



Financial Reserves Policy

Policy Statement

Charity law requires any income received by a charity to be spent within a reasonable period of time from receipt. Trustees must be able to justify reserves held to stakeholders and explain how reserves are used to manage uncertainty. They will also explain when reserves are to be spent by and how it will fund future activity.

Scope of this policy

Reserves are defined as unrestricted funds that are freely available to spend on any of the Trust's charitable purposes. It excludes restricted income, tangible fixed assets and any investment funds.

Reserves should be held to service an unexpected need for funds, covering unforeseen day-to-day operational costs, a shortfall in income or to fulfil its obligations. Reserves are limited to a maximum of £500,000.

As a company limited by guarantee with no fixed assets, reserves are set according to budgeted income and against obligations for continuous funding for supported charities. It is intended to mitigate against uncertainty relating to cash flow, to ensure that there are sufficient reserves to cover any financial shortfalls, to react to unexpected situations, to protect the Trust's activities if expected income is not received and to retain continuity in relation to expected grant awards. The reserves policy is only acted on when cash flow permits, to meet the Trusts' objectives. Reserves are also available in case of winding up costs involving the six-month termination notice period outlined in the Service Level Agreement with the ELM.

Financial reserves are limited to a maximum of £500,000

Reporting/Communication of reserves policy

Reserves are held openly and presented in a transparent way.

Management Information

Reserve levels should be reported as part of the monthly management accounts and in full bi-annually to Trustees each year. The Executive Manager and Trust Accountant are designated to raise any issues in relation to the level of reserves directly with the Trustees. The policy will be reviewed annually when budgets and activity for the year is planned.

Trustees must report their reserves policy in their annual report in a way that meets the requirements of the Statement of Recommended Practice: Accounting and Reporting by

charities (the Charities SORP) and legal requirements of the Charities (Accounts and Regulations) 2008 (the Regulations).

Annual report

The report will include:

- A statement of their policy on reserves.
- The level of reserves and an explanation of why they are held.
- Where funds are designated, the amount and purpose of the designation.
- Where designated funds are set aside for future expenditure, the likely date of this.

Website

The agreed reserves policy is available on the Trust's website.

Expenditure of reserves

Reserves will be carried forward to the first quarter of the following financial year, at which stage Trustees will decide on whether cash flow permits expenditure.

Excessive reserves

Reserves which exceed £500,000 will be expended either through one-off grant awards or initiatives or increase funding to existing grant recipients.

Investment of reserves

Excess liquidity will be placed in a high interest account for a fixed term period.

Example statement for Annual Report

This Reserves Policy relates to Unrestricted Funds only. This includes funds held in the Trust's Bank account.

Designated or restricted funds are presented separately in the Annual Accounts. To support fluctuations in the Trust's income, reserves amounting up to a maximum of £500,000 are held. These will be carried forward to XXXX and will be expended against the Trust's charitable activities as instructed by the Trustees.

As at the end of the last financial year our Unrestricted Funds balance was £XXXX.