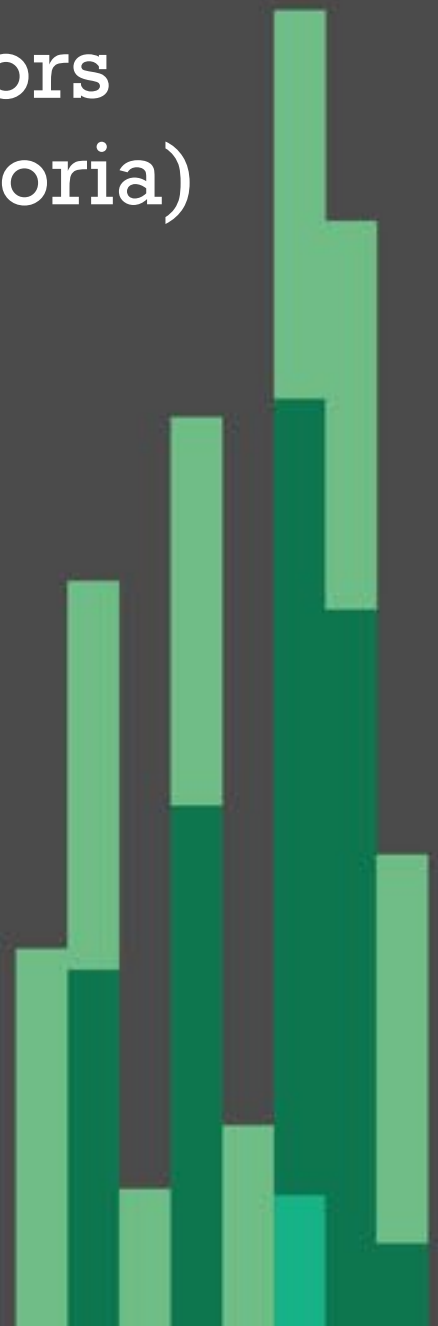


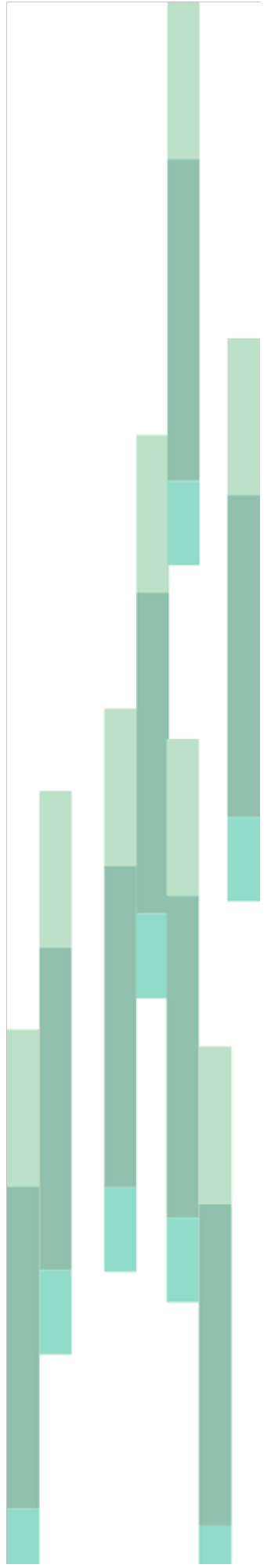
---

Victorian  
Independent  
Remuneration  
Tribunal

---

Allowance payable to  
Mayors, Deputy Mayors  
and Councillors (Victoria)  
Annual Adjustment  
Determination 2023





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

Part 3—Determinations for annual adjustments in relation to Mayors, Deputy Mayors and Councillors.

## **Allowance payable to Mayors, Deputy Mayors and Councillors (Victoria) Annual Adjustment Determination 2023**



A. Pursuant to section 23B(1) of the *Victorian Independent Remuneration Tribunal and Improving Parliament Standards Act 2019 (Vic)* (VIRTIPS Act), the Tribunal determines to make the following adjustments to the *Allowance payable to Mayors, Deputy Mayors and Councillors (Victoria) Determination No. 01/2022*.

A.1 Delete clauses 7 to 9 and Tables 1 to 13 and replace them with the following:

### **7. Value of the base allowance for Mayors**

7.1 The values of the base allowances for Mayors are:

- (a) from 1 July 2023 until 17 December 2023, the values set out in Table 1
- (b) from 18 December 2023 until 17 December 2024, the values set out in Table 2
- (c) from 18 December 2024 until 17 December 2025, the values set out in Table 3
- (d) from 18 December 2025, the values set out in Table 4.

**Table 1: Value of the base allowance for Mayors, by Council allowance category, 1 July 2023 until 17 December 2023**

<b>Council allowance category</b>	<b>Value of allowance (\$ per annum)</b>
Category 1	79,492
Category 2	102,650
Category 3	126,958
Category 4 – Melbourne City Council	253,920

**Table 2: Value of the base allowance for Mayors, by Council allowance category, 18 December 2023 until 17 December 2024**

<b>Council allowance category</b>	<b>Value of allowance (\$ per annum)</b>
Category 1	81,641
Category 2	105,424
Category 3	130,390
Category 4 – Melbourne City Council	260,782

**Table 3: Value of the base allowance for Mayors, by Council allowance category, 18 December 2024 until 17 December 2025**

<b>Council allowance category</b>	<b>Value of allowance (\$ per annum)</b>
Category 1	83,789
Category 2	108,200
Category 3	133,822
Category 4 – Melbourne City Council	267,646

**Table 4: Value of the base allowance for Mayors, by Council allowance category, from 18 December 2025**

<b>Council allowance category</b>	<b>Value of allowance (\$ per annum)</b>
Category 1	85,937
Category 2	110,973
Category 3	137,253
Category 4 – Melbourne City Council	274,508

## **8. Value of the base allowance for Deputy Mayors**

8.1 The values of the base allowances for Deputy Mayors are:

- (a) from 1 July 2023 until 17 December 2023, the values set out in Table 5
- (b) from 18 December 2023 until 17 December 2024, the values set out in Table 6
- (c) from 18 December 2024 until 17 December 2025, the values set out in Table 7
- (d) from 18 December 2025, the values set out in Table 8.

