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Trustee remuneration



Payment of trustees will not improve governance standards in the third sector, says Ben Wittenberg. It will create a financial crisis in which the largest charities offer benefits at the expense of smaller charities' boards

Trustees of charities should not be paid, either for their trusteeship or for the commercial services they provide to their charities outside of that role. That has been DSC's position on the subject of trustee remuneration for at least the last ten years, since my esteemed late colleague Luke FitzHerbert discovered a number of trustees of major grant-making trusts were receiving significant payments for services rendered.

In contrast to our position, the Charity Commission's Guidance on Payment of Trustees (CC11) states that: "...trustees cannot receive any benefit from their charity in return for any service they provide to it unless they have express legal authority to do so. 'Benefit' includes any property, goods, or services which have a monetary value, as well as money."

October last year saw the Charity Commission grant such authority to CfBT Education Trust, resulting in them paying £20,000 to five of their 12 trustees. The perception at present, fed by a number of high-profile cases such as this, is that more and more charities and trustees are paying, and being paid, within these parameters. But what might this mean for the sector as a whole?

There are a number of arguments in favour of paying trustees for the fulfilment of their trusteeship, and most of them are made in the hope that payment will address some of the most common and critical issues facing executives and boards alike. Recruitment, lack of diversity, lack of appraisals and standards of governance are often cited as solvable through payment. Far from actually addressing any of these issues, paying trustees would have a hugely negative effect on the governance of the sector.

Our position is one of principle. Paying trustees erodes one of the fundamental characteristics of the sector, and also calls into question the objectivity (and legality) of those governing with a financial interest.

But setting the principled argument to one side for a moment, there are also some considerable

practical impacts that increased payment of trustees would have; it would increase problems of trustee recruitment for those that could not afford to pay, while adding to the core costs of those that could.

Let's assume for argument's sake that recent high profile awards are in the minority, and that a remuneration package of a more modest £500 per annum could become common practice across the wider sector. Figures for board sizes vary, but good practice from the Charity Commission suggests a board of three to nine members, meaning a potential additional expense to each and every charity of around £3,000. Incidentally, the Governance Hub estimates the total number of trustees to be in the region of 900,000, slightly below that average recommendation.

Even if governance is improved as a result, even if recruitment and diversity issues are addressed, and ignoring the significant principled objections, what would the financial impact be on the sector?

For starters, of the 190,000 registered charities, half of them would have to increase their income by 30 per cent or more in order to offer that level of payment to their board members.

Raising money for core costs is not an easy job at the best of times, but across the whole sector the amount of additional money required would be in the region of £450 million. The consolidation of feedback on CapacityBuilders 2014 consultation is in full swing at the moment, but I'd be surprised if anyone's suggested an extra half billion for the Governance Hub to fund payment of trustees.

Unlikely? Of course it is. The far more likely outcome is a continued increase in the number of large charities paying their trustees, at the expense of smaller organisations that cannot afford to compete – in a game that no-one should be playing.

Ben Wittenberg is head of policy & research at the Directory of Social Change

(see page 34 for our cover feature on trustee remuneration)

Trend watch

