



## Financial Matters - Guidance

### Category: Finance

#### 1. Scope

This advice is for Trustees, officers and members of committees of all u3as affiliated to The Third Age Trust, whether or not registered as a charity or regulated by another body.

#### 2. Policies

Each u3a's Executive Committee (EC) should set down its financial policies and procedures. These should be kept under review and updated as the need arises. The Trust has provided a Financial Policies – Template and it is recommended that every u3a use this or similar to document its financial processes. You can download this template from the national website here: [Financial Policies – Template](#).

One of the key over riding finance policy issues to be decided is whether the membership subscription is to be an 'All Inclusive' basis or a 'Pay As You Go' basis. Whichever is chosen needs to be defined in your u3as's Financial Policies documentation. The relevance of some of the following sections will be relevant only to the 'Pay As You Go model'. A second key decision for each u3a is to decide if they will keep their accounts on a simple cash and payment basis or the more complicated accruals basis (see Section 4.4 for more detail). Whichever is chosen should be stated in the Financial Policies documentation.

The financial activities of every u3a should be transparent to all of its members to help build trust between the u3a's EC and their members.



### 3. Accountabilities

All members of the EC are Trustees. All Trustees must ensure that their u3a abides by its constitution, safeguards its assets and exercises effective control over all of its financial activity. Trustees cannot delegate their responsibilities in this matter. The u3a's Finance Policies document should highlight the responsibilities of Trustees and particularly those of their Treasurer.

A sample role description for a u3a Treasurer can be found on the national website here: [Treasurer's Role Description](#).

Providing the EC has acted responsibly they are covered by Indemnity Insurance provided by the Third Age Trust. However in all circumstances an excess of £250 will apply (subject to annual review).

### 4. Banking

#### 4.1 General Policies

The closure of bank branches continues to cause problems for many u3as. The move towards a "cheque-less" and a "cash-less" environment will add to these problems. This makes it more important to ensure that the bank account chosen offers the transparency and controls that help to make managing a u3a easier.

From time to time, all banks will ask for additional information about Trustees to help them comply with, for example, international money laundering agreements. If the u3a fails to supply this information then the bank may choose to close the account.

The u3a's Finance Policies should define or make reference to their bank mandate. This should state who may authorise payments and what, if any, limits of authority apply. Only Trustees should be included on the mandate as they are collectively responsible and liable for the assets.

We don't recommend one bank over another. Each u3a needs to decide for themselves.



## 4.2 Bank Mandate

If a separate bank mandate document has been developed, either as suggested by the EC or required by a bank, this should be referenced from the Financial Policies document.

The mandate should state authorised signatories.

## 4.3 Authorisation

Dual authorisation of all expenditures is recommended for all transactions. For online banking: the Treasurer reviews payment request & posts on bank account for approval (1st level authorisation); the request is reviewed online & authorised (2nd authorisation). Ensure that all signatories are independent of each other; they should not be partners or related. Ideally all authorising signatories should be Trustees however there may be circumstances (eg lack of willing trustees) when non-trustees will have a role in reviewing or authorising payments. If this is you u3a's situation then this should be agreed by your EC and documented in your Finance Policies.

Similarly cheques should require two signatures. The requirement for two signatures could be limited to cheques above a specified value. This should be stated in your Financial Policies documentation.

If payments are being made by debit card then a similar dual authorisation process for payments will also need to be in place. Credit and debit cards will have a named person and usually only have one person authorised to use them; appropriate spending caps and rules for their use should be utilised and/ or as above, a form of dual manual (eg email) authorisation put in place. The process should be detailed in your Financial Policies documentation.

## 4.4 Cash

If your u3a has a 'Pay As You Go' membership subscription basis then it is more likely cash will be handled – by the Group Coordinators/ Leaders. All Cash balances, wherever they are held, should be kept to a minimum to reduce the risk of loss or theft. If your u3a allows individuals to hold petty cash then how this is managed and controlled should be covered in the Financial Policies documentation. The Trustees will decide what an appropriate float should be.

