

Board remuneration and director expenses

Public hospitals and multi purpose services – Frequently Asked Questions

OFFICIAL

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Background

As part of a range of reforms for the professionalisation of public hospital and multi purpose service boards, the Victorian Government committed to remunerating public hospital and multi purpose board directors as of 1 July 2018.

A director appointed to the board of a public hospital is eligible to be paid remuneration as specified in the instrument of appointment as well as reasonable expenses incurred in holding office as a member of the board¹.

All remuneration of board directors is to be applied consistent with the Appointment and Remuneration Guidelines² (the Guidelines) as published and regularly updated by the Department of Premier and Cabinet. This includes exceptions to remuneration, when to pay full day and half day rates, chairperson remuneration rules, and board committee remuneration rules.

The Department of Health has developed a companion guide specific for public hospital and multi purpose service (MPS) boards.

¹ *Health Services Act 1988* sections 34(2) and 115F(2).

² Available at: [Board appointment, remuneration and diversity guidance | vic.gov.au \(www.vic.gov.au\)](http://www.vic.gov.au/Board-appointment-remuneration-and-diversity-guidance)

Frequently Asked Questions

Are all board directors eligible to be remunerated?

Not all board directors are eligible for remuneration. Directors who are also employees of the Victorian public sector may not be eligible for remuneration depending on their role.

Full-time and part-time public sector employees are only eligible for remuneration:

- if the proposed appointment is not *ex-officio*³
- the work required for the board will be undertaken in the employee's own time, or during periods of approved leave, and
- the public sector employee's substantive employer⁴ has confirmed in writing that the work involved in the appointment can, and will, be performed in the employee's own time.⁵ This confirmation must also be received prior to reappointment if the appointee's role or employer has changed since the initial appointment.

Where a director is an executive officer or equivalent in the Victorian public sector written approval for the proposed remuneration must be received from the Secretary of the Department of Health.

Public sector employees who are appointed as directors and do not receive remuneration are eligible for reimbursement of reasonable expenses.

Is the health service funded for remunerating board directors?

A specific board remuneration grant is paid to each public hospital and multi purpose service to support governance costs, including the remuneration of directors.

Are board directors employees?

Board directors are **not** employees of the health service to which they are appointed. Board directors are public officials under the Public Administration Act 2004.

Board directors are, however, paid their remuneration and reimbursed any reasonable expenses directly by the health service. This is because the health service is responsible for paying the eligible members of its governing body.

Do board directors get paid superannuation?

Board directors are eligible to be paid superannuation contributions in accordance with the Commonwealth Superannuation Guarantee Act 1992.

The remuneration rate listed in a director's instrument of appointment is not inclusive of superannuation. It is current practice that health services will pay the minimum level of superannuation required under the Act (see sections 8.19 – 8.21 of the Guidelines).

³ Public sector employees are subject to the Victorian Public Sector Code of Conduct. Rule 3.8 prohibits public sector employees from engaging in other employment where the activity conflicts with their role.

⁴ Where a public sector employee holds a full-time position, the 'substantive' employer is the employer of the full-time position. Where the public sector employee holds one or more part time positions, the 'substantive' employer is the public sector employer with on-going employment status, or failing that, the public sector employer of the greatest time fraction.

⁵ Section 32 of the *Public Administration Act 2004 (Act)* also requires approval for individuals employed under Part 3 of the Act engaging in outside employment.

Are board directors exempt from tax?

No. While they are not employees of the health service, the fees paid to directors are still taxable income and subject to PAYG (Pay As You Go – withheld) tax. Workcover and payroll tax also applies as a cost to the health service, as per section 8.22 of the Guidelines.

Are board directors paid via payroll, on invoice or by claim forms?

Directors should be paid in their personal capacity the amount in the instrument of appointment via the payroll system used by the health service to pay its staff. This will ensure that superannuation and tax are also paid as required by the Australian Tax Office. Payments may be made to a director's personal superannuation account as this is considered a personal account of the director (see section 8.10 of the Guidelines).

The Guidelines specifically prohibit remuneration being paid to third parties unless the director is an employee of an organisation with nomination rights (refer to section 8.11 of the Guidelines)

Board directors should **not** be paid via an invoice or a claims form (see section 8.10 of the Guidelines).

What documentation would a board director ordinarily provide to enable payment of remuneration by the health service?

While this will be dependent on the specific requirements of the payroll system used by the health service, a director can be expected to supply the following information:

- Superannuation standard choice form
- Tax file number declaration form
- Bank account details (to enable payments to be deposited)

Are independent members of board committees eligible for remuneration?

Independent members appointed by a board to its committees are not directors of the board and therefore not eligible to receive a director's fee. Boards can however remunerate independent members for their service using the rates paid to directors as a guide. The board should have an agreed policy regarding payment for independent members of board committees which address remuneration and reasonable expenses.

Further assistance

Contact healthservicegovernance@health.vic.gov.au if you have further queries.

To receive this document in an accessible format email
healthservicegovernance@health.vic.gov.au

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