de-anchoring’ inflation expectations, requiring further interest rate rises and a period of higher unemployment to return inflation to target.⁸³

On the other hand, the RBA noted that there is a risk that aggregate demand could be weaker than expected, such as if the recent weakness in household consumption were to persist. While noting that this could see inflation return to target more quickly than expected, the RBA also observed that it would likely come

⁸¹ DTF (2024b), p. 18.

⁸² RBA (2024), pp. 44, 51.

⁸³ RBA (2024), pp. 5, 48-49.

at the expense of its employment objective (i.e. it would lead to higher unemployment).⁸⁴

On the whole, while the RBA judged the risks to Australia's economic outlook to be 'broadly balanced', it assessed that the costs associated with the upside risks to inflation are greater than the costs associated with the downside risks.⁸⁵

The Victorian Budget cited similar risks in relation to the Victorian economy, including uncertainty around the outlooks for household consumption and inflation.⁸⁶

A.3 Financial position and fiscal strategy of the State of Victoria

The Tribunal's understanding of the financial position and fiscal strategy of the State of Victoria has been informed by the 2024-25 Budget and the latest *Auditor-General's Report on the Annual Financial Report of the State of Victoria* (November 2023).

The 2024-25 Budget builds on previous savings and efficiency measures

In the *Victorian Budget 2023-24*, the Victorian Government announced a range of strategies to improve the State's financial position and manage debt. These included the introduction of a temporary COVID-19 Debt Levy to offset the cost of measures introduced by the Victorian Government in response to the COVID-19 pandemic. The *Victorian Budget 2023-24* also included a range of savings and efficiency measures to be implemented across the public sector, including targeted reductions in the number of Victorian Public Service staff.⁸⁷

The Victorian Government has announced that it will 'progressively return its capital program towards pre-pandemic levels' by the end of 2027-28.⁸⁸ Government infrastructure investment is forecast to peak at \$24 billion in 2023-24, before declining to around \$16 billion in 2027-28 (Figure A.6). Overall, government infrastructure investment is expected to average

⁸⁴ RBA (2024), pp. 48-49.

⁸⁵ RBA (2024), p. 5.

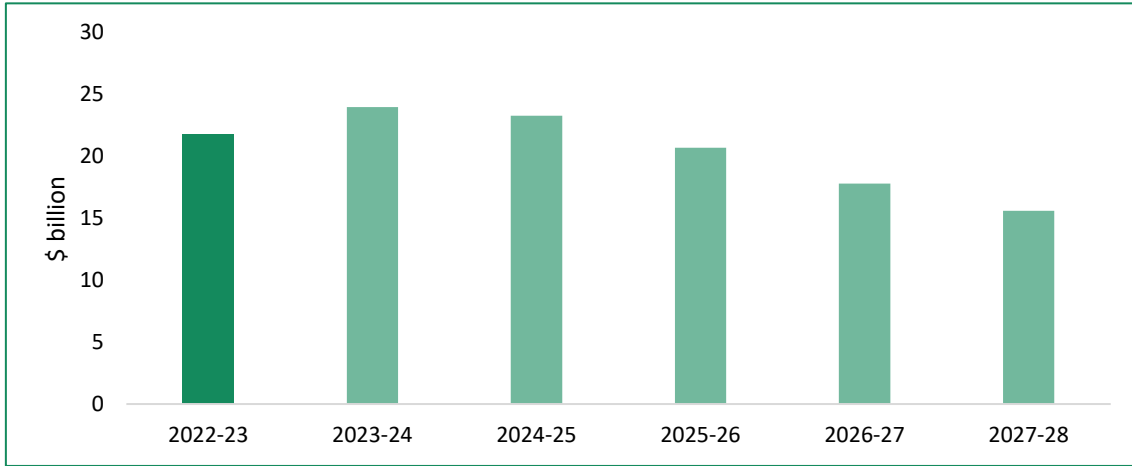
⁸⁶ DTF (2024b), pp. 36-37.

⁸⁷ DTF (2023a), p. 6; DTF (2023c), p. 20.

⁸⁸ DTF (2024b), p. 6.

\$19.3 billion per annum over the forward estimates, compared to an average of \$21.3 billion per annum reported in the *2023-24 Budget Update*.⁸⁹

Figure A.6: 2024-25 Budget forecasts^(a) for government infrastructure investment



Note: (a) 2022-23 value is actual.
Source: DTF (2024b), p. 53.

The Victorian Budget also added a new step to the Victorian Government’s fiscal strategy, which was first outlined in the *Victorian Budget 2020-21* in response to the COVID-19 pandemic:⁹⁰

- 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
- Step 5 (new) – Reducing net debt as a proportion of GSP.

