

U3A		Sheffield U3A Document Management System
Doc Financial Policy		Date Jul 2022
Ref: Sheffield U3A Treasurer		Review: Jul 2023

Sheffield U3A – Financial Policy (2022)

Introduction

All charities are required to determine their “Internal Controls” for running the charity, one of these being the Financial Controls, or Financial Policy.

A Financial Policy may simply be a documentation of the current unwritten procedures of a U3A, from which a more detailed policy may evolve.

This Policy is drawn from a National U3A template, which is drawn from a selection of U3A financial policies and consequently includes some repetition of sections and procedures to illustrate the variety of policies that apply to small and large U3As.

Sheffield U3A (SU3A) has included additional sections to reflect the activities undertaken.

Where applicable “Trustees” refers to the members of the Executive Committee, all of whom are registered with the Charity Commission. This includes co-opted members*.

Relevant to all U3As and in part to Sheffield U3A.

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Sheffield u3a – Financial Policy

1. Purpose of this Policy

- To accept certain matters relating to members of the Executive Committee, as outlined in the U3A (TAT) Financial Matters Guidance document, issued April 2022.
- To set down rules and guidance for both trustees and members in order to safeguard the assets of Su3a and its groups

2. Trustees' financial responsibilities

- (i) The Trustees of Sheffield U3A (SU3A) are responsible for:
- Ensuring that SU3A abides by its Constitution*.
 - Safeguarding the assets of the charity.
 - Exercises effective control over its financial activity*.
 - Identifying and managing the risk of loss, waste, theft or fraud.
 - Ensuring the financial reporting is robust and of sufficient quality.
 - Ensuring financial records are kept in accordance with the governing document and relevant legislation (e.g. Charities Acts, Companies Acts etc).
 - Preparing Annual Accounts in accordance with the governing document and relevant legislation. The accounts should show a true and fair view of the state of affairs of SU3A.

The Trustees of SU3A cannot delegate their authority on the matters listed above*.

Providing EC members have acted responsibly they are covered by Indemnity Insurance provided by the Third Age Trust*.

- (ii) Trustees are jointly responsible for ensuring full financial records are kept. These include those of SU3A and all the Interest Groups, sub-groups etc., where appropriate. To enable the Trustees to carry out these responsibilities, the financial procedures detailed below will be followed.
- (iii) SU3A accounts will be prepared on a accruals basis (not a cash basis)*.
- (iv) SU3A annual subscription is described as a "Pay as you go" subscription, (not all-inclusive)*.

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- (v) The SU3A Independent Examiner should be appointed by the Members annually at each AGM*.
- (vi) VAT – If total income (restricted and unrestricted) approaches £85,000 guidance should be sought from TAT about whether VAT rules should apply*.
- (vii) A copy of this policy will be given to all Trustees on their election/appointment to the Executive committee and made available to SU3A members on the website. The policy will be kept under review and revised as necessary, with reference to TAT guidance documents where applicable*.

3. Interest groups' financial responsibilities

Interest groups are and integral part of SU3A. They deliver the Charitable objectives of SU3A, whose objectives are fully described in the Constitution*.

- (i) Interest groups are expected to be self-financing and can collect such sums of money as the group members and leadership deem to be necessary to undertake their activities.
- (ii) Interest Groups are not allowed to go into overall debt. If this situation occurs, the SU3A Treasurer must be immediately informed. The funds of these groups belong to SU3A, as restricted funds, but are there solely and exclusively for the benefit of the group members.
- (iii) Groups can make any expenditure deemed necessary by the group members and the group leadership and can then withdraw money from the group's funds as appropriate.
- (iv) Groups should appoint a Treasurer, although for small groups this may be covered by the Group Co-ordinator. They will need to keep financial transaction records of the groups' activities in order to:
 - Allow the SU3A Treasurer to present consolidated accounts to the AGM, and to meet regulatory requirements of the Charity Commission. This will involve each Interest group preparing an income and expenditure statement, showing opening and closing bank balance information for each group where financial transactions have taken place in the calendar year, and submitting to the SU3A Treasurer via an online collection tool. In addition, some groups will require an independent examination to be carried out where their income exceeds £1,000 in the year, and full accounts will need to be submitted to the SU3A Treasurer.
 - The Executive committee (via the SU3A Treasurer) will periodically monitor the income and expenditure and level of bank balances and cash of the groups over time. Group leaders need to provide information, as requested, to the SU3A Treasurer. Where groups do not comply then the Executive committee will review

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as to whether the group is legitimately operating in line with the insurance and financial requirements. i.e:

- To allow the group members to understand how their monies are being managed.
- To maintain transparency and trust for all concerned.
- To minimise the risk of error and potential loss of funds.
- To allow group leaders to maintain sufficient cash floats.

