

## **THE BEDFORDSHIRE FESTIVAL OF MUSIC SPEECH & DRAMA**

### **TRUSTEES' EXPENSES AND PAYMENTS POLICY**

The constitution of the Festival, adopted at its General Meeting on 19 June 2008, via Clause 3, prohibits payments to Trustees except as follows:-

“The income and property of the Festival shall be applied solely towards the promotion of its objects as set forth in the constitution and no portion thereof shall be paid or transferred directly or indirectly to members of the Festival. Provided nothing herein shall prevent the payment in good faith by the Festival to any member of the Committee, member, officer or servant of the Festival:-

- a). Of reasonable and proper remuneration for services actually rendered including reasonable and proper fees and usual charges for any professional services, provided that at no time shall the majority of the Trustees benefit under this provision;
- b). Of reasonable interest on money lent to the Festival;
- c). Of reasonable and proper rent for premises demised or let to the Festival;
- d). Of expenses properly incurred on behalf of the Festival, on condition that:-
  - (i) No person shall be entitled to vote on a resolution nor attend any meeting concerning his own appointment to his paid office of the Festival or any payment made or to be made by the Festival;
  - (ii) Notwithstanding anything contained in the constitution of the Festival no resolution relating to the payment to any member of the Committee shall be effective unless it is passed at a committee meeting at which there is present a quorum which comprises not less than one-third of the total of those entitled to attend the meeting, and a majority of persons who are not remunerated for services being rendered to the Festival.”

Guidance issued by the Charity Commission (CC11 June 2008) indicates in its forward:-

“The golden rules for paying a trustee are not, however, just to do with having the power legally to make the payment. First and foremost, it is about considering whether payment would be in the charity's best interests and better help it achieve its purposes. It is also about managing, and being seen to manage, the conflicts of interest which may arise, and being open and accountable to those with an interest in the charity. Sticking to these rules will help trustees manage this issue in a way which brings advantage to their charity, whilst managing the inevitable risks.”

For the purposes of this policy the terms 'Trustee' and 'committee member' will be interchangeable. The Festival is a registered Charity so any reference to Festival shall mean the registered Charity rather than the event.

The Festival lays out its policy in this area in order to ensure that the affairs of the Festival may be run in an open and transparent way. The Festival's Constitution shall always supercede this policy in the event of any conflict between the policy and the Constitution.

It shall be the policy of the Festival that Trustees should have all reasonable and legitimate expenses met from Festival funds and this policy sets out the criteria and procedures to be adopted to achieve this.

It shall be the policy of the Festival that it shall only be in occasional cases that the Festival shall pay remuneration for services actually rendered from Festival Funds and this policy sets out the criteria and procedures to be adopted to achieve this.

It shall also be the policy of the Festival that it shall but only in exceptional cases make limited other payments and this policy sets out criteria and procedures to be adopted to achieve these.

### **Expenses**

As it is the policy of the Festival that no Trustee shall be "out of pocket" as a result of being a Trustee, expenses shall be reimbursed by the Festival. Expenses are defined as the reasonable and legitimate costs that a Trustee has had to meet personally in order to carry out Trustee duties which, for this policy, include the delivery of the Festival (the event). The Charity Commission guidance indicates that reimbursing Trustees for purchases personally and properly made on behalf of the Festival do not count as Trustee expenses. For the purposes of this policy, the distinction between Trustee expenses and Festival Expenses shall be ignored but shall be recognised in the preparation of the accounts etc. The Festival considers that this is acceptable as the policy goes further than is required by the guidance.

Expenses shall be reimbursed on presentation to the Festival Secretary or Officer of the Festival of a signed claim outlining the expenses incurred by the Trustee and supported by bills, invoices, receipts or other supporting documents unless it is impractical to expect this.

The claim shall be handed to the Treasurer who will approve the reimbursement and draw the appropriate cheque. This shall be signed in accordance with the Festival's Constitution. If the Expenses for reimbursement shall be those of the Treasurer or other cheque signatory, the payment shall, in the case of an expense incurred by the Treasurer, be approved by another Officer and, in all relevant cases, the cheque shall be signed by the two signatories who are not the Officer to whom the expenses are being reimbursed.

Reasonable Expenses could include (the list is not exhaustive) and may, in exceptional cases, be paid in advance:-

- Costs of postage and telephone calls on Festival business
- Costs of the purchase of materials, publications, other expenses relevant to the Festival
- Costs of sandwiches and other reasonable provisions for the adjudicators and Trustees during the event but specifically excluding hotel and restaurant costs and only those appropriate for the Trustees subsistence during the Event
- Costs of attending Federation and other relevant courses and conferences. This may include overnight accommodation exceptionally. These costs must be approved by the Committee in advance.

Reasonable expenses would not include (again, the list is not exhaustive):-

- Costs for travel etc of spouses
- Any costs relating to Trustees personal use on post, telephone etc
- In the case of a Trustee nominated by a local authority or other body, any expenses already allowed for by that authority

All reimbursements shall then be approved by the committee at its next meeting. No Trustee concerned with the payment may take part in any discussion or vote and the meeting must be quorate with the exclusion of that Trustee. If the payment is not approved, the funds must be reimbursed by the Trustee within 30 days.

