

Eagle Ski Club

Financial Reserves Policy

Introduction

- 1) **Purpose.** This policy sets out the approach that the Eagle Ski Club (ESC) has to retaining money in bank accounts and in investments.
- 2) **Structure.** The document sets out:
 - a. Why the Club needs formal rules,
 - b. The history of financial reserves in the Club,
 - c. The formal reserves purposes and policy is shown at Appendix A.

Background

- 3) **Why does the ESC need rules or policies?** The Club is an “unincorporated association” and has no legal identity of its own and can only act through its Officers. If the rules that the Officers must follow are not clear or are not followed, the Officers could be personally liable for the actions of the Club.
- 4) **What is a reserves policy?** The reserves policy is owned by the Treasurer and formally approved by the ESC Committee. The policy formally sets out the amount of money that the club is to hold in bank accounts and investments and what purposes those funds are held for.
- 5) **Why does the ESC need a reserves policy?** Interested parties, such as Members, Committee Members, Sports Councils, HMRC could query why the club holds the money that it does. Indeed, the level of reserves is a regular question at the Club’s AGM. A formal and explained policy will help interested parties to understand the Club’s rationale in holding the level of financial reserves that it does and will help the Treasurer and Committee Members to run the Club in an agreed manner, helping to protect the Officers from potential criticism and personal liability.
- 6) **What guidance and more general regulations apply to the Club?** Because the Club has no formal standing or legal status, there are few specific requirements. The Club is not a charity, but it does look after members’ money on behalf of the beneficiaries of the Club. General trust law probably therefore applies. A pertinent general principle in trust law around financial reserves is that funds should be applied for their intended purpose as quickly as is reasonable possible. Any holding of money for longer than might be seen as strictly necessary, therefore needs a formal policy explaining the purpose and use of the funds.

Context

- 7) **Current financial reserves.** The Club has financial assets, as at the last year end of April 2024, of:
- Investments in investment trusts and funds £113k
 - Bank deposits £22k
 - There are other net current liabilities of around £5k
- 8) **Restrictions on Use of Funds.** Until April 2024, the Club had a distinction between Restricted Funds (for donating as Memorial Awards) and Unrestricted Funds (to be used for any purpose within the remit of the Club). However, the distinction between the two categories, and the rationale for the values shown in the accounts for the two types of funds, had become unclear. The decision was therefore made by the ESC Committee in April 2024 to merge the funds and remove any restrictions on use (beyond being within the purposes of the Club).
- 9) **Process of Drafting the Reserves Policy.** This reserves policy was drafted, discussed, and agreed on by the Finance Subcommittee, chaired by the Treasurer, in January 2025.

Appendix A

Eagle Ski Club Financial Reserves Policy

Owner of Policy: Treasurer

Policy approved by: [ESC Committee]

Date approved: [June 2025]

Purpose of the Reserves Policy

1. Financial reserves are an essential element of planning, budgeting and operating the Club's finances.
2. A formal and approved policy ensures that the organisation is operating with sufficient reserves to avoid financial difficulties and that it is being transparent about the level and purpose of reserves that it holds. If no reserves are to be held, this should also be explained and the reason for this.

Order of Priority for Applying Reserves

3. Reserves are held (in priority order) to provide:
 - a. A **Financial Float** to cover mismatches in budgeted income and expenditure during the year
 - b. A **Buffer to cover shortfalls** in income for essential expenditure each year
 - c. **Income Generation** to support club activities.
 - d. **Excess Capital to make grants** for club activities.
 - e. Allow the club to **pursue strategic initiatives**, e.g. reducing subscription amounts for younger members, or absorbing external costs such as insurance.
4. Each use of reserves should only be considered when the previous priority has been achieved.
5. The value to be maintained as reserves for each purpose is set out in this policy.

Level of Reserves to be Held

6. In total reserves of £135,000 will be targeted across the categories of a financial float, a buffer for annual essential spending, and a fund for income generation.

Financial Float

7. A float of **£5,000** will be maintained to cover short-term liquidity variations in working capital during the year as expenditure may be required before income is received.

