

Director expenses and reimbursements

Director expenses

Directors must exercise judgement in relation to reimbursement of expenses associated with fulfilling their responsibilities.

While a director of a board is entitled to be paid reasonable expenses incurred in holding office as a director of the board, there is a level of subjectivity around what is considered reasonable. When considering whether an expense is reasonable, directors must ensure that they adopt an approach that considers:

- was the cost incurred for something that was necessary for me to fulfil my role as director of the entity?
- would the public, DHHS staff member or Minister consider the expense reasonable, such as buying expensive gifts for staff directors or staying in 5-star hotels when travelling to Melbourne for a training course?

Additionally, the VPSC provides guidance for public sector employees regarding gifts and hospitality¹ and the *Appointment and Remuneration Guidelines* (effective from 1 July 2018) also provide guidance on reimbursement of expenses as well as permitting additional payments to directors for committee work undertaken. These payments are made at the discretion of the Minister.²

All expense reimbursements require either board and/or health service approval.

Travel expenses

The Australian Taxation Office's Taxation Determination (TD 2016/13)³ provides guidance on reasonable amounts for the payment of travel expenses when these are incurred for business purposes. Although this public ruling by the Commissioner of Taxation is not prescriptive, it is recommended that all organisations use these determinations as guidance. Additionally, referring and adhering to the above determination could be beneficial to ensure fair and equitable treatment of staff and strengthen the positive public perception of the health service.

Reasonable expenses test and examples

Reimbursable expenses must be:

- for the benefit of the health service
- modest, appropriate and reasonable
- ensure value for money
- supported by the appropriate approvals and supporting documentation.

As the case study below depicts, in assessing 'reasonableness', directors must consider their unique circumstances.

For example, if a director has a mobility impairment (or other special consideration), which makes it unreasonable for them to take a train then it might be reasonable to reimburse petrol (at the prescribed rate)⁴ and parking (at a set rate – i.e. they cannot park somewhere more expensive and bill it back, as that would not be reasonable).

¹ Available from: <http://vpsc.vic.gov.au/resources/gifts-benefits-and-hospitality-resource-suite/>.

² Available from: <http://www.dpc.vic.gov.au/index.php/policies/governance/appointment-and-remuneration-guidelines>

³ Available from: <https://www.ato.gov.au/law/view/document?DocID=TXD/TD201613/NAT/ATO/00001&PiT=99991231235958>

⁴ Available from: <https://www.ato.gov.au/business/fuel-schemes/fuel-tax-credits---business/rates---business/>.

A health service should not pay the cost for convenience rather than reasonableness (this is similar to the question of the particular grade of room that can be reimbursed from a hotel).

Overall the decision is for the board as to what is reasonable in the circumstance. Reasonable does not include non-training/board related convenience in these circumstances.

Case study: Reasonable expenses

A director is travelling less than two hours for a forum commencing at 11am and concluding at 1:30pm. The director chooses to travel the night before and stay in accommodation close to the location of the forum. The location of the forum is located a 5 minute walk from the train station.

Accommodation before or after a part-day event

In this circumstance, accommodation before or after the event, would not be reasonable, as the event commences at a time where the director would not need to travel an unreasonable time or distance in order to arrive at the event on time.

However, if the forum was:

a full day event;

required extended travel (more than 350km in one day with no relief driver); and/or

accompanied a formal dinner or function at the conclusion of the day,

then these factors would be considered in determining if accommodation is reasonable.

Petrol and parking

The location has been designed to specifically accommodate train travel (being a 5 minute walk from the station). If the cost of a train fare is around the same as parking and petrol then it might be reasonable to claim the petrol and parking fees. If these fees are significantly higher, a director would need to query whether it is reasonable to drive rather than take the train. If the director intends on doing something else at that location, that is still not a reasonable basis to claim the petrol and parking fees from the health service.

NB: those working in or with easy access to the venue, parking would not be reimbursable. Those directors have elected to drive within a space that has ample public transport.

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