It is recommended that, with the possible exception of cash, receipts should not go through Group Coordinators/ Leaders personal bank accounts. All receipts should be banked through the u3a's account. This is an expectation of our Crime insurance cover. While it should be avoided, if a Group Coordinator / Leader collects cash from members and pays it into their personal account for onward cheque/online transfer to the u3a's bank account then a covering email or using a Paying In Slip (PIS) should be sent to the Treasurer explaining the transaction. See Appendix 1 for an example of a PIS that could be utilised.

#### **4.5 Credit and Debit Cards**

Whenever a u3a has a credit or debit card its use should be set out in the Financial Policies document. The u3a should consider setting spending limits on their use as the u3a is effectively allowing "single signature authorisation". Most banks can help with this. Only the authorised user should have access to the card; the card number and PIN or security code should never be disclosed to anyone else. If a u3a has its own credit card this should be used for payments rather than a personal card.

If a personal card is to be used a credit card should be used in preference to a debit card as it may offer the buyer more protection should the supplier fail to deliver the goods or services purchased (although the protection offered is really for the purchaser only).

Particularly if a u3a doesn't have its own cards, then the u3a's Finance Policies should recognise that some members may have to use their own cards on behalf of the u3a. These transactions should be agreed by email with the Treasurer before the member incurs the expense. If the purchase is for equipment the Executive Committee should ensure proper purchase procedures are in place and complied with (getting quotes, analysis, approval). The aim here is to be pragmatic whilst keeping a level of control. These transactions (or expenses) will be reimbursed on receipt of an expense claim and recorded in the u3a accounts.

#### **4.6 Hall and Venue Hire**

Where there is an arrangement for hire of premises the payment for the hire, and the moneys collected to fund the activity, should go through the u3a's bank account.



It is recommended that any arrangement for regular hire of premises be signed off by a member of the EC (who carry the legal responsibility). There should be checks undertaken to ensure the venue is suitable. This can be done in the form of a risk assessment and should be carried out before any agreement is signed and should include proof that the venue has public liability insurance.

Often fees are collected on the day from group members who are taking part in an activity, in order to pay for premises hired for the activity. Any surplus belongs to the u3a and should be paid over as and when agreed with the Treasurer.

Gross income and expenditure of the group should be reported to the Treasurer as and when agreed for inclusion in the u3a's accounts.

#### **4.7 Using PayPal**

If you are using Beacon, it comes with its own facility to incorporate PayPal (PP) which is a huge advantage and probably worth the cost that PP charge. The u3a would be required to have their own u3a PP account which members could use when renewing their annual subscriptions for example, Beacon provides the facility to download your membership cards. The reports that you can download from PP 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 PP of £19.60. On the downside, setting up a PayPal account can be very complicated as are changes to the contact person on your u3a's account.

#### **4.8 Card Readers**

A u3a accepting card payments can make life easier and can help reduce risk as there's less in the way of cash carrying. To assist in this process contactless Card Readers can be utilised. These should be configured to pay directly into the u3as bank account. There are many card reader providers with a variety of changing methods and levels Therefore it's definitely worth doing the research and putting the right processes in place.

### **5. Accounts**

#### **5.1 Which Transactions Do Not Need to be Recorded in the Accounts?**



Some transactions which take place directly between a member and a supplier do not need to be recorded in the u3a's accounts. Examples could be:

- Contributions to refreshments in a member's home if within agreed limits
- Payments to a pub/restaurant when at a group/social gathering
- Entry fees to a garden or house
- Transport fares
- Theatre or cinema tickets (see Trips for further detail) when bought individually
- Holidays/Trips (see below for further detail)
- Membership fees to a tennis/snooker/badminton club

## 5.2 Interest Groups / Activity Groups / Sub-Groups

All u3as have groups that are run or managed by one or more members. However, the funds of these groups belong to the u3a and the control and reporting of the related financial transactions should be covered in the financial policies. Any assets purchased or cash accumulated by the group belong to the u3a and must be returned to the u3a if the group ceases to exist. These assets should also be listed on the Asset Register.

