

This document is intended for Treasurers but should be read by all trustees, as it covers a wider area than just the responsibilities of a Treasurer. It is essential that all members of the main U3A committee, including co-optees, realise that they are trustees, with specific responsibilities as a consequence.

Charity Registration

Do we have to register as a charity?

It is mandatory to do so in England and Wales once your annual income exceeds £5000 pa. In Scotland if you wish to refer to your U3A as a charity or a charitable organisation, you have to register with the Office of the Scottish Regulator (OSCR). In Northern Ireland, charity registration began in December 2013 and charitable organisations will be called forward by The Charity Commission for Northern Ireland to apply for registration beginning with those already registered with HMRC, but the process is expected to take at least 3/4 years to complete. At that point, as in Scotland, registration will be compulsory if you wish to refer to your U3A as a charity or a charitable organisation. U3As in the Isle of Man are also required to register with the Isle of Man government in order to use the terms charity and charitable.

If we don't register what status do we have?

All U3As, as members of The Trust, have charitable constitutions with charitable objects/purposes, based on the model provided by The Trust. In England and Wales, all U3As are charitable organisations whether registered or not and are subject to charity law. In Scotland (and Northern Ireland in the future), U3As which choose not to register with OSCR still have charitable constitutions but are not allowed to describe themselves as charities or use the term charitable in their constitutions. However, it is recommended that all U3As abide by the recommended best practice, as stated in this document.

Trustee Responsibilities

Who is responsible for U3A funds?

Trustees are responsible for the proper handling of all its funds, including any monies paid at group meetings and social events. In the event that any financial irregularity should come to light at either main committee or group leader level, the trustees will be held liable as this responsibility cannot be delegated to non-trustees. It is not possible for an individual trustee to opt out of collective responsibility and trustees should therefore conduct their activities in such a manner as to reduce potential areas of risk. The topics covered in this booklet, with the best practice recommendations of the regulatory authorities and The Trust, will help trustees review their activities and minimise risk.

Are trustees insured against any claims?

All U3A committees are covered by Trustee Indemnity Insurance provided by the Third Age Trust, which protects the trustees both individually and as a board, against a genuine mistake/error of judgement providing they have acted responsibly and followed their constitution. If proper procedures have not been followed and/or the constitution adhered to or if trustees have become aware of bad practice and not put it right, they may not be

covered under this policy. In all circumstances, an excess of £250 would apply.

Bank Accounts

What sort of bank account should I set up?

If you are in England and Wales, you should tell the bank that you are a charitable organisation with a charitable constitution and remind them that there is no requirement for you to register with the Charity Commission until your income exceeds £5,000 per annum. You will need to take your constitution with you to prove your status.

If you are in Scotland and Northern Ireland, depending on whether you decide to register, you will tell the bank you have the status of either a registered charity or an unincorporated association.

Stress that you are not a branch organisation but an independently managed association. Recently, most of the clearing banks have been writing to The Trust to obtain confirmation that you may open an account using 'University of the Third Age' or 'U3A' in the name, so make sure you leave plenty of time to get your bank account set up.

Should we be paying bank charges?

As a charitable/voluntary organisation you should not be paying bank charges on your main account, with the clearing banks.

Do I need more than one bank account?

Depending on the amount of reserves you are holding, you may want to consider a separate interest paying account and if you are going to be organising quite a few social events, then you would certainly be advised to set up a U3A social account, although this may be subject to bank charges, depending on the number of cheques paid in.

How many signatories should there be on cheques?

Cheques should be signed by 2 trustees from a pool of at least 4/5 although you may find some banks limit you to 3, which can prove difficult when you factor in holidays and illness, so bear that in mind when you are choosing your bank. Generally the signatories would be all the Officers and should apply to all bank accounts, including the social account.

Where is the best place to put surplus funds?

