

Remunerating charity board members

Information for charities about paying responsible persons for their duties

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Paying the board

In most charities, board members are unpaid. They volunteer their time, experience and expertise to their charity without taking payment for their service.

However, in some charities the board members are remunerated for their work. Although the majority of charities do not remunerate their board members, paying board members is not uncommon and charities may do it for a number of reasons.

Whether to pay board members or not is an important consideration for charities, and one that depends on the unique circumstances of each charity.

This guide provides an overview of the issue and the view that the ACNC takes on charities paying board members.

A note on the use of ‘board member’

In this guide we use the term ‘board member’ generically to refer to the [responsible persons](#) of a charity (the people responsible for governing the charity). Depending on the charity, the responsible persons may be called the committee, the board or the trustees or something similar.



What is a payment to a board member?

In this guide, we refer to the payments made to board members for their service as board members. These are different to any payments made to reimburse board members for reasonable expenses incurred as part of their role (for example, travel costs to and from a board meeting).

The way board members are paid, if at all, will vary between charities. For example, payments could be regular and for specific duties, services or attendance (such as paying board members a 'sitting fee' to attend a meeting), or they could be one-off payments based on performance criteria. Payments can be in the form of cash or non-cash benefits (such as medical care or housing subsidies).

Does the ACNC allow payments to board members?

The ACNC does allow charities to pay their board members.

Charities registered with the ACNC must remain not-for-profit and, as such, cannot offer private benefit to people involved in the charity. As long as payments to board members are in furtherance of the charity's charitable purpose, permissible under the charity's rules, and properly authorised within the charity, the ACNC does not prohibit them.

Registered charities are required to comply with the [ACNC's Governance Standards](#) which, in addition to the requirement to remain not-for-profit, include a requirement that a charity's board members act in the best interest of the charity and manage a charity's finances responsibly. Any payments to board members that are unreasonable, unauthorised or unjustifiable may mean that the charity is not complying with the Governance Standards.

Beyond complying with the ACNC's Governance Standards, charities may be subject to rules concerning payment to board members according to their organisational structure or activities. For example, if a charity that is a Company Limited by Guarantee wanted to apply to be allowed to omit the word "Limited" from its name, the *Corporations Act 2001* (Cth) requires that the charity prohibits payment to its



directors. Similarly, a charity that is a trust, in most cases, cannot pay its trustees unless its trust deed specifically sets out that they are to be paid. Fundraising laws in some states may also regulate payments to board members.

Considerations in deciding to pay board members

All charities have unique circumstances, challenges and needs, and the considerations for paying or not paying board members will vary between charities.

Charities that decide to pay board members may do so for a variety of reasons:

- Charities can be large complex organisations that need board members with particular skills and experience to be effective. Offering remuneration may help a charity attract the right people for its board.
- Remunerating board members may enhance the sense of accountability and responsibility from the board.
- Offering a payment can increase the pool of potential board members and lead to greater diversity on boards. There are many people who cannot afford the time to serve properly as a board member, but would otherwise be great additions to a charity board.
- When board members are paid for their service, charities may expect greater engagement in attendance, communication, and decision-making.

The majority of charities, however, do not pay their board members. The decision to not offer remuneration is also an important one, and may be the result of a range of considerations:

- Some board members are attracted to charity governance as a means of ‘giving back to the community’ and payment may not sit well with this.
- Charities may be wary that payment could become a board member’s central motivation for acting as a board member, rather than the charity’s cause.
- Many donors and supporters may have expectations that the charity’s board members are not paid for their service.



- Payments to board members, for some charities, may be viewed as an unnecessary expense.
- Offering remuneration to board members may make engaging volunteers or soliciting donations more difficult.
- Some charities are managed on very limited funds and, put simply, cannot afford to pay board members for their services.

Should a charity pay its board members?

The decision to pay board members for their service rests entirely with each charity, and should be based on the charity's unique circumstances. Each charity is different and operates in different environments with particular aims and challenges – a decision to pay board members should reflect this.

As the regulator of charities, the ACNC does not dictate how a charity should manage its operations, including decisions about how money is spent, such as board member payments. How a charity chooses to use its funds (providing they are used in furtherance of its charitable purposes) is up to the charity's board. The ACNC recognises this autonomy is important for a sustainable, innovative and vibrant sector.

However, it is important to realise that the decision to pay board members is a significant one, and charities should approach it with care and diligence. Before making a decision, charity board members should be confident that they have given reasonable consideration to the issue and understand the implications of the action they take.

Among the many considerations is the public perception of paying board members. Charities should consider how a decision to pay board members may be viewed by supporters and the public and whether it carries a risk to its donations or reputation. A charity that pays its board members should be able to justify payments in the context of it pursuing its charitable purpose and explain how the payments will assist in achieving a charity's purpose.



Some questions that a charity should consider when deciding whether or not to pay its board members include:

- Are there any laws governing board remuneration that will affect the charity? (e.g. fundraising laws in each state or corporations law)
- Will board payments affect any current funding arrangements? (e.g. are there conditions on funding that specify funds to be used in a particular way?)
- Do the charity's rules allow for payments to board members?
- Who on the board should be paid and what is the process for determining a reasonable payment? (e.g. do all board members receive a payment? Are some board members paid more than others?)
- Are there any additional expectations that may be placed on directors in exchange for payment?
- How will the board be accountable and transparent about payment? (e.g. will it provide a remuneration report? Will members be consulted on payment?)
- How should the charity determine the amount of remuneration? (e.g. consult other similar charities? Use the services of a consultant to assist?)

Accountability and transparency

Whether board members are paid – and if so, how much? – is often a point of interest for a charity's members, donors and supporters, and even for the general public too. For charities that pay board members, considering how the payments will be determined, accounted for and reported is important.

Charities should have a clear policy that outlines the manner in which remuneration is determined and the process for its approval. Such a policy should also contain steps for addressing concerns or disputes regarding board remuneration.

Being accountable for board payments is crucial, and charities should have processes that ensure remuneration is considered by relevant stakeholders – for example, members, supporters or grant-makers. How charities are accountable – and to whom – will vary, but charities should consider this process carefully. For some charities, accountability may mean publishing details of board payments in a



remuneration report for presentation at the Annual General Meeting; for others, it may mean submitting the details of board payments to members for approval.

Importantly, charities that pay board members should present opportunities for stakeholders to raise any concerns about payments. For charities with members, this responsibility falls within the requirement to comply with [ACNC Governance Standard 2](#).

Transparency is an important principle here. Board remuneration may be a significant part of charity operations, and charities should be open about it and the policies that support it. Making the details of the payments or the policies available to the public is good practice and can demonstrate a commitment to transparency. A charity that pays its board members should be prepared to publicly justify the payments and explain why they are appropriate.

Charities that prepare financial statements may also need to disclose key management personnel (such as board member) remuneration in accordance with the Australian Accounting Standards Board Related Party Disclosures standard (AASB 124).

Note:

The Annual Information Statement asks medium and large sized charities:

- whether they have any related party transactions, and
- did they have documented policies or processes about related party transactions.

Related party includes key management personnel of a charity (defined in AASB 124). This may include a board member, or a close member of a board members family.

Related resources

- Managing charity money – a guide for board members on managing finances and meeting ACNC duties: acnc.gov.au/managingcharitymoney



- Charity money myths – the facts about operating as a not-for-profit:
acnc.gov.au/moneymyths
- Charities and administration costs: acnc.gov.au/admincosts
- [Related party transactions](#)
- [Australian Accounting Standards Board Related Party Disclosures standard \(AASB 124\)](#).

