



Public
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Guideline

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2018 - 2019 NSW Public Service Senior Executive Management Remuneration Framework

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Offices Remuneration Tribunal Annual Determination for Public
Service Senior Executives

2018 - 2019 NSW Public Service Executive Remuneration Management Framework

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Summary	<p>This 2018-2019 NSW Public Service Senior Executive Remuneration Management Framework is a guide for all Public Service agencies as listed in Schedule 1 of the <i>Government Sector Employment Act 2013</i>. The Framework outlines the approach for determining where within a Public Service senior executive band a senior executive role or group of roles is to be placed for the purpose of calculating their base remuneration point and discretionary remuneration range. It also outlines the considerations for the Secretary or head of an agency in paying above the discretionary range and, separately, how a senior executive can progress along the discretionary range. The NSW Health Service, NSW Transport Service and NSW Police Force may also use the Framework.</p>
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1 Introduction

1.1 Purpose

The NSW Public Service Senior Executive Remuneration Management Framework ('the Framework') has four purposes:

1. To outline the approach, using an approved role evaluation methodology (Mercer/CED, OCR or Hay), for determining where within a senior executive band a role (or group of roles) is to be placed for the purpose of calculating its base remuneration point and discretionary remuneration range.
2. To provide the formulas needed to calculate the base remuneration point and discretionary remuneration range for a senior executive role (or group of roles) based on the Statutory and Other Offices Remuneration Tribunal (SOORT) Determination for senior executives, which is effective 1 July each year.
3. To provide guidance in the form of a Remuneration Decision Matrix about matters the Secretary or head of a separate agency may take into consideration when determining the remuneration of a senior executive upon assignment to a senior executive role.
4. To outline the limited circumstances in which the following actions may be appropriate:
 - the remuneration of a senior executive to progress along the discretionary remuneration range applying to the senior executive role
 - the Secretary or head of a separate agency to approve remuneration beyond the discretionary remuneration range
 - the Secretary or head of a separate agency to seek remuneration above the band.

1.2 What does remuneration mean?

Senior executives receive a total remuneration package (TRP), of which salary will be one component. Any reference to remuneration throughout the Framework is to a TRP, as defined in Appendix 3 Glossary of terms.

1.3 Who does the Framework apply to?

The Framework is a guide for all Public Service agencies as listed in Schedule 1 of the GSE Act in respect to GSE Act senior executives (bands 1-3).

The NSW Health Service, NSW Transport Service and NSW Police Force may use the Framework as guidance provided by the Public Service Commissioner in respect to:

- Health Service senior executives (see Section 121D (1) and (2) of the *Health Services Act 1997*)
- Transport Service senior executives (see Section 68F (1) and (2) of the *Transport Administration Act 1988*)
- NSW Police Force senior executives (see Section 36 (1) and (2) of the *Police Act 1990*).

1.4 When is the Framework applied?

The Framework should be implemented as and when Secretaries and heads of separate agencies create senior executive roles in bands 1 to 3 in order to determine the remuneration for those new roles. The Framework is also to be implemented when applying the annual SOORT determination increases and when considering progression over time within the discretionary remuneration range in accordance with the requirements of the agency's formal performance management system.

1.5 Key Features

The Framework outlines the process for determining executive remuneration. The process is summarised in section 1.6 *How to use the Framework – business case*.

More detailed information on creating roles, determining the band, the base remuneration point and remuneration adjustments are outlined in sections 2 to 4.

The relevant formulas for determining the discretionary remuneration ranges and a remuneration decision matrix are provided in Appendices 1 and 2.

1.6 How to use the Framework – business process

Step 1: Create a senior executive role

Determine the band using the Senior Executive Work Level Standards and develop a role description using the Role Description Guideline (Refer 2.2 & 2.4).

Example outcome: Role determined is a senior executive Band 1

Step 2: Evaluate the role description for the role

Evaluate the role description using the agency's methodology (Mercer/CED, Hay or OCR) to determine the work value points and place the role within the band (Refer 2.5).

Example evaluation: Work value points using Mercer/CED evaluation is **680 points**

Step 3: Determine the base remuneration point for the role

Calculate the base remuneration point (BRP) using the appropriate base remuneration formula (BRF) in Appendix 1, Table 1 (Mercer/CED, Hay or OCR for the relevant band 1, 2, or 3) and the individual work value points for the role obtained in Step 2 (Refer 3.1).

