

Finance FAQs

Introduction

These finance frequently asked questions (FAQs) supplement the financial matters information available for all u3as on the website and specifically the Finance Matters – Guidance [here](#). These include questions on the following areas:

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General

Membership fees - A u3a Committee have told members that they are increasing the annual membership fee. They are holding an SGM to discuss this with members but there is no indication that there will be a vote. Are they allowed to do this?

This depends on what their constitution says. Some (earlier) ones give the Committee the right to set the annual subscription others state that it must be a proposal to be voted on at a General Meeting of the members. Even if the Committee have the power, it is custom and best practice in many u3as to put a proposed change in the subscription fee to the members for their approval at a General Meeting.

How long should a u3a's financial records be kept?

The Charity Commission doesn't give a specific timescale for retaining members personal details once they have left the u3a. Common practise at other charities is two years but we would recommend three years. Electronic or paper records are acceptable. Your GDPR Privacy Policy should state your u3as policy.

However financial records of those members who have signed a Gift Aid declaration, are required to be kept for a minimum of 6 years after the end of the tax year they relate to. Again paper or electronic records are acceptable. This requirement over-rides the member's GDPR rights on general personal data storage.

Reserves

Recommendations for setting appropriate reserve levels

Reserves are regarded as being the amount of money needed to function and to fulfil all obligations arising. No fixed period is defined but many u3as chose a safe period of 12 months. Budgets and previous year's accounts should enable a best guess of what these are likely to be. They would also include any known expenses that would need to be paid e.g. any contracts with venues (even if not using them), Beacon, Trust membership fees, agreed events etc. This list is not exhaustive and would vary according to the time of year.

Reserves - If a u3a has built up reserves and decides to give all members a free year (i.e. no membership fee is paid) is the member still covered by the various insurances arranged by u3a?

Yes, your Committee has decided the fee for the year is zero (assuming your Constitution allows the Committee to make this decision). All members therefore stay as members unless they resign or pass away. They are therefore members and must be declared as such on Annual Return and Subscription paid to Trust. Likewise for Beacon charges if that system is used.

My u3a plans to celebrate its anniversary by holding a dinner to be provided by an external organisation. The u3a is planning on paying for part of this out of its reserves – is that acceptable?

You are effectively subsidising a u3a activity. Provided it is open to all members (though numbers may be limited, in which case it should be on a first come first serve basis) that is acceptable as a one-off celebration of your u3a.

Banking and payments

What are your views on using PayPal in u3as?

If you are using Beacon, it comes with its own facility to incorporate PayPal which is a huge advantage and probably worth the cost that PayPal charge. Members don't need their own PayPal account to pay by this method. The u3a would be required to have their own u3a PayPal account which members could use when renewing their annual subscriptions for example, and Beacon provides the facility to download your membership cards. The reports that you can download from PayPal will show readily the payments paid by members via this method. The accounting side would mean, as an example, that the member would be credited with having paid £20 and the 40p would be regarded as an expense making up the receipt from PayPal of £19.60. On the downside, setting up a PayPal account can be very complicated as are changing the contact person on your u3a's account.

Dual signatures - Can you advise on the requirements for 'duality of signatures' (authorisation) for approving payments? How best can this be achieved when many banks refuse to provide this facility to an Unincorporated Charitable Organisation?

Dual authorisation, for approving payments for your u3a, is the strong recommendation. Your u3a's constitution may even require it (you will need to check this). Unfortunately, many banks have been reluctant to provide this facility for smaller unincorporated charities although we understand that some u3as have success in gaining this facility with some banks including the Charities Bank (CAF).

If your bank is not willing to support this requirement then you could provide a virtual process for your Committee to follow for dual authorisation requirements. You might set up a fellow trustee with sight of the account, notifying them of your proposed payments, listing what you intend to pay when. They can then authorise this for you and can even see when the payment has gone through. If payments are being made by debit card then a similar process for authorising payments will also need to be in place.

Remember that if it is your Treasurer that is posting the request for approval then that is the first authorisation, you only then need one other level of authorisation.

We hold a 'main' bank account and another account used for interest groups, for which the treasurer keeps a record of the income and expenditure for each interest group, One interest group is building up a large surplus – can the funds go into the main bank account or do the remaining members of the group have a say in the matter?

