

SHERBORNE U3A FINANCIAL RESERVE POLICY

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1. Introduction

The Charities Commission encourages all charities to have a "Reserve Policy" and National U3A includes a section on reserves in its Financial Policy template. We should review our situation in this respect and consider the appropriate level of reserve to hold.

We hold a financial reserve to cover:

- any debts or commitments that could arise if Sherborne 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.

We should remind ourselves that if Sherborne U3A were to be dissolved our Constitution provides that any assets remaining after all liabilities had been met will be transferred to the National U3A.

2. Reasons for holding a financial reserve

To consider each of the bullet points above:

Debts/Other Commitments

If Sherborne U3A dissolves for some reason we would not be able to pay anything back to the members (see National U3A's Financial Matters 2019), so it is likely that we would have funds in hand to meet any commitments at that time. We might well have some commitments in relation to the hire of meeting halls for Groups. It would be prudent to factor this into our reserve planning.

One-off projects

We may in the future want to fund some one-off projects or special events. This could be something like engaging the occasional speaker to talk on matters of interest to Sherborne U3A as a whole.

Equipment

In the past we have funded for example the purchase of bridge tables, a tennis table, hi-fi equipment, digital projectors, and a computer printer. We want to continue to be able to buy equipment for Groups and the wider organisation when this is essential (this does not include day to day materials such as artists' materials or playing

cards for the bridge Groups). This is not a major area of expenditure, but should be included in considering an appropriate level of reserve.

Unexpected expenditure

During the last 10 years there has been no instance of our incurring any costs which have been completely unexpected. Although it is difficult to imagine, this could occur in the future and should be a factor in setting our reserve level.

Normal fluctuations in annual income and expenditure

This happens in any organisation like ours and is often related to cash flow. It is not a major item, but again should be included in setting a reserve level.

3. Overall financial situation

Our overall financial situation is stable. Our main source of income is members' subscriptions and it seems unlikely that membership levels will change dramatically in the next few years. Unlike many other charities we do not rely on a variable income from public donations. In any event our expenditure each year is closely connected to the membership level at the time and any sharp decrease in membership would likely be reflected in decreased costs and vice-versa.

4. Balances held by group leaders

It was agreed at the Committee meeting on 23 October 2019 that amounts held by group leaders are not to count in the calculation of the actual reserve, as these are expected to average to zero over time.

5. Recommendation

Bearing in mind the potential maximum shortfall in funds that could arise in the event of Sherborne U3A being dissolved at some future point, I recommend that

- we plan to hold a minimum reserve of £4,000 at 31st August to cover the issues identified above, excluding any membership subscriptions paid in advance for the year starting on the following 1st September,
- the amount in reserve is reviewed annually by the Committee,
- action is considered to reduce the reserve if it rises above £5,000 (excluding any membership subscriptions paid in advance).

The two principal means of managing the reserve level are changes in the amount of the annual subscription and in the subsidy allowed Groups against meeting hall charges.