



Trustees and Volunteers: Payments, Expenses and Reimbursement Policy & Procedure

Date:	September 2020
Review Date:	September 2021
Version:	1.1
Author:	Nathan M. Grizzle
Chair Trustee:	Vanessa Brown

1. Trustees:

Expenses and Reimbursements - Accepted

- 1.1 Expenses are refunds by a charity of legitimate payments which a trustee has had to meet personally in order to carry out his or her trustee duties. Expense claims should normally be supported by bills or receipts.
- 1.2 Any reasonable costs that allow trustees to carry out their duties can be classed as legitimate expenses. So long as the charity only pays the trustee the actual cost or expense, the payment is not taxable. The following are examples of expenses:
 - 1.2.1 The reasonable cost of travelling to and from trustee meetings.
 - 1.2.2 On trustee business and events; this can include the cost of using public transport, taxi fares, fuel and parking.
 - 1.2.3 Reasonable refunds for the cost of meals taken while on charity business.
 - 1.2.4 The reasonable cost of childcare, or care of other dependants (for example, an elderly parent) whilst attending trustee meetings.
 - 1.2.5 The cost of postage and telephone calls on charity business.
 - 1.2.6 The costs of a trustee's telephone rental and broadband subscription, so long as these are split to reflect the percentage of time relating to usage on behalf of the charity.
 - 1.2.7 Communication support: translating documents into braille for a blind trustee, or into different languages; provision of alerting and listening devices, and other special aids for people with hearing impairment.
 - 1.2.8 The costs of buying training materials and publications relevant to trusteeship.
 - 1.2.9 Providing special transport, equipment or facilities for a trustee with a disability.
 - 1.2.10 Cost of reasonable overnight accommodation and subsistence (including any essential care costs) while attending trustee meetings or other essential events such as voluntary sector conferences or specialist training courses.

2. Volunteers:

Expenses and Reimbursements - Accepted

- 2.1 Any reasonable costs that allow volunteers to carry out their duties can be classed as legitimate expenses. So long as the charity only pays the volunteer the actual cost or expense, the payment is not taxable. The following are examples of expenses:
 - 2.1.1 The reasonable cost of travelling to and from the day and/or night ministry. This includes fuel, parking and/or public transportation.
 - 2.1.2 If a volunteer is working on behalf of the charity during the day and/or night ministry, the charity will supply them with food and a drink for them.

- 2.1.3 The reasonable cost of childcare, or care of other dependants (for example, an elderly parent) whilst attending the day and/or night ministry.
- 2.1.4 Providing special transport, equipment or facilities for a volunteer with a disability.
- 2.1.5 Communication support: translating documents into braille for a blind trustee, or into different languages; provision of alerting and listening devices, and other special aids for people with hearing impairment.

3. Trustees and Volunteers:

Expenses and Reimbursements: Not Accepted

- 3.1 Expenses which are excessive, and/or which do not relate to legitimate trustee activities.
- 3.2 The following are all examples of payments which are not legitimate trustee or volunteering expenses or payments:
 - 3.2.1 Payment of hotel accommodation or travel costs for spouses or partners who are not themselves travelling on charity business.
 - 3.2.2 Payment of private telephone bills for business unrelated to the charity.
 - 3.2.3 Payment of private medical insurance.
 - 3.2.4 Petrol mileage rates above the levels approved by HMRC for claimable expenses.
 - 3.2.5 In the case of a trustee nominated by a local authority, expenses already allowed for under that authority's statutory or contractual arrangements.
 - 3.2.6 It is also worth noting that reimbursement of trustees for purchases they have personally and properly made on behalf of the charity are not counted as expenses and are accounted for as part of the charity's general expenditure.

4. Trustee and Volunteer Payments:

False Claim

- 4.1 There are many other examples. Generally, charities should be wary of the risk of excessive or false trustee or volunteer expense claim.
- 4.2 Any misuse of charity assets for private benefit can damage public confidence in a charity, can affect the charity's ability to operate for the public benefit and is likely to amount to mismanagement or misconduct.
- 4.3 The trustee or volunteer will be liable to repay the charity for any excessive or false trustee expense claims.

4.4 The trustee or volunteer may lose the right for any future claims. This will be at the discretion of the Board of Trustees who will vote on the matter.

5. Trustee Payments:

Payments, Expenses and Reimbursements – Advance Payments

- 5.1 Repayment of expenses should be dealt with as quickly as possible and can be made in cash, particularly for smaller items. Advance payment can be particularly useful where the cost can be predicted, for example babysitting costs while attending a board meeting, a standing order for a broadband connection, or perhaps the cost of staying at a hotel when attending a conference. It will also be particularly helpful for trustees on low incomes or state benefits who simply cannot afford to wait for repayment.
- 5.2 If the actual cost of expenses exceeds the amount advanced, then adjustments can be made. But trustee boards must be clear that any pre-payment scheme they put in place has appropriate safeguards and does not constitute a private benefit. In particular, they should ensure that any sums not spent are returned to the charity.
- 5.3 Where payment exceeds actual cost: any payment kept by a trustee over and above the actual cost of the expenses will be an unauthorised private gain, and liable for repayment to the charity.
- 5.4 Entitlement to benefits: state benefit rules have clarified that entitlement to benefits will be unaffected by payment for expenses paid in the future. In case of any dispute, clear record keeping will enable a charity to show that such payments are a reimbursement, and not income for the trustee concerned.

6. Trustee Payments:

Payments, Expenses and Reimbursements – Authority Needed

- 6.1 Some types of payment are often confused with expenses, when they are actually trustee benefits which HMRC will consider can be taxed as income. They can only properly be paid out of charity funds if there is suitable authority for doing so.
- 6.2 The following are all examples of payments which are not expenses, and which the commission might need to authorise:
 - 6.2.1 Compensation for loss of earnings whilst carrying out trustee business (see section 10).
 - 6.2.2 Allowances: for example, a personal clothing allowance.
 - 6.2.3 Honoraria (small or token sums not intended to reflect the true value of the service provided) (see section 11).

