



How to create an effective expenses policy

A practical guide to building, launching and maintaining a policy your people actually follow — with a full policy template to adapt.

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What's inside

Two halves. The first explains what an expenses policy is for and how to make one that sticks. The second is a template you can adapt line by line.

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Who this guide is for

Finance leaders and managers writing an expenses policy for the first time, and anyone who has one already but suspects it is out of date, overlong or quietly ignored. No prior policy experience assumed.

INTRODUCTION

Your policy is the foundation everything else sits on

You may already have an expenses policy. Or you may be an organisation just starting to realise that you need one. Either way, this guide is for you.

It provides all the basic help and information you will need to create a robust expenses policy document. It's the foundation on which effective expenses management is built.

With cloud-based management tools allowing us to efficiently monitor and maintain an expenses policy, there's no longer any excuse for a failure to take control.

A properly implemented policy will save your organisation valuable time and resources, as well as helping to protect against fraud and compliance breaches.

43%

of employees felt that an unfair company expenses policy justified them making fraudulent claims — from a survey commissioned by Webexpenses.

20%

the reduction in transport and entertainment costs that research suggests an effective expenses policy can deliver.

The information contained here is based on more than a decade's worth of experience Webexpenses has acquired in helping businesses regain control of their expenses.

IN SHORT

A policy is not paperwork. It is the mechanism that decides whether your spend is fair, controlled and defensible — and whether your people trust it enough to follow it.

PART ONE

Policy overview

What an expenses policy is, why your organisation needs one, and the five things that separate a policy people follow from a document nobody opens.

BACK TO BASICS

How to create an effective policy

The most effective way to approach creating an expenses policy is to go back to basics and ask three fundamental questions: **What is it? Why is it needed? How do we make it work?** It's by stripping away the detail and focusing on these key concepts that you can refocus your policy and make sure it's doing what you need it to do.

What is it?

An expenses policy is a document that outlines how your organisation handles business-related expenses. It gives employees guidance on what can and can't be claimed for. It provides a guide to the process of making claims, as well as what happens if there are disputes over expenses.

Why is it needed?

The primary aim is to provide a fair system of compensation for employees who incur personal expenses for business reasons. Without an effective policy, an organisation leaves itself open to spiralling costs and legal risks.

The key objectives of the policy, therefore, are to:

Be fair and transparent

Everyone knows the rules and can see they apply evenly.

Control costs

Limits are set deliberately, not discovered after the fact.

Prevent fraud

Remove both the opportunity and the excuse.

Ensure compliance

Meet tax and legal obligations by default.

If employees view the policy as being fundamentally fair, it prevents expenses from developing into a breeding ground for low morale, discontentment and exaggerated claims.

With a robust and fair policy in place, everyone knows where they stand. Employees may not agree with, or like, aspects of the policy — but they know exactly how it works, what they can expect from the company and what it expects of them.

IN SHORT

Fairness is not a soft goal. It is the control that stops reasonable people talking themselves into unreasonable claims.

FIVE WAYS TO MAKE A POLICY WORK

How to make it work

It sounds obvious, but the most effective policies are those that people adhere to — understood, accepted and followed. The policy also has to be properly managed and maintained. Here is what makes the difference.

01 Strive for fairness

The most effective policies are those which employees view as being fundamentally fair. They may not agree with all of the rules and limits, but they accept them as being fair and transparent.

“Some discontent with an expense policy is inevitable.

But that perception of unfairness is exactly what people use to justify expense fraud.

It is how employees who see themselves as law-abiding can ‘legitimise’ fiddling their expenses.”

Joe Sanchez, CEO, Webexpenses

The way in which an expenses policy is presented to employees plays a large part in how it will be perceived. Allowing employees to have input into the process of creating or revamping a policy can help to engender acceptance. Rather than being something imposed from above, to be battled against, it's viewed as a collective agreement. This can be done with meetings and presentations where the policy is communicated and employees are able to provide feedback.