In all cases, the Festival reserves the right to require repayment of any excessive or false Trustee expense claims.

### **Trustee Payments**

This part of the policy focuses on the power that allows the Festival to pay trustees for additional services they provide to the Festival over and above normal trustee duties. This includes goods supplied in connection with the provision of services. Trustees must take the guidance in the policy into account before they enter into an agreement under this policy.

The Festival will not pay trustees where the payment is to pay a trustee for being a trustee or the conditions for making the payment cannot be met.

Examples of services that may be provided by a trustee in return for payment include (this list is not exhaustive):

- the delivery of a lecture;
- a piece of research work;
- the use of a trustee's premises or facilities; or
- Providing specialist services such as computer consultancy, accompanists or adjudicators, and graphic designers.

There are a number of conditions, all of which must be met before payment can be made validly. The conditions are that:

- there is a written agreement between the Festival and the trustee or connected person who is to be paid;
- the agreement sets out the exact or maximum amount to be paid;
- the trustee concerned may not take part in decisions made by the Committee about the making of the agreement, or about the acceptability of the service provided;
- the payment is reasonable in relation to the service to be provided;
- the trustees are satisfied that the payment is in the best interests of the charity;
- the total number of trustees who are either receiving payment or who are connected to someone receiving payment are in a minority;
- It is also a condition that, before entering into this type of agreement, trustees must "have regard to" the Charity Commission guidance on the subject. The trustees must be able to show that:
  - they are aware of this guidance;
  - in making a decision where the guidance is relevant, they have taken it into account;
  - if they have decided to depart from the guidance, they have a good reason for doing so.

Any payments to trustees for additional services will only be made after a written agreement has been entered into in accordance with this policy. The written agreement shall be drawn up by an officer of the Festival, agreed with the trustee and then submitted to a Committee meeting to delegate an officer to sign the agreement on behalf of the Festival. No Trustee concerned with the payment may take part in any discussion or vote and the meeting must be quorate with the exclusion of that Trustee. The written agreement must be considered in the light of the guidance set out below.

Recording the proposed arrangement in the Festival's minutes will not be enough to meet the conditions for an agreement. There must be a separate written agreement which must cover the issues outlined below. The agreement contents will depend on the nature of the service being provided, and the level of detail needed to cover it. The Committee shall consider whether legal advice should be sought if an arrangement is likely to continue for some time, or if it is particularly complex.

In setting the amount of the payment, the Committee must take into account a number of factors, relating to affordability, price and quality. In terms of price and quality, the Committee should normally test the market and use comparisons for similar work to ensure they are paying no more than the 'going rate'. However, in respect of adjudicators and accompanists, adoption of the British and International Federation of Festival's rates shall be taken as satisfying the 'going rate' criteria.

When considering whether a payment is reasonable, the Committee should consider:

- whether the Festival can afford the payment;
- the value to the Festival of the services provided by the trustee;
- the quality of the service and the reliability of the supplier;

- how much other organisations pay for similar services in similar circumstances; and
- the implications for the reputation of the Festival with its donors, funders, members and supporters, and with the general public.
- Before making a decision, the Committee must be satisfied that the arrangement is in the best interests of the Festival. This means they should be satisfied that the service is required by the Festival. They should also be able to show there is a clear advantage to the Festival in using one of its trustees instead of someone else.

### **Disclosure of Trustee Payments and Expenses**

Under the SORP 2005 accounting framework, charities that prepare their accounts on an accruals basis must give details of payments and other benefits to charity trustees and connected persons - including family members and businesses. They are also required to say under what legal authority the payment is made, together with the reason for it. Whilst the Festival is not obligated to prepare its accounts on this basis, it has adopted a full accruals basis. Accordingly, as a matter of best practice and to enhance transparency, full details will be disclosed.

### **Other Payments to Trustees**

**Honorarium:** Generally, no other payments will be made to trustees. However, the Committee may wish to make a small one-off payment (often known as an honorarium) or small gift to a trustee, for which there is no strict legal entitlement and no agreed amount, but which represents a gesture of appreciation and goodwill for services rendered to the charity - perhaps for long service. The trustees will need to ensure that such payments or gifts are in the best interests of the charity. The committee will discuss in advance of any such gift and shall minute the reasons for such a payment. No Trustee concerned with the payment may take part in any discussion or vote and the meeting must be quorate with the exclusion of that Trustee.

**Gifts to retiring trustees:** The Committee may consider whether it is appropriate, exceptionally, to make gifts to trustees who are retiring or leaving to take up another post, usually involving token payments or small gifts (see [OG92 C10 Gifts to Retiring Trustees](#) on the Operational Guidance page of the Charity Commission website). It is difficult to place hard and fast rules on what is an acceptable value of gift in these situations; it is for the Committee 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. The trustees will need to ensure that such payments are in the best interests of the charity. The committee will discuss in advance of any such gift and shall minute the reasons for such a payment. No Trustee concerned with the payment may take part in any discussion or vote and the meeting must be quorate with the exclusion of that Trustee.