**Table 5: Value of the base allowance for Deputy Mayors, by Council allowance category, 1 July 2023 until 17 December 2023**

Council allowance category	Value of allowance (\$ per annum)
Category 1	39,746
Category 2	51,325
Category 3	63,480
Category 4 – Melbourne City Council	126,959

**Table 6: Value of the base allowance for Deputy Mayors, by Council allowance category, 18 December 2023 until 17 December 2024**

Council allowance category	Value of allowance (\$ per annum)
Category 1	40,819
Category 2	52,713
Category 3	65,195
Category 4 – Melbourne City Council	130,391

**Table 7: Value of the base allowance for Deputy Mayors, by Council allowance category, 18 December 2024 until 17 December 2025**

Council allowance category	Value of allowance (\$ per annum)
Category 1	41,894
Category 2	54,100
Category 3	66,910
Category 4 – Melbourne City Council	133,823

**Table 8: Value of the base allowance for Deputy Mayors, by Council allowance category, from 18 December 2025**

Council allowance category	Value of allowance (\$ per annum)
Category 1	42,969
Category 2	55,487
Category 3	68,626
Category 4 – Melbourne City Council	137,254

## 9. Value of the base allowance for Councillors

9.1 The values of the base allowances for Councillors are:

- (a) from 1 July 2023 until 17 December 2023, the values set out in Table 9
- (b) from 18 December 2023, the values set out in Table 10.

**Table 9: Value of the base allowance for Councillors, by Council allowance category, 1 July 2023 until 17 December 2023**

Council allowance category	Value of allowance (\$ per annum)
Category 1	25,650
Category 2	31,980
Category 3	38,316
Category 4 – Melbourne City Council	57,473

**Table 10: Value of the base allowance for Councillors, by Council allowance category, from 18 December 2023**

Council allowance category	Value of allowance (\$ per annum)
Category 1	26,368
Category 2	32,877
Category 3	39,390
Category 4 – Melbourne City Council	59,085

A.2 In clause 10.1, delete ‘\$45’ and ‘\$5,625’ and replace with ‘\$45.90’ and ‘\$5,738’, respectively.

B. This Determination commences on 1 July 2023.

C. The *Allowance payable to Mayors, Deputy Mayors and Councillors (Victoria) Determination No. 01/2022* 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



Laurinda Gardner

*Member*

Victorian Independent  
Remuneration Tribunal

Date: 30/06/2023

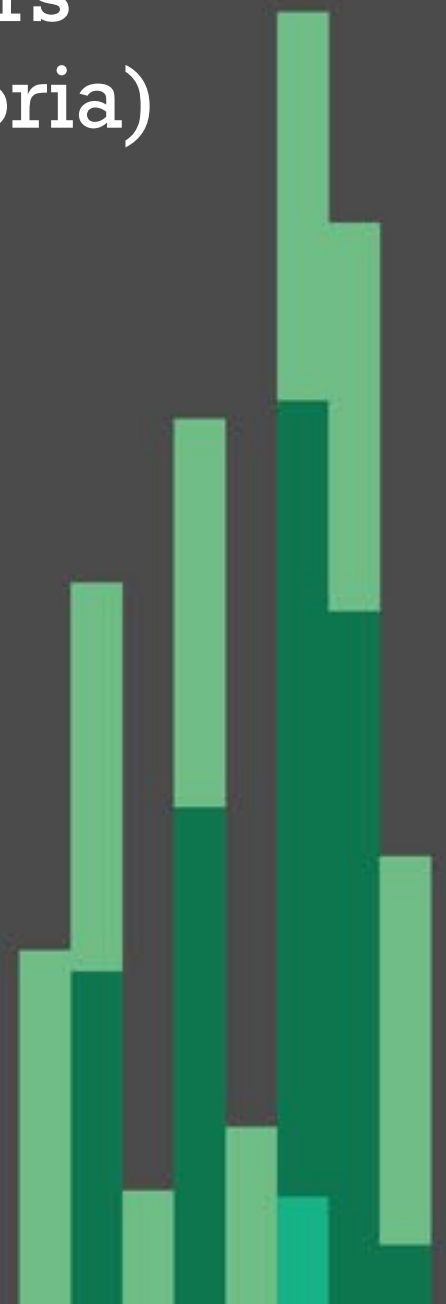
---

Victorian  
Independent  
Remuneration  
Tribunal

---

Allowance payable to  
Mayors, Deputy Mayors  
and Councillors (Victoria)  
Annual Adjustment  
Determination 2023

Statement of Reasons



# Contents



<b>Abbreviations and glossary .....</b>	<b>7</b>
<b>Summary .....</b>	<b>9</b>
<b>1 Context.....</b>	<b>11</b>
1.1 Legislative requirements .....	11
1.2 Consultation .....	12
<b>2 Tribunal’s considerations.....</b>	<b>15</b>
2.1 Effective date.....	15
2.2 Adjustment to the value of the base allowance .....	15
2.2 Adjustment to the value of the Remote Area Travel Allowance .....	19
2.3 Conclusion .....	20
<b>Appendix A - Economic factors .....</b>	<b>21</b>
A.1 Current and projected economic conditions and trends.....	21
A.2 Financial position and fiscal strategy of the State of Victoria.....	27
A.3 Wages Policy.....	28
<b>References.....</b>	<b>30</b>



# Abbreviations and glossary



Term or abbreviation	Definition
2022 Local Government Annual Adjustment Determination	<i>Allowance payable to Mayors, Deputy Mayors and Councillors (Victoria) Annual Adjustment Determination 2022</i>
2023 Local Government Annual Adjustment Determination	<i>Allowance payable to Mayors, Deputy Mayors and Councillors (Victoria) Annual Adjustment Determination 2023</i>
ABS	Australian Bureau of Statistics
Comprehensive Determination	<i>Allowance payable to Mayors, Deputy Mayors and Councillors (Victoria) Determination No. 01/2022</i>
Council member	A Mayor, Deputy Mayor or Councillor
CPI	Consumer Price Index
Cth	Commonwealth Government of Australia
DTF	Department of Treasury and Finance
FWC	Fair Work Commission
GDP	Gross Domestic Product
GSP	Gross State Product
MP	Member of the Parliament of Victoria
NMW	National Minimum Wage
NSW	New South Wales
Qld	Queensland
RBA	Reserve Bank of Australia
SA	South Australia
Tas	Tasmania
Tribunal	Victorian Independent Remuneration Tribunal
Victorian Budget	<i>Victorian Budget 2023/24</i>
VIRTIPS Act	<i>Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019 (Vic)</i>

<b>Term or abbreviation</b>	<b>Definition</b>
WA	Western Australia
Wages Policy	Victorian Public Sector Wages Policy
WPI	Wage Price Index

# Summary



The Victorian Independent Remuneration Tribunal (Tribunal) has made a Determination providing for an annual adjustment to the values of the allowances payable to Mayors, Deputy Mayors and Councillors (Council members).

