

# Fact sheet on public entity executive classification framework



**Victorian  
Public Sector  
Commission**

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The [Public Entity Executive Classification Framework](#) applies to public entity executives, as defined under paragraph 4.1 of the [Public Entity Executive Remuneration Policy \(PEER Policy\)](#).

## What's happening

We've started reforming executive employment in prescribed Victorian public entities.

This includes 3 key reforms:

### **Reform 1: Public Entity Executive Classification Framework (PEECF)**

The PEECF sets out the work value methodology for assessing and classifying public entity executive roles.

It will make executive roles more consistent and transparent across the public sector.

Executive roles in your public entity will undergo a work-value assessment in the next 12 months.

If any executives in your public entity are employed under Part 3 of the [Public Administration Act 2004](#), you need to classify them under the [Victorian Public Service Executive Classification Framework \(DOC, 26KB\)](#), not the PEECF.

The assessment program is about classifying the work value of executive roles. It's not a performance review of executives.

### **Reform 2: Determination of remuneration bands for executives in prescribed public entities**

The Victorian Independent Remuneration Tribunal has made a [determination of](#)

remuneration bands for prescribed public entities.

Public entities will need to apply these bands to all executives.

If a role hasn't been assessed against the PEECF on the date of the determination, an executive's remuneration will be used to assign the role to a band until your public entity implements the results of the work value assessment.

## Reform 3: Public Entity Executive Remuneration (PEER) Policy

The PEER Policy has also been updated to reflect the [determination of remuneration bands](#) and roll out of the PEECF .

Read more in the updated [PEER Policy](#).

Read about the [history of these reforms](#).

## How the reforms will work

### When we'll assess roles in your public entity

We've started assessments in some public entities already and will continue with assessments for all public entities based on the following schedule:

| Portfolio department                      | Timeframe                      |
|---|--------------------------------|
| Department of Education and Training      | November 2020 to February 2021 |
| Department of Jobs, Precincts and Regions | January to March 2021          |

|   |                            |
|---|----------------------------|
| Department of Environment, Land, Water and Planning | March to June 2021         |
| Department of Justice and Community Safety Victoria | July to September 2021     |
| Department of Transport                             | September to November 2021 |
| Department of Health                                | December 2021              |
| Department of Families, Fairness and Housing        | December 2021              |
| Department of Treasury and Finance                  | December 2021              |
| Department of Premier and Cabinet                   | December 2021              |

We've worked with portfolio departments to try and align assessment periods in less critical times of the year. This schedule may be subject to change.

We'll send out more information to you closer to each assessment period.

## Assessing a role outside the schedule

If there are roles in your public entity that need to be assessed ahead of this schedule, speak with your CEO first.

If your CEO agrees to request an early assessment, [contact us](#) with your request to discuss the timing of an early assessment. We recommend you also speak with your portfolio department.

An assessment is required for:

- all new roles
- renewed contracts
- changes to remuneration other than the annual adjustment determined by the Tribunal or government

If you request an early assessment for another reason, we'll consider it on a case-by-case basis.

If your public entity wants to delay work value assessments beyond the 12-month schedule, you must seek written consent from your portfolio department Secretary.

They'll only grant approval in exceptional circumstances and in consultation with the Department of Premier and Cabinet and us.

## When you'll know the result of executive assessments

We'll prepare an assessment report for each public entity, which we'll give to the:

- the CEO or equivalent
- the chair of the board, in the case of a CEO assessment

The date we give each public entity their report is in the Service Level Agreement between us and your portfolio department.

It's up to the CEO and/or chair of the board to act on the findings, such as if they want to share it with executives or HR.

## When public entities will implement assessments

See the table below for the possible outcomes and actions that result from an assessment.

When the CEO or chair of the board act on an assessment:

- they can decide what action to take at a time that suits their organisation



- a role is still subject to the terms and conditions in the incumbent’s contract
- they can reclassify a role right away, when creating a new position, renewing an expiring contract or making a remuneration adjustment.

At the time a new contract is issued, the CEO or chair of the board must implement assessments for new appointments, reappointments or mid-contract adjustments.

Your public entity is best placed to decide on how to implement the assessment reports in the context of:

- current and future planning
- financial circumstances
- strategic direction
- organisational goals

There may be other factors that influence if a public entity acts now or in the future.

