

Board remuneration

Guidance for public hospitals and multi purpose services

December 2023

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Introduction

Good governance of Victoria’s hospital services is achieved through independent, highly capable boards which also represent the breadth and richness of the diverse experiences of Victorian communities. The Department of Health acknowledges that being a director of a government health board carries significant responsibility for individual directors and for the board, collectively. Remuneration of public hospital and multi-purpose service board directors is a recognition of the requirements imposed upon directors, the risks and complexities they manage, and the time directors are expected to commit.

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

Remuneration of Boards of Public Hospitals and Multi-Purpose Services

A director appointed to the board of a public hospital is entitled to be paid expenses, incurred in holding office as a member of the board, and remuneration as specified in the instrument of appointment (the Instrument).¹ The Instrument is the Order in Council that affects the appointment of the director to the board, or any instrument modifying the instrument of appointment.

All remuneration of board directors is to be applied consistent with the *Appointment and Remuneration Guidelines* (the Guidelines) as published and regularly updated by the Department of Premier and Cabinet². This includes exceptions to remuneration, when to pay full day and half day rates, Chair remuneration rules, and board committee remuneration rules.

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

² Download a copy here: <https://www.vic.gov.au/guidelines-appointment-remuneration>

Remuneration rates

Board meeting fees

The Governor in Council gave effect to the Minister for Health's remuneration commitment via an Order issued on 23 October 2018, and the rates are usually reviewed annually. The remuneration rates effective from 1 July 2023 for board directors of Group A5 and C1 Boards are:

Entity type	Director remuneration	Chair remuneration
Group C1 public hospitals (PH) and multi purpose services (MPS) boards	Sessional daily rate \$254	Sessional daily rate \$328
Group A5 public hospital boards	Annual rate \$8,031	Annual rate \$13,386

Refer to **Appendix 1** for a full list of the classification of each board, which will determine the rate of remuneration payable to directors and chairs.

Committee fees

Further to this, if a director or the Chair also sits on a committee, they are also entitled to:

Entity type	Director remuneration
Group C1 public hospital	Sessional rate (1/2 day) i.e., 50 per cent of daily rate
Group A5 public hospital	Single annual payment (regardless of how many committees the director sits on) \$5,803

Application of the *Appointment and Remuneration Guidelines*

The Guidelines apply to appointing and remunerating board directors, chairs, and other appointments to non-departmental entities in the Victorian public sector. The Guidelines classify entities into one of four groups (A, B, C or D) and up to five bands (1, 2, 3, 4 or 5) within each group. The classification of an entity determines the level of remuneration and the approval process required for appointments. The groupings are broadly based on the revenue, level of risk and responsibility of the entity.

The classification of individual public hospitals and multi purpose services are listed in **Appendix 1: Board Classification**.

Group A boards

Group A boards are remunerated with an annual rate that is usually paid in instalments throughout the year. All public health services³, Ambulance Victoria, the Victorian Institute of Forensic Mental Health (Forensicare) and Health Purchasing Victoria (trading as HealthShare Victoria) are Group A boards. In addition, 10 public hospital boards are classified as Group A boards in band 5.

³ As per Schedule 5 of the *Health Services Act 1988*.

The single annual committee fee for Group A boards

If a director (including the Chair) of a Group A5 board is appointed to a committee, they are eligible for additional remuneration in the form of an annual committee fee of \$5,803 per annum. If appointed to a second or further committees, no additional committee fee is payable to that director. A director who sits on one committee will receive the same level of committee fee remuneration as a director from the same board who sits on three committees. Refer to Schedule A of the Guidelines for further information.

Deputy chair

The Guidelines (clause 6.19) preclude the Deputy Chair being remunerated at any rate other than the ordinary director's rate. Only the board Chair, duly elected by the board or appointed by the Minister (under section 35A or 115GA of the *Health Services Act 1988*), is eligible for the Chair remuneration rate. If a director acts in the role of the Chair they are eligible for the higher fee for the period that they act.