02 Keep it simple

No matter how fair, reasonable and robust a policy is, it's of little use if nobody reads or understands it. Left to our own devices, few of us will voluntarily take the time needed to fully understand and absorb a long document — especially when it's dealing with the intricacies of an organisation's expenses.

It is vital, therefore, to present the policy in a concise, simple-to-understand and user-friendly manner. It should be viewed as a guide to help employees understand. This means it should:

- Avoid unnecessary jargon and corporate speak.
- Be concise; provide only the information needed.
- Find a tone appropriate to your organisation's culture.

One option used by many companies is to present the expenses policy in the form of a company 'wiki' — allowing it to be easily searched and accessed via the company intranet.

03 Keep it updated

One of the major mistakes made with an expenses policy is to treat it as a box that has been ticked. It needs to be regularly updated and adapted to match changes to both your organisation and the wider legislative world.

"An expense policy is not a document you file and forget. Senior managers need to treat it as something alive, ready to change as the business changes. Review it, adjust it, review it again."

Joe Sanchez, CEO, Webexpenses

A policy should be reviewed and revised every few months to take into account price inflation, legislation updates and technological advances.

04 Choose the right tools

The way we manage our expenses has been transformed by advances in technology. A slow and cumbersome paper-based process has been replaced by fast and efficient cloud-based systems.

It means that an expenses policy can now be managed, monitored and applied in a way not previously possible. Rather than being a static document, these tools allow the policy to be built into the day-to-day life of your organisation. The Webexpenses system allows managers to:

Set spending limits

Fully customisable to match your organisation's policy, with limits allocated to specific spending categories. Employees can be warned about a potential breach, or prevented from making an illegitimate claim.

Flag areas of interest

Various 'flags' can be set to trigger an alert when certain spending limits are hit. This helps identify issues before they are allowed to become resource-sapping problems.

Ensure mileage accuracy

Employees record the exact distance they travel for any mileage claim, so business journeys are tracked precisely. A mobile app is available for claims on the move.

Build in compliance

Confirmation screens ensure employees are aware of any compliance requirements at the point they make a claim. These can be customised and made specific to different categories.

05 Monitor and maintain

Digital management tools also transform the way expenses can be monitored and maintained. A move to digital systems means that real-time information is now available for finance teams, giving visibility of overspend as and when it occurs.

There is no longer any need for a backlog of paper claims to build up. Claimants can build their claims anytime and anywhere through mobile apps — uploading digital or photographed receipts to their claim and submitting them for approval, all from their mobile device.

Without the drudgery of processing expenses, you can create a policy that is much easier to maintain. Employees no longer view it as an onerous task; it becomes a seamless part of working life.

The other major advantage is that digital systems mean finance teams can spend less time processing paper and more time monitoring the rich set of data now generated by expense management systems. This information can help to monitor the effect of any policy changes, as well as helping to identify troublesome trends and potential policy breaches.

Before you publish: a five-point check

- Could an employee read the whole policy in ten minutes and know what they can claim?
- Have the people it applies to had a chance to comment on it?
- Are the limits current — checked against inflation and this year's legislation?
- Is it enforced where the claim is made, not weeks later at approval?
- Is there a named owner and a date for the next review?

IN SHORT

Fair, short, current, built into the tools, and reviewed on a schedule. A policy that misses any one of those five slowly stops being followed.



PART TWO

Expenses policy template

Sixteen sections covering evidence, accommodation, meals, entertainment, travel, currency, company cars, training, memberships, equipment and card fees. Adapt every figure to your own organisation.

How to use this template. This is a sample of an expenses policy — how it is formatted and written, along with the areas it should cover. Treat it as a guide, and replace every limit, rate and blank with your own.

01 Overview and objectives

This document provides guidelines and establishes procedures for employees incurring travel, entertainment and related expenses while on company business.

The company will reimburse all approved and reasonable expenditures incurred in undertaking company duties. The guidelines enable controlled reimbursement to take place and indicate the evidence and the authorisation required.

