



RESERVE POLICY

1. A reserve policy should be produced annually in conjunction with the accounts for the charity.
2. A policy assists a charity to plan its resources and report formally to stakeholders and the Charity Commission.
3. In addition, a reserves policy helps match any reserves to its requirements both in terms of to highlight if too high or low for its needs.
4. The “Reserves” are used to describe that part of an organisation/Charity funds that are freely available to fund the general operations as so is not subject to commitments, planned expenditure or other restrictions. Consequently, Reserves do not include restricted funds and designated funds.

What should a reserve policy include as a minimum?

1. The amount of reserves (as shown on the balance sheet).
2. The reasons why the charity needs this level of resources.
3. How the charity intends to establish /maintain reserve levels as determined by the stakeholders and trustees.
4. Review of this policy by trustees on an annual basis

Considerations when setting a reserve value?

1. Cash flow and forecasts
2. A review of existing funds and reserves
3. A review of income streams
4. Review of future expenditure
5. Review of past operational and spending trends
6. Any or known changes regarding income
7. Review of any risks facing the charity

An analysis /breakdown of future needs and any potential risks and consequences for the charity not being able to meet them.

The reserves should provide the charity with adequate financial stability and the means for it to meet its charitable objectives for the foreseeable future.

The trustees should review the figures set at the levels with the equivalent of six months or longer of operational expenditure and done so reviewing all potential income streams.

The trustees must ensure adequate funding available to meet any proposed expenditure.



Template.

	CURRENT YEAR	PREVIOUS YEAR	REASON(S) FOR ANY CHANGE
Unrestricted Funds			
Restricted /Designated Funds			
E.g., Project A Funding			
Project B Funding			
New Vehicles			
Others			
Total Funds			
Ratio of Reserves to Annual Operating Expenditure			