Before making the Determination, the Tribunal published notice of its intention to make a Determination and called for submissions in March 2023. The Tribunal considered all of the submissions 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.

## The Tribunal has adjusted the values of allowances from 1 July 2023

The Tribunal has decided to increase the base allowance payable to each Council member by 2 per cent from 1 July 2023. This is in addition to the 1.5 per cent adjustment made on 18 December 2023, resulting in an approximate 3.5 per cent increase to allowances compared to 1 July 2022.

The base allowances payable from 1 July 2023 are set out below:

Allowance Category	Value of base allowance from 1 July 2023 (\$ p.a.) <sup>(a)</sup>		
	Mayor	Deputy Mayor	Councillor
Category 1	79,492	39,746	25,650
Category 2	102,650	51,325	31,980
Category 3	126,958	63,480	38,316
Category 4	253,920	126,959	57,473

The Tribunal's 2023 Local Government Annual Adjustment Determination also applies to the future values of base allowances set in the Tribunal's Comprehensive Determination.

As such, a 2 per cent increase has also been applied to the values of the base allowances which will apply from:

- 18 December 2023

- 18 December 2024 (Mayors and Deputy Mayors only)
- 18 December 2025 (Mayors and Deputy Mayors only).

The Tribunal has also decided to increase the value of the Remote Area Travel Allowance by 2 per cent. From 1 July 2023, the Remote Area Travel Allowance will be \$45.90 per day for eligible Council members, up to a maximum of \$5,738 per annum.

### The Tribunal considered legislative and other factors


The Tribunal is required by legislation to consider several factors in making a Determination:

- 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 was also mindful of:

- the limited amount of time that has passed since the last annual adjustment to allowances of 1.5 per cent, which took effect on 18 December 2022
- recent remuneration adjustments for comparable local government roles in other Australian jurisdictions
- the Victorian Government's rate cap of 3.5 per cent for all Councils for 2023-24
- its 2023 Determination of salaries and allowances for Members of the Parliament of Victoria (MPs), which resulted in a 3.5 per cent increase in the MP basic salary.

# 1 Context



The Tribunal is required to make an annual adjustment to the values of the allowances payable to Council members set in a Determination under the *Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019* (Vic) (VIRTIPS Act).<sup>1</sup>

The Determination in effect is the *Allowance payable to Mayors, Deputy Mayors and Councillors (Victoria) Determination No. 01/2022* (Comprehensive Determination), which was made in March 2022.<sup>2</sup>

In December 2022, the Tribunal made its first annual adjustment to the values set in the Comprehensive Determination (2022 Local Government Annual Adjustment Determination). The Tribunal determined to increase the values of all base allowances by 1.5 per cent with effect from 18 December 2022. A 1.5 per cent increase was also applied to the daily rate for the Remote Area Travel Allowance.<sup>3</sup>

The Tribunal is required to include a statement of reasons in a Determination.<sup>4</sup> This Statement of Reasons relates to the *Allowance payable to Mayors, Deputy Mayors and Councillors (Victoria) Annual Adjustment Determination 2023* (2023 Local Government Annual Adjustment Determination).

The 2023 Local Government Annual Adjustment Determination takes effect on 1 July 2023. For ease of reference, the Tribunal has also published on its website a consolidated version of the Comprehensive Determination, incorporating changes made by the 2022 and 2023 annual adjustments.

## 1.1 Legislative requirements

Before making a Determination, the VIRTIPS Act requires the Tribunal to:<sup>5</sup>

---

<sup>1</sup> VIRTIPS Act, s. 23B.

<sup>2</sup> Victorian Independent Remuneration Tribunal (2022a).

<sup>3</sup> Victorian Independent Remuneration Tribunal (2022b), p. 8.

<sup>4</sup> VIRTIPS Act, s. 24(3).

<sup>5</sup> VIRTIPS Act, s. 24(1).

- 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.

In making a Determination, the VIRTIPS Act requires that the Tribunal take into account:<sup>6</sup>

- 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.

The Tribunal's analysis of the first three factors has been included as an appendix to this Statement of Reasons. Submissions received in relation to the Determination are discussed below.

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.<sup>7</sup>

## 1.2 Consultation

The Tribunal published notice of its intention to make a Determination on its website in March 2023. The notice contained a summary of the matters the Tribunal was required to consider and called for submissions by 28 April 2023.

In particular, stakeholders were invited to comment on the following questions:

- What, if any, adjustment to the values of allowances should the Tribunal consider?
- Which economic and financial indices should the Tribunal consider when adjusting the values of allowances?
- Are there other matters, in addition to those listed in the VIRTIPS Act, that the Tribunal should consider when making the Determination?

---

<sup>6</sup> VIRTIPS Act, s. 24(2).

<sup>7</sup> VIRTIPS Act, s. 5.

- Should the 2023 Local Government Annual Adjustment Determination take effect on 1 July 2023, or on some other date?

Local Government Victoria, part of the Department of Government Services, also issued a bulletin to the local government sector about the notice and opportunity to make a submission.

The Tribunal received three submissions, which have been published on the Tribunal's website in de-identified form.

One submission stated that allowances for Mayors and Deputy Mayors were appropriate, while calling for substantial increases to Councillor allowances 'to attract quality candidates with the requisite skill and experience' to perform the role. This submission also supported an effective date of 1 July 2023 for the 2023 Local Government Annual Adjustment Determination, and suggested that the Tribunal consider the impact of inflation on the value of Councillor allowances.

Another submission stated that allowances for Councillors and Deputy Mayors should be equal to the median wage 'at a minimum', and that allowances for all Council members (including Mayors) should 'be pegged against movements of the median wage going forward'.

A third submission stated that the Tribunal should not increase allowances for a particular Council, citing matters including financial difficulties faced by members of the community. It also called for increases in allowances to be based on performance and community feedback.

The Tribunal reset the values of allowances in March 2022 when it made the Comprehensive Determination, with increases to base allowances being phased in over five years for Mayors and Deputy Mayors and over three years for Councillors. In regard to Councillor allowances, the Tribunal considered that the values it set were:

*... consistent with both encouraging a diverse range of candidates to serve on Council and more appropriately recognising the necessary work and time contribution of those elected to the role.<sup>8</sup>*

Further, the Tribunal is responsible for adjusting the values of allowances for all Council members, and in doing so it does not assess the performance of individual

---

<sup>8</sup> Victorian Independent Remuneration Tribunal (2022a), p. 121.