- 6.2.4 Payment for use of a trustee's property (or part of it) for storage and use of charity equipment.

7. Trustee Payments:
Paying for Their Service

- 7.1 A charity can pay a trustee for the supply of any services over and above normal trustee duties. The decision to do this must be made by those trustees who will not benefit. They must decide that the service is required by the charity and agree it is in the charity's best interests to make the payment and must comply with certain other conditions.
- 7.2 Examples of services that may be provided by a trustee in return for payment under the power in the Charities Act include:
- 7.2.1 The delivery of a lecture.
 - 7.2.2 A piece of research work.
 - 7.2.3 The use of a trustee's firm for a building job.
 - 7.2.4 The occasional use of a trustee's premises or facilities.
 - 7.2.5 Entering into a maintenance contract with a trustee's firm.
 - 7.2.6 Providing curtains or decorating materials for hall premises.
 - 7.2.7 Providing timber for a building.
 - 7.2.8 Providing specialist services such as estate agents, land agents, management and design consultants, computer consultancy, builders, electricians, translators, and graphic designers.

8. Trustee Payments:
Conditions Before Payment Can Be Made

- 8.1 There are a number of conditions, all of which must be met before payment can be made validly. The conditions are that:
- 8.1.1 There is a written agreement between the charity and the trustee or connected person who is to be paid.
 - 8.1.2 The agreement sets out the exact or maximum amount to be paid.
 - 8.1.3 The trustee concerned may not take part in decisions made by the trustee board about the making of the agreement, or about the acceptability of the service provided.
 - 8.1.4 The payment is reasonable in relation to the service to be provided.
 - 8.1.5 The trustees are satisfied that the payment is in the best interests of the charity.
 - 8.1.6 The trustee board follows the 'duty of care' set out in the 2000 Act.
 - 8.1.7 The total number of trustees who are either receiving payment or who are connected to someone receiving payment are in a minority.
 - 8.1.8 There is no prohibition against payment of a trustee.

9. Trustee Payments:
Amendments to The Written Agreement

- 9.1 The trustees need to agree the change or for the contract to provide for such a change.
- 9.2 Once the change has been made, a new written agreement will be issued.

10. Trustee Payments:
Compensating Trustees for Loss of Earnings

- 10.1 This type of payment is not a routine expense and must be treated as a trustee payment. There must therefore be an express authority for it, either within the charity's governing document, or provided by the commission or the court. Some charities do have a suitable power to compensate for loss of earnings, but this is still relatively uncommon in governing documents. Where there is no suitable existing authority, the commission is prepared to provide one if the trustee board can show that payment is in the charity's interests.
- 10.2 Advantage to the charity: the circumstances in which a trustee board may wish to consider this type of payment are where a potential or existing trustee:
 - 10.2.1 Brings particular skills or perspective which are valuable to the charity.
 - 10.2.2 Cannot afford to serve as a trustee because his or her employer does not pay for time spent on charity business during working hours.
 - 10.2.3 Is self-employed, and would lose out financially by carrying out trustee duties in normal business hours.
- 10.3 The same considerations apply as for any payment of a trustee; when applying for authority using the online application form, the trustee board needs to show why it is clearly advantageous to the charity to pay for the services of the person concerned. This will depend on the abilities and experience the person concerned can bring to the trustee board. Details of any especially relevant skills, knowledge or expertise should be provided. In addition, the trustee board needs to consider whether the person could act as an unpaid adviser, or whether it would be possible to recruit a suitable replacement without the need for payment.
- 10.4 The trustee board also needs to show the basis on which the compensation is calculated, and explain why this is value for money.
- 10.5 Conditions of authority: if the arrangement is approved, the commission's authority will normally impose a condition that the reimbursement must be no more than:
 - 10.5.1 The amount which could be regarded as reasonable payment for the work undertaken on behalf of the charity.
 - 10.5.2 The amount lost by the trustee whichever is the lower.

10.6 The trustee being compensated must not be a party to the application for authority. The person may have been required to provide factual information to the trustee boards, but it should be confirmed that he or she has not otherwise played a part in their decision to make the payment, or in setting the terms and conditions of the payment.

11. Honoraria

11.1 In the interests of proportionality and the best use of the commission's powers and resources, the commission does not usually require charities to seek its authority where the total value of all trustee payments (excluding expenses) is less than £1,000 in any financial year.

11.2 The trustees still need to be satisfied that these payments are in the best interests of the charity. The commission would, however, expect trustees to apply for authority in cases where, for example, it is addressing issues of mismanagement with them.

11.3 Payments that would result in the charity exceeding the £1,000 threshold are treated the same as payments for being a trustee, and will need the commission's approval. The trustees still need to be satisfied that payments below the £1,000 threshold are in the best interests of the charity.

11.4 Gifts to retiring trustees:

11.4.1 This approach includes gifts to trustees who are retiring or leaving to take up another post, usually involving token payments or small gifts.

11.4.2 The trustee board to judge whether a person's length of service and quality of contribution to the charity should be acknowledged with a leaving gift directly out of charity funds, taking account of any possible effect on the charity's reputation.

11.5 Tax and benefits:

11.5.1 A small one-off honorarium would not normally be classed as income by HM Revenue and Customs, and should not be taxable. But a large, regular or 'expected' honorarium can be classed as taxable earnings, and can also affect benefit claims.

11.5.2 If such payments are not authorised by the charity's governing document, the trustee board must seek the commission's authority if the total trustee payments to all trustees will be more than £1,000 for that year.