



Expenses

It has long been the case that one of the most defining aspects of the charitable sector is that trustees are unpaid.

This helps enforce the basic principle that trustees must not place themselves in a position which could lead to a conflict between their personal interests, and the duty of care they owe to the charity.

Payments which in certain circumstances can be made to trustees include:

- Expenses
- Payments in kind – for example, the free use of a charity's facilities
- For the supply of services
- For being a trustee
- As an employee of the charity.

Expenses

There is the best part of 950,000 charity trustees in the UK, with the vast majority of these being unpaid. The Charity Commission has made it clear that they do not expect these trustees to be "out of pocket", although some may choose to be so. Therefore, the claiming of expenses is seen as being perfectly reasonable, if dealt with correctly. By paying reasonable expenses, a charity may also widen the scope of who they might attract as a trustee, and the age range and backgrounds they represent.

To ensure that expenses are dealt with correctly, it is essential that a charity has a properly thought through expenses policy, which is set out in writing and fully understood by all trustees. It should also be reviewed on a regular basis. The policy should set out what can and can't be claimed as an expense, and how they should be reclaimed.

Expenses are normally seen as costs incurred by trustees (or on their behalf) in carrying out their duties for the charity, and which are refunded by the charity. If properly repaid, expenses are neither a trustee payment nor a personal benefit in kind. Any claims would normally be supported by invoices or receipts, unless this is impractical, or the amounts are very small. The need for supporting documentation would normally be dealt with by a charity's expenses policy.

So, what expenses can be reclaimed? As long as they are reasonable and incurred in order to assist a trustee to fulfil their duties, it is probable that a legitimate expense is refundable, unless, of course, the charity's expense policy says otherwise.

Expenses that can typically be repaid include:

- The costs of travelling to and from trustee meetings, or other charity events. These might include fares for taxis and public transport, or a fuel allowance (although normally only up to HMRC's limit).
- The cost of meals while on charity business.
- The cost of items such as postage, stationery and phone calls while on charity business.
- The cost of training or other materials relevant to a trusteeship.
- The cost of accommodation and subsistence while away from home on charity business, such as training courses or sector conferences.
- The cost of translating documents where this is required.
- The cost of support for disabled trustees, such as specialist transport or translating documents into braille.



If a charity merely refunds costs incurred by trustees, then the payment shouldn't be taxable. However, separate advice should be taken on this issue.

On occasion, it might be necessary for payments to be made in advance of expenses being incurred. For example, when attending a conference where overnight accommodation is payable in advance.

As well as appreciating what is reclaimable as an expense, it is also important to recognise what isn't. What isn't might include:

- Amounts which are excessive, or unreasonable;
- Amounts which are outside of a charity's expense policy;
- Fuel allowances which are more than HMRC's limit;
- The cost of accommodation where a trustee is accompanied on charity business by someone who themselves are not travelling on charity business;
- Costs unrelated to the charity.

It is worth noting that where a trustee is reimbursed for purchases made on behalf of a charity, then these are treated as part of the charity's general expenditure rather than as an expense.

It should go without saying that expense payments made by a charity must be properly accounted for. In addition, charities that prepare accrual accounts, and must therefore follow the applicable SORP, are also required to make certain disclosures in their accounts around trustee expenses.

These include the total amount of trustee's expenses, the nature of the expenses, and the number of trustees involved. On occasion, it may be unclear as to whether an expense is repayable or not. In these cases, it may be necessary to take advice. If the payment is determined as a trustee benefit rather than an expense, the Charity Commission may still be able to approve it.

As a Trustee, What should I be doing?

- Consider carefully "[CC11: Trustee expenses and payments](#)" and "[OSCR: Guidance and Good Practice for Charity Trustees](#)", and the implications of this for your charity.
- Ensure that your charity has an expenses policy, and that it is fit for purpose.
- Review the policy on a regular basis, or as circumstances change.
- Ensure that all trustees are aware of the policy, and adhere to it.
- Put procedures in place to ensure that the expense policy is adhered to.

How we can help

The area of payments to trustees, in all their forms, is a difficult one, and one rife with potential problems. Trustees need to consider CC11 and "OSCR: Guidance and Good Practice for Charity Trustees" carefully and ensure that their charity has the systems and policies to deal with these matters.

If you require any assistance, then please contact your local MHA member firm.

If you would like to discuss any matter arising from this article please contact MHA on info@mha-uk.com or your usual MHA contact.

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