Council members or Councils. In its Comprehensive Determination, the Tribunal noted that:

*The cycle of four-yearly elections provides a mechanism for voters to hold Council members to account for their performance. In performing their roles, Council members are also subject to a range of legal accountability and integrity frameworks and requirements.<sup>9</sup>*

---

<sup>9</sup> Victorian Independent Remuneration Tribunal (2022a), p. 56.



# 2 Tribunal's considerations



The Tribunal now turns to determining an annual adjustment to the values of the allowances payable to Council members.

## 2.1 Effective date

Under the VIRTIPS Act, the 2023 Local Government Annual Adjustment Determination takes effect on the date specified by the Tribunal.<sup>10</sup>

Annual adjustments for MPs and executives employed in public service bodies and prescribed public entities must take effect from 1 July of the year that they are made.<sup>11</sup> The Tribunal typically makes annual adjustments for those occupational groups in June.

The Tribunal has determined that the 2023 Local Government Annual Adjustment Determination will take effect on 1 July 2023, consistent with the arrangements for MPs and executives.

## 2.2 Adjustment to the value of the base allowance

In determining an adjustment to the values of base allowances, the Tribunal has, as required by legislation, considered a range of information on current and projected economic conditions, the fiscal strategy and financial position of the State of Victoria, the Victorian Public Sector Wages Policy (Wages Policy) and submissions received by the Tribunal.

---

<sup>10</sup> VIRTIPS Act, s. 25(1).

<sup>11</sup> VIRTIPS Act, s. 25(5).

The Tribunal has also considered other relevant information, including:

- the limited amount of time that has passed since the last annual adjustment
- recent adjustments to allowances for Council members in other Australian jurisdictions
- the Victorian Government's rate cap for all councils for 2023-24
- its 2023 Determination of salaries and allowances for MPs.

## Movements in wages and prices

Australian Bureau of Statistics (ABS) data on movements in prices since the making of the 2022 Local Government Annual Adjustment Determination show that, between the September quarter 2022 and March quarter 2023, the Melbourne Consumer Price Index (CPI) and national trimmed mean inflation both increased by 2.9 per cent.<sup>12</sup> With regard to wages, the Tribunal noted that the Victorian Wage Price Index (WPI) increased by 1.5 per cent.<sup>13</sup>

The *Victorian Budget 2023/24* (Victorian Budget), released in May 2023, forecast growth in the Melbourne CPI and Victorian WPI to average 4.25 per cent and 3.5 per cent, respectively, in 2023-24.<sup>14</sup> The Reserve Bank of Australia (RBA) expects national underlying inflation to be around 4 per cent over 2023.<sup>15</sup>

## Economic growth

Australia's real Gross Domestic Product (GDP) rose 0.2 per cent in the March quarter 2023, the lowest growth since the September quarter 2021, where the economy contracted due to the impact of COVID-19 lockdowns. Household consumption rose by 0.2 per cent in the quarter, with discretionary spending down 1 per cent due to the impact of cost-of-living pressures.<sup>16</sup> In year-ended terms, the RBA forecast real GDP growth to slow to around 1.5 per cent over 2023-24, as rising interest rates and cost-of-living pressure weigh on economic activity.<sup>17</sup> In year-average terms, the Victorian economy is also forecast to grow by around 1.50 per cent over 2023-24.<sup>18</sup>

---

<sup>12</sup> ABS (2023c).

<sup>13</sup> ABS (2023f).

<sup>14</sup> DTF (2023), *Budget Paper No. 2: Strategy and Outlook*, p. 22.

<sup>15</sup> RBA (2023a).

<sup>16</sup> ABS (2023a).

<sup>17</sup> RBA (2023a); Commonwealth of Australia (2023), *Budget Paper No. 1: Budget Strategy and Outlook*, p. 58.

<sup>18</sup> DTF (2023), *Budget Paper No. 2: Strategy and Outlook*, p. 22.

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

The Victorian general government sector recorded an operating deficit of \$2.9 billion for the nine months to 31 March 2023.<sup>19</sup> Net debt is forecast to increase to around \$171 billion by June 2027. The Victorian Budget reiterated the Government's four-step fiscal strategy: creating jobs, reducing unemployment and restoring economic growth; returning to an operating cash surplus; returning to operating surpluses; and stabilising debt levels.<sup>20</sup>

## Wages Policy

The Victorian Government's Wages Policy provides for increases to wages and conditions under public sector enterprise agreements to be funded at a rate of growth of 3 per cent per annum. In addition to these annual wage increases, a separate lump sum cash payment equal to 0.5 per cent of overall agreement costs is available.<sup>21</sup>

## Annual Wage Review Decision 2022-23

The Fair Work Commission's (FWC) *Annual Wage Review 2022-23* decision increased the National Minimum Wage (NMW) by 8.6 per cent and modern award minimum wages by 5.75 per cent with effect from 1 July 2023.<sup>22</sup>

## Adjustments to allowances in other jurisdictions

Table 2.1 summarises the adjustments that have been made to allowances for Council members in other Australian jurisdictions in 2023, where available. The data show only small adjustments.

---

<sup>19</sup> DTF (2023), *Budget Paper No. 5: Statement of Finances*, p. 221.

<sup>20</sup> DTF (2023), *Budget Paper No. 2: Strategy and Outlook*, p. 3.

<sup>21</sup> Industrial Relations Victoria (2023), p. 3.

<sup>22</sup> Fair Work Commission (2023), pp. 69-72.

**Table 2.1: Adjustments to allowances for Council members in other Australian jurisdictions**

Jurisdiction	Adjustment from 1 July 2023 (unless otherwise stated) (%)
New South Wales	3
Queensland	3 – 4 <sup>(a)</sup>
South Australia	TBA <sup>(b)</sup>
Western Australia	1.5
Tasmania	TBA <sup>(c)</sup>
Northern Territory	N/A <sup>(d)</sup>

Notes: (a) An increase of 4 per cent was applied to allowances for Categories 1-3, which consists largely of regional and rural Councils, while an increase of 3 per cent was applied to allowances for Categories 4-8, which encompass metropolitan Councils. (b) Allowances are automatically indexed on the first, second and third anniversaries of the relevant periodic local government elections to reflect changes in the CPI for Adelaide. The next adjustment will be in November 2023. (c) Allowances are automatically indexed on 1 November each year in line with the annual change in the WPI for Tasmania. (d) The Northern Territory Remuneration Tribunal made its first Determination of allowances on 24 January 2023, which reset the allowances framework. Regional Councils received an increase of approximately 8 to 9 per cent, with smaller increases for other Councils.