In the past, The Trust would have recommended that you consider CAF or the COIF account at CCLA for your surplus funds, as they specialise in providing instant access accounts for charities and pay interest based on the Libor rate (inter-bank interest rate). This used to be higher than bank base rate but is not so currently, therefore, it is a question of shopping around. However, CAF does have a dual authorisation online account, the second signatory being emailed to confirm the transaction, but be warned that it does have a transaction fee if you exceed 600 cheque deposits in a financial year.

Social Accounts

The Charity Commission in England and Wales, has no interest in your social events, as these

are considered to be outside your charitable objects/purposes. It could be argued that most U3A activities have a strong educational element, but the following could be classed as social events, providing they are open to **all** members:

- Theatre visits
- Outings
- Christmas lunches/garden parties etc.

Whatever you decide be consistent and any activity which is for a specific interest group only, must not be included.

The most practical way to handle social activities, if and when they become a regular feature of your U3A activity, is via a separate bank account, which becomes a holding account. This account can then be managed by another trustee to spread the workload if required. The mandate should be set up in the same way as your main account, with all cheques being signed by **two trustee** signatories, but for convenience the organiser(s) can have paying in arrangements.

One of the main reasons for separating social events from the “normal” educational activities of the U3A is that you are not allowed to fund social events from your main income i.e. members’ subscriptions/payments, which have to be used solely in pursuance of your charitable objects/purposes. Also, as previously mentioned, the Charity Commission **in England and Wales** does not need to be advised of such activities so, if you are organising a lot of social events, a separate account is more straightforward. It is recommended that all social events are reported on a **net** accounting basis by showing in the income side the monies received, either in detail or total, less the actual expenditure incurred and carrying forward only the net figure for each event into the accounts.

In **Scotland**, if you are a registered charity, you are required to produce receipts and payments accounts for all the bank accounts you operate.

In all cases, U3A members are entitled to have a financial report on your social account presented to the AGM.

If the Social Account needs financial support on a temporary basis, for example, to pay for tickets in advance, the main committee can provide a loan, which ideally should be repaid by the end of the financial year. If this is not possible, you could decide to roll it forward for another year but the committee cannot support continued losses. You should aim for social events to at least break even but it would be sensible to try to create a small surplus, which could be used as a contingency fund against unforeseen problems. At an appropriate time e.g. the end of the financial year, a decision should be made on whether the balance in the social account should remain or whether a proportion should be transferred into the main account to support your primary objectives.

Membership Fees/Income

How are U3As funded?

There are 2 popular ways:-

Option 1

An annual subscription which covers all membership activities.

Advantages

- Easier to handle
- Bulk of money comes in at the same time and can hopefully be earning some interest
- Encourages member participation in more study groups and does not penalise the more active members.

Disadvantages

- If you get it wrong and need to increase it before your AGM, you will need a Special General Meeting to approve it
- An application to gift aid your subscriptions may well be more drawn out although it should still be successful
- Members will expect to get access to the interest groups they choose
- Depending on the number of members, the thresholds for Charity Commission registration and submission of accounts for U3As in England and Wales may be reached sooner.

Option 2

A small annual subscription covering general meetings and/or newsletters only, for example, with all other activities paid for separately, which can either be a set fee per session or on a self-supporting basis.

Advantages

- Steady supply of money throughout the year
- Members pay only for the interest groups/activities they attend which could be considered to be fairer
- Lower membership fee may encourage more members
- Gift aiding your subscriptions should be straightforward.

Disadvantages

- It can lead to group convenors having to deal with money, which may require banking and be more work
- It may discourage member participation because it can become too expensive, particularly if individual interest groups are expected to be totally self-supporting.

What general factors should be taken into account when considering the fee structure?

You should try to set a fee which will provide you with sufficient funds for the following:-

- To fund one or more of your members to attend the Conference/AGM
- To include the subscription for direct mailing of Third Age Matters to your members
- To build up adequate reserves.

Charging for Interest Groups

These remarks apply to those U3As who decide on Option 2. If you decide to go for an all inclusive annual fee (option 1) these remarks will be largely irrelevant.