Group C boards

Sessional rates for Group C boards

Directors appointed to Group C1 public hospital and multi purpose service boards are eligible for sessional remuneration. Sessional rate fees are available for formal board meetings (including a planning and strategy day), board committee meetings (including selection/recruitment) and other necessary activities, such as formal site visits to hospital facilities, formal meetings (Chair with CEO, Chair of Finance Committee with CFO, etc) and/or attendance at department organised meetings to represent the board.

Proof of attendance (including via teleconference or similar) is required for payment of a sessional rate.

As a policy position, the full day sessional rate is payable to a board director attending the scheduled full board meeting irrespective of the length of the meeting. This is a variation from the general rule that the full day rate is payable for meetings of 4 hours or more, with meetings of less than 4 hours remunerated at a half day rate. This acknowledges the significant preparatory work for board meetings and the individual accountability of all directors. All meetings other than the scheduled board meeting are payable in accordance with the Guidelines (that is, according to the duration of the meeting).

Refer to Schedule C of the Guidelines for more information.

Chair rates for Group C boards

The Chair rate is only paid to the Chair and only at formal meetings of the board (i.e., the chair rate is not paid at board committee meetings or other meetings deemed by the board as attracting remuneration). The Chair is the board director who is duly elected by the board or appointed by the Minister as the Chair pursuant to section 35A or 115GA of the *Health Services Act 1988*.

Deputy chair

The Guidelines preclude the Deputy Chair being remunerated at any rate other than the ordinary director's rate. Only the board Chair, duly elected by the board or appointed by the Minister (pursuant to section 35A or 115GA of the *Health Services Act 1988*), is eligible for the chair remuneration rate. If the Deputy Chair assumes the role of the Chair they are eligible for the higher fee for meetings held during the period that they act.

Committee fees

The Guidelines indicate that payment should be made for 'official committee meetings of the board'. In acknowledgement of the additional workload that these activities impose, directors appointed to a committee are eligible to be remunerated for meetings of that committee. Directors who are not members of the committee and who may attend for information, action or for another purpose are not eligible for remuneration.

The chair of a committee (or the chair of the board who is sitting on a committee) receives the same committee rate for committee attendance as any other director (that is, they are not remunerated at the chair's daily rate).

Remuneration of directors that are public sector employees

Victorian public sector employees are generally not appointed to Government boards, because of the risk of actual or perceived conflict between their role and duties as public servants and as board members. Nevertheless, the Guidelines provide for circumstances where appointment of a public sector employee may be permissible, including being able to demonstrate that any conflict of interest is manageable. Employees of the Department of Health are not eligible for appointment to a government health board as the conflict of interest is considered not able to be managed.

Public sector employees are only eligible for remuneration if the proposed appointment is on a personal basis, and the work required for the board will be undertaken in the employee's own time, or during periods of approved leave. The public sector employee's substantive employer must confirm in writing that the work involved in the appointment can, and will, be performed in the employee's own time. In many circumstances, additional approvals are required from the Secretary of the Department of Health, to remunerate a director who is a public sector executive.⁴

Recipients of Victorian Public Sector Voluntary Departure Packages (VDPs) are not eligible for remuneration from any public sector employer for one year from the date of their separation (section 8.8 of the Guidelines).

For further details, please refer to the Guidelines, section 4.12 to 4.16. For the purposes of the Guidelines, employees of universities and local government are not considered public sector employees.

Statutory appointments

Directors of the board are statutory appointees. As such, remuneration rates listed in this guide and the Instrument of appointment does not include superannuation and tax. It should be noted that the remuneration is taxable income and directors are responsible for managing the taxation liability associated with the remuneration.

Superannuation is also payable to directors (and chairs) in accordance with the *Commonwealth Superannuation Guarantee Act 1992*.

Group C boards are paid a sessional rate which is only payable if attendance is confirmed. The rate in the Instrument does not include tax or superannuation.

Group A boards have an annual payment amount which is at the discretion of the board as to the payment frequency (e.g., monthly). The rate in the Instrument does not include tax or superannuation.

Directors are recommended to seek independent advice on the impacts to their taxation liability and superannuation.

Proof of attendance for sessional rates

Proof of attendance is required to pay a sessional rate. The mechanism to record proof of attendance is a procedural matter of the board and should recognise that meetings can be held on-line and in person. A director of a C1 class board who does not attend a meeting, regardless of the reason, is not eligible for a sessional rate fee.

