

BURTON-ON-TRENT u3a

Reserves Policy

1 Introduction

This policy defines the amount of funds to be retained as financial reserves.

2 Definitions

Financial reserves:	Funds which are unrestricted, unallocated and readily available.
Reserves requirement:	The amount of reserves to be held.
Excess reserves:	Financial reserves held in excess of those needed to meet both operational and reserves requirements.
Reserves limit:	The maximum permissible amount of excess reserves.

3 Purpose

Financial reserves are held to ensure that Burton on Trent u3a can always meet its financial obligations. Particularly, they provide a financial safety net for liabilities that may arise as a result of an unexpected adverse event. The management of reserves must also meet Charity Commission requirements.

4 Supporting principles

The committee must:

- Act in the charity's best interests
- Manage the charity's resources responsibly
- Act with reasonable care and skill

5 Amount of reserves

Burton on Trent u3a is a simple organisation which operates on a cash-in cash-out basis. It has no non-cash assets (such as buildings, vehicles) and no restricted long-term investments (such as multi-year bonds).

The scope of this policy is all activities and all accounts.

The committee has considered categories of adverse events and assessed the two most financially impactful as: a) failure of a planned larger holiday and: b) an organisational failure leading to a significant refund of annual subscriptions.

The reserves are set to cover the impact of a single "severe but plausible" event. The **Reserve requirement** is therefore set at £10k.

The organisation has no reason to build larger reserve funds. Therefore, if reserves grow materially beyond what is reasonably forecast for operational needs plus the **Reserves**

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requirement the committee must create a plan to manage this down to a non-excessive level. This plan must reflect the goals and purposes of the charity.

The Treasurer is responsible for managing bank accounts and determining where and how reserves are held.

The **Reserves limit** is set at £8k.

Worked example:

If the forecast operational liabilities across all activities are currently £7k, then the organisation must hold at least £17k (£7k operational liabilities plus £10k reserve requirement) but should not hold more than £25k (£7k operational liabilities plus £10k reserve requirement plus £8k Reserves limit).

6 Responsibilities

The Treasurer will:

- Monitor reserves and highlight to committee on an exception basis any actual or imminent reduction of funds below the **Reserves requirement**.
- Review this reserves policy every two years or more frequently if circumstances dictate.

The committee has overall responsibility for:

- Approving the reserves policy
- Ensuring there are sufficient funds to meet the policy
- Creating a recovery plan where the Treasurer reports an actual or imminent reduction of funds below the **Reserves requirement**.
- Creating a recovery plan where the Treasurer reports an actual or imminent increase of funds above the **Reserves limit**.

7 References

- Charity Commission CC19: Charity Reserves
[<https://www.gov.uk/government/publications/charities-and-reserves-cc19/charities-and-reserves>]

8 Document information

Policy owner:	Treasurer
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Next review:	October 2027