Interest group in a private house

Usually a small payment is made to the host at each meeting to cover tea/coffee. Some U3As decide on a slightly larger payment, split between the host and U3A funds, which would be handled as petty cash by the Group Leader and paid to the main Committee with a completed financial return, once the agreed petty cash limit is reached. However, depending on the number of groups this could be quite a lot of extra work.

Interest group in a hall

If rent is being charged an extra levy will be required to cover it. It is important that, wherever possible, the rent is paid from the main U3A bank account and a fee is set for a fixed period, which members of the group pay up front. To adopt the system of balancing the cost at each meeting dependent on the number of attendees, can be very unfair on those who attend regularly and can become expensive and it is not recommended that the Group Convenor collects monies on the day and pays the hall owners directly. However there are instances where the rent is relatively small and the caretaker collects the cash each session and in those situations it is important that the Group convenor gets a signed receipt for the money handed over.

NB. It is essential that bookings for outside accommodation are handled by the committee, on behalf of the U3A and any formal agreements signed by a trustee acting as a 'legal representative' of the U3A. It also ensures that trustees know what is going on.

Whatever way you choose to go, it is very important that your interest groups feel a strong sense of belonging to the U3A right from the start and understand what they can and cannot do. The guidelines you issue and the financial arrangements you put in place, will be instrumental in achieving this.

If we adopt the system of each study group being self-supporting should they be allowed to open their own bank accounts?

Under **NO** circumstances. It is very dangerous and extremely unwise to have any U3A accounts over which you and your committee have ultimate responsibility, without your having personal control. If you have strict guidelines in place regarding the amount group convenors are allowed to hold and the action to take when this amount is exceeded and you have a reporting system which allows you to regularly monitor the situation, it should never be necessary. Remember the committee has total responsibility for ensuring safe custody of members' money and the trustees are the only people with legal accountability.

How frequently should groups report their incomes and expenditure?

It depends on the circumstances. The most important thing is that you are aware of any groups which hold money for any length of time and the sort of amounts involved, that you have clear guidelines in place about the petty cash limit and what to do when that amount is exceeded and that you make sure by the reporting mechanism you set up that the guidelines are being adhered to. This is essential to protect both trustees and Group convenors.

Paying by Credit/Debit Card

It is becoming more difficult to book and pay for activities by cheque; many theatres for example, now adopt a 'payment by card only' policy. As a consequence, organisers have resorted to using personal credit cards. This practice is not recommended because of the lack of trustee control and the potential risk should a supplier go into administration, as it is possible that only the proportion of the payment pertaining to the individual would be covered rather than the full debt, because of the use of a personal card for a group booking. The only realistic alternative, assuming cheques are not acceptable, is to try for a debit and/or credit card on your account(s), using two of your mandated signatories to obtain the card(s) in the name of the organising trustee, who must also be a mandated signatory. A debit card would not provide any protection should a supplier go out of business but if you managed to get a credit card you could use that when you felt the situation demanded it.

However, it is important that trustees set a clear policy for use which incorporates strict controls, for example, single and monthly payment limits, all payments to be supported by an invoice or receipt and reported to the treasurer immediately, credit card statements to be sent to other members of the committee and you could set up online banking for instant access to statements. There should also be a regular review of procedures by the committee to ensure controls are and remain effective.

U3As are still experiencing some difficulties with debit card applications but if you are turned down at local branch level, insist that your request is referred to the head office. It is important to remember that charity banking is covered by the business department of the bank not the retail sector and you may not have a business operation at your local branch.

Internet Banking

The Charity Commission does NOT recommend allowing one authorised signatory to initiate single transactions online and suggests that online banking is confined to those banks which offer the security of a dual authority option – currently we believe CAF, Unity Trust and the Co-operative Bank provide this facility, but more are expected in the future. Charities would then have the same level of financial control with an online account, as they do with a standard bank account, requiring 2 trustee signatories on cheques.