4. Banking

Bank accounts fall into 2 categories:

- (i) **Main bank accounts** are operated by the Executive committee, the Trustees, including the SU3A Treasurer. These collect all member subscriptions and are used to finance the Central SU3A charitable activities.
- (ii) **Interest group bank accounts** are operated by the individual Interest groups and are only used for the finances of that individual Interest group.

5. Main Bank Accounts (operated by the Trustees)

(i) **General**

- All main SU3A bank accounts are in the name of Sheffield U3A and operated by the Trustees.
- New accounts may only be opened by a decision of the Trustees, which must be minuted.
- Changes to the bank mandate may only be made by a decision of the Trustees, which must be minuted.
- The authorised signatories include the Chair and SU3A Treasurer and/ or other Trustees as decided by the committee. This responsibility cannot be delegated.
- All cheques must be signed by two signatories. The signatories are responsible for examining the cheque for accuracy and completeness.
- The signatories are responsible for examining the payment documentation (purchase invoice etc.) prior to signing the cheque or authorising an internet transfer.
- All bank statements must be sent to the Treasurer directly.
- Blank cheques will never be issued.
- Blank cheques will never be signed by one signatory for a second to complete later.

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(ii) Online banking

Where online operation of the bank accounts is in place only Trustees approved by the Executive committee will have access to this facility. The security of the online system is in line with the arrangements offered by the UK Bank chosen by the committee, and in accordance with the mandated approval limits. All payments are authorised in accordance with the bank mandate. Access to the online accounts is by logging on to the bank system with a personal password and access code and, where applicable, the use of a battery powered access code generator, which is specific to each user.

(iii) Payment by bank cards

The issue of any bank debit or credit card in the name of SU3A will be approved by the Executive committee. The use of these cards overrides the dual control aspect of the payment authorisation process, but is permitted, where payments are agreed in advance, via completion of a two-signatory Authorisation form, backed up by documentation of the purchase (e.g. invoice) in recognition that online purchases for certain goods and services represents the most effective, and in some cases, the only method of completing the purchase (e.g. online subscription renewals). The Executive committee will predetermine the credit limits for any card: The SU3A Treasurer will report fully to each Executive committee meeting on all transactions made using the card.

6. Interest Group Bank Accounts

(i) General

Whether a group has its own bank account will depend on its costs and subscriptions. If in doubt please discuss this with the SU3A Treasurer.

Any bank account:-

- Should be in the name of the Group and to include “Sheffield U3A”
- Should have two unrelated signatories to authorise any transaction (e.g. spouses / partners should not sign together)
- Can make use of the Charity number in registering the account.
- Must not have an overdraft facility

(ii) Online banking

Where online operation of the bank accounts is in place only users approved by the Group members will have access to this facility. The security of the online system is in line with the arrangements offered by the UK Bank chosen by the group, and in accordance with the mandated approval limits. All payments are authorised in

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accordance with the bank mandate. Access to the online accounts is by logging on to the bank system with a personal password and access code and, where applicable, the use of a battery powered access code generator, which is specific to each user.

(iii) Debit or credit cards

The use of debit or credit cards for Interest Group activities is not automatically permitted. Permission must be sought from the Executive committee where a group feels that there is no other viable way to make payments.

(iv) Purchase of Equipment

Groups are permitted to make any expenditure deemed necessary by the group members and the group leadership and can then withdraw money as appropriate.

This may include purchasing equipment for use by the group. They should contact the SU3A Treasurer in the first instance and submit a copy of the proposed expenditure details as it may be possible to apply for a grant towards the cost. Details are available on the Group website.

Any related purchase invoice should be copied to the SU3A Treasurer for inclusion in the Asset Register (see section 11).

7. Practical Financial Guidance for Interest groups.

(i) General.

