

Trustee Payment Policy

Document Control

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1.0 Purpose and Legal Basis

A formal Trustee Payment Policy is a cornerstone of sound charitable governance. Its primary strategic purpose is to protect the charity's assets from misuse, ensure unwavering compliance with charity law and the organisation's governing document, and maintain public trust by providing a transparent and lawful framework for the rare instances in which a trustee may be paid for services or reimbursed for expenses.

This Trustee Payment Policy establishes a clear, lawful, and transparent framework for the limited and specific circumstances under which a trustee of **the charity**, or a person connected to them, may receive payment. Its purpose is to protect the charity's assets, ensure compliance with its governing document and English law, and uphold public trust. This policy addresses a key governance gap identified during a compliance review and formalises the binding principles within the charity's constitution.

The legal and regulatory foundation for this policy is grounded in the following authorities:

- **The charity Constitution:** The policy is governed primarily by Clause 5, which covers the application of income and property, and Clause 6, which details the rules for benefits and payments to charity trustees and connected persons.

- **The Charities Act 2011:** The policy operates within the framework of English charity law, specifically adhering to the conditions detailed in sections 185-188 of the Act.
- **Charity Commission Guidance:** The policy implements best practice as set out by the regulator, particularly its guidance CC11: 'Charities paying a trustee or a connected person'.

These principles apply to a specific set of individuals involved with the charity, as detailed in the scope of this policy.

2.0 Scope

A clearly defined scope is essential for this policy to ensure its consistent application to all relevant individuals, thereby preventing ambiguity and potential breaches of trust.

This policy applies to all:

- **Charity Trustees:** All individuals appointed as charity trustees of **the charity**.
- **Connected Persons:** Individuals and entities as defined in Clause 30 of **the charity** Constitution.

This policy does not apply to the remuneration of employees. The power to employ and pay staff is governed separately by employment contracts and related policies, as permitted under Clause 4(4) of **the charity's** Constitution.

The following sections outline the charity's fundamental position on payments to those individuals covered by this policy.

3.0 Policy Statement

This policy statement serves as **the charity's** definitive and non-negotiable commitment to financial integrity and the voluntary nature of trusteeship. It articulates the core principle that trusteeship is a voluntary role and that the charity's funds must be protected and applied solely to advance its charitable objects.

The default position of **the charity** is that its trustees do not receive payment or any other financial benefit for their role.

Exceptions to this rule are permitted only where explicitly authorised by **the charity's** Constitution and the Charities Act 2011. Any such exception will be made only after a robust decision-making process where the trustees are satisfied that the arrangement is demonstrably in the best interests of the charity.

To ensure consistent and correct application of this commitment, the following definitions have been adopted.

4.0 Definitions

Clear, unambiguous definitions are critical for the consistent and correct application of this policy, ensuring all parties have a shared understanding of key legal and constitutional terms.

Term	Definition
Charity Trustee	A charity trustee of the Charity, as per the constitution.
Connected Person	<p>As defined in Clause 30 of the charity Constitution, this includes: A child, parent, grandchild, grandparent, brother or sister of the trustee. The spouse or civil partner of the trustee or of any of the family members listed above. A person carrying on business in partnership with the trustee or with any person listed above. An institution controlled by the trustee or by a connected person (or by two or more such persons taken together). A body corporate in which the trustee or any connected person has a substantial interest (or where two or more such persons taken together have a substantial interest).</p> <p>The terms 'controlled' and 'substantial interest' are defined in section 118 of the Charities Act 2011, and the Board must refer to this legislation when making a determination.</p>
Financial Benefit	"a benefit, direct or indirect, which is either money or has a monetary value," as defined in Clause 6(1) of the Constitution.
Reasonable Expenses	As defined in Clause 5(1)(a) of the Constitution, these are "reasonable expenses properly incurred by him or her when acting on behalf of the Charity." This refers to the reimbursement of out-of-pocket costs directly related to charity business, such as pre-agreed travel and subsistence.

These definitions provide the foundation for the detailed procedures that must be followed when considering any payment.

5.0 Procedures

This section provides the mandatory, step-by-step instructions for implementing the policy statement. Strict adherence to these procedures is required to ensure every payment is lawful, authorised, and properly documented, thereby safeguarding the charity from risk.

5.1 Overarching Duty to Manage Conflicts of Interest

The management of conflicts of interest, as laid out in Clause 7 of the Constitution, is the prerequisite for any decision relating to trustee payments. Any trustee with a potential conflict of interest is required to:

1. Declare the nature and extent of their interest in any proposed transaction or arrangement.
2. Absence themselves from the part of the meeting where the matter is discussed.
3. Not vote on the matter and not be counted as part of the quorum for that decision.

5.2 Procedure for Reimbursing Trustee Expenses

In line with Clause 5(1)(a) of the Constitution, trustees are entitled to be reimbursed for reasonable out-of-pocket expenses incurred while acting on behalf of **the charity**.