A return to an operating surplus is expected in 2025-26, but net debt is forecast to continue rising

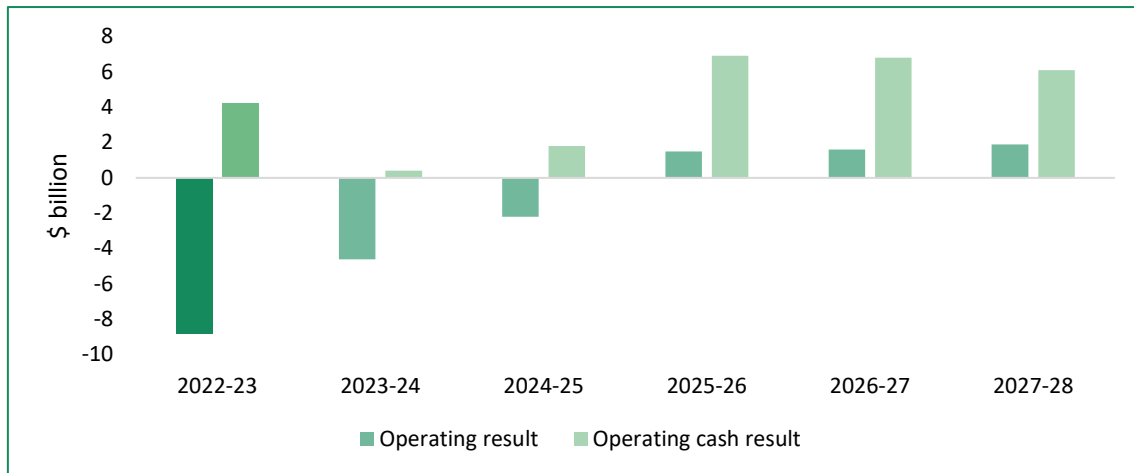
The Victorian Government achieved step 2 of its fiscal strategy in 2022-23, with the general government sector (GGS) recording an operating cash surplus of \$4.2 billion. A smaller cash surplus of \$0.4 billion is forecast for 2023-24, followed by larger surpluses in future years (Figure A.7).⁹¹

⁸⁹ DTF (2024b), pp. 6, 53; DTF (2023b), p. 17.

⁹⁰ DTF (2024b), pp. 3-4.

⁹¹ DTF (2024b), p. 53.

Figure A.7: 2024-25 Victorian Budget forecasts^(a) for operating result and operating cash result



Note: (a) 2022-23 values are actual.

Source: DTF (2024b), p. 53.

Operating deficits of \$4.6 billion and \$2.2 billion are forecast for the GGS in 2023-24 and 2024-25, respectively, before an expected return to surplus in 2025-26. This would be the first surplus since 2018-19, with larger surpluses forecast for 2026-27 and 2027-28.⁹² The Victorian Budget noted that these surpluses will fund an increasing share of the Victorian Government’s capital program, reducing the amount of new borrowing required and helping to stabilise and reduce net debt.⁹³

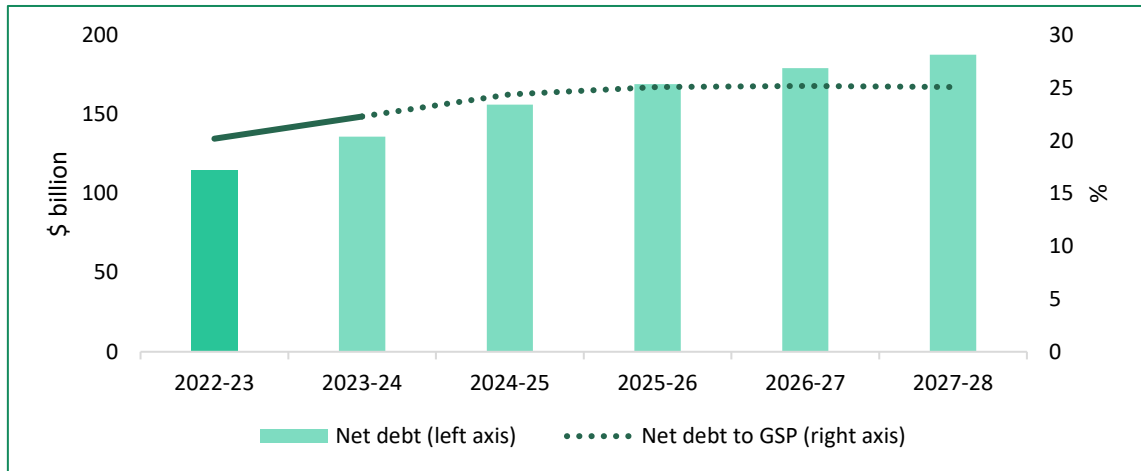
Net debt for the GGS was \$115 billion (20.2 per cent of GSP) at 30 June 2023, and is forecast to be around \$136 billion (22.3 per cent of GSP) at 30 June 2024. Net debt as a proportion of GSP is expected to stabilise at around 25 per cent from June 2026, consistent with achieving steps 4 and 5 of the fiscal strategy. However, debt is forecast to continue rising in nominal terms, and is expected to be around \$188 billion by 30 June 2027 (Figure A.8).⁹⁴

⁹² DTF (2024a); DTF (2024b), p. 53.