Sources: *Local Government Act 1999* (SA), s. 76(9); *Local Government (General) Regulations 2015* (Tas), regulation 42(2); Local Government Remuneration Commission (Qld) (2023), p. 6; Local Government Remuneration Tribunal (NSW) (2023), p. 4; Northern Territory Remuneration Tribunal (2023), pp. 9-13; Salaries and Allowances Tribunal (WA) (2023), p. 3.

## Tribunal’s 2023 Determination of MP salaries and allowances

On 20 June 2023, the Tribunal made the *Members of Parliament (Victoria) Determination No. 01/2023*. That Determination increased the value of the basic salary for MPs by 3.5 per cent, with effect from 1 July 2023.<sup>23</sup>

### Rate cap

In December 2022, the Victorian Government announced a rate cap of 3.5 per cent for 2023-24.<sup>24</sup> This is the maximum amount by which a Council can increase general rates and municipal charges in 2023-24.

### Conclusion on base allowances

Having regard to all such considerations, the Tribunal has determined to increase the values of all base allowances by 2 per cent from 1 July 2023.

When combined with the 1.5 per cent increase determined by the Tribunal in December 2022, base allowances will have increased by approximately 3.5 per cent since 1 July 2022 (not taking into account the impact of the phased increase on 18 December 2022). This is consistent with the increase to the MP basic salary from 1 July 2023, as well as the rate cap for 2023-24.

<sup>23</sup> Victorian Independent Remuneration Tribunal (2023).

<sup>24</sup> State Government of Victoria (2022).

The Tribunal’s 2023 Local Government Annual Adjustment Determination also applies to the future values of base allowances set in the Tribunal’s Comprehensive Determination.

As such, a 2 per cent increase has been applied to the base allowance values which will apply from:

- 18 December 2023
- 18 December 2024 (Mayors and Deputy Mayors only)
- 18 December 2025 (Mayors and Deputy Mayors only).

Tables 2.2 – 2.4 set out the new base allowance values, incorporating the phased increases and 2 per cent annual adjustment rate.

**Table 2.2: Value of the base allowance for Mayors**

Council allowance category	Value of base allowance (\$ per annum)			
	1 July 2023	18 Dec 2023	18 Dec 2024	18 Dec 2025
Category 1	79,492	81,641	83,789	85,937
Category 2	102,650	105,424	108,200	110,973
Category 3	126,958	130,390	133,822	137,253
Category 4	253,920	260,782	267,646	274,508

**Table 2.3: Value of the base allowance for Deputy Mayors**

Council allowance category	Value of base allowance (\$ per annum)			
	1 July 2023	18 Dec 2023	18 Dec 2024	18 Dec 2025
Category 1	39,746	40,819	41,894	42,969
Category 2	51,325	52,713	54,100	55,487
Category 3	63,480	65,195	66,910	68,626
Category 4	126,959	130,391	133,823	137,254

**Table 2.4: Value of the base allowance for Councillors**

Council allowance category	Value of base allowance (\$ per annum)	
	1 July 2023	18 Dec 2023
Category 1	25,650	26,368
Category 2	31,980	32,877
Category 3	38,316	39,390
Category 4	57,473	59,085

## 2.2 Adjustment to the value of the Remote Area Travel Allowance

Taking into account the legislative factors it is required to consider and the other factors to which the Tribunal has referred in determining the increase to the base

allowance, the Tribunal has also determined to apply a 2 per cent increase to the value of the Remote Area Travel Allowance.

From 1 July 2023, the Remote Area Travel Allowance will be \$45.90 per day for eligible Council members, up to a maximum of \$5,738 per annum.

## 2.3 Conclusion

This Statement of Reasons explains the Tribunal's considerations in making the 2023 Local Government Annual Adjustment Determination.

Before making the Determination, the Tribunal published notice of its intention to make a Determination and called for submissions in March 2023. The Tribunal considered all of the submissions 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 determined to make an annual adjustment to the values of the allowances payable to Council members, taking into account a range of legislative and other considerations.

This Determination adjusts the value of the base allowance payable to each Council member by 2 per cent. This Determination also adjusts the value of the Remote Area Travel Allowance by the same percentage.

This Determination will take effect on 1 July 2023.

# Appendix A - Economic factors



This appendix sets out the Tribunal’s analysis of the following factors, which it is required to consider in making a Determination:

- current and projected economic conditions and trends
- the financial position and fiscal strategy of the State of Victoria
- 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.

## A.1 Current and projected economic conditions and trends

The Tribunal’s analysis of current and projected economic conditions and trends has been informed by the latest data and forecasts from the ABS and the RBA, the Victorian and Commonwealth budgets, the FWC’s *Annual Wage Review 2022-23* and other relevant information.

### International economic conditions

According to the RBA’s latest *Statement on Monetary Policy* (May 2023), inflation has passed its peak in many advanced economies but remains high globally. Central banks are forecasting inflation to fall further over 2023, although the RBA noted that it is expected to take a couple of years for inflation to return to target in most advanced economies. The RBA also observed that unemployment rates remain near historical lows in many economies, while global growth has slowed and is forecast to remain below average over the next couple of years.<sup>25</sup>

---

<sup>25</sup> RBA (2023c), pp. 5-7.

