



Third Age Trust Finance Half Yearly Report

Category: Finance

1. Purpose

The Annual Report and Accounts will provide the Third Age Trust's formal audited financial report to the u3as. The purpose of this informal report is to provide interim financial information to keep members informed on how the year is progressing financially.

While best endeavours have been utilised in collating the data and presenting in a factual and accurate manner, the numbers are subject to update if more information comes to light.

2. Scope

The basis of this report is the Third Age Trust accounts, there is no information regarding the Third Age Trading Limited (TATTL) company's accounts. However it is expected that TATTL will provide a small surplus in this year. The combined Group's status will be provided within the Annual Accounts.

This report provides Actual results for the half year to 30th September compared against the relevant part of the annual Budget (Section 4). It also provides a view, a forecast, for the Year End position expected versus the full annual Budget (Section 5).

While the majority of the information in this report is largely for the April 2022 to March 2023 year, it also provides some information on the longer term financial views (Section 7).

3. Background

3.1 Annual Budget and Strategy

As described in the published information for last October's AGM, the broad financial strategy for this year was, through the re-starting of many suspended activities (due to Covid), to draw down on the cash assets that had built up over the last few years. This would mean a 'deficit' for this year.

3.2 Inflation

The annual Budget was set in Spring 2022 prior to high inflation rates being forecast. As soon as this became a likely scenario the strategy for the year was re-considered. The options being either to not deliver on the Projects and general operational levels (cut back on expenditure) or to raise a Resolution at the AGM to ask the membership for an increase in subscription to cover for expected inflation cost increases. The later was chosen. Therefore base financial targets (in terms of expenditure activities) remained in place.



4. Key Half Yearly Financial Data

4.1 Performance Against Budget - Income

The main source of operating income for the Trust is through Subscriptions. Membership numbers (hence income) had fallen through the pandemic but were expected to recover from the low of 366,000. It was predicted that membership wouldn't recover to the previous level of 466,000 within the year but it could reach 400,000 and this was the income basis used for budget setting. On submission of the Annual Returns from the u3as (which takes several months due to late submissions) it became clear that recovery was slower than hoped for. A figure of 388,00 was quoted in the Annual Report and at the AGM.

Luckily the shortfall in Subscriptions was compensated by better income on Commissions (from Rivera Travel) and Donations. Therefore the overall position for income is that Actuals is largely as expectations, as Budget (slightly higher).

The Actuals = £813k vs a Budget figure of = £807k.

4.2 Performance Against Budget - Expenditure

Project costs are lower than anticipated at this stage due to several factors, a major one being that we have budgeted for expenditure to be incurred equally throughout the year, with new projects the expenditure pattern is frequently shifted towards the end of the year, this causes an apparent underspend in the early periods of reporting. Another factor is that for one or two projects we have been able to deliver the work through staff rather than contract externally, so saving on costs. A third factor is that some projects are now expected to cost less than originally budgeted. Grants for u3as are below budget, take up has been not as enthusiastic as anticipated, therefore there is an underspend against budget. Staff costs are underspending as new posts have not been filled as originally budgeted (ie not from the beginning of the year). Commissions from Rivera Travel payable is a new line, originally unbudgeted.

In summary expenditure is £750k against a budget of £1,048k.

4.3 Performance Overall

The highlights overall are that, at the half yearly cut off point, we are reporting a surplus of £63k versus a budgeted deficit £241k - due to expenditure being lower than planned.



5. Year End (YE) Forecast

5.1 Performance Against Budget - Income

As explained above, the shortfall in Subscription fees is being offset by higher income from Commissions and Donations. This trend is expected to continue through the 2nd half of the year and therefore we should end with slightly higher income than Budget. The actual membership is now expected to be 377,000 this year. The specifics are:

YE Forecast = £1,626k vs a Budget = £1,614k. A slight increase.

5.2 Performance Against Budget - Expenditure

The expenditure trend as described above, with an underspend, is expected to continue through the 2nd half of the year. Expenditure is expected to be £1,799k vs Budget of £2,096k. As with year to date figures the most significant lines causing this variance are underspends on Projects, Grants and Staff costs, with Commissions payable increasing expenditure.

5.3 Performance Overall

The forecast for the year is now a deficit of £173k against a budgeted deficit of £482k, a variance of £309k.

6. Other Details

6.1 Progress on Development Projects

As mentioned above, a key element in this year's activities was the budget support set aside for progressing 'Development Projects' to support Strategy delivery. Pre-covid this requirement had been recognised and monies (£446k) were 'Designated' for this purpose. These funds were to be utilised during 2022/23 (and beyond) for delivery of these projects. Hence £418k was the allocated budget for 2022/23. While progress has been made on these projects, as explained above, delivery has been slower than planned but also there has been more efficient effective delivery (resulting in lower costs). It's now forecast that spend at year end will be £266k or lower. See Appendix 1 for a listing of these projects.

6.2 Overall Updated Status

Since the rejection at the AGM of the proposed Resolution to increase the subscription fee to cover for the impact of high inflation on costs, a number of reviews and re-plans are underway and continue.

