

Board remuneration

Public hospitals and multi purpose services

Frequently asked questions

June 2018

Background

As part of a range of reforms for the professionalisation of public hospital and multi purpose service (MPS) 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 expenses incurred in holding office as a member of the board; and remuneration as specified in the instrument of appointment,¹ as amended by the Order in Council made on 26 June 2018.

All remuneration of board directors is to be applied consistently 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.

1. Is the public hospital / MPS funded for this?

Yes, a specific board remuneration grant is paid to each public hospital / MPS to cover the remuneration and associated costs.

2. Are directors employees?

No, as they do not have a line of reporting/supervision within the entity. However, as the Department of Health and Human Services (the department) funds the public hospital for the remuneration, the public hospital administratively manages all of the employment type costs and benefits. This means the public hospital will need to enlist each director on its payroll for remuneration. This is also how reimbursement of appropriate out of pocket expenses ought to occur, however, it should be noted that directors have always been eligible for reimbursement of reasonable expenses and thus the remuneration grant does not cover these.

3. Does the public hospital pay directors via payroll, on invoice or by claim forms?

Directors should be paid in their personal capacity the amount in the instrument of appointment via payroll (PAYG/tax withheld). Each public hospital will need to seek the appropriate paperwork (e.g. tax declarations) to enable payment. This means for all administrative/remuneration purposes, the director should be treated as an employee and the public hospital / MPS as the employer. This has implications for the public hospital / MPS as the total cost to the employer is greater than the amount paid to the director (see below).

The guidelines specifically prohibit remuneration being paid on invoice or to third parties. An exception to this is that payments may be made to a director's personal superannuation account. Refer to section 7.28 of the guidelines.

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

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

4. What about other employee benefits?

Given directors are treated as employees for all remuneration administrative purposes, this means that the total cost to the employer (the public hospital/MPS) will be the remuneration rate on the instrument, plus minimum superannuation contribution, plus payroll tax and Workcover expenses. Refer to sections 7.33-7.37 of the guidelines.

It should be noted that most Group C board directors will not meet the minimum threshold for superannuation contributions by the employer (which requires a minimum remuneration of \$450 per month). However, if that threshold is met by a director (for example, if that director attended several meetings that month), the public hospital will be required to make the minimum superannuation contribution.

The board remuneration grant has an additional loading to cover the total cost to the employer, not just the remuneration rate in the instrument of appointment.

5. What is a public entity?

There are limitations and exclusions as to when a public sector employee can be appointed to a board and/or remunerated. Refer to sections 7.13 to 7.20 of the guidelines.

Public entities are the statutory authorities, state-owned corporations, school councils, boards, trusts and advisory committees, established by government legislation to undertake a public purpose. Victoria's public entities include professional registration boards, advisory organisations, service providers and industry regulators. All public hospitals, MPS and public health services are public sector entities.

Public entities cover a diverse range of services, professions and organisations. Examples include the Country Fire Authority, Dairy Food Safety Victoria, Federation Square Management, the Gordon Institute of TAFE, Greyhound Racing Victoria, Melbourne Water, Parks Victoria, the Registration Board, Veterinary Practitioners, and the Victorian Institute of Sport.

Funded agencies are not necessarily public sector agencies. For example, registered community health centres are also not public sector entities (they are companies limited by guarantee) and not all TAFEs are public sector entities despite receiving significant amounts of public funding.

For a full list and explanation of public sector entities, please refer to <https://vpssc.vic.gov.au/about-public-sector/the-victorian-public-sector/>

Further assistance

Contact board.appointments@dhhs.vic.gov.au if you have further queries.

Your regional public health service may also be able to provide advice as to how they remunerate their directors.

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board.appointments@dhhs.vic.gov.au

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