## 5.3 Outings (Trips, Holidays and Events)

On 1 July 2018 the Package Travel and Linked Travel Arrangements Regulations 2018 (the Regulations) came into force, affecting trips and Linked Travel Arrangements: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/749498/package-travel-regulations-2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/749498/package-travel-regulations-2018.pdf)

And

<https://www.abta.com/tips-and-advice/is-my-holiday-protected/new-package-travel-regulations>

Trips for members only that are less than 24 hours and do not include an overnight stay are allowed and covered by the normal Trust Insurances. The Trust does not offer Travel Insurance and the responsibility for this is with the individual. Added protection may be added if the trip is booked through a coach company.

Rules that apply for a study group outing or a summer school type of thing, are that the 2018 Regulations do not apply. The participants just need to be u3a members not necessarily members of the study group but must be attending for the purpose stated.

Holidays that are classified as 'Packages' are subject to the 2018 Regulation if the u3a runs more than 10 qualifying per year as this will be considered acting as a tour operator. A qualifying event consists of overnight accommodation plus at least one other element. These can be carriage (transport), accommodation or other included tourist service eg hire of equipment, entrance fees or spa treatment. These must be stated as being inclusive or booked at the same time as the holiday.

All must be for u3a members only and none of the various insurances offered by the trust is a substitute for members own personal travel insurance needed for any trips or holiday

The Trust has additional insurance cover in the event of a u3a being held to be a tour operator.

Where possible it is less problematical if holidays are paid directly by the member to the holiday company or travel agent.

## 5.4 Accrual vs Cash Accounting

A cash and payment 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.

## 6. Statutory Reporting Thresholds

### 6.1 u3as Registered in England and Wales

Every charity, even if it is not registered with the Charity Commission (CC) needs to keep accounting records and produce annual accounts.

Accounts may be in receipts and payments or accruals and prepayments format but must be in accruals and prepayments format where gross receipts (Turnover) exceed £250,000.

Many u3a constitutions stipulate whether or not the statement of accounts should have an independent examination or audit (regardless of turnover levels). Where this is not stipulated an independent examination is required where the turnover exceeds £25,000. When turnover exceeds £250,000 the independent examiner must be a member of one of the recognised accounting bodies.

In addition an audit may be required where turnover exceeds £250,000.

The CC thresholds refer to 'total income', which means all income that flows into the charity. If total income is:

- **Less than £5,000:** There is no requirement to register with the CC although as a charity the u3a must still comply with charity law.
- **£5,000 +:** The u3a must register with the CC and produce a Trustees' Annual Report.
- **Up to £10,000:** The u3a must submit an Annual Update and report total income and expenditure.

- **£10,000 +:** The u3a must submit an Annual Return within 10 months of the end of the financial year including information from the Annual Accounts and Trustees' Annual Report.
- **£25,000+:** The u3a's Annual Accounts must be independently examined or audited; these form part of the Annual Return and must be filed within 10 months of the year end.
- **£250,000 +:** More stringent rules apply. Accounts must use the accruals basis and they must be subject to independent examination or an audit may be required; these form part of the Annual Return which must be filed within 10 months of the year end.

The independent examiner can be a member of your u3a but cannot be a Trustee. They cannot be related parties to an EC 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 (or the approval for the EC to award) by the members at the AGM.

## 6.2 u3as Registered in Northern Ireland

All charities require to be registered. Charities with income up to £250,000 can choose whether to prepare accounts on a receipts and payments basis or an accruals basis, and must have the accounts independently examined. In some cases, who can be an independent examiner is prescribed.

A Trustees' annual report that also reports on how the u3a has met the public benefit requirement and an annual monitoring return (parts A & B) must also be completed.

## 6.3 u3as Registered in Scotland

All charities require to be registered. Within 9 months of the financial year end, every charity registered in Scotland must send the Office of the Scottish Charity Regulator (OSCR) an annual return and accounts and seek the OSCR's permission to make certain changes.

Non-company charities with gross income of less than £250,000 will normally prepare a simple form of accounts called 'Receipts and Payments Accounts'.

If income exceeds £250,000 the u3a must prepare fully accrued accounts.

All charities with an annual income below £500,000 need to have their accounts independently examined. Above £500,000 an audit may be required. In some cases, who can be an independent examiner is prescribed.





## 7. Maintaining and Preparing Records

### 7.1 Responsibilities

The Treasurer is responsible for maintaining financial records, in accordance with the u3a's financial policies, preparing the financial accounts for the annual general meeting and for filing with the relevant Charity Commission, or regulatory body.