Although your Treasurer may keep a record of which groups have a "balance" of income over expenditure, the basic rule is that all funds paid into the u3a are the assets of the u3a. Your Committee may decide to allow groups to use a surplus they've accumulated against future deficits but that doesn't mean the funds "belong" to the group. Additionally, if a group closes, the excess funds of a non-functioning group will be absorbed into the u3a general fund, the members of the group don't have a say.

We hire rooms from a local church which is a registered charity. Rather than raising an invoice for room hire they want us to make a donation. Can we do this?

You can't make a donation to a charity that doesn't have the same object as yourselves, but you are allowed to pay another charity for services provided.

It's annoying that the provider doesn't want to issue an invoice and requests a "donation" but your payment is clearly for a service provided by them so is allowable. Describe the payment as "Room Hire" in your accounts.

Our u3a has received a letter asking the u3a to pay corporation tax. The u3a is registered with the Charity Commission and claims Gift Aid. Is this something they do need to pay?

It is a good idea to contact the HMRC to ensure this request has come from them. HMRC can require organisations to submit a Company Tax Return (CT600) and the organisation has to comply. Even if, as a u3a, you're not a company and you don't have to pay tax, you may still receive a request.

u3as aren't taxable but about 3 or 4 per year are selected to receive and complete these

forms. These forms are quite straightforward to complete - most sections are not applicable. However, there is a penalty if you don't respond.

The link below sets out information such as what period you should be reporting.

<https://www.gov.uk/government/publications/corporation-tax-charity-and-community-amateur-sports-clubs-ct600e-2015-version-3>

Accounting

Can a u3a member be the independent examiner for u3a accounts?

An independent examiner could be a member of your u3a but not a trustee/committee member. They cannot be related parties to a committee member either, this includes familiar/in-laws or business partners. They do not have to have an accounting background. A good understanding of basic record keeping would suffice. A common practice is to ask a treasurer from another local u3a to examine your accounts

It is standard practice for the independent examiner to be appointed by the members at the AGM or approval to be given for your Committee to award.

Can we change our accounting period?

An accounting period can be shortened as often as you like but can only be extended once every five years. It is not possible to alter the accounting period if the filing deadline has already passed. The maximum you can extend this to is 18 months.

Accrual vs cash accounting

Cash accounting is the simplest method but has its limitations. A cash accounting system will tell you what money you have in your account and what money you have received and paid out. However, when running a vibrant u3a, some of the money that is in the u3a account may already be allocated for future payments. For example, you may have collected money from members for a trip but you haven't yet paid the costs of the trip. If this happened at a period end the accounts would show a "false" surplus. There may even be some income not yet received. Therefore your cash account may not demonstrate an accurate picture of what your u3a is worth. Accrual accounting is able to take into account not only these future payments and outstanding financial obligations but expected receipts as well. This provides trustees with a more accurate picture of the charity's financial situation.

Fundraising

We want to hold a raffle to raise money for a charity that is not similar to ours. Can we do that?

A charity, including a u3a, does not have the power to raise funds for another charity unless their charitable objects are similar. This is a fundamental part of charity law as all money raised by any charity should be spent on its own charitable objectives.

If the purpose of the raffle is to raise money for another form of charity it should not be a u3a activity. Members can personally run the raffle, collect the money, and pay the beneficiary - totally separate from the u3a. The raffle may take place at a u3a event (e.g. a

Quiz Night) but would not affect the income of the event.

We have a “charity of the month” that we promote in our newsletter. Members are encouraged to join fun raising activities for that charity. Is it acceptable for us to do this?

As above – this should not go through the u3a books. The members are raising money and making a donation on a personal basis

Can we work with other charities to jointly contribute to local community projects and if so, how do we manage joint funding of these projects?

This is only allowable if the community project meets the object of your u3a. It is up to yourselves and the other charities how to arrange and record the joint finances.

Interest groups

Can the organiser of a trip personally benefit from a free or discounted place?

Members who organise a u3a trip or holiday for u3a members should not benefit from a tour company offer of a free place. The value of the benefit should be shared by all members on the trip.