Example calculation: Mercer/CED BRF for Band 1 is: $180.592 \times 680 + 66,904 = \mathbf{\$187,900}$ (the BRP)

Step 4: Determine the maximum discretionary remuneration range for the role

Obtain the maximum discretionary remuneration range for the role by adding the BRP for the role obtained in Step 3 with the appropriate discretionary remuneration range (DRR) for the band in Appendix 1, Table 2 (Refer 3.2).

Example calculation: DRR for Band 1 is up to \$22,491: $\$187,900$ (BRP) + $\$22,491$ (DRR) = **$\$210,392$** (the maximum discretionary remuneration)

Step 5: Determine the initial remuneration for a senior executive assigned to a role

Determine where within the DRR for a role the individual senior executive should be paid using the Remuneration Decision Matrix in Appendix 3 (Refer 4.1).

Example calculation: Potential remuneration for the Band 1 role is $\$187,900$ (BRP) up to a maximum of $\$210,392$. Remuneration is determined at **$\$187,900$** (the bottom of the range) based on the assessment of the individual senior executive's capability and knowledge & experience.

Step 6: Increase remuneration over time

SOORT Annual Determination

Apply the updated formulas for each senior executive role from 1 July each year (Refer 4.2).

Adjust each senior executive's current remuneration point to incorporate the determined increase from 1 July each year (Refer 4.2).

Performance Management System

Review senior executive's performance in accordance with the requirements of the agency's formal performance management system and approve progression within the discretionary remuneration range (Refer 4.3).

2 Creating a Public Service senior executive role

2.1 Employer

Under the GSE Act, unless otherwise provided in legislation, a Secretary is the employer of senior executives in their Department and in executive agencies related to the Department while the head of a separate agency is the employer of senior executives in their agency.

As the employer of senior executives, the Secretary and heads of separate agencies should ensure that senior executive roles:

- are classified according to the *NSW Public Service Senior Executive Work Level Standards* (WLS)
- have a role description developed in accordance with the *NSW Public Sector Capability Framework* (Capability Framework) and the *Role Description Development Guideline* (RD Guideline)
- have remuneration determined in accordance with the Framework as updated from time to time.

2.2 Determining the band – using the Work Level Standards

The WLS are the classifying tool for determining the band for a new Public Service senior executive role. The WLS indicate, in broad terms, the work expected to be performed at senior executive bands 1 to 3.

2.3 Key principles for band structure

Secretaries and heads of separate agencies are responsible for determining the organisational structure for their Department or agency. The structure should have the appropriate mix of roles necessary to enable the organisation to deliver on its strategic and corporate objectives. This includes decisions on the number of executives, the level of those roles and whether those roles are ongoing or term. The following key principles apply to the senior executive band structure:

- Generally, there should be no more than three executive reporting layers below the Secretary or agency head.
- Intra-band executive reporting, where a senior executive within one of the three bands reports to a senior executive within the same band, should be avoided but can be accommodated in special circumstances. For example, it may be needed where a specialist is engaged to provide specific expertise or conduct a time limited project and that role reports to a senior executive manager in the same band.

- A broad band structure can accommodate a mixture of designs, for example an agency may have bands 1, 2 and 3 senior executives reporting to a Secretary, or a combination of bands 1 and 2 senior executives reporting to a band 3.

2.4 Creating the role description

The role description for a sector or agency-specific senior executive role is to comply with the following principles:

- be developed in accordance with the RD Guideline
- describe the role in terms that are consistent with the WLS descriptors for the selected band
- incorporate the relevant levels for all capabilities from the Capability Framework including any relevant occupation-specific capabilities. The focus capabilities should be identified prior to recruitment action. The set of focus capabilities can change for subsequent recruitment based on current priorities and/or team mix.

2.5 Placing the senior executive role at a point within the band using a role evaluation methodology

Once the band is determined for a new senior executive role using the WLS and the role description finalised, a role evaluation (Mercer/CED, Hay or OCR) is used to determine the work value points (WVP) and place the role within the band.

