

## 1. Trustees' responsibilities to use charity funds

Trustees are under a general legal duty to apply charity funds within a reasonable time of receiving them. In principle, trustees should not "hoard" charity funds but use them for the purposes of the charity. In some circumstances, it could be held that trustees are exceeding their powers and breaking their trust if they do not apply the income they receive. However, it is generally accepted that if the charity is to be maintained as a continuing, going concern, then the trustees have an implied power to retain "reasonable" reserves, at least for working capital and equipment.

## 2. Why hold reserves?

Organisations need to secure their future. Most will want to ensure that they can weather some downturn in their normal income pattern, or deal with some unexpected, immediate and exceptional need for expenditure. It is normally for these reasons that organisations need to retain reserves. Further, it will always be necessary to balance the income and expenditure streams, so that at any point in time it is probable that the organisation will have received income it has yet to spend.

## 3. What constitutes reserves?

The Charity Commission in their booklet CC19 define reserves as follows:

"Reserves are that part of a charity's unrestricted funds that is freely available to spend on any of the charity's purposes." This definition excludes restricted funds and endowment funds. Reserves will also normally exclude funds that have been designated for essential future spending and tangible fixed assets held for organisational use.

## 4. Trustees' duties

SORP requires that in an annual report trustees:

- Describe the charity's reserve policy.
- Explain why reserves are held and which future needs, risks or contingencies are assumed.
- Report the level on the balance sheet data.

To justify holding reserves, trustees should have a policy based upon a realistic assessment of their need.

The Charity Commission states that holding up to six months expenditure for reserves is appropriate.

### 1 FWDu3a needs reserves to maintain the payment of its commitments in case of reduced income.

As a new organisation - with its inaugural meeting in 4/3/23 - it has not accumulated a large balance. It is a credit to the committees that it is in such a stable position.

Although not having any building to maintain or any long-term commitments, the income for the year is almost exclusively received within the first 2-3 months.

The only opportunity to gain income later in the year is by social events, which come with their own risk if they are not well supported by the membership.

Although this comes with drawbacks, it does mean that FWDu3a has clear sight of its annual income early in the year and can budget events accordingly. Quantifiably, only a gift aid receipt supplements this later in the year.

FWDu3a needs to provide monthly meetings throughout the year – these are the mainstay of the organisation - along with the interest groups which have to be individually self-funding.

Printing is a significant expense and necessary to keep members fully informed about FWDu3a activities, and also needed for the administration of the organisation.

Following a resolution at the 2025 AGM, members wishing to receive the magazine of the Third Age Trust – u3amatters – pay an extra agreed amount. (The magazine is funded by advertising but postage has to be paid by the u3a or member.) Cost to the u3a was previously £500 per year.

Given the limited time for income accumulation, it is appropriate to consider 6 / 9 months expenditure as a reserve.

Items needing to be covered by the u3a are:

- a) per capita payment to Third Age Trust.
- b) per capita payment to Beacon, the u3a computer member management system.
- c) use of the hall for meetings and social events
- d) payment of speakers for an interesting and varied programme.
- e) refreshments at member meetings
- f) miscellaneous items include accounts check, website, payment card fees, affiliations, leaving gifts
- g) social events loss contingency

Quantified for 25/26, total costs are approximately:

a) £850 b) £200 c) £860 d) £500 e) £250 f) £300 g) £300 giving a total of £3,260

Reserves at a rate of 6 months / 9 months would be £1630 / £2,445

Position at 31/12/25 funds held £3100 (rounded).

**This policy was agreed by the committee on:**

**Signed:**

**Role:**

**Date:**

**Review date:**