

## FINANCE POLICY - LINCOLN BAILGATE U3A

1. **Financial Management Policy.**
  - a. Maintain accurate and up-to-date financial records.
  - b. Prepare regular financial reports for the committee.
  - c. Ensure all income and expenditure are properly recorded.
  - d. Implement a budgeting process and monitor against actuals.
2. **Banking & Cash Handling Policy.**
  - a. Open and maintain a main bank account for the charity to cover annual subscriptions, speaker fees, catering, rent, sundries and petty cash.
  - b. Open and maintain a holiday account for all expenses relating to the annual spring holiday and day trips, including deposits, refunds and tickets.
  - c. Require dual authorization for withdrawals by cheque.
  - d. Seek the Chair's authority for all expenditure by online payments.
  - e. Avoid handling large amounts of cash; use bank transfers when possible.
  - f. Maintain a cashbook to track all transactions.
3. **Expense & Payment Policy.**
  - a. Reimburse only pre-approved and documented expenses.
  - b. Require receipts or invoices for all payments wherever possible.
  - c. Implement a clear approval process for spending.
  - d. Use electronic payments wherever possible to ensure traceability.
4. **Financial Reporting & Audit Policy.**
  - a. Submit annual financial statements to the committee and membership.
  - b. Conduct an annual audit (see para 15).
  - c. Keep records of all financial transactions for a minimum of 7 years.
5. **Conflict of Interest Policy.**
  - a. Declare any personal or financial interests in charity transactions.
  - b. Avoid any financial decisions that benefit the treasurer personally.
  - c. Require committee approval for transactions involving related parties.
6. **Membership Fees.**
  - a. Any proposed change in the subscription fee is to be put to the members for their approval at a General Meeting.
  - b. Membership will be terminated if the annual fee is unpaid 2 months after falling due.
  - c. Annual subscription fees are non-refundable once paid.
7. **Personal Records.** Members personal details once they have left the u3a will be retained for 3 years. Electronic or paper records are acceptable. 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.

8. **Reserves.** Reserves are regarded as being the amount of money needed to function and to fulfil all obligations arising. A safe period of 12 months is considered prudent. Obligations include any known expenses that would need to be paid e.g. any venue fees, Beacon, Trust membership fees, agreed events etc.

9. **Zero Annual Fee Option.** The Committee may decide the fee for the year is zero if sufficient reserves have accumulated. All members therefore stay as members unless they resign or pass away. They are therefore members and must be declared as such on the Annual Return and Subscription paid to Trust. Likewise for Beacon charges.

10. **Subsidized Events.** 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) it is acceptable to subsidize a one-off event for Lincoln Bailgate u3a.

11. **PayPal.** PayPal will not be considered for Lincoln Bailgate u3a, due to the complexities and costs involved.

12. **Interest Group Funds.** All funds paid into the u3a are the assets of the u3a. The Committee may decide to allow groups to use a surplus they have accumulated against future deficits, but those funds do not "belong" to the group. 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 do not have a say over this policy.

13. **Charitable Donations.** Donations to a charity that doesn't have the same object as Lincoln Bailgate u3a are not permitted, but Lincoln Bailgate u3a is allowed to pay another charity for services provided, such as room hire.

14. **Corporation Tax.** Any contact ostensibly from HMRC is to be checked 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<sup>1</sup>.

15. **Independent Examiner of Accounts.** An independent examiner can be a member of Lincoln Bailgate 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. If one is not available within Lincoln Bailgate u3a, common practice is to ask a treasurer from another local u3a to examine the accounts. The independent examiner is to be appointed by the members at the AGM or approval to be given for the Committee to appoint.

16. **Accounting Period.** The accounting period can be shortened as often as the Committee sees fit, 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 permitted extension is 18 months.

17. **Accrual vs Cash Accounting.** Cash accounting has limitations. A cash accounting system indicates what money is in the account and what money has been received and paid out. However, some of the money that is in the u3a account may already be allocated for future payments and some income not yet received. Accrual accounting takes account not only these future payments

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<sup>1</sup> Even though the u3a is not a company and does not have to pay tax, it may still receive a request. u3as are not taxable but about 3 or 4 per year are selected to receive and complete these forms. The forms are quite straightforward to complete - most sections are not applicable. However, there is a penalty if the u3a does not respond. The link below sets out information such as what period we might be asked to report. <https://www.gov.uk/government/publications/corporation-tax-charity-and-community-amateur-sports-clubs-ct600e-2015-version-3>

and outstanding financial obligations but expected receipts as well. This provides trustees with a more accurate picture of the charity's financial situation. The Committee is authorised to decide if accrual accounting should be adopted.

18. **Fundraising for Dissimilar Charities.** Lincoln Bailgate 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 a 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 is not to affect the income of the event: nor should it be reflected in the accounting figures.

19. **Community Projects Funding.** Community funding projects are allowable only if the community project meets the object of Lincoln Bailgate u3a. It is up to the Committee and the membership and the other charities how to arrange and record the joint finances.

20. **Trip Organiser Benefits.** 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 is to be shared by all members on the trip.

21. **Paying Speakers.** Based on the Mutual Aid Principle the intent is to not need to pay for speakers. Lincoln Bailgate u3a 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 u3a's accounts. If the Speaker chooses to donate their fee to a nominated charity then this needs to be recorded in advance. Two methods are possible:

a. 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.

b. The second method would be to ask the Speaker to sign a declaration similar to the example, below, 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"*

22. **Paid Tutors.** The Trust is against paid tutors in principle. 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<sup>2</sup>. An annual 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.

23. **Income Limit.** If the total income of Lincoln Bailgate u3a exceeds £5,000 it must register with the Charities Commission and produce a Trustees Annual Report.

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<sup>2</sup> HMRC will have issued the self-employed 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.