

Treasury Detailed Procedures

(Jan Harris, Treasurer, updated September 2016)

Frequently Asked Questions by New and Incoming Treasurers (from the Third Age Trust)

Q1. How are other U3As funded?

A. There are 2 main options:-

an annual subscription which covers all membership activities.

a small annual subscription covering general meetings and newsletters only, for example, with all other activities paid for separately, which can either be a set fee per session or a variable fee if you decide to make the groups self-supporting.

Q2. What are the advantages and disadvantages of each method?

A. Option 1 - advantages

easier to budget.

easier to handle.

bulk of money comes in at the same time and can be earning interest.

encourages member participation in more study groups.

easier to set and maintain membership fee at appropriate level.

Option 1 - disadvantages

if you get it wrong, it's much harder to recover because it would require AGM/EGM approval to increase it.

a request to gift aid your subscriptions is more likely to be turned down.

members will expect to get access to the groups they choose.

depending on the number of members, the £10,000 income threshold may become a reality (see questions 5 & 8)

Option 2 - advantages

steady supply of money throughout the year.

members pay for what they attend which is considered by some to be a fairer method.

lower membership fee may encourage more members.

you are more likely to be able to gift aid your subscriptions.

Option 2 - disadvantages

harder to budget.

it can lead to many Group Leaders having to deal with small amounts of money which can increase to a level where banking is required.

may discourage member participation because it can become too expensive, particularly if groups are expected to be totally self-supporting.

Q3. What general factors should be taken into account when considering the fee structure?

A. You should try to set a fee which will provide you with sufficient funds to be able to consider the following :-

funding one of your members to attend the Annual Conference/AGM.

direct mailing of U3A News to your members.

maintaining adequate reserves to comply with the Charity Commission's regulation of retaining a balance of at least 50% of annual outgoings.

Q4. What sort of bank account should I set up?

A. If you are located in England and Wales

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. You will need to take your constitution with you to prove your status.

If you are in Scotland

tell the bank you currently have the status of an unincorporated association and may in the future register as a charity (see Q7).

If you are in Northern Ireland

you have the status of an unincorporated association and you may be intending to apply for recognition as a charity for tax purposes from HMRC (see Q7).

Stress that you are not a branch organisation but an independently managed voluntary group, otherwise they will write to The Trust, requesting our permission for the account to be opened, which will delay it. If you are trying to open an account with the Co-operative Bank, you will probably find that they will insist on writing to us anyway! If you have any problems setting an account up, consult Lin Jonas, Senior Executive Officer/ Company Secretary at the National Office. Note that the clearing banks will provide charities with free banking but you will not earn interest. It is recommended that you consider CAF or the COIF account at CCLA for your surplus funds as they pay close to bank base rate for instant access. CAF has also introduced an online banking account with dual authorisation which may be of interest; the second signatory is emailed to confirm the transaction.

Q5. Do I need more than one bank account?

A. If you are going to be organising quite a few social events,

in addition to your study activity groups then you would be advised to do so. As a charity you are not allowed to fund social events from your main income i.e. members' subscriptions/payments, therefore it makes sense to open another account and use it a holding account, which will show a pattern of batches of cheques in, followed by a few out, throughout the year. The other important reason for doing so, if you are a registered charity located in England and Wales, is that if you put all these monies in your main account it will greatly distort your income figure and once your income

exceeds £10,000 you have to submit accounts. The Charity Commission has no interest in your social events as these are considered to be outside your educational objectives but you must be consistent in the way you define them e.g. all trips and outings open to all members as opposed to study group specific trips, are treated as social.

Q6. Should details of this account appear in our annual statement of accounts?

A. No

it should not be included in your formal statement of accounts but reported as a separate statement to your members. If at the end of the financial year you have more money in it than you and the committee feel is necessary, you may make a donation to your main account.

Q7. Do we have to register as a charity?

A. It is mandatory to do so in England and Wales

A. once your income exceeds £5000. In Scotland if you wish to refer to your U3A as a charity you have to register with the Office of the Scottish Regulator (OSCR). In Northern Ireland there is no regulatory body as yet but you can apply directly to HMRC Charities for recognition as a charity for tax purposes which will give you documentary proof.

Q8. What does the Charity Commission in England and Wales require in the way of accounts?

A. Unless your income exceeds £10,000,

A you will not be required to submit accounts. If it exceeds £10,000 but remains under £100,000 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) - CC61/CC61a/CC61b Charity Accounts- the Framework and CC64 Receipts and Payments Pack — which can be downloaded. These can also be obtained by telephoning 0845 300 0218.

