Wooler u3a Financial Reserves Policy

The Charity Commission requires all charities to develop, implement, and publicly report on their reserves policy. The policy must detail why funds are held, how they are calculated, and what target level is appropriate for the charity's specific risks and operational needs.

The Charity Commission's core guidance on reserves (often referenced as CC19) is built on several key principles:

1. What Counts as Reserves?

- **Freely available:** Reserves are the part of a charity's unrestricted funds that are freely available to spend on any of its purposes.
- **Exclusions:** This does *not* include restricted funds, endowment funds, funds tied up in tangible fixed assets (like land or buildings), or money already designated or committed for other future projects.

2. Why Have a Reserves Policy?

- **Financial resilience:** They provide a buffer against unexpected income drops, unexpected expenditure, or emergencies.
- **Transparency:** It gives funders, donors, and the public confidence that trustees are actively managing the charity's money responsibly.

3. Setting the Right Level

- **No fixed rules:** There is **no single target or "golden number"** (such as a mandatory 3 or 6 months of operating costs) that applies to all charities.
- **Risk-based approach:** Trustees must determine the target level based on an assessment of their charity's specific circumstances, including income volatility, planned spending, and future needs.
- **The level of Reserves:** The reserves should at least cover the operating costs at the worst point in the financial year.

4. Reporting Requirements

- **Trustees' Annual Report:** If your charity prepares accruals accounts, you are legally required to state your reserves policy in the annual report, justify the level held, and explain what you plan to do with the reserves.
- **If you hold no reserves:** Trustees must still state this in their report and explain why.

5. Treasurer's Responsibility

- The Treasurer should consider the worst-case scenario of costs incurred, which will include –
  1. TATL annual membership
  2. Outstanding room hire costs from the previous month
  3. Refusal of Gift Aid from HMRC
- The Treasurer should seek input from the Committee regarding percentage of annual costs covered by reserves and level of funds to be held in an unrestricted account (immediately available) prior to the AGM.
- Reserves can be calculated to cover both the defined percentage of annual turnover and worst case scenario for costs due.
- The level of reserves should be agreed at each AGM.

Calculation of reserves required 2025/2026

Worst case costs:	
TATL annual membership	£572
Outstanding room hire costs from the previous month GGT	£364
Outstanding room hire costs from the previous month URC	£164
Gift Aid from HMRC	£120
Speaker expenses	£18
Siteworks licence	£50
TOTAL	**£1,288**
Percentage of annual turnover:	
Turnover 2024/2025	£6,572
6 months costs (agreed by Committee 3/6/26)	**£3,286**

Since the higher figure is £3,286 this is our level of reserves for the current financial year.