- Group monies should not comingle with members' personal monies e.g. should not be held in a member's private bank account.
- Keep Group cash in a separate cash box which is kept securely
- Expenditure must be incurred in the Group's objectives and there should be a process for authorising expenditure before it is incurred
- Income should be recorded so that you know all income has been received
- Where possible, expenditure should be supported by external third party vouchers / invoices
- Records should be kept and, where appropriate, simple accounts produced and be available to your members

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- (ii) Interest groups should set their own subscriptions to cover their own regular costs. They will need to estimate their costs, membership numbers and set their subscription levels accordingly.
- (iii) They should try to avoid committing to fixed costs. However, if costs are fixed, e.g. the group commits to room hire, they should consider collecting member subscriptions in advance. For more established groups it may be appropriate to build up a small cash reserve.
- (iv) Although Su3a is a Self-Help organisation, Group members are unlikely to be enthusiastic to a request to pay at the end of a year to meet a shortfall. If Group membership is falling then the Coordinator should keep everyone informed and consider collecting subscriptions per meeting / monthly rather than annually.
- (v) **Good Practice for ad hoc costs**

Many Groups do not have regular costs or separate subscriptions but will organise events and outings involving costs. This requires a reasonable level of trust between members of the Group. The Co-ordinator should get members to pay before a non-cancellable booking is made. If a cancellable booking is made, and, for example, the Group then fails to achieve sufficient numbers, they should be seeking to cancel and members can be reimbursed. Members need to be aware that there is some risk they may not be reimbursed e.g. if they are unwell and unable to attend the event.

For events such as holidays, if at all possible, members should pay tour companies or hotels directly. This will make a member's claim for cancellation more straightforward. Note that Su3a does not provide travel insurance so members needing such insurance should arrange this themselves.

If a Group is raising money for a specific expense e.g. the photography group is buying a projector or a walking group is hiring a coach for its annual "away day" then, rather than collecting cash from members which is not advised if the amounts are substantial, ask members to pay by cheque addressed to, or online directly into, the Group's bank account. If the Group does not have a bank account consider collecting cheques, payable directly to the supplier, and then sending these to the supplier.

8.Miscellaneous Provisions for Interest Groups

(i) Paid tutor/speakers

Su3a is a self-help organisation so the use of paid tutors is not encouraged. Where the Executive committee has agreed the use of a paid tutor, they must provide evidence of their self-employed status and invoice the SU3A group as agreed. Outside speakers should be asked to state their fees and any travel costs at the time of booking and a cheque obtained from the Interest group Treasurer.

(ii) Organised trips and Social Activities

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The Executive committee, via the SU3A Treasurer, should be consulted as to the approved process for payments relating to:

- When a trip is organised by and paid through the SU3A group or paid directly by the members to the trip organiser.
- When payments may be deducted from activity revenue:
- When payment for venues, coaches, tutors, speakers etc must be paid by the SU3A group.
- Events such as theatre trips, visits or educational days out must be charged at cost and all participants pay appropriately. The costs paid by members must cover out-of-pocket expenses.
- The organiser of an event must not benefit from any discount (e.g. a free place) offered by the organisation providing the event. The value of free places must be shared out among all participants to the event.
- Out-of-pocket expenses can be paid to an organiser out of the money collected for the event. As all SU3A members offer their services free to the movement, the organiser(s) must not get any pecuniary reward for organising an event.

See Appendix for guidance notes on types of transactions.

(iii) Inactive Interest Groups

If an Interest group becomes inactive and closes, either temporarily or permanently, the members should contact the SU3A Treasurer in the first instance to discuss the situation.

Update* - Following receipt of new guidance from Third Age Trust in April 2022, and a review by the SU3A Executive Committee, funds remaining, if in excess of 6 month's worth, should be transferred to the SU3A main bank account and held as restricted funds for a period of up to 5 years. These funds may possibly be used by another group carrying out similar activities, subject to agreement with the SU3A Treasurer and Executive Committee. This should be fully discussed with the SU3A Treasurer before any decisions are made.

This change of guidance by Third Age Trust highlights the need for groups to manage their bank balances to avoid excessive build-up of reserves – by carefully managing subscription levels and having subscription “holidays” where applicable.