Amendments to the policy, procedures and expense levels should only be made with reference to the senior management team.

The objectives of the company are to:

- Provide regular reimbursements to employees.
- Control costs.
- Prevent fraud.
- Ensure the company complies with its tax and legal obligations.

It is Management's responsibility to ensure that costs are controlled and that expenses cannot be deemed to be extravagant. To set firm limits for every eventuality will always be difficult and will never suit every occasion or circumstance for expense reimbursement.

02 Supporting evidence

An expense claim must be supported by original receipts, invoices or similar. Credit card items should be accompanied by an itemised receipt giving full details.

In order for the Company to reclaim VAT, we must have proper original receipts to accompany allowable claims. To meet the business requirement, each receipt or invoice should list:

- Description of goods/services supplied.
- The total charge, including VAT.
- Name and address of the supplier.
- The date of supply.

03 Overnight accommodation

Where possible, it will be expected that employees use hotels where a group or corporate rate has been negotiated. If this is not possible, then a common-sense attitude to expense will be expected when making bookings.

Evening meals should be chosen from the fixed price menu or equivalent when available. The company does not wish to dictate a set limit on evening meals, but claims must be reasonable and managers will not authorise any claims deemed to be extravagant.

04 Overnight incidental expenses

When staying away from home overnight on business, it is recognised that employees will be likely to incur some expenses over and above the basic costs of bed and meals.

Hotel bills would normally be expected to be paid by the employee and claimed for through reimbursement.

05 Breakfast / lunch / meal allowance

When an employee is away from the office on company business but not staying away from home, and meets the following criteria, they can claim the reasonable excess over what they would normally spend.

- The claim must be backed up by a receipt.
- The employee must be absent from the office for more than half the working day.
- The meal and the business location must be more than five miles from home and the office.
- For breakfast, the journey must have commenced prior to 7.00 am.
- Where an employee is on Company business but not staying away from home, the cost of an evening meal may be claimed against receipts if the following HMRC limits are met:
 - There must be more than five miles from office to home.
 - The meal must be eaten after 7.30 pm.
 - The employee must have been working away from home for more than 10 hours.

Reasonable limits set by the company for expense claims

- Breakfast — £20.00 with receipt.
- Lunch — £20.00 with receipt.
- Evening meal working late away from the office — £35.00 with receipt. Evening meal at hotel — fixed price menu with receipt.

06 Business and staff entertainment

Every claim for entertaining (staff and business) must show the business purpose, where the event took place, plus the name, status and company of every person entertained.

Receipts must be provided. Where two or more Company employees are engaged in entertaining which is chargeable to the company, then the most senior person present should settle the bill.

The Company will reimburse all reasonable Business Entertainment of customers/suppliers outside the company.

In most cases, the entire cost of an entertainment expense should be charged to the category 'Business Entertainment', including the costs of the staff member's meal.

Business entertainment includes gifts and hospitality of any type. When customers/suppliers stay at hotels as guests of the Company, their accommodation and meals will be paid for by the Company.

07 Domestic air and rail travel

Economy Class should be used for all journeys other than those journeys in excess of 3 hours for which First Class may be used.

All bookings for flights should be booked through the company travel agency. An exception to this rule is bookings made online with so-called 'low-cost' airlines.

A minimum of three working days' notice of airline ticket requirements is desirable.

08 Overseas air and rail travel

All bookings for overseas travel, including tickets for transportation, hotel reservations and any other reservations should be made through the company travel agency. Reservations will only be made against an approved Travel Application form.

For travel within the UK and Europe, each trip must be authorised by the appropriate Director. Three working days' notice of airline ticket requirements is desirable.

For travel outside Europe, each trip must be authorised by the appropriate Director. Five working days' notice of airline ticket requirement is desirable. Employees will arrange with the company travel agency to book the most cost-effective means of travel.