It is, however, acceptable to have an online bank account for inter-bank transfers between your accounts, committee authorised direct debits, payments to regular suppliers and for downloading statements. Of course if you do have a debit card, it allows its use to be monitored as often as you wish. Clearly the trustee operating the online account should be different to the trustee using the debit card and the committee should ensure the same

level of security for the use of an online account as it does for the use of a debit card, with a regular review of its operating procedures. If you have problems obtaining internet banking, the same comments apply as for debit cards.

Payments to other charities

A one-off donation to another charity at a request of a speaker, does not contravene any rules on payments to other charities. However, you would be advised to ask the speaker to put the request in writing and indicate it in your accounts as a payment in lieu of a fee. Payments for services e.g. hall hire may also be made to charities. In addition, it is also acceptable to arrange a small fundraising event, for example, a second hand book sale, in support of a local charity providing it is clearly indicated that all monies raised will be going to that particular charity. In this situation if you can count the cash and hand it straight over that would be ideal. Failing that, you must not under any circumstances put it into your main U3A bank account and probably the easiest way of dealing with it, is for you or one of your fellow officers to make out a personal cheque to the charity and then bank the cash.

Paid Speakers/Tutors

It is understandable that U3As will often have to pay modest fees to speakers for their general meetings providing of course that they are not U3A members, but it is not within the ethos of the U3A movement to employ paid tutors on a regular basis. In addition, the liability insurance cover provided by The Trust will cover your external speakers but, will not cover paid tutors.

Expenses

Are there any guidelines on the payment of trustee expenses?

Expenses are refunds of costs which a trustee has incurred in order to carry out trustee duties. As a general rule, claims for expenses should be supported by receipts, except where it is unreasonable to expect this, for example, where very small amounts are claimed. Examples of legitimate expenses would be travel on trustee business, postage costs and telephone calls. All expenses should be authorised by an officer and of course no-one should authorise his/her own claim.

What about Group convenors/members?

It is perfectly acceptable to reimburse group convenors for all legitimate expenditure, which may include a mileage allowance for using their car on U3A 'business'. In addition, if you have members regularly using their vehicles to ferry other members around, you would be well advised to establish some guidelines, so that everybody understands the policy and the driver receives a contribution towards petrol costs. This would usually take the form of a mileage allowance, with the total cost split between the occupants of the car, including the driver, or a fixed scale depending on the distance travelled.

Accounts/Year End & AGM

Charity Accounts - What do we need to produce?

England and Wales – Charity Commission

Unless your income exceeds £25,000 per annum, you will not be required to submit accounts. If it exceeds £25,000 but remains under £250,000 you have to submit accounts prepared on a 'receipt and payment basis' and there are some very useful publications on the Charity Commission website (www.charity-commission.gov.uk) - CC15b Charity Reporting and Accounting; the essentials and CC16 Receipts and Payments Accounts Pack – which can be downloaded.

Scotland – OSCR

Receipts and Payment Accounts where income is below £250,000 and full accrual accounts for an income exceeding £250,000. For further information go to:

<http://www.oscr.org.uk/publications-and-guidance/Scottish-charity-accounts-updated-full-guidance/>

Should our accounts be audited?

There is no requirement to have your accounts audited in England, Wales and Scotland unless your income or expenditure exceeds £500,000.

Should our accounts be examined?

U3As in England, Wales and Scotland with an income under £250,000 should have an independent examination by a person with the requisite knowledge and practical experience. Ideally it should be an external examiner but if you find yourselves in the situation of not having anybody outside your U3A who is prepared to do it, it must not be a member who has any relationship to or close contact with a member of your committee or the committee as a whole. If your income exceeds £250,000, the examiner must have an appropriate qualification and membership of a relevant professional body. U3As in Northern Ireland are advised to follow these recommendations for the time being.

How long do I have to keep financial records?

A minimum of 6 years.

Do I need special accounts software for my computer?

