

## Payment of Committee Members

### Good Practice for Voluntary Organisations

A voluntary organisation is by definition not established for personal gain. This means in practice that the members of its voluntary management committee are unpaid.

It is important that voluntary management committee members and the staff of a charity or other voluntary organisation are very clear about their respective roles and that these never become confused. In principle no paid member of staff can be part of the voluntary management committee although they are expected to attend meetings in order to advise and inform the committee. Conversely, no voluntary management committee member should receive a salary or payment from the organisation except expenses.

An exception to this rule is where a member of the management committee is the best person to do a specific piece of work for the organisation, which would in any event be purchased or contracted out. In this case the member may be paid a one-off fee. There should certainly not be any routine remuneration for the time or effort given to the organisation in the course of a person's duties as voluntary management committee member.

The issue of payment of voluntary management committee members has been subject to much debate. Some argue that the increasing responsibility of committee members deserves payment. On the other hand it is important to remember that payment might change the status of an individual committee member. For example:

- it is possible that HMRC would consider such a situation as employment and payments as earnings and therefore taxable
- such payments would certainly have implications for those in receipt of means tested benefits
- it has been suggested that in certain circumstances paid committee members of charities would be considered to have a greater responsibility for their actions than other committee members would for theirs – as accepting payments implies a certain level of 'competence' to perform a task

### What happens when a voluntary organisation is granted charitable status?

When a voluntary organisation becomes a charity there are definite legal rules about payment of its voluntary management committee because these people count as the 'charity trustees'. These rules appear in the Charities and Trustee Investment (Scotland) Act 2005 and guidance is included on the OSCR website.

### What if a voluntary organisation incorporates?

Whether and what type of payment is permitted depends on the form of incorporation (limited company, Industrial and Provident Society, Community Interest Company etc). When incorporating, voluntary organisations should check what is permissible under the relevant law and draft (or redraft) their constitution appropriately, taking



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into account the interplay between different laws that may come to affect them. For example, if an organisation wants to be a charitable company there is no point writing a constitution that permits all sorts of payments to directors using company law without checking whether it would be permitted under charity law.

Please note in either case (i.e. charitable status or incorporation) it still remains best practice not to pay management committee members whether they are directors or charity trustees or both. Not paying them certainly gets an organisation out of a lot of complicated 'figuring out' of what is allowed or is not allowed by which bit of which law.

## **A Question of Funding**

Be aware that some funders have a policy that they will not fund organisations that pay their management committee members no matter what is technically allowed under this or that law.

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