## Australian economic conditions

ABS data show that Australia's real GDP rose 0.2 per cent in the March quarter 2023 and 2.3 per cent through the year. This was the weakest quarterly growth since the September quarter 2021, when the economy contracted due to the impact of COVID-19 lockdowns. Household consumption also recorded its weakest quarterly rise (0.2 per cent) since the September quarter 2021, with discretionary spending falling by 1 per cent due to cost-of-living pressures.<sup>26</sup>

The RBA noted that inflation appears to have passed its peak but remains very high.<sup>27</sup> Year-ended headline inflation and trimmed mean inflation (the RBA's preferred measure of underlying inflation) declined to 7 per cent and 6.6 per cent respectively in the March quarter 2023. The decline was driven by slowing goods inflation, but was partly offset by an increase in services inflation, which reached its highest level (6.1 per cent) since 2001.<sup>28</sup>

In response to inflationary pressures, the RBA Board has increased its cash rate target 12 times since May 2022, from 0.10 per cent to 4.10 per cent as at June 2023. RBA Governor Philip Lowe stated that the Board's decision to increase the cash rate target by a further 25 basis points at its meeting in June 2023 was to 'provide greater confidence that inflation will return to target within a reasonable timeframe'. In this regard, Governor Lowe noted that upside risks to the inflation outlook have increased, and flagged that 'some further tightening of monetary policy may be required'.<sup>29</sup>

The RBA noted that conditions in the national labour market remain tight, with the national unemployment rate remaining around its 50-year low of 3.5 per cent.<sup>30</sup> The tightness in the labour market has contributed to a pick-up in wages growth. Annual growth in the seasonally adjusted WPI increased to 3.7 per cent in March 2023, the highest growth rate in over a decade.<sup>31</sup>

---

<sup>26</sup> ABS (2023a).

<sup>27</sup> RBA (2023c), p. 1.

<sup>28</sup> ABS (2023c).

<sup>29</sup> RBA (2023b).

<sup>30</sup> RBA (2023c), p. 21.

<sup>31</sup> ABS (2023f).



According to ABS analysis, for those jobs that recorded an hourly wage rise in the March quarter 2023:<sup>32</sup>

- the average increase was 4.3 per cent in the private sector and 3 per cent in the public sector, compared to 3.4 per cent and 2.1 per cent a year earlier
- around half received an increase greater than 3 per cent, compared to around one-in-five a year earlier
- around 35 per cent received an increase greater than 4 per cent, compared to around 13 per cent a year earlier.

The FWC issued its *Annual Wage Review 2022-23* decision on 2 June 2023. The decision, which comes into effect on 1 July 2023, increased modern award minimum wages by 5.75 per cent and the NMW by a total of 8.6 per cent.<sup>33</sup> The increase to the NMW comprised two components:<sup>34</sup>

- a 2.7 per cent increase resulting from aligning the NMW with the lowest classification rate applicable to ongoing employees in most modern awards
- a further 5.75 per cent increase.

In determining the amount of the increase to modern award minimum wages, the FWC stated that it:

*... placed significant weight on the impact of the current rate of inflation on the ability of modern award-reliant employees to meet their basic financial needs. Inflation is reducing the real value of these employees' incomes and causing households financial stress.*<sup>35</sup>

The FWC expects that the increase to modern award minimum wages 'will not cause or contribute to any wage-price spiral', and that the increase to the NMW (which applies to fewer than one per cent of employees) 'will not have any discernible macro-economic effects'.<sup>36</sup>

The RBA's forecasts for the Australian economy are reproduced in Table A.1. In summary:

- real GDP growth is expected to slow to around 1.25 per cent over 2023, as rising interest rates and cost-of-living pressures weigh on growth<sup>37</sup>

---

<sup>32</sup> ABS (2023f).

<sup>33</sup> FWC (2023), pp. 69-72.

<sup>34</sup> FWC (2023), pp. 69-70.

<sup>35</sup> FWC (2023), p. 7.

<sup>36</sup> FWC (2023), pp. 70, 72.

<sup>37</sup> RBA (2023c), p. 72.

- inflation is forecast to decline gradually, with trimmed mean inflation expected to be around the top of the 2-3 per cent target range by mid-2025<sup>38</sup>
- the national unemployment rate is forecast to steadily increase over the coming years as economic growth slows, but is expected to remain below pre-pandemic levels<sup>39</sup>
- WPI growth is expected to peak at around 4 per cent in the second half of 2023, before gradually declining to 3.75 per cent in mid-2025.<sup>40</sup>

**Table A.1: RBA forecasts for the Australian economy, May 2023<sup>(a)</sup>**

Indicator	June 2023	Dec 2023	June 2024	Dec 2024	June 2025
Real GDP <sup>(b)</sup>	1.7	1.2	1.4	1.7	2.1
Unemployment rate <sup>(c)</sup>	3.6	4.0	4.2	4.4	4.5
CPI <sup>(b)</sup>	6.3	4.5	3.6	3.2	3.0
Australian trimmed mean <sup>(b)</sup>	6.0	4.0	3.3	3.1	2.9
WPI growth <sup>(b)</sup>	3.8	4.0	3.9	3.8	3.7

Notes: (a) Forecasts are rounded to the first decimal point. (b) Year-ended growth. (c) Average rate in the quarter. Source: RBA (2023a).

The *Commonwealth Budget 2023-24*, released in May 2023, included Treasury forecasts for the Australian economy (Table A.2). These were broadly consistent with the RBA's forecasts, although the Tribunal noted the following differences:<sup>41</sup>

- Treasury forecast inflation to decline faster, with year-ended CPI growth expected to be around 2.75 per cent in June 2025 (compared to the RBA's forecast of 3 per cent)
- Treasury forecast a sharper decline in wages growth, with WPI growth expected to be 3.25 per cent in June 2025 (compared to the RBA's forecast of 3.75 per cent).

**Table A.2: Commonwealth Budget 2023-24 — forecasts for the Australian economy**

Indicator	2022-23	2023-24	2024-25
Real GDP <sup>(a)</sup>	3.25	1.50	2.25
Unemployment rate <sup>(b)</sup>	3.50	4.25	4.50
CPI <sup>(c)</sup>	6.00	3.25	2.75
WPI growth <sup>(c)</sup>	3.75	4.00	3.25

Notes: (a) Percentage change in year-average terms compared with the previous year. (b) Seasonally adjusted rate for the June quarter. (c) Year-ended growth to the June quarter.

Source: Commonwealth of Australia (2023), *Budget Paper No. 1: Budget Strategy and Outlook*, p. 58.

<sup>38</sup> RBA (2023c), p. 71.

<sup>39</sup> RBA (2023c), pp. 74-75.

<sup>40</sup> RBA (2023c), p. 75.

<sup>41</sup> Commonwealth of Australia (2023), *Budget Paper No. 1: Budget Strategy and Outlook*, p. 58.