## Possible outcomes and actions following an assessment

| Outcome   | Possible action     |
|---|---------------------|
| The assessment outcome is in the remuneration band the role was allocated to on the date of the Determination | No action required. |



The assessment outcome puts the role in a higher band relative to band the role was allocated to on the date of the Determination

The CEO or chair of the board may decide to:

- remove tasks, responsibilities or accountabilities to lower the work value of a position to fit it to its current remuneration
- increase remuneration to align to the assessed band

The assessment outcome puts the role in a lower band relative to band the role was allocated to on the date of the Determination

The CEO or chair of the board may decide to:

- add tasks, responsibilities or accountabilities to raise the work value of a position to fit to its current alignment
- decrease remuneration to align to the assessed band, considering contract terms and conditions

The assessment outcome puts the role at the edge of a classification, either at the highest score or lowest score possible for that band. If this happened, the assessment team would tell the CEO or chair of the board in the outcome report. The team would hold validation meetings on which outcomes are borderline and what the possible courses of action are.

The CEO or chair of the board may decide to:

- re-examine the position, drawing on assessment information gathered and any new information sources
- add or remove tasks or responsibilities to fit the position in its current classification
- amend remuneration to align to the assessed band

The assessment outcome means the role doesn't meet an executive classification.

If the work value score for a position is less than 21, the role doesn't meet an executive classification

## If you want to make changes based on an assessment

As a result of a work value assessment, you can:

- change executive roles, responsibilities or remuneration as described above, but only when the contract expires or if the executive agrees to negotiate a contract variation
- change a CEO's role, as long as you've checked if you need Ministerial approval under the entity's enabling legislation.

## Possible impacts on executives

### Impacts on current remuneration of executives

When we assess executive roles, don't assume the executive's remuneration will change.

The contract between the employer and an executive sets out remuneration.

Changes to contracts need a mutual agreement between the employer and executive.

According to the terms of the contract, executives can discuss remuneration with their employer at the time of contract renewal or otherwise.

If a role has not yet been assessed, your public entity must use the PEECF or VPSCF to classify the role first before making a change to remuneration.

This doesn't include the annual adjustment determined by the Tribunal or government.

### How the determination will apply if a role hasn't been classified

The [determination of remuneration bands](#) must be applied to all executives on the



date it's made.

If a role has not been assessed on the date of the determination, an executive's remuneration will be used to assign the role to a band until your public entity implements the results of the work value assessment.

## **How the work value assessments and remuneration determination relate**

Executive classification is one of many factors that determine remuneration.

Work value assessments determine a classification for a role. This classification will indicate a remuneration band with a range of values between which the role can be remunerated.

The [Victorian Independent Remuneration Tribunal's remuneration guidelines](#) show you how to remunerate a role in the band.

You must seek their advice if you want to remunerate a role above a band.

## **Impact on new contracts**

From 18 December 2020, if you prepare a new contract before we assess your public entity, the role will need to undergo a work-value assessment as per the PEECF or VPSCF.

This includes when your CEO or chair of public board:

- creates a new position
- makes a remuneration change, other than the annual adjustment
- renews an expiring contract.

## **Working with your public entity**

### **How we'll work with your public entity**

To implement the PEECF, we'll use a similar model to the Victorian Public Service executive classification program that we're implementing now.



This will include a fee-for-service model to assess and moderate the work value of all public entity executive roles.

We'll have a Service Level Agreement with your portfolio department for undertaking assessments.

You can speak to your portfolio department for more information on your entity's agreement.

To support public entities, we'll run training and provide resources on how to use the PEECF.

## Further reforms

### Executive workforce reforms still to come

In the 2020 to 2021 financial year, we'll put a process in place for public entities to certify their compliance with executive employment policy and processes.

This process will help us check how effective new oversight arrangements are for employment and classification of executives.

### Compliance certification requirements

Each public entity board chair will need to make a submission in our online system to complete the compliance certification.

For this year, we'll limit the certification to executive employment reforms that were in force at the start of the financial year.

This won't include:

- requirements of the updated PEER policy
- the [determination of remuneration bands](#)
- implementation of the PEECF.

In the 2021 to 2022 financial year, we'll broaden the compliance certification to capture the full set of reforms.



## When we'll send out more information

We'll send public entity CEOs, HR directors and chairs of boards more information on compliance certification in early 2021.

## Further information after reading this fact sheet

If you need more information after reading this fact sheet, contact your portfolio department contact in the first instance.

If you're not sure who that is, please [contact us](#).