There are a variety of methods that may be used to record financial activity. The Treasurer will decide which method is the most appropriate given the circumstances:

- Beacon - benefits include tracking membership, producing Gift Aid reports and accounts (cash only basis)
- A spreadsheet or spreadsheets
- An accounts package, e.g. Xero, Sage
- Manual records

The accounts should record gross income and gross costs and must not be "netted off".

It is recommended that the bank accounts be reconciled monthly.

In preparing the accounts an email from interest/activity groups reporting their financial activity to the Treasurer is acceptable, at a frequency to be mutually agreed and stated in the u3a's Financial Policies documentation.

### 7.2 Retention of u3a Finance Records

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.

See Section 8.3 for Gift Aid declaration storage requirements.

### 7.3 Interest Groups: Surplus or Deficit

Although all funds belong to the u3a and may be spent as the EC directs, it is common practice to ring-fence surplus funds that have arisen from particular activities so they may be used for a similar activity in the future. Ideally, all groups and activities will be self-financing. However, if an activity results in a deficit the u3a must underwrite it and decide whether the activity should be allowed to continue if further deficits are expected. Groups with paid tutors cannot be subsidised.



## 8. Reserves

Scotland and Northern Ireland may be slightly different but in essence all charities must have a reserves Policy even if it is only to say that they don't need one. In the case of NI, information relating to reserves is required in the Trustees Annual Report.

There is no fixed amount for a u3as reserves level. Reserves are regarded as being the amount of money needed to function for the next 6 months minimum and to fulfil all obligations arising in that period. Many u3as chose a 12 month operating period as a safe target. The u3a's Finance Policies should state the amount decided by the EC (and the basis). The previous year's accounts should enable a best guess of what level of reserves are required.

Reserves are meant to cover a range of items including, but not limited to:

- Running costs to allow a managed closure of the u3a
- Costs of outstanding commitments e.g. a lease
- Capital commitments e.g. purchase of fixed assets
- Closure of any Contracts

This list is not exhaustive and would vary according to the time of year.

If a u3a believes it has too much in reserves it cannot return funds to members. A pragmatic way of dealing with this is to arrange to reduce members' annual fees until a sufficient level of reserves is achieved. See the Charity Commission Guidance: **How to set a reserves policy for your charity:** <https://www.gov.uk/guidance/charity-financial-reserves>.

## 9. VAT

### 9.1 Guidance

VAT is a complicated subject and often a subjective area. u3as with turnover (gross receipts) approaching £85,000 should contact the Trust for guidance about whether any of this income may be subject to VAT regulation. The £85,000 threshold refers to income that is VATable. Many u3as will have gross income around that figure or more but very little of that will be VATable. If VAT Registration is applicable advice is available from the Trust's Finance Manager (or Head of Internal Services).

### 9.2 VAT On Invoices Generally

Charities are not exempt from paying VAT. For general invoices received for purchases, VAT is chargeable. If the charity is VAT registered themselves (if their VATable income exceeds £85,000 pa) they can offset VAT incurred against their VAT bill otherwise they're bear the VAT like any other end user.



## 10. Other Points

### 10.1 Reimbursement of Expenses

All costs necessarily incurred by Trustees or any member in a u3a role should be reimbursed, although no Trustee or member should approve their own claim.

### 10.2 Asset Register

Each u3a should keep an Asset Register to record the items of equipment it has purchased and have a simple system, e.g. a spreadsheet, in place to monitor the value and location of the equipment. It is good practice to obtain 3 separate quotes before purchasing equipment.

The Asset Register should record the original purchase price but also the current value. Under an accruals basis of accounting calculating the write down value should be kept simple. Each u3a EC should decide on its method and document in its Financial Policies document. One simple method is just to linearly write down the original cost over a three year period. Or to wholly write off low value assets (under eg £250) in the year of purchase, rather than capitalise and depreciate them over a period. For a cash accounting system, items are effectively written off in the year they are paid for.

### 10.3 Gift Aid

Gift Aid allows u3as to make a tax claim to HMRC on the annual subscriptions its members pay. There is a separate document on this specific topic listed in the References section and linked here: [Gift Aid Guidance](#). Further information is also available from the government website: <https://www.gov.uk/claim-gift-aid>.