While a minimum attendance of 75 per cent is required, it is an expectation that all directors attend **all** board meetings and **all** committee meetings for which they are appointed.

Reasonable expenses

While directors remain entitled to claim reasonable expenses that are reasonably incurred because of their board position, they must exercise judgement in relation to reimbursement of expenses associated with fulfilling their responsibilities. When considering whether an expense is reasonable, directors must ensure that they adopt an

⁴ Refer to the *Appointment and Remuneration Guidelines* sections 4.12 – 4.16.

approach that considers whether the cost incurred was for something that was necessary to fulfil their role as board director.

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.

The Victorian Public Sector Commission provides guidance regarding [gifts and hospitality](#) and the Australian Taxation Office provides guidance on reasonable amounts for the payment of [travel expenses](#) when these are incurred for business purposes.

The specifics of expense reimbursement are a matter for the board procedure and should be consistent with the expense reimbursement policy of the health service for its staff. The board expense policy must also recognise that the duty of care owed to staff extends to directors. For example, directors should not be expected to travel long distances or late at night due to the timing of the board or committee meeting and because accommodation expenses are not being covered.

The policy should also specify the approval process for expense claims. As a guide, director expenses should be approved by the board chair and expenses of the board chair by the Chair of the Finance Committee or Audit Committee or Finance and Audit Committee. It is also good practice for board expenses to be included in the information provided to the finance committee.

For integrity purposes, it is **not** appropriate for the Chief Executive Officer, who is directly employed and whose performance is overseen by the board, to sign off on any board member's expenses.

Chapter 3 of the [Director's Toolkit](#) provides guidance and examples regarding claims for reasonable expenses

Independent members of committees

Boards may appoint independent (that is, non board director) members to board committees. Such members may be remunerated however they are not subject to the Appointments and Remuneration Guidelines. It is recommended however that members be remunerated at a comparable rate to that of board directors.

Remuneration arrangements with an independent member of a committee are a contractual arrangement between the health service and the member, in accordance with the health service's procurement and contract policies.

For further assistance

Contact healthservicegovernance@health.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.

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

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Appendix 1: Board Classification

Public hospitals:

Public hospital	Class
Alexandra District Health	C1
Bairnsdale Regional Health Service	A5
Bass Coast Health	A5
Beaufort and Skipton Health Service	C1
Beechworth Health Service	C1
Benalla Health	C1
Boort District Health	C1
Casterton Memorial Hospital	C1
Central Gippsland Health Service	A5
Central Highlands Health Service	C1
Cohuna District Hospital	C1
Colac Area Health	C1
Dhelkaya Health	C1
East Grampians Health Service	C1
East Wimmera Health Service	C1
Echuca Regional Health	A5
Gippsland Southern Health Service	C1
Great Ocean Road Health	C1
Heathcote Health	C1
Hesse Rural Health Service	C1
Heywood Rural Health	C1
Inglewood and Districts Health Service	C1
Kerang District Health	C1
Kooweerup Regional Health Service	C1
Kyabram and District Health Services	C1

Public hospital	Class
Mansfield District Hospital	C1
Maryborough District Health Service	C1
Mildura Base Public Hospital	A5
Moyne Health Services	C1
NCN Health	C1
Northeast Health Wangaratta	A5
Omeo District Health	C1
Portland District Health	C1
Queen Elizabeth Centre, The	C1
Rochester and Elmore District Health Service	C1
Rural Northwest Health	C1
Seymour Health	C1
South Gippsland Hospital	C1
South West Healthcare	A5
Swan Hill District Health	A5
Tallangatta Health Service	C1
Terang and Mortlake Health Service	C1
Tweddle Child and Family Health Service	C1
West Gippsland Healthcare Group	A5
West Wimmera Health Service	C1
Western District Health Service	A5
Yarram and District Health Service	C1
Yarrawonga Health	C1
Yea and District Memorial Hospital	C1

Multi purpose services

Multi purpose services	Class
Alpine Health	C1
Corryong Health	C1
Mallee Track Health & Community Services	C1

Multi purpose services	Class
Orbost Regional Health	C1
Robinvale District Health Service	C1
Timboon & District Healthcare Service	C1