In the event that the WVP for a role falls above or below the points range for the band, the role does not get reclassified to the higher or lower band. Rather the outcome of the role evaluation indicates only that the remuneration for the role would be at the higher or the lower end of the band range.

The WVP is used in the Framework formulas to calculate the base remuneration point for each senior executive role or group of roles (see part 3).

2.6 Re-evaluation of roles within a senior executive band

Roles within a band may be re-evaluated where there is a substantial change in the work value. This can be initiated by either the employer or the senior executive.

Many factors influencing work value include: capabilities required for the role; budget/employee management responsibility; decision making authority; scope/breadth of the role; and complexity of the role. Changes in any of these areas, or a combination, could potentially constitute a substantial change.

Agencies may use their discretion as to whether a change in the role is such that it warrants a re-evaluation. A consistent policy and approach should be adopted across the agency regarding when and in what circumstances a senior executive role should be re-evaluated. The policy should also factor in the potential impact of the re-evaluation in the context of other senior executive roles in the particular work area or in the agency as a whole.

The employer will need to determine the most appropriate approach to filling the re-evaluated role which could include subsequent assignment of the incumbent or another senior executive, transfer, secondment, agency EOI or external advertising.

3 Remuneration for a new Public Service senior executive role

3.1 Determining the base remuneration point

The base remuneration point for each senior executive role or group of roles is calculated using the WVP outcome in the appropriate formula for the methodology used by the agency. There are different formulas for each methodology and for each methodology a different formula for each band (see Appendix 1, Table 1).

3.2 Applying the discretionary remuneration range

In addition to the base remuneration point, each senior executive role has an individual discretionary remuneration range (see Appendix 1, Table 2). Effective 1 July 2018, the discretionary remuneration ranges for bands 1 to 3 are as follows:

- Band 1: up to \$22,491
- Band 2: up to \$33,737
- Band 3: up to \$44,983

The maximum discretionary range for a senior executive role is obtained by adding the amount of the discretionary remuneration range for the relevant band to the base remuneration point for a senior executive role.

The maximum base remuneration point for a senior executive role is equal to the maximum remuneration for the band minus the maximum discretionary remuneration range for that band.

If the WVP for a role falls above or below the points range for the band, the following will apply:

WVP is above the band range

The base remuneration point for the role is set at the point equal to the maximum remuneration for the band minus the maximum discretionary remuneration range for the band.

WVP is below the band range

The base remuneration point is set at the minimum for the band. For example, a senior executive role classified under the work level standards as band 1 with a Mercer/CED job/role evaluation outcome of 660 would have the remuneration associated with a role evaluated at 670 of which is the bottom of the range for band 1.

4 Remuneration for a Public Service senior executive assigned to a role

4.1 Initial remuneration within the role's discretionary range

An individual's initial remuneration point within a role's discretionary remuneration range upon assignment is based on individual merit factors, including demonstrated knowledge, experience and assessed levels of capabilities. In exceptional cases, labour market factors can also be taken into account but only if based on verifiable evidence (see 4.4).

The Remuneration Decision Matrix (see Appendix 2) provides a methodology to determine where within the discretionary remuneration range for a role a senior executive should be paid. Secretaries and separate agency heads can choose to adopt the Decision Matrix when making individual senior executive remuneration decisions.

4.2 Applying annual SOORT remuneration increases

The annual SOORT determination increase is to be applied to each role's base remuneration point (through application of the updated formula for calculation of base remuneration points) and its discretionary range (through application of the percentage increase to the discretionary ranges for bands 1, 2 and 3).

Each senior executive's current remuneration point, within the range for their role, or above the range for their role but within the band (for a former transitional executive to whom clause 8B(3) of the GSE Act has been applied), will also be adjusted to incorporate the increase.

This increase is effective from 1 July each year and is separate from any progression within the range based on performance assessment as provided in 4.3 below.

4.3 Progression within the remuneration range over time – based on assessed performance

Progression within the discretionary remuneration range should not be automatic.

Once assigned, the senior executive may progress over time within the discretionary remuneration range in accordance with the requirements of the agency's formal performance management system.

4.4 Within band or above band remuneration adjustments due to labour market factors

4.4.1 Within band adjustments

The Secretary or head of separate agency may approve within band remuneration adjustments – for a particular senior executive role or group of senior executive roles - subject to verifiable market based evidence to support an increase to remuneration.