Buffer for Essential Annual Expenditure:

8. The following table shows the spend categories over the past three years and the proposed level of reserves to be maintained to cover these elements (considered as essential spending for the club):

Spend category	2021/22	2022/23	2023/24	Reserves to be Held at Start of Year
Mountaineering Scotland / insurance	£22k	£23k	£29k	£24,000
Tour subsidies	£5k	£6k	£7k	£7,000
Leaders Meet	£3k	£4k	£4k	£4,000
Training courses (incl. Leaders)	£9k	£11k	£6k	£6,000
Adventure Funds awards	£0	£1k	£1k	£1,000
Yearbook	£6k	£7k	£9k	£9,000
AGM	£0	£0	£1k	£1,000
Officers expenses	£0	£2k	£2k	£2,000
Bank charges	£0	£1k	£0	£1,000
Software licenses	£2k	£3k	£3k	£3,000
Other	£1k	£0	£0	£0
Memorial Fund awards	£1k	£4k	£3k	£4,000
Total Reserves for Annual Essential Expenditure				£62,000

9.

Income Generation to Support Long Term Club Activities

9. The Club will hold financial reserves retained to generate investment income to help to support the long-term operations of the Club. This expected investment income will be shown in the annual budget and forecasts for the Club.

Income Generation Reserves	
Value of Income Generation Fund	£68,000
Yield to be Delivered	4% pa
Investment Income to be included in annual budgets	£2,750

Excess Capital to Distribute and Provide Grants

10. The Club is retaining all of its financial assets to provide short-term buffers and longer-term investment income to support the activities of the Club, including providing grants to youth, ski touring training and adventurous activities.
11. **£nil** will be distributed from capital for other grants or purposes because all of the activities of the Club are being supported by subscriptions and from the income generated by holding reserves.

Types of Financial Assets to be Used for Reserves

12. The intended use of reserves informs the types of assets that are appropriate to be held, with regards to:
- The timescales over which any investment may be required to be liquidated
 - The degree of risk and volatility which will be acceptable
 - The level of investment returns that are needed to support the Club's activities.

The following financial assets are appropriate for the different reserve functions.

Financial Float

Type of Asset	Value £	Range to be Maintained
Bank Current Account	£5,000	Plus, or Minus £2,000

Buffer for Essential Spend

Type of Asset	Value £	Range to be Maintained
Bank Current Account	£5,000	Plus, or Minus £2,000
Interest Bearing Bank Deposit Account	£20,000	Plus, or Minus £10,000
Income Generating Low Volatility Investment Funds (such as Infrastructure Funds)	£37,000	Plus, or Minus £10,000
Total Buffer for Essential Spend	£62,000	Plus, or Minus £10,000

Income Generation Funds

Type of Asset	Value £	Range to be Maintained
Income Generating Medium Volatility Funds	£25,000	Plus, or Minus £8,000
Income Generating Higher Volatility Funds	£43,000	Plus, or Minus £2,000
Total Income Generation Funds	£68,000	Plus, or Minus £20,000

Excess Capital for Distribution

Type of Asset	Value £	Range to be Maintained
Not applicable	£0	Not applicable

13. The Treasurer is responsible for maintaining the reserve funds within the policy ranges and is authorised to move funds between investments to achieve this.

Reviewing the Policy

14. If the total financial assets fall **below £100,000** or rise **above £160,000** then this reserves policy must be reviewed and approved by the Club Committee.
15. In any case, this policy should be reviewed and updated every **three years** to update the values for inflation and to ensure that the policy reflects the needs of the Club.

Resources consulted include:

- Why a club needs formal rules: <https://www.myerssolicitors.co.uk/the-law-of-clubs-they-can-be-tricky/#:~:text=A%20club%20is%20simply%20a,unlike%20a%20company%20or%20partnership.>
- <https://www.gov.uk/government/publications/charities-and-reserves-cc19/charities-and-reserves>
- <https://www.englandathletics.org/clubhub/collection/intro-to-club-standards/>
- <https://www.icaew.com/technical/charity-community/resources/financial-management>
- Draft 2.0, Peter Bridgewater, February 2025