The class of flight is determined as follows:

- Economy class will be used for flights of less than 3 hours duration.
- Economy Plus or equivalent will be used for flights between 3 and 5 hours.
- The lowest logical business class fare will be used for flights of more than 5 hours.
- First-class flights may only be taken if the upgrade is free.
- The class of rail travel is determined as follows:
 - Second class will be used for journeys of less than 3 hours.
 - First-class will be used for journeys longer than 3 hours.
 - For overseas rail travel, employees may travel first class and book sleeper accommodation.

Sea travel will not normally be used where there is an alternative service by air. The use of short sea routes may be justified if due to disruption of air services or for any similar reason.

09 Foreign currency

If foreign currency is required it is often more convenient for staff to obtain this from a currency exchange or ATM abroad. The company will reimburse all costs associated with this conversion on receipt of appropriate receipts or credit card statements. If foreign currency is required from the company, a minimum of three working days is required for currency to be ordered from the bank. Currency requests should not exceed £200.

10 Other travel-related costs

Staff with Company cars or receiving a car allowance will be expected to use their cars to and from the airport unless parking fees would exceed the cost of a private taxi. Employees without company cars or a car allowance will be expected to use public transport or private taxi cars to and from the airport. Claims may be made for reimbursement of the cost of applying for a visa for staff who are required to travel overseas on Company business. Note that the expenses process should not be used to pay an individual for work done, such as casual work.

11 Company car policy

Adapt this section to match your organisation's pence-per-mile rate for each travel category, and check them against the current HMRC approved mileage rates.

The Company will reimburse mileage at the following rates:

- Company car drivers ____ pence per mile.
- Car allowance recipients ____ pence per mile.
- Use of private car ____ pence per mile for the first 10,000 miles in the tax year, ____ pence per mile thereafter.
- Passengers at ____ pence per mile.
- Petrol for private journeys will be paid for by the employee. The private mileage deduction for staff with petrol cards is ____ pence per mile.

Servicing costs for company cars will be reimbursed in line with the dealer recommendations, along with car parking expenses in connection with business calls.

The company will not pay any fines in connection with road traffic offences, nor will the Company reimburse car wash or valet costs. It is the responsibility of the driver to ensure the car in their care is maintained to a reasonable level of cleanliness.

Employees who receive a Company Car Allowance are expected to have a vehicle available for use when required to carry out their duties. This includes travel to and from venues associated with the business. Applicable insurance for that vehicle is the responsibility of the employee to arrange.

When two or more employees are travelling together and one is the recipient of a company car or car allowance, that employee is expected to drive and account for the mileage.

12 Training courses

Accommodation and transport in conjunction with training courses are subject to the same rules as for other business-related travel.

13 Membership of professional bodies

The Company will pay subscriptions to approved professional bodies on behalf of employees where an employee is requested to take up membership by the Company, in the interests of the Company.

In some cases, subscriptions paid may be taxable and the employee should be aware that they may bear the additional cost.

14 Telephone-related costs

When a private telephone is used for business calls, employees may claim the cost of business calls plus, on submission of the telephone bill.

15 Purchases of equipment

Subject to the cost centre Manager's approval, various pieces of equipment, including IT equipment, may be purchased for employees' use at work or home. All such purchases should be made through the Company Administrator using a Capital Expenditure form and purchase order, and not by including on an expense claim form. When an employee leaves or changes job, equipment must be returned to the Human Resources department for redeployment.

16 Credit card fees

The annual fee for a personal credit card to be used on Company business is not refundable by the company.

LAST STEP

Add a named policy owner, a version number and a review date to the front of your finished document. A policy nobody owns is a policy nobody updates.



See a policy that enforces itself

Webexpenses puts your limits, approvals and compliance checks at the point the claim is made — so the policy in the document is the policy in practice. Book a walkthrough with our team and we'll show you how it maps to the policy you have just written.

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Webexpenses empowers you to manage trust, not just receipts. This guide is based on more than a decade of experience helping businesses regain control of their expenses. The template it contains is a guide only and does not constitute legal or tax advice — check limits and treatment against current legislation in your jurisdiction.