1. **Prior Approval:** Wherever practical, trustees must seek prior approval from the Treasurer or Chair for significant expenditure.
2. **Claim Submission:** To claim reimbursement, a trustee must submit a completed expense claim form to the Treasurer.
3. **Supporting Documentation:** All claims must be supported by original receipts or other proof of payment.
4. **Authorisation and Payment:** The Treasurer will review the claim to ensure it is reasonable and properly incurred before authorising payment.

5.3 Procedure for Authorising Payments for Services or Goods

5.3.1 Payments for Services

In accordance with Clause 6(2)(b) of the Constitution, a trustee or connected person may enter into a contract to supply services to the charity. Any such arrangement is permissible only where the Board of Trustees adheres strictly to the conditions set out in sections 185-188 of the Charities Act 2011.

5.3.2 Payments for Goods

In accordance with Clause 6(2)(c) of the Constitution, a trustee or connected person may provide the charity with goods that are not supplied in connection with services. Before any such payment can be made, the following mandatory controls, derived from Clause 6(3) of the Constitution, must be satisfied:

- **Written Agreement:** A formal written agreement must be in place between **the charity** and the supplier, specifying the goods to be provided and the maximum payment amount.
- **Reasonableness:** The Board of Trustees must be satisfied that the proposed payment does not exceed what is reasonable for the goods in question.
- **Best Interest:** The other charity trustees must be satisfied and minute that it is in the best interests of the Charity to contract with the supplier rather than with someone who is not a trustee or connected person.
- **Conflict of Interest:** The supplier must be absent from any part of a meeting where the arrangement is discussed or voted upon.
- **Quorum:** The supplier shall not be counted in the quorum for the part of the meeting where the decision is made.
- **Record Keeping:** The reason for the decision must be clearly recorded in the minutes of the meeting.
- **Majority Rule:** A majority of the trustees currently in office must not be in receipt of payments authorised under Clause 6.

5.4 Procedure for Other Authorised Payments

The Constitution permits other financial arrangements under specific conditions, as detailed in Clause 6(2). These include:

- **Loans to the Charity:** A trustee or connected person may lend money to the charity. Interest may be paid on the loan, but the rate must not exceed the Bank of England base rate.
- **Renting Premises to the Charity:** A trustee or connected person may let premises to the charity. The rent and other lease terms must be reasonable and proper, and the conflicted trustee must withdraw from any part of the meeting where these terms are discussed and decided.

Executing these procedures effectively relies on clearly defined roles and responsibilities.

6.0 Roles and Responsibilities

A clear allocation of roles is essential for accountability in the implementation of this policy.

- **The Board of Trustees:** Retains ultimate accountability for the lawful implementation of this policy. The Board is collectively responsible for approving payments to trustees or connected persons and ensuring all decisions are made in the charity's best interests.
- **Individual Trustees:** Are personally responsible for declaring any potential conflict of interest and for claiming only reasonable and properly incurred expenses with full supporting documentation.

- **The Treasurer (or finance lead trustee):** Is responsible for reviewing expense claims, ensuring proper documentation is in place before payment, and maintaining a formal register of all payments made to trustees and connected persons.
- **The Secretary:** Is responsible for accurately minuting all discussions and decisions related to trustee payments, including the reasons for decisions and that the conflicted trustee(s) withdrew, did not vote, and were not counted in the quorum.

These roles are central to the policy's successful implementation.

7.0 Implementation

A structured implementation plan ensures this policy is effectively adopted and embedded into the charity's governance practices. The following steps will be taken:

- **Board Adoption:** The policy will be formally adopted by a resolution of the Board of Trustees at a quorate meeting.
- **Communication:** Upon adoption, this policy will be circulated to all existing trustees to ensure they are fully aware of its provisions.
- **Induction:** This policy will be included in the induction pack for all new trustees, as part of the information provided under Clause 11 of the Constitution.
- **Register Creation:** A formal register will be created to log all payments made to trustees and connected persons.

The ongoing effectiveness of this policy will be ensured through a regular monitoring process.

8.0 Monitoring

Continuous monitoring and review are vital to ensure this policy remains compliant, effective, and fit for purpose. The following mechanisms will be used:

- **Annual Review of Payments:** The Treasurer will present the register of all payments made to trustees and connected persons to the full Board for review on an annual basis.
- **Formal Policy Review:** This policy will be formally reviewed one year after its effective date, and at least every two years thereafter, or sooner if there are changes to relevant legislation or Charity Commission guidance.
- **Reporting:** Any payments made to trustees for services or goods will be declared in the charity's annual report and accounts in line with the requirements of the Charities SORP (Statement of Recommended Practice).

This policy should be read and applied in conjunction with other key governance documents.

9.0 Related Policies

To ensure a comprehensive understanding of the charity's governance framework, this policy should be read in conjunction with other key documents. The following policies are directly related:

- Conflict of Interest Policy
- Internal Financial Controls Policy
- The charity Constitution

Adherence to this policy is mandatory and is a collective responsibility of the Board of Trustees, ensuring the charity's resources are protected and applied in strict accordance with the law and its governing document.