How does the arrangement that the Trust has with Riviera Travel work?

The Trust has an arrangement with Riviera Travel to make a donation to u3as when bookings are made through this travel agent. The commission covers holidays, tours, cruises and packages sold through Riviera Travel.

Members should call 01283 248 304 or visit www.u3ariviera.co.uk to find out more about holidays and offers available. It is important to **mention u3a at the time of booking** and to provide the name of the u3a you wish to nominate to receive the donation. This applies to both individuals and those making a booking on behalf of a group of travellers.

A commission of **10%** is paid the month following departure, initially to the Third Age Trust, and then forwarded to the nominated u3a (less an administrative fee). It can take a couple of months for the donation to be processed and then transferred to the nominated u3a.

Can we pay external tutors where we have no group leader from the membership?

The Trust is against having paid tutors in principle but u3as are independent charities and it does happen. Paid tutors must not be a member of any u3a.

The Trustees must ensure that the tutor is self employed, pay their own tax and have Public Liability insurance. HMRC will have issued them with a UTR (Unique Tax Reference) number which a paid tutor should be able to produce along with a copy of their Public Liability Insurance certificate as evidence that the tutor is not an employee. A once a year check to ensure that these measures are still in place is essential. It is the Trustees' responsibility, not the members.

The group using a paid tutor cannot be subsidised by the u3a. If members want to have a group with a paid tutor but the committee do not agree, an option is to make the group a non u3a activity.



What are the guidelines about paying speakers?

Based on our Mutual Aid Principle the intent is to not need to pay for speakers. Certainly u3as cannot pay a fee to speakers who are members of a u3a. However it is allowable to pay pre-agreed reasonable expenses to speakers, including u3a members. For external speakers – only if payment is really necessary – then the following should be followed. The speaker's fee and expenses should be agreed beforehand. The cost should then be reimbursed to the speaker through the u3as's accounts.

If the Speaker wants to donate their fee to a nominated charity then this needs to be recorded in advance. Two methods are possible. The first way, if the speaker is to be paid in cash or by a cheque made payable to them, would be for them to sign a receipt for the u3a's records and then hand the value of the fee to the charity of their choice. The second method would be to ask the Speaker to sign a declaration similar to the example in Appendix 2 and then the fees can be paid directly to the charity. In both cases, it should be recorded in the account as "speaker fees."

To u3a
**Please pay the fee/expenses due to me as speaker at your u3a on
 to the following charity**

Being a donation paid on my behalf to that charity.
Signed Date

In both cases, it would be recorded in the account as "speaker fees".

A u3a have started a yoga group. They are aware of the issues paying for a tutor. However, the church that own the hall that they use, says they must use the church's own yoga tutor. This is included in the room hire fee. So the u3a are not paying the tutor directly. Is this ok?

A u3a can decide to use a tutor in this way. The invoice will be issued by the hall owner and they carry all insurance and tax check liabilities.

Third Age Matters

How much does Third Age Matters magazine cost?

There is no charge for the magazine. The charge is for distribution only and in 2022/23 is £3.35 per five issues. It is paid in advance and collected at the start of the financial year for the coming year. The invoice sent will be based on the number of copies mailed on the last issue in the previous year. At the following year end a balancing invoice or credit is issued to adjust for the actual number of copies mailed in that year.

Gift aid and Third Age Matters - If, for example, we collect £15 as an annual all-inclusive membership subscription fee, must we deduct the cost of Third Age Matters (TAM) from this sum before claiming Gift Aid?

No, your u3a has decided your members should receive TAM as part of their membership

to u3a. This therefore does not need to be deducted from their annual subscription. It is not a benefit, but a part of their u3a membership. If, however, you collect or identify the £3.35 separately, then it cannot be regarded as part of the subscription and therefore not claimable against Gift Aid.

Read more about Gift Aid for u3a's in Financial Matters by [clicking here](#).

u3a	Finance FAQs	The Third Age Trust
Version	Description of changes	Date
1.0	Original FAQs	
2.0	Updated formatting	24/03/2022
3.0	Revised in line with Finance Matters. Subheadings added for clarity. Additional questions added.	28/07/2022
4.0	Updating of the TAM cost. Additional FAQs added	12/09/2022