Within the band adjustment for a particular senior executive role or group of senior executive roles can occur outside of the agency's performance management system and can be either:

- within the applicable discretionary remuneration range
- outside the applicable discretionary remuneration range, up to the maximum of the band.

Verifiable market based evidence should consist of an independent assessment of market remuneration. The verifiable market remuneration evidence should include, but need not be limited to, available market data for like roles (with equivalent work value point scores, where known) in employment sectors comparable to the NSW Public Service. The submission to the Secretary or head of a separate agency recommending the approval of a within band adjustment should demonstrate the market evidence.

The Secretary or head of the separate agency should consider the impact any recommended increase will have on the reporting of average remuneration of senior executive within a band for their Department or agency when making a decision to approve an adjustment in remuneration within the band (see Part 5 for further information).

When a senior executive role is advertised or other recruitment action undertaken, the Secretary or head of separate agency should decide on the need for higher remuneration based on the following three factors:

- verifiable market remuneration evidence
- the strength of the preferred candidate
- clear evidence of lack of alternative suitable candidates from the field.

For existing executives, within band adjustments should only occur where there has been a change in the labour market in relation to a particular senior executive role. Under these circumstances progression within the role's discretionary remuneration range or above the discretionary range may be used as mechanism to retain the senior executive.

4.4.2 Above band adjustments

Remuneration above the range for a band must be in accordance with a determination by the SOORT, pursuant to a special determination under section 24P or as provided for in the annual determination under section 24O of the SOOR Act. The Premier must direct the SOORT to make an above band determination.

The Secretary or the head of a separate agency should seek a SOORT determination only where there is clear market based evidence to support the application for such a determination and in line with guidance issued by the Public Service Commission.

The determination would be made in accordance with the provisions of 24R (3) for one of the following:

- a particular senior executive named in the determination (s24R (3) (a))
- a particular role, office or position specified in the determination (24R (3) (b))
- a particular class of senior executives specified in the determination (s24R (3) (c))

The SOORT determination should be sought prior to advertising or other recruitment action commencing for the senior executive role. However, in exceptional circumstances a SOORT determination can be sought during the recruitment process but prior to employment.

If the determination is sought prior to advertising or other recruitment action the determination can be made under either s24R (3) (b) or (c). If the determination is to be made following the identification of the successful candidate it should be made under section 24R(a). It should be noted that a special determination for a named senior executive is a determination that is personal to that executive and is not a determination that applies to the office or role concerned or to other individuals who may have that role or office in the future.

4.5 Assignment of senior executive to roles in bands across Public Service

Senior executives may be subsequently assigned to other roles within the band in which they are employed under section 38 of the GSE Act, for any number of reasons, and are entitled under section 38(8) to maintain their level of remuneration. The senior executive's remuneration level can be reduced on subsequent assignment but only with the senior executive's consent.

Further information on the assessment and remuneration considerations for assignment and subsequent assignment of senior executives can be found in the *Guidelines on assignment to role of Public Service senior executive and non-executive employees 2015*.

4.6 Remuneration transitional arrangements

Schedule 4 to the GSE Act includes transitional arrangements relating to the remuneration of executives. Although the deadline for transition to the new senior executive arrangements was 24 February 2017, transitional provisions continue to apply to some individuals.

The following transitional provisions apply from GSE Act commencement and prior to a former senior executive's transition to a GSE Act senior executive role:

- The following executives have a remuneration package equivalent to the remuneration package of the executive immediately before the repeal of the *Public Sector Employment and Management Act 2002*, unless the remuneration package is increased as a result of a determination of the SOORT under Part 3A, SOOR Act:
 - persons continuing in office as heads of Public Service agencies that correspond with pre-GSE Act Government Service Divisions (see clause 7)
 - persons holding office as heads of other Public Service agencies (see clause 7)
 - statutory senior executives (see clause 8A).

Other provisions apply when a former senior executive transitions to a GSE Act senior executive role:

- Remuneration for former SES executives in receipt of a recruitment or retention allowance (see clause 8B).
- Allowance for former Senior Officers who would experience financial disadvantage compared with the remuneration payable to the person before that first employment (see clause 8B).