Q9. What does OSCR require?

A. Receipts and Payment Accounts where income is below £100,000, full accrual accounts for an income exceeding £100,000 but under £500,000. The website www.oscr.org.uk has some helpful publications e.g. Scottish Charity Accounts/A guide to the 2006 Regulations Parts 1 & 2 which can be downloaded and you can also ring 01382 220446 and request them.

Q10. What will the AGM require from me?

A. You will have prepared your accounts for approval and will have provided details on income and expenditure, assets and liabilities e.g. uncashed cheques and a balance sheet and these will have been examined by an examiner appointed by your committee prior to the AGM.

Q11. Do I need to keep an assets register?

A. Definitely, especially when various pieces of equipment are stored in different places.

Q12. How many signatories should there be on cheques?

A. You should have 2 trustees

from a pool of at least 4 or 5 and apart from you these would usually include, Chairman, Vice Chairman, Secretary etc.

Q13. Do I need special accounts software for my computer?

A. This is not essential

and many U3As cope by using an Excel spreadsheet which replaces a manual cash book and showing income and expenditure analysed in columns month by month. As you get bigger, however, the use of accounting software will greatly assist regular reporting throughout the year and the setting of budgets.

Q14. What factors should I take into account when setting the year-end?

A. You should consider the following :-

The Trust's membership year is April to March so you will be invoiced for a prorata 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.

The dates of your year-end and AGM are of course linked, as the AGM has to receive the Annual Report and Accounts.

Q15. Can I change my year-end date if I find I am having problems?

A. Yes, by either having a shortened or extended year and this can either be presented to the members at an AGM or if you have the year-end date in your constitution, which is not recommended, it will have to be proposed and voted on and will only be allowable if the appropriate percentage vote is achieved.

Q16. I seem to hear different things about gift aid; where can I get some advice?

A. Lin Jonas at The National Office — please check with her before doing anything.

Q17. What is an acceptable level of reserves?

A. The Charity Commission suggests approximately 6 months running costs and certainly no more than 12 months, to be decided once due allowance has been taken for known commitments e.g. rental or lease costs.

Q18. If in the future we find ourselves with surplus funds above and beyond our reserves how should we deal with this situation?

A. Having established an acceptable level of reserves you should be using your income to further the objectives of your U3A, 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 for a period until the bank balance becomes more justifiable.

Q19. If we adopt the system of each study group being self-supporting should they be allowed to open their own bank accounts?

A. Under NO circumstances. It is very dangerous and extremely unwise to have any accounts which come under the umbrella of your U3A, over which you and your committee have ultimate responsibility, without having personal day to day control. If any group generates significant income you should give them a paying-in book or arrange for them to pass you money for banking should it exceed £30 or whatever limit you set. Remember the committee has total responsibility for ensuring safe custody of members' money.

Q20. How do we handle petty cash?

A. Try to keep to a minimum, as it is much easier to account for cheques in and out. If you find monies accumulating rapidly, make frequent payments into your bank account. This also applies to groups, as there is a significant risk of an uninsured loss in the event of theft or fraud — our insurance policies only cover cash up to £250. Use petty cash vouchers to help keep records. If cash is received instead of other form of payment, a receipt should be issued, preferably from a receipt book or alternatively on free format plain paper with a copy sent to the Treasurer.

Q21. How frequently should groups report their incomes and expenditure?

A. Either quarterly or half-yearly, unless the income is above £50 in that period, in which case look for more frequent returns for those groups with high incomes. This is essential to protect both you and the Group Leader.

Q22. Should our accounts be audited?

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

Q23. Should our accounts be examined?

A. U3As in England and Wales with an income under £250,000 should have an independent examination by a person with the requisite knowledge and practical experience. If income exceeds £250,000 the examiner must have an appropriate qualification and membership of a relevant professional body. In Scotland, an income beyond £100,000, requires an examiner to be appropriately qualified with membership of a relevant professional body.

U3As in Northern Ireland are advised to follow the recommendations for England and Wales for the time being.

Q24. How long do I have to keep financial records?

A. A minimum of 6 years.

Q25. Are there any guidelines on the payment of trustee expenses?

A. Expenses are refunds of payments which a trustee has needed to meet personally (or which have been met on his/her behalf) 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 (e.g. where very small amounts are claimed). Examples of legitimate expenses would be travel to and from trustee meetings and on trustee business, postage costs and telephone calls. All expenses should be authorized by one of the officers and of course no-one should authorize his/her own claim.