Small unregistered charities can apply for tax relief (Gift Aid) and use their HMRC charity number (instead of a registered charity number) as evidence of charity status.

### 10.4 External Events and Activities

No u3a member should benefit from any discount (e.g. a free place) offered by the organisation providing the event. The value of free places should be shared amongst all participants to the event.

Normal out-of-pocket expenses can be paid to an organiser out of the money collected for the event. As all u3a members offer their services free to the movement, the organiser(s) should not receive any financial reward.

### 10.5 Payment to Other Charities

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. A u3a can only make a donation to another charity if it has similar charitable objectives. If a u3a member wishes to support a charity that does not have similar objectives it is advised that



the proceeds of, say, a raffle at a u3a Quiz which a u3a member has organised should be remitted to the nominated charity via a member's account and not the relevant u3a.

Based on our Mutual Aid Principle, no payments are made to members for services rendered to any u3a. The only exception to this principle is the reimbursement of reasonable expenses incurred in providing the service. The logical conclusion of this principle is that, as a member cannot receive payment for a service to a u3a (such as a talk at a Monthly Meeting, etc), they cannot suggest a donation to their designated charity from a u3a's account.

If a non-u3a member nominates a charity to receive the speaker's fee, the u3a is advised not to directly pay the charity unless the nominated charity has similar objectives and the speaker provides a disclaimer of their fee and/or expenses in favour of the nominated charity.

A charity may purchase a service from another charity, e.g. hall hire.

## 10.6 Payments to Trustees

If your governing document says that the charity Trustees cannot be paid, **then even if other rules from Acts/Guidance are met**, you will not be able to pay any of the charity Trustees for services rendered as a trustee. This applies irrespective of the Guidance issued by the various nations charity regulators (see below).

**For u3as registered in England and Wales:** Relevant CC guidance is that a Committee Member (i.e. a trustee of the charity) may not receive a payment for a service to the u3a, e.g. a talk at a monthly meeting, or a free place on a visit / holiday that they arrange. For further details see the Charity Commission Guidance **Managing your charity** (<https://www.gov.uk/topic/running-charity/managing-charity>).

**For u3as registered with the Charities Commission for Northern Ireland:** For more information see the Charity Commission for Northern Ireland guidance **Running Your Charity** (<https://www.charitycommissionni.org.uk/charity-essentials/running-your-charity-guidance/>).

**For u3as registered in Scotland:** For more information see the **OSCR Guidance and Good Practice for Charity Trustees** (<https://www.oscr.org.uk/guidance-and-forms/guidance-and-good-practice-for-charity-trustees/>).

## 10.7 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."

## 10.8 Paying External Tutors

For example, where a u3a cannot find a member to explain/show a particular topic to the group members, the group leader may chose to engage a paid tutor for that subject. The Trust is against having paid tutors in principle but u3as are independent charities and can make their own decisions.

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 (and hence is not then covered by the u3as insurances).

## 11. References

The current suite of finance documents available is:

1. [Financial Policies – Template \(u3a-KMS-POL-003\)](#)
2. [Grants Procedure](#)
3. [Gift Aid Guidance](#)
4. Expenses (only for the Trust)
5. [Insurance FAQs](#)



## APPENDIX 1 – SAMPLE PAYING IN SLIP

NAME OF u3a:		£	COMMENTS
GROUP:	Travel	0	
GROUP LEADER / ORGANISER:	Mary Jones	0	
ACCOMMODATION:	Church Hall	0	
MEETING DATE:	5th May 2021	0	
EVENT:	Monthly meeting	£22.5	
PAID TO VENUE:		0	
DATE PAID to TREASURER:	12th May 2021	-£13.5	
LESS EXPENSES include receipts:	tea and biscuits	-£4.93	
TOTAL:	Retained	£4.07	
GROUP:	Travel	12	Number of Attendees

## APPENDIX 2 – SPEAKER PAYMENT

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 .....

<b>u3a</b>	The Third Age Trust <b>Knowledge Management System</b>
Financial Matters – u3a-KMS-DOC-033	18/04/2022