Information on the eligibility, administration, calculation and payment of the financial disadvantage allowance to former senior executives can be found in *Transition to the Public Service Senior Executive – Guidelines for the administration of a financial disadvantage allowance for former senior officers*.

5 Reporting requirements

The *Annual Reports (Departments) Regulation 2015* (see clause 7) and the *Annual Reports (Statutory Bodies) Regulation 2015* (see clause 12) include requirements in relation to inclusion in annual reports of the numbers and remuneration of senior executives.

Senior executive data is also collected by the PSC in conjunction with each Workforce Profile. The data specifications for the senior executive collection can be found at: [Workforce Profile Reports](#)

6 Authorities

Set out below is a list of the legislation, determinations and resources that should be considered when determining where within a senior executive band a role (or group of roles) is to be placed for the purpose of calculating its base remuneration point and discretionary remuneration range.

- *Government Sector Employment Act 2013*
- *Government Sector Employment Regulation 2014*
- *Government Sector Employment (General) Rules 2014*
- *Government Sector Employment (Senior Executive Bands) Determination 2014*
- *SOORT Public Service Senior Executives Annual Determination 2018*
- *Guide to Performance Agreements for the Senior Executive Service July 2013*
- *NSW Public Sector Capability Framework 2013*
- *NSW Public Service Role Description Guideline 2014*
- *NSW Public Service Senior Executive Work Level Standards 2013*
- *Guidelines on assignment to role of Public Service senior executive and non-executive employees 2015*
- *Statutory and Other Offices Remuneration Act 1975*

Appendix 1 Senior executive base remuneration formulas and discretionary remuneration ranges (effective 1 July 2018)

Table 1 Base remuneration formulas – Mercer/CED, Hay and OCR

Methodology	Band	Points range	Base remuneration formula (BRF)
Mercer/CED	Band 3	1475 to 2549	$86.654 \times \text{work value point} + 209,286$
	Band 2	990 to 1474	$73.062 \times \text{work value point} + 195,670$
	Band 1	670 to 989	$180.592 \times \text{work value point} + 66,904$
Hay	Band 3	1651 to 2800	$80.998 \times \text{work value point} + 203,374$
	Band 2	1241 to 1650	$86.460 \times \text{work value point} + 160,704$
	Band 1	731 to 1240	$113.180 \times \text{work value point} + 105,165$
OCR	Band 3	1851 to 2475	$149.145 \times \text{work value point} + 61,034$
	Band 2	1251 to 1850	$59.035 \times \text{work value point} + 194,148$
	Band 1	780 to 1250	$122.572 \times \text{work value point} + 92,294$

Table 2 Discretionary remuneration ranges

Band	Discretionary remuneration ranges (DRR)	SOORT remuneration ranges
Band 3	Up to \$44,983	\$337,101 - \$475,150
Band 2	Up to \$33,737	\$268,001 - \$337,100
Band 1	Up to \$22,491	\$187,900 - \$268,000

Notes on applying the formulas

- The BRFs are based on the remuneration ranges contained in the annual SOORT determination. The SOORT remuneration ranges are rounded so there may be slight differences when increasing each senior executive's current remuneration point (CRP). Should the increased CRP exceed the maximum of the SOORT remuneration range for the band the CRP should be rounded down to be equal to the maximum of the band.
- The BRP for a role is calculated using the above formulas for the relevant band. The DRR for each senior executive role starts from the BRP. Should the maximum remuneration (BRP + DRR) exceed the maximum of the band the TRP should be rounded down to the maximum amount for the band.
- It is assumed that there is a constant relationship between work value and remuneration value for each band. Based on this assumption a simple linear regression has been applied using the minimum and maximum levels for both work value and base remuneration. The formula derived from the regression is then able to be applied to any work value assessment between the minimum and maximum levels to calculate the corresponding remuneration value.
- In the event that the WVP for a role falls above or below the points range for the band, the role does not get reclassified to the higher or lower band. Rather the outcome of the role evaluation indicates only that the remuneration for the role would be at the higher or the lower end of the band range. If the job/role WVP is above the band range, the BRP for the role is set at the point equal to the maximum remuneration for the band minus the maximum discretionary amount for the band. In the case of roles evaluated below the range for the band, the base remuneration is set at the minimum for the band.

