

Prescribed Public Entity Executive Remuneration Guidelines

Effective 19 December 2024

1. Introduction

- 1.1. In accordance with section 36(6) of the *Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019* (Vic) (VIRTIPS Act), the Victorian Independent Remuneration Tribunal (the Tribunal) has made guidelines with respect to the placement of executives employed in prescribed public entities within the remuneration bands set by the Tribunal.
- 1.2. These Guidelines should be read together with the Determination of remuneration bands for executives employed in prescribed public entities in effect at the time.

2. How and when to use these Guidelines

- 2.1. The Guidelines apply when setting remuneration for executives employed by prescribed public entities where there is a new appointment, reappointment, remuneration adjustment within the term of a contract or a temporary appointment.
- 2.2. The Guidelines aim to assist public entity employers in placing executives within the prescribed public entity remuneration bands.
- 2.3. Public entity employers are not required to remunerate an executive at the bottom of the remuneration band.
- 2.4. Ultimately, judgement will need to be exercised by a public entity employer when weighing up the various factors to determine the appropriate remuneration for an executive.
- 2.5. A public entity employer may — in limited circumstances — consider it appropriate to pay an executive above the relevant remuneration band for the

position. Before doing so, an employer is first required to request and consider the Tribunal's advice.¹

- 2.6. Further information on requesting the Tribunal's advice, including the supporting analysis and information to be provided, is available on the Tribunal's website: [Proposals to pay above the remuneration band](#).

3. Guiding principles

The following overarching principles have been drawn from matters considered by the Tribunal in making the Determination:

3.1. Executive remuneration should be fair and reasonable

Executives in public entities should receive fair and reasonable recompense for performing their public duties.

3.2. Executive remuneration should be competitive

Remuneration should be set at a competitive level to attract and retain talented people.

3.3. Executive remuneration arrangements should be robust and transparent

Remuneration decisions should be robust and based on a consideration of all relevant factors, and the basis for decisions should be clearly understood (for example, through reference to an entity's executive remuneration framework or strategy).

3.4. Executive remuneration should take into account Government policies

Employers should take relevant Government policies into account when setting remuneration — for example, to improve gender equality and promote diversity and inclusion.

3.5. Executive remuneration should be regularly reviewed

Employers should regularly review executive remuneration at an individual and workforce level, including consideration of relativities and performance.

¹ *Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019 (Vic)*, section 37; *Public Entity Executive Remuneration Policy*, clause 5.

4. Factors to consider in applying the guiding principles

In applying the guiding principles, public entity employers should consider the following factors when setting the remuneration of individual executives within the relevant remuneration band:

4.1. The functions and responsibilities of the position embedded in the work value assessment score for the position under the Victorian Public Sector Commission's *Public Entity Executive Classification Framework* (PEECF) or *Victorian Public Service Executive Classification Framework* (VPSECF)²

- (a) The PEECF and VPSECF are designed to enable public entity employers to classify executive positions using a work value assessment tool, which produces a work value score for each position.
- (b) This score can provide a starting point for considering the remuneration for an executive position. Consideration of contextual circumstances, such as the nature and complexity of the operating environment for a position or the contribution of the executive in a position to a major reform initiative or emergency response, should also occur.
- (c) It should be noted, however, that work value scores should not be interpreted as equating to a fixed dollar value or increment within a remuneration band. But, generally, the higher the score, the more highly the position may be remunerated within the relevant band.

4.2. The experience, knowledge and capability of the person

- (a) For an executive with no prior or little executive experience, remuneration at the base or in the lower half of the remuneration band may be appropriate.
- (b) For a relatively experienced executive with developed skills and capabilities, remuneration around the middle of the remuneration band may be appropriate.

² [Public Entity Executive Classification Framework](#); [Victorian Public Service Executive Classification Framework](#).

- (c) For a highly experienced executive with specialised skills and capabilities and evidence of high performance, remuneration above the middle of the band may be appropriate.
- (d) For a position that is deemed critical to the entity's operations, remuneration above the middle of the band may be appropriate.
- (e) An executive may also undertake further work, in addition to the specific functions and responsibilities of an executive position, which should be considered in setting remuneration. For example, a First Nations' executive may provide broader cultural leadership within the organisation.

4.3. Labour market pressures on the position

- (a) Skills shortages in particular geographic areas or occupational categories or niche skills required for the position may require a more competitive remuneration offering to attract or retain an executive and compete effectively in the market.

4.4. The remuneration relativities of other executives within the organisation

- (a) Comparable positions within the organisation should attract similar remuneration in order to maintain relativities within a peer group (recognising that some public entities have very few or only one executive).
- (b) Particular consideration may also be required to achieve gender pay equity and reduce the gender pay gap for comparable executive positions, and to promote diversity and inclusion.

4.5. Intra band reporting

- (a) Where an executive reports to another executive and both are remunerated within the same band, the more senior position in the reporting relationship should receive a higher level of remuneration.
- (b) An exception may occur for specialist positions, where a higher level of remuneration is offered to attract a candidate with the particular knowledge and capability required for the position, despite the specialist reporting to a more senior executive.

4.6. The current remuneration of the person

- (a) People recruited from a comparable position may warrant a higher level of remuneration to secure the candidate.

5. Case Studies: application of the Guidelines to setting executive remuneration

Where executive remuneration is not regularly reviewed this can result in arrangements that:

- (a) do not support the recruitment or retention of executives with the requisite skills, capabilities and experience
- (b) are unfair and inequitable for executives in comparable positions.

Issues can arise where, for example, an executive's remuneration remains at the bottom of the remuneration band for an extended period or where there is a compression of executive remuneration relativities over time.

The following scenarios illustrate how the Guidelines can be applied to set and review executive remuneration.

Scenario one: reappointment of an executive

An executive's contract is expiring at the end of a five-year term and it is intended to reappoint them for a further five-year term. The remuneration on appointment was approximately 10 per cent above the bottom of the remuneration band and has been adjusted only by the annual adjustment guideline rate each year.

The following factors were considered to derive a remuneration increase of 7.5 per cent:

- (a) changes in the functions and responsibilities of the position, including delivery of a new, high priority program, which resulted in a new work value assessment with a score close to the top of the classification band
- (b) compression of the executive's remuneration relative to other executives within the public entity over time
- (c) current remuneration relativities across the executive cohort, including the gender inequity applying to the executive.

Scenario two: remuneration review during a contract term

An executive has requested a remuneration review during their current contract (as provided for in the *Public Entity Executive Employment Handbook*³ and standard executive contract⁴). The remuneration on appointment was at the bottom of the remuneration band and has been adjusted to remain within the remuneration band set by the Tribunal.

The following factors were considered to derive a remuneration increase of 10 per cent:

- (a) the performance of the executive in successfully delivering high priority projects for the public entity
- (b) compression of the executive's remuneration relative to other executives within the public entity over time
- (c) current remuneration relativities with executives with similar responsibilities, skills and experience, including those who have recently joined the public entity
- (d) the attractiveness of the executive to other employers (including outside the public sector) reflected in documented approaches from other organisations.

³ *Public Entity Executive Handbook*, section 4.3.2.

⁴ *Standard Executive Employment Contract*, clause 7.1.