

CHRISTCHURCH U3A RESERVES POLICY ISSUE 3 DATED NOVEMBER 2023

1 INTRODUCTION

It is a requirement of the UK Charity Commission and the Third Age Trust (TAT) that all charities implement a policy for the management of financial reserves.

The purpose of this document is to define the policy for Christchurch U3A and to set the parameters for the next two financial years.

The policy will be reviewed annually prior to the AGM.

2 U3A TAT GUIDELINES

The TAT guidelines state that there is no fixed amount for the level of reserves. Reserves are regarded as being the amount of money needed to function for the next 6 months minimum and to fulfil all obligations arising in that period. Many U3As chose a 12-month operating period as a safe target. The U3A's Finance Policies should state the amount decided by the Executive Committee. The previous year's accounts should enable a best guess of what level of reserves are required.

Reserves are meant to cover a range of items including, but not limited to:

- Running costs to allow a managed closure of the U3A
- Costs of outstanding commitments e.g. a lease
- Capital commitments e.g. purchase of fixed assets
- Closure of any contracts
- Future capital projects or expenditure not covered by membership subscriptions.

In addition, the level of reserves should include an up-to-date assessment of financial risk.

3 CHRISTCHURCH U3A ASSESSMENT OF FINANCIAL RISK (2021 – 2024)

This paragraph will be updated annually based on the results of the previous year's performance.

Currently, Christchurch U3A hold substantial reserves. However, following the

imposition of austerity measures during previous financial years Christchurch U3A has returned a small surplus during FY 22/23 and is anticipating that we will, generate a further surplus in FY 23/24. These results can be summarised as follows:

- Financial year 2021/2022: -£8,814 (actual)
- Financial year 2022/2023: +£3,415 (actual)
- Financial year 2023/2024: +£4000 (projected)

The costs for FY 21/22 have already been absorbed into the accounts so the balance for the FYs 22/23 and FY 24/24 is projected as +£7,415 which is a significant improvement from previous forecasts.

The results of our risk assessment are that, excluding further expenditure decisions and investment projects, we are likely to spend £1399 from reserves over the FY21/22, FY22/23, and FY 23/24 periods. This is an excellent result that demonstrated we have achieved financial stability.

In accordance with the TAT Guidelines a U3A should hold between 6 to 12 months of operating reserves relating to the actual turnover. Currently, the Christchurch U3A income (for FY 22/23) is £46,488 and the expenditure was £43,073. Given that it would be prudent to base the reserves on our costs the frame for reserves is between £43,073 and £21,536. However, given the current unpredictability of the external environment it would be prudent to set our reserve policy towards the higher end of this range. Consequently, the ideal target, based on current assumptions, would be £45,000.

4 CALCULATION OF CHRISTCHURCH U3A RESERVES

The current value of the Christchurch U3A reserves, including cash in the current account, is as follows:

- Subscription Account O1C - £14,867
- Social and Fundraising Account O3C - £2236
- Reserve Fund O2C - £21,156
- Reserve Share Fund - £ 11,559
- Held in Bank - £25,182 (July 2023)
- Social and Fundraising Account - £4,987

This gives us a total of £79,987

6 FUTURE EXPENDITURE

Christchurch u3a is responsible for maintaining the Epicentre and as this in an old building we need to put some money in reserves to cover unexpected costs. During the past 18 months we have incurred approximately £800 for repair costs; however, we have plans in place to refurbish elements of the building. £2500 is already committed in the FY23/24 budget and further expenditure may be necessary over the next three years.

The Christchurch U3A Website requires attention and over the next two-year timeframe we need to work out how to move forward. Currently, we have no fixed plan; however, any costs would be covered by reserves.

There is a need to evaluate our current operational model to ensure that it can deliver a sustainable model for the future. Currently, we have no fixed plan; however, there are several potential options. Some level of funding would be required to enable the implementation of options or support any transition plan.

Over the next year the Committee will develop a more robust investment plan designed to meet our long-term operational needs and the need to manage the reserves. The results of this work will be published in the next issue of the reserves Policy.

5 CONCLUSIONS

Based on the above calculations it is assessed that the current level of reserves held by Christchurch u3a exceeds the recommended TAT levels. However, further work is required to evaluate all the potential investment options and their respective costs before we can make a final evaluation.

6 DATES OF NEXT REVIEW

This policy will be reviewed by the Committee and updated by the 31st October 2024 in time or the next AGM.

J D Bell

Chair Christchurch U3A

K Smith

Treasurer Christchurch U3A