Appendix 2 Remuneration Decision Matrix

NOTE: The Remuneration Decision Matrix is discretionary. Secretaries and heads of separate agencies can choose to adopt the Remuneration Decision Matrix when making individual senior executive remuneration decisions.

Upon Assignment in Band X

Senior Executive Band X Role – evaluated at XXX work value point Total remuneration package range \$xxx to \$xxx (Mercer/CED, Hay or OCR point range for band X is XXX to XXX)		
Discretionary Remuneration Range	Decision Matrix (Note: Work value is not a variable in the decision matrix)	
<p>Top of the discretionary remuneration range</p>  <p>Bottom of the discretionary range</p>	<p>Assessment of capability</p> <ul style="list-style-type: none"> Assessed as above the required level for <u>four or more of the focus capabilities</u> identified for the role and at least at the required level for all other capabilities, AND <p>Assessment of knowledge & experience</p> <ul style="list-style-type: none"> Where identified as an essential requirement for the role, is assessed as <u>exceeding</u> the knowledge and/or experience requirements 	<p>TOP</p> <p>Remuneration is toward the top of the discretionary remuneration range for the role</p>
	<p>Assessment of capability</p> <ul style="list-style-type: none"> Assessed as above the required level for <u>two or more of the focus capabilities</u> identified for the role and at least at the required level for all other capabilities, AND <p>Assessment of knowledge & experience</p> <ul style="list-style-type: none"> Where identified as an essential requirement for the role, is assessed as meeting the knowledge and/or experience requirements 	<p>MIDDLE</p> <p>Remuneration is toward the middle of the discretionary remuneration range</p>
	<p>Assessment of capability</p> <ul style="list-style-type: none"> Assessed as at the required level for all focus capabilities identified for the role. Some development may be required to reach the required standard for one or more of the other capabilities, AND <p>Assessment of knowledge & experience</p> <ul style="list-style-type: none"> Where identified as an essential requirement for the role, is assessed as meeting the knowledge and/or experience requirements 	<p>BOTTOM</p> <p>Remuneration is toward the bottom of the discretionary remuneration range</p>

NOTE: Labour market competitiveness may also be taken into account but only if based on verifiable evidence.

Appendix 3 Glossary of terms

Term	Definition
Band remuneration range (BRR)	Range between the minimum and maximum remuneration rates for the band as set by the SOORT.
Base remuneration point (BRP)	The fixed minimum remuneration point for a particular role. Calculated based on the work value point using a band-specific formula. Cannot be below the minimum remuneration range for the band.
Discretionary remuneration range (DRR)	The discretionary remuneration range for each senior executive role starts from the base remuneration point. The discretionary range is up to the amounts specified in Appendix 1.
Job/role evaluation methodology	<p>A systematic process for determining the relative work value of roles in an organisation. The three systems that have been accredited for use in grading NSW public sector roles are:</p> <ul style="list-style-type: none"> • Mercer/CED Job Evaluation System • Hay Job Evaluation System • OCR Job Evaluation System* <p>*Mercer now owns the Mercer/CED and OCR systems and no longer provides updates or training for OCR system. Public sector agencies using the OCR system may continue to do so. Agencies implementing job evaluation for the first time or considering changing systems should select either the Mercer /CED or Hay job evaluation system.</p>
Job/role work value point (WVP)	A role's evaluated work value level based on role evaluation using an accredited methodology.
Remuneration	Is for the purposes of the Framework a reference to a TRP, that is the total amount which is to be paid to a senior executive out of which the senior executive is required to pay the employer contributions to superannuation.
Remuneration Decision Matrix	Guideline for determining where within a role's discretionary remuneration range a senior executive should be paid.
SOORT	Statutory and Other Offices Remuneration Tribunal.
Total Remuneration Package (TRP)	The total amount paid to a senior executive out of which the executive is required to pay the employer contributions to superannuation. Section 39(4)(d) of the GSE Act provides that the TRP of a Public Service senior executive is comprised of monetary remuneration and employment benefits. See also the definition of 'remuneration package' in section 24M of the <i>Statutory and Other Offices Remuneration Act 1975</i> .
Work Level Standards (WLS)	The NSW Public Service Work Level Standards broadly indicate the work expected to be performed in Public Service senior executive bands 1 to 3. They are the tool for determining the band for a new Public Service senior executive role.