⁹³ DTF (2024b), p. 4.

⁹⁴ DTF (2024b), p. 53.

Figure A.8: 2024-25 Budget forecasts^(a) for net debt and net debt to GSP



Note: (a) 2022-23 values are actual.

Source: DTF (2024b), p. 53.

VAGO has identified risks to Victoria’s fiscal outlook

Each year, the Victorian Auditor-General’s Office (VAGO) issues a report on the Annual Financial Report of the State of Victoria. The most recent such report, released in November 2023, examined Victoria’s *2022-23 Annual Financial Report*.

The report identified emerging risks to Victoria’s fiscal outlook. Three of these — employee expenses, interest expenses and infrastructure spending — are set out in Box A.1.

Box A.1: Emerging risks to Victoria's fiscal outlook as identified by VAGO, November 2023



Employee expenses

- Employee costs are the State's single largest operating expense, accounting for around 36 per cent of general government sector expenditure in 2022-23.
- Employee costs increased by 45 per cent between 2017-18 and 2022-23.
- The government determined that workforce transition, including staff reductions, is required to achieve its targeted cost reductions. If these initiatives are not implemented and realised as planned, future employee expenses may be greater than estimated.
- The prevailing economic environment of high inflation, a tight labour market and high wages growth may compound the challenge.



Interest expenses

- Most of Victoria's debt is fixed-rate debt issued at a low interest rate.
- \$39 billion of debt needs to be refinanced by June 2027, which will likely be at a significantly higher interest rate.
- Interest expenses on new and refinanced debt are expected to increase significantly over the coming years, from \$1.6 billion in 2023-24 to \$5.5 billion in 2026-27.



Infrastructure spending

- As at November 2023, the total estimated investment (TEI) of 89 existing and completed major capital projects had increased by \$11 billion (11 per cent).
- Of the 101 new, existing or completed projects analysed by VAGO:
 - 28 projects had a TEI increase of more than 10 per cent
 - 12 projects had a TEI increase of more than 50 per cent.
- VAGO noted that further TEI increases would lead to more unplanned debt unless the government's capital program was curtailed.

Sources: VAGO (2023a), pp. 20-25; VAGO (2023b), pp. 8-9.

A.4 Wages Policy

The *Wages Policy and the Enterprise Bargaining Framework* (Wages Policy) sets out the parameters within which Victorian public sector employers are required to bargain and make EAs. Box A.2 outlines the key features of the current Wages Policy, which was introduced by the Victorian Government in April 2023.

Box A.2: Victorian Public Sector Wages Policy — key features

The Victorian Public Sector Wages Policy has three pillars:

Pillar 1: Wages

- Increases in wages and conditions will be funded at a rate of growth of 3 per cent per annum over the life of the agreement. In practice, this means that employee wages and conditions will be allowed to grow at this rate.
- In addition to annual wage increases, a separate lump sum, cash payment will be available equivalent to an additional 0.5 per cent of overall agreement costs which for the purposes of this policy means a per annum amount calculated on wages and wage-related conditions.

Pillar 2: Best Practice Employment Commitment

- Public sector agencies may make a Best Practice Employment Commitment which outlines measures to operationalise elements of the Government's Public Sector Priorities^(a) 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 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 and provided the associated costs are funded through appropriate cash offsets or a government approved funding strategy.

Note: (a) The Public Sector Priorities are: 'deliver exceptional services and value for Victorians', 'a professional and responsive public sector', 'government as a fair and best practice employer'.

Source: Industrial Relations Victoria (2024).

There is in-principle agreement on a new Victorian Public Service EA

Non-executive Victorian Public Service (VPS) employees are covered by an EA. The current EA, the *Victorian Public Service Enterprise Agreement 2020*, nominally expired in March 2024, but remained in operation while a new agreement was being negotiated.

Prior to the making of this Determination, the Secretary of the Department of Premier and Cabinet announced that the Victorian Government and the Community and Public Sector Union had reached in-principle agreement on the core terms and conditions that will form part of a new VPS EA.⁹⁵ However, at the time of making this Determination, VPS staff had yet to vote on the agreement. If approved, the agreement will also need to be lodged with the FWC for approval.

⁹⁵ Email from Jeremi Moule, Secretary of the Department of Premier and Cabinet, to VPS staff (2024), 9 April.

The draft agreement provides for:

- annual salary increases of 3 per cent over the life of the agreement, effective from 1 May each year
- a once-off lump sum payment of \$5,600 (pro-rata for part-time and eligible casual employees) for all non-executive employees, regardless of classification, who are employed on 28 June 2024
- an additional once-off payment of \$1,000 (also calculated on a pro-rata basis) will also be payable to eligible shift workers employed on 1 October 2024
- an increase to the lump sum payment (from 1 per cent to 1.5 per cent of base salary) paid to employees at the top of their grade or value range who are assessed as having met their progression criteria.

Under the draft agreement, VPS staff would also retain access to annual progression payments and the mobility payment.

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