

REMUNERATION TRIBUNAL

Performance Remuneration Guidelines

Performance remuneration is designed to focus organisational behaviour, encourage greater accountability and provide a foundation for recognising and rewarding achievement. The concept of performance based remuneration in the public sector is not new, with the Remuneration Tribunal introducing the scheme for specified public office holders in 1994 in response to performance pay being introduced for the Senior Executive Service in many departments and agencies during the early to mid 1990s.

Performance based remuneration is not a device to provide salary supplementation to office holders. It should not be applied or administered in this way. Rather, it is a way of recognising performance that is over and above what is reasonably expected of the office holder performing their duties competently.

Consultation Processes

Employing bodies should clearly set out the nature and level of consultation in the performance assessment and remuneration processes. Clearly established performance remuneration arrangements will ensure accountability and transparency for remuneration decisions.

Matters for consideration under such arrangements include:

- the intervals at which the employing body should consult with relevant parties (eg 'mid-cycle' and before the 'end of cycle' stages); and
- the relevant parties that the employing body intends to consult with (eg the Minister and/or Departmental Secretary) before any decisions to award performance pay.

This is particularly important when there are a number of parties involved, such as a Council/Board, Minister and Department Secretary. Affected PEO's should also be clear as to the process and procedures involved. Formalised arrangements are recommended where there are several PEOs under the one Ministerial portfolio.

Consultation arrangements

The Tribunal considers it beneficial for employing bodies to discuss performance pay and remuneration matters with the relevant PEO when the terms and conditions of the PEO are being reviewed. Such consultation is consistent with the establishment of more direct relationships on terms and conditions, one of the essential features underpinning the establishment of the PEO structure.

It is also expected that, where an employing body is not a Minister, the relevant Minister(s) will be consulted by the employing body about its intended PEO remuneration strategy, including proposed performance pay outcomes, particularly where the office is the CEO of the organisation. The views of the relevant Minister(s) will normally be a consideration before settling performance pay. The arrangements for such consultation should be settled with the relevant Minister(s) or his or her office. The Tribunal recognises that, in the case of a limited number of Principal Executive Offices, such consultation may be inappropriate.

Administration of the performance cycle

Administration of the performance remuneration cycle should occur in four stages.

Beginning of Cycle

Employing bodies should establish written criteria outlining the requirements under which performance remuneration will be provided. These criteria should be agreed and a copy of them signed by the office holder as part of a performance agreement. That agreement should be negotiated as near as possible to the commencement of the 12-month assessment cycle.

The criteria developed by employing bodies to assess the performance of an office holder should take into account the office holder's responsibility for:

- both short and long-term financial and operational outcomes;
- strategic objectives and deliverables identified in Portfolio Budget Statements and business planning processes;
- achievement of outcomes supporting the longer term goals and objectives of the organisation;
- supporting the delivery of government programs and initiatives; and
- meeting any legislative requirements of the office.

They should incorporate, as far as is practicable, verifiable measures for assessing performance such as evidence of achievement of specified performance objectives, along with qualitative measures of performance.

Mid-Cycle

It is recommended that the specified office holder and the employing body meet and formally discuss achievements during the first half of the cycle and review progress towards agreed outcomes and objectives.

End of Cycle

At the end of the performance assessment cycle, the employing body should review the actual performance of the office holder against the written criteria agreed at the beginning of the cycle. The employing body may then recognise performance through the provision of performance remuneration against achievements at one of the four levels of performance described below.

The amount of performance remuneration to be paid shall be agreed by the employing body and the office holder subject to any limits established by the Tribunal. While assessments on performance may be made at any time during the assessment cycle, the final assessment upon which performance payment is based should occur only once annually. For this purpose, a year may be a financial year, calendar year, or another 12-month period that meets the requirements of the Agency. The salary used to calculate performance pay is the total remuneration (TR) that applied to the officer on the last day of the performance assessment period, **not** that which applies on the day that the performance pay is approved.

The four performance levels are defined as follows:

1. Unsatisfactory: reflects the failure of an office holder to achieve agreed results and meet targets. This rating would also describe failure of the organisation to achieve its targets and meet its objectives irrespective of the individual performance of the office holder. Under this assessment category, it is not appropriate for any performance remuneration to be paid.

2. Competent: reflects the achievement of goals demonstrating competent performance. Measures would be balanced towards the performance of the individual rather than the overall performance of the organisation or agency. Performance remuneration could be paid if the individual performed very well but due to circumstances beyond that person's direct control some organisation or agency targets were not achieved.

3. Superior: reflects the achievement of specified measures and targets in strategic and operational plans. The office holder consistently demonstrates performance which exceeds expectations and agreed results, and demonstrates a very high degree of professionalism and judgement in making a significant contribution to the delivery of organisational objectives. The targets agreed at the beginning of the cycle would be achieved along with good overall performance by the organisation or agency against its targets.

4. Outstanding: reflects achievements well beyond agreed targets. This level of performance is delivered through outstanding individual contribution by the office holder coupled with outstanding overall results achieved by the organisation or agency. An office holder could be paid the maximum amount of performance remuneration with this rating.

Performance remuneration should not be used as a tool to provide salary supplementation to office holders.

Reporting for Validation of Payment

Once the employing body has completed the assessment process, it should decide on an appropriate quantum of performance remuneration to be provided (subject to the relevant maximum) and document the relevant determination. The employing body's supporting documentation should cover the performance cycle, performance assessment process and the decision as to performance pay. The final decision should be communicated clearly to the relevant PEO.