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9. Expenses policy (SU3A)

- (i) Out of pocket expenses incurred by the volunteers who are involved with running SU3A will be reimbursed. Expense claims must be submitted with receipts.
- (ii) Expense claims will be authorised by the SU3A Chair or Treasurer and no Executive committee member should authorise their own claim. Expenses will include – with committee approval – attendance at the Trust’s AGM and Conference or national/regional workshops.
- (iii) All claims need to be made on the appropriate form (copies available from the SU3A Treasurer) giving sufficient detail as to the nature of the expense.
- (iv) Expense claims should demonstrate that a value for money approach has been followed in incurring the expense. Travel by car will be reimbursed at the current HMRC approved rate for the actual mileage travelled. Car parking and congestion charges can be reclaimed (with receipts) but parking or other fines will not be allowed.
- (v) Overnight accommodation will only be allowed in exceptional circumstances and will need the prior agreement of the executive committee.

10. Membership Fees and membership of more than one U3A

- (i) The SU3A membership fee is reviewed on an annual basis. SU3A is committed to keeping the membership subscription as low as possible to ensure that the U3A remains accessible to all members.
- (ii) For SU3A members who can evidence membership of another U3A, SU3A will reduce the cost of membership by the amount that is paid to the Trust for each member.

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11. Asset register

- (i) An asset register is maintained by the SU3A Treasurer which records all assets held including their initial purchase price, date of purchase, estimated nominal value and location. This will include any assets held directly by Interest groups and held as Restricted Assets in the Balance Sheet. A minimum item value of £250 applies to items included in the register.

12.Reserves

- (i) SU3A aims to keep a level of unrestricted reserves that will cover 6 - 12 months of regular operating activity. This is considered by the committee a reasonable level for this type of charity. Any excess reserves over 12 months can be used to help maintain member subscriptions at current levels.

Authors: JTL Baker, M.Cave, CB Jones – Feb 2022. * Amended July 2022 by JTL Baker to include U3A (TAT) updated guidance in April 2022..

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Appendix – Guidance for Interest Groups

New Accounting Rules – Introduced from 1st January 2022

- These rules involve including the accounts of all Interest Groups with relevant transactions into the accounts of Sheffield U3A.
- The first submission will be in January 2023 for the year ended 31st December 2022, but for comparison purposes all transactions for 1st January 2021 are affected.
- The way Interest groups are run is not affected.

Key Principles for the new rules

- Transactions which go through a Group's cash tin and/or bank account must be included in the group's accounts
- Group's moneys and assets belong only to that group. They are restricted funds for that Group.
- Only Groups with "included" transactions (see below) need to produce accounts.

Typical Transactions - included

- Refreshments – Members pay for tea & biscuits into a group tin and cash is used to buy more. Refreshments belong to the group. (Exclude if members pay host directly)
- Consumables (playing cards, score sheets, first aid kit) – Members pay (say) £1 into group tin and cash in tin is used to buy consumables. Consumables belong to the group. (Exclude if provided by a member and other members pay to the provider direct)
- Administration costs – printer ink, postage, stationery – Members pay an agreed amount into the group tin / bank (Exclude if provided by a member)
- Music, maps etc – bought using group monies – belong to the group (Exclude if provided by a member and other members pay a sum to the provider)
- Laptops, projectors, cameras – Invoice is addressed to the group, items belong to the group. (exclude if provided by a member and other members pay a fee direct to the provider)
- Venue hire – the Group contracts with the venue and pays a set hire fee. Members pay an agreed sum into the group cash tin / bank. The group may incur a loss or a gain.(Exclude if fees paid direct by members to the provider)
- Restaurant – Meal organiser pays restaurant from cash tin/ bank and members pay into tin/bank (Exclude if members pay the restaurant directly)
- Coach hire for Away Day – Leader agrees hire with coach company, pays invoice in cash/bank, members pay set fee into cash/bank. (Exclude if members each pay coach hire company direct)
- Travel costs on theatre trip – group sets agreed rates for payment and reimbursement. Members pay into group tin and driver claims reimbursement from tin. Group may gain/lose. (Exclude if members pay driver directly)
- Theatre bookings – Leader buys tickets and members pay into group tin/bank.(Exclude if booking is direct between theatre and member)
- Hotel bookings – Leader pay for rooms and members pay into tin/bank – not recommended (Exclude if members contract is direct with hotel and member)
- Travel group holiday – If group acts as "principal" and arranges trip, contracts with airlines, hotels etc in the name of the group and members pay into group cash/bank .(Exclude if group work with a tour operator who organises the trip, and members each pay the operator directly)