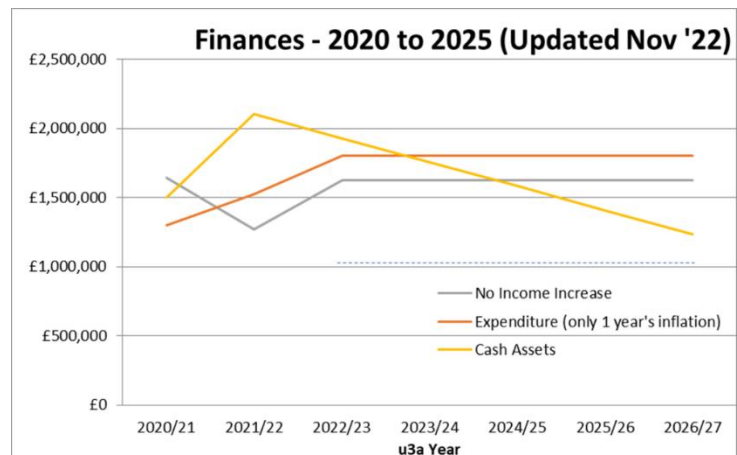
However utilising above (fixed income) and the Q2 results it has been possible to update our overall out turn for this year and how that trend might continue (unless other factors change). The following is based on the following assumptions or facts:

- No increase in income (either by higher Subs or higher membership)
- Expenditure will be lower than budget this year

- No future increase (or decrease) in Costs/ Expenditure (only 1 year's inflation added)
- Draw down on level of cash assets will now be slower
- Still will be running a yearly deficit (expenditure greater than income)

Utilising above gives us the following trends:

However other factors need to be considered and these are explored in the following Section.



7. Longer Term Finances

The finances need to support the business. Therefore it is the Trust (and its members) to determine – what it wants to do, and then endeavour to finance that. If the income is not there then operations need to be scaled back. The following sections explore some of those decision points for the u3a movement.

The major areas of uncertainty, the variables, in predicting the Trust's future finances are:

- Subscription Income
- Membership Level
- Levels of other Forms of Income
- Expenditure Requirements
- Support Levels
- Inflation

Predicting even one of these is challenging enough but the reality of life is that there will be a mixture of these influences on the u3a's longer term finances (and hence operations).

7.1 Income

Looking firstly at income, combining just the first two above parameters, for many u3as and the Trust, prior to the pandemic operations had been stable and therefore finances were stable, predictable. The pandemic changed that with a significant impact to normal operations and membership levels. Many local u3as have provided to their Regional Trustees anecdotal information that their membership levels are recovering. At a national level we have seen recovery from the pandemic period low of 366,000 to 377,000 (based on the April Annual Return figures). This is a slower recovery than that used to set the 2022/23 Budget. The crystal ball challenge now is - will national membership continue to rise at this rate or tail off, or accelerate, or plateau?

While the Resolution(s) for a Subscription fee rise – as proposed – failed, it seems this was due to a mixture of reasons. If one postulates a single increase (from £4.00 to eg £4.50) then this corrects the annual deficits – income would match expenditure.

This would not totally fix the problem as inflation is probably going to result in ever increasing costs. Just providing the current level of support and service for the u3as will mean increasing costs (due to inflation). However it does show one form, or part, of the solution.

We are highly dependent on income from our Subscriptions. However we are looking at trying to increase income from other sources, for example donations, legacies, commissions, etc. But as they create only 2% of our income currently, even with a spectacular change we might only move to eg 5% so not a major impact.

7.2 Expenditure

As described above, annual inflation means an ongoing impact to costs (unless current activity levels are cut). The extent of impact is uncertain but it will mean a long term drain on our cash assets (if income is static) and in due course these falling below the Charity Commissions guidelines.

Consideration also needs to be given to the level of investment (for development and improvement) in u3a systems and processes.

7.3 Way Forward

It's not for a financial report to decide or communicate the way forward. Other forms of communication will, in due course, serve that purpose.

The information in this report will be updated with year end Actual figures and form the basis for the accounts which will be part of the Annual Report and Accounts to be issued (once approved by the Auditors) next Summer.



APPENDIX 1 – DEVELOPMENT PROJECTS LIST

The following is a listing of all budgeted projects:

1. Achieve a replacement for Sitebuilder; development of WP site, security and hosting and development.
2. Commence Investors in Volunteering initiative as requested by the Development Committee
3. Implement method for recording and reviewing stats from website and phone use
4. Identify and implement a format for capturing model answers for common advice queries and to ensure tracing of advice queries sent to the Trust
5. Develop proposals for the learning (hub) platform
6. Develop Trust u3a into part of the permanent learning platform and rebrand Interest Trusts Online
7. Procure New Learning Resources (non u3a subscriptions)
8. Develop and launch the national learning programmes (autumn and spring)
9. Plan and deliver a centralised documentation system
10. Complete the changes to the smaller office environment to enable it to work functionally for administration and online meetings
11. Scan and record all historical financial and other legal documentation
12. Support the '40th Anniversary' programme as part of raising our profile
13. Explore collaborative external relationships
14. Complete the research report identifying the themes that have come out of the yearly Trust communication-led research.
15. Develop more professional, direct, informative, welcoming (non-prescriptive) communications to raise awareness about the 'Trust' (utilising 'PA Wires').