No. Many U3As cope by using a spreadsheet which replaces a manual cash book and shows income and expenditure analysed in columns month by month. As you get bigger, however, the use of accounting software may possibly assist regular reporting throughout the year and the setting of budgets. It is important to remember not to make things too complicated for the person who will succeed you whose experience may not match yours.

Year End

What factors should I take into account when setting the year end?

The Trust's membership year is April to March, so you will be invoiced for a pro-rata amount

if you join during the year and then for the full membership fee on 1st April thereafter, so you need to ensure you have funds available. There are therefore practical advantages in having your financial year running from 1st April to 31st March. Once you have decided on your year end, your AGM will, of course, follow a few weeks later to receive the Annual Report and Accounts.

Can I change my year end date if I find I am having problems?

Yes, by either having a shortened or extended year and this can either be presented to the members at an AGM or if you unfortunately have your year end date quoted in your constitution, (which is not recommended), it will require a constitutional change and a minimum percentage vote (usually 67%) of the members present at an Annual or Special General Meeting, in favour of the change.

AGM Requirements

What do I need to produce?

You will have prepared your accounts for presentation and will have provided details on income and expenditure, assets and liabilities e.g. un-cashed cheques and a balance sheet and these will have been examined prior to the AGM.

Assets Register

Do I need to keep an assets' register?

You are strongly advised to do so especially if you have various pieces of equipment stored in different places. It should also be included in your balance sheet when reporting at your AGM.

Reserves

What is an acceptable level of reserves?

There is no single level which is right for all charities as the amount of reserves being held should reflect the particular circumstances of the charity. Reserves are needed to ensure continuity in the event of a sudden drop in income, to cope with unexpected and unplanned increases in expenditure, to cover future equipment demands and to deal with emergency situations. They provide a contingency for expenditure over and above day to day commitments and other planned outgoings. All U3A committees should develop a policy on reserves which states the target in terms of months of running costs and explains why that target has been agreed and what the money can be used for. It would be hard to imagine that any U3A could need more than 6 months running costs as a reserve and even this would be considered by some to be unnecessarily high, but it is up to your committee to decide and be able to justify it if challenged. In addition, a high level of reserves may well affect your chances of outside funding e.g. Awards for All.

If in the future we find ourselves with surplus funds above and beyond our reserves how should we deal with this situation?

Having established an acceptable level of reserves you should be using your income to

further the objectives of your U3A and not allowing the amount in your bank account to increase year on year. You should consider using some of the money for the purchase of capital expenditure items which will benefit your members e.g. a PA system, projectors, laptops etc which you will, of course, depreciate annually. You can also make use of your surplus funds to freeze the membership subscriptions or reduce them for existing members for a set period until the balance becomes more justifiable.

Gift Aid

Where can I get some advice?

Ask the National Office for a copy of the Gift Aid Advice Sheet and then, if you need further information, ring Lin Jonas.

How do we handle cash?

Try to keep cash payments to a minimum especially with regard to subscriptions, payments for outings etc as it is easier to account for cheques, more secure and safer for the members involved. If money is accumulating rapidly, make frequent payments into the U3A bank account. The Trust does provide insurance to cover cash in transit and held in members' homes, up to a maximum of £1000 but if procedures are slack, an uninsured loss through theft or fraud becomes a possibility.

Free Trips when organising travel

It is a recognised practice that Tour Operators offer a free trip for, say every 20 members booked but it is up to the committee how these freebies are dealt with, not the group organiser. It is strongly recommended that you adopt a policy of sharing them all out by applying a discount to all travellers whilst retaining the discretion to reflect service from the organiser which is above and beyond what you would normally expect. If, however, the organiser is a trustee, a free place should not be offered as trustees must not receive any personal benefit whilst in the role. In view of the above, it is incumbent on all U3A committees to ensure that any travel operations are run in a properly regulated manner.

VAT

Publicity materials e.g. posters, leaflets, flyers, brochures, magazines and newsletters are zero rated.