## Victorian economic conditions

ABS data show that Victoria's real Gross State Product (GSP) rose 5.6 per cent in 2021-22 — the highest growth rate of any state or territory.<sup>42</sup> Victoria also recorded the highest growth in seasonally adjusted State Final Demand<sup>43</sup> in 2022 (6.1 per cent), and the second highest growth in the March quarter 2023 (0.7 per cent).<sup>44</sup>

The latest ABS labour statistics show that conditions in the Victorian labour market have started to ease, but remain tight by historical standards. Victoria's seasonally adjusted unemployment rate was 3.7 per cent in May 2023, while the seasonally adjusted participation rate was 67.6 per cent.<sup>45</sup>

Regarding movements in prices, the Melbourne CPI rose 1.2 per cent in the March quarter 2023. This was the smallest increase since the December quarter 2021, with growth slowing in each of the last two quarters. In year-ended terms, Melbourne CPI growth moderated from 8 per cent in the December quarter 2022 to 6.8 per cent in the March quarter 2023. Despite the decline, 6.8 per cent is the third-highest annual growth recorded in any quarter since 1991. A measure of underlying inflation, the Melbourne CPI excluding 'volatile items'<sup>46</sup>, increased by 7.1 per cent over the same period.<sup>47</sup>

Wage growth has picked up in recent quarters, with annual growth in the Victorian WPI increasing to 3.5 per cent in the March quarter 2023. This was the fastest growth since 2012, and was driven primarily by a 3.7 per cent increase in private sector wages. Meanwhile, public sector wages grew by a more subdued 3 per cent, consistent with the recent trend of slower growth relative to the private sector. The private sector has now recorded higher year-ended wage growth than the public sector in each of the last eight quarters.<sup>48</sup>

The Tribunal also noted the following with regard to wage movements:

- full-time Victorian adult average weekly ordinary time earnings increased by 2.0 per cent (in seasonally adjusted terms) through the year to November 2022<sup>49</sup>

---

<sup>42</sup> ABS (2022).

<sup>43</sup> State Final Demand is a broad measure of the demand for goods and services in the Victorian economy. It is distinct from GSP as it does not measure output or production.

<sup>44</sup> ABS (2023a).

<sup>45</sup> ABS (2023e).

<sup>46</sup> 'Volatile items' are fruit, vegetables and automotive fuel. (ABS 2023d).

<sup>47</sup> ABS (2023c).

<sup>48</sup> ABS (2023f).

<sup>49</sup> ABS (2023b).

- the average annualised wage increase for Victorian enterprise agreements current at 31 December 2022 was 2.5 per cent, and 2.4 per cent for agreements approved in the December quarter 2022<sup>50</sup>
- the SEEK Advertised Salary Index rose 4.2 per cent through the year to April 2023.<sup>51</sup>

The Victorian Budget, released in May 2023, stated that ‘the economic outlook [for Victoria] remains positive’, while forecasting subdued growth in 2023-24 as high interest rates and inflation weigh on economic activity.<sup>52</sup>

The Victorian Budget forecasts for the Victorian economy are reproduced in Table A.3. In summary:<sup>53</sup>

- real GSP growth is expected to be 2.75 per cent in 2022-23, before moderating to 1.50 per cent in 2023-24 as rising interest rates and high inflation affect household spending
- the unemployment rate is projected to rise gradually to average 4.75 per cent in 2025-26 and 2026-27
- growth in the Melbourne CPI is expected to average 7 per cent in 2022-23, before declining to the middle of the RBA’s target range in 2025-26
- growth in the Victorian WPI is expected to average 3.5 per cent from 2022-23 through to 2024-25, before moderating to 3.25 per cent in years thereafter.

**Table A.3: Victorian Budget 2023/24 – forecasts for the Victorian economy**

Indicator	2022-23 (forecast)	2023-24 (forecast)	2024-25 (forecast)	2025-26 (projection)	2026-27 (projection)
Real GSP <sup>(a)</sup>	2.75	1.50	2.50	2.75	2.75
Unemployment rate <sup>(b)</sup>	3.75	4.25	4.50	4.75	4.75
Melbourne CPI <sup>(a)</sup>	7.00	4.25	2.75	2.50	2.50
Victorian WPI <sup>(a)</sup>	3.50	3.50	3.50	3.25	3.25

Notes: (a) Percentage change in year-average terms compared with the previous year. (b) Year average.

Source: DTF (2023), *Budget Paper No. 2: Strategy and Outlook*, p. 22.

The Victorian Budget noted that risks to Victoria’s economic outlook remain higher than normal. In terms of upside risks, the tight labour market could lead to higher than expected growth in household consumption. On the other hand, a downside risk is that persistent high inflation could become self-sustaining if inflation expectations become de-anchored and firms and employees ‘build these

<sup>50</sup> Department of Employment and Workplace Relations (Cth) (2023), pp. 29, 31.

<sup>51</sup> SEEK (2023). The SEEK Advertised Salary Index measures the change in advertised salaries over time for jobs posted on SEEK, while removing much of the effect of compositional change.

<sup>52</sup> DTF (2023), *Budget Paper No. 2: Strategy and Outlook*, p. 21.

<sup>53</sup> DTF (2023), *Budget Paper No. 2: Strategy and Outlook*, p. 22.

higher expectations into their wage bargaining and price-setting behaviour'. This could in turn lead the RBA to raise interest rates further or leave them higher for longer, which would weigh on economic activity. Globally, there is a risk that further escalation in the conflict between Russia and Ukraine could 'further destabilise energy prices and elevate geopolitical tensions'.<sup>54</sup>

## A.2 Financial position and fiscal strategy of the State of Victoria

The Tribunal's analysis of the financial position and fiscal strategy of the State of Victoria has been informed by the Victorian Budget, including the latest quarterly financial statement.

According to the Victorian Budget, the general government sector recorded an operating deficit of \$2.9 billion for the nine months to 31 March 2023. Total revenue increased by \$2.1 billion compared to the corresponding period in the previous financial year. This was driven by a 9 per cent increase in taxation revenue, and partially offset by a decrease in grants revenue. Total expenses decreased by \$4.4 billion compared to the corresponding period in the previous financial year due to the winding down of business support measures introduced in response to COVID-19.<sup>55</sup>

The Victorian Budget reiterated the Victorian Government's four-step fiscal strategy, first outlined in the *Victorian Budget 2020/21* in response to the COVID-19 pandemic.<sup>56</sup>

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

To support its fiscal strategy, the Victorian Government announced a COVID-19 Debt Repayment Plan to help pay down debt incurred as a result of the response to the COVID-19 pandemic, estimated at \$31.5 billion. The plan includes a range of revenue and savings measures over 10 years.<sup>57</sup>

---

<sup>54</sup> DTF (2023), *Budget Paper No. 2: Strategy and Outlook*, p. 39.

