

## Reserves Policy

### 1. Background

As a registered charity (No.1082501) we take our advice and guidance from the Charity Commission for England and Wales. They provide guidance on charity reserves in '[Charity reserves: building resilience \(CC19\)](#)'.

CC19 defines reserves as "that part of a charity's unrestricted funds that is freely available to spend on any of the charity's purposes'. It goes on to say: 'Charity trustees have a general legal duty to spend income within a reasonable time of receipt. Trustees may spend this income to fund charitable activities, in acquiring assets to use in the charity's work, and in meeting the day to day running costs of the charity.'

To hold income in reserve rather than spending it, Romsey and District u3a trustees rely on an implicit power to hold reserves and they use that power in the charity's best interests<sup>1</sup>.

All the income of Romsey and District u3a is to be spent on our charitable purpose i.e. *The advancement of education and, in particular, the education of older people and those who are retired from full time work, by all means including associated activities conducive to learning and personal development.*'

The trustees of Romsey and District u3a are responsible for setting, regularly reviewing and annually publishing the reserves policy.

### 2. Reasons for holding a financial reserve

The trustees manage the charity's finances through a budget, prepared each year by the treasurer and approved by the trustees. Actual expenditure is closely monitored and reported to the trustees at each of their meetings. If, at the end of the financial year, expenditure (costs) have exceeded income (which principally comes from member's subscriptions) we have to use money held in reserve to meet some of our costs. If income exceeds costs at the end of a financial year we are able to add to our reserves. A reserve, and the policy which defines it, has to make provision for a number of other situations, viz:

- any debts or commitments that could arise if Romsey and District u3a were to be dissolved;
- any one-off or special projects that we might wish to undertake;
- equipment essential to support our interest groups and wider activity;
- unexpected expenditure;
- year on year fluctuation in the normal levels of income and expenditure;

To consider each of these in turn:

#### Debts/Other Commitments

If Romsey and District u3a dissolves (closes down) for some reason we would not be able to pay anything back to the members. Clause 11 of our constitution requires that any money, or other assets, remaining on dissolution 'shall be transferred to the Third Age Trust, Registered Charity No. 288077.' Whilst it is likely that we would have funds in hand to meet any financial obligation it would be prudent to make provision for unexpected costs in our reserves planning.

---

<sup>1</sup> i.e. there is no explicit power to hold reserves stated in the Romsey and District u3a constitution.

### One-off projects

We may in the future want to fund some one-off projects or special events. This could be a **study day**, or engaging a speaker to talk on matters of particular interest to members as a whole, or a [Shared Learning Project](#) which a group of members wished to undertake.

### Equipment

From time to time, often when a new interest group is being established, it is helpful to fund some equipment to get it started.

### Unexpected expenditure

Despite careful financial planning and monitoring very occasionally an unexpected cost arises. It is important to factor this in to in our reserve planning.

### Normal fluctuations in annual income and expenditure

This is a reality for nearly all organisations and is seen most often as a matter of managing 'cash flow'. In the case of u3as the payment for membership of the Third Age Trust is based on the number of members in the year prior to the payment. Hence if membership drops significantly in any particular year we could be left having to pay a bill which, along with other expenditure is higher than the income. It is essential that this is factored in in setting a reserve level.

## **3. Current financial situation**

Whilst we currently have a reserve which in normal circumstance would be considered healthy (more than adequate) of circa 75% of a full year's income<sup>2</sup>, 2020 has demonstrated clearly the difficulty of planning for the future. Going forward we face further, very considerable, uncertainty.

It is therefore considered prudent to cater for this uncertainty in our reserves policy.

## **4. Policy**

Based upon the uncertain future for Romsey and District u3a, indeed for all u3as, our policy is to maintain a minimum reserve of 50% of the average of the previous 3 years' total costs.

Furthermore our policy is to review the amount in reserve quarterly and to publish the reserves policy in the papers for each Annual General Meeting.

Approved by the trustees 13.01.2021

---

<sup>2</sup> Using 2020-21 figures.