<sup>55</sup> DTF (2023), *Budget Paper No. 5: Statement of Finances*, pp. 221-222.

<sup>56</sup> DTF (2023), *Budget Paper No. 2: Strategy and Outlook*, p. 3.

<sup>57</sup> DTF (2023), *Budget Paper No. 2: Strategy and Outlook*, p. 7.

One of these is the introduction of a temporary COVID-19 Debt Levy, which will levy additional payroll tax on businesses with national payrolls above \$10 million per year, decrease the tax-free threshold for general land taxes and adjust fixed charges and land tax rates. These measures are expected to raise \$8.6 billion over four years, with the levy expected to end on 30 June 2033.<sup>58</sup>

The Victorian Government also announced a range of savings and efficiency initiatives to be implemented across the public sector, including reductions in the number of Victorian Public Service staff across corporate and back office functions. Further savings will be achieved via reductions in labour hire and consultancy expenditure and efficiencies across public non-financial corporations and public financial corporations. In total, these measures are expected to save \$2.1 billion over four years.<sup>59</sup>

An operating deficit for the general government sector of \$10.3 billion is forecast for 2022-23, with smaller deficits forecast for the following years before an expected return to an operating surplus in 2025-26. Meanwhile, an operating cash flow surplus of \$2.9 billion is forecast for 2022-23.<sup>60</sup> Net debt for the general government sector was approximately \$108 billion at 31 March 2023,<sup>61</sup> and is forecast to increase to around \$171 billion (24.5 per cent of GSP) by June 2027.<sup>62</sup>

## A.3 Wages Policy

In April 2023, the Treasurer of Victoria announced the introduction of a new *Victorian Public Sector Wages Policy* (Wages Policy), with immediate effect.<sup>63</sup>

Box A.1 summarises the key features of the new Wages Policy, which applies to enterprise agreements negotiated by public sector employers.

In particular, the new Wages Policy provides that:<sup>64</sup>

- 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

<sup>58</sup> DTF (2023), *Budget Paper No. 3: Service Delivery*, p. 6.

<sup>59</sup> DTF (2023), *Budget Paper No. 3: Service Delivery*, p. 6.

<sup>60</sup> DTF (2023), *Budget Paper No. 2: Strategy and Outlook*, p. 53.

<sup>61</sup> DTF (2023), *Budget Paper No. 5: Statement of Finances*, p. 223.

<sup>62</sup> DTF (2023), *Budget Paper No. 2: Strategy and Outlook*, p. 53.

<sup>63</sup> State Government of Victoria (2023).

<sup>64</sup> Industrial Relations Victoria (2023), p.3.

- 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.

### **Box A.1: Victorian Public Sector Wages Policy — summary**

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 3.0 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<sup>(a)</sup> 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.

A ‘Secondary Pathway’ is also available for public sector agencies whose current enterprise agreement reaches its nominal expiry date before 1 January 2024, which permits agreements to be made on the following terms:

- wage and allowance increase funded at a rate of growth of 3.50 per cent per year, pro-rated
- a nominal expiry date of between 12 to 18 months from the nominal expiry date of the current agreement
- all other terms and conditions as contained in the current agreement, except for where a change is required under the Public Sector Industrial Relations Policies, to further mutually agreed whole-of-Government initiatives, to resolve legal issues, or minor changes to improve the clarity of the agreement.

Note: (a) The Public Sector Priorities are: the delivery of exceptional services and value for Victorians; a professional and responsive public sector; government as a fair and best practice employer.

Source: Industrial Relations Victoria (2023).

# References

Australian Bureau of Statistics (ABS) (2022), *Australian National Accounts: State Accounts, 2021-22 financial year*.

——— (2023a), *Australian National Accounts: National Income, Expenditure and Product, March quarter 2023*.

——— (2023b), *Average Weekly Earnings, Australia*, reference period November 2022.

——— (2023c), *Consumer Price Index, Australia*, March quarter 2023.

——— (2023d), *Consumer Price Index, Australia, methodology*, reference period March quarter 2023, <https://www.abs.gov.au/methodologies/consumer-price-index-australia-methodology/mar-quarter-2023>, last updated 26 April 2023.

——— (2023e), *Labour Force, Australia*, May 2023.

——— (2023f), *Wage Price Index, Australia*, March quarter 2023.

Commonwealth of Australia (2023), *Budget 2023-24*.

Department of Employment and Workplace Relations (Cth) (2023), *Trends in Federal Enterprise Bargaining – December quarter 2022*.

Department of Treasury and Finance (DTF) (2023), *Victorian Budget 2023/24*.

Fair Work Commission (FWC) (2023), *Decision — Annual Wage Review 2022-23*, <https://www.fwc.gov.au/documents/resources/2023fwcfb3500.pdf>, last accessed 26 June 2023.

Industrial Relations Victoria (2023), *Wages Policy and the Enterprise Bargaining Framework*.

Local Government Remuneration Commission (Qld) (2023), *Annual Report 2021-22*.

Local Government Remuneration Tribunal (NSW) (2023), *Annual Determination*.



Northern Territory Remuneration Tribunal (2023), *Report and Determination No. 1 of 2023 – Allowances for Members of Local Government Councils*.

Reserve Bank of Australia (RBA) (2023a), *Forecast Table – May 2023*.

— — — (2023b) *Statement by Philip Lowe, Governor: Monetary Policy Decision – June 2023*.

— — — (2023c), *Statement on Monetary Policy – May 2023*.

Salaries and Allowances Tribunal (WA) (2023), *Local Government Chief Executive Officers and Elected Members Determination No. 1 of 2023*.

SEEK (2023), *Advertised Salary Index*, April 2023.

State Government of Victoria (2022), *Victorian Council Rate Cap Set for Next Financial Year*, <https://www.premier.vic.gov.au/victorian-council-rate-cap-set-next-financial-year-0>, last updated 29 December 2022.

— — — (2023), *New Wages Policy Strikes Responsible Balance for Victoria*, <https://www.premier.vic.gov.au/site-4/new-wages-policy-strikes-responsible-balance-victoria>, last updated 4 April 2023.

Victorian Independent Remuneration Tribunal (2022a), *Allowance payable to Mayors, Deputy Mayors and Councillors (Victoria) Determination No. 01/2022*.

— — — (2022b), *Allowance payable to Mayors, Deputy Mayors and Councillors (Victoria) Annual Adjustment Determination 2022*.

— — — (2023), *Members of Parliament (Victoria) Determination No. 01/2023*.