

TRANSFORMING LIVES TOGETHER⁺

RESERVES POLICY

Date approved by Board: 29th July 2024

Date for next Review: July 2026

RESERVES POLICY

Why is a reserves policy important?

A reserves policy explains to existing and potential funders, donors, beneficiaries and other stakeholders why a charity is holding a particular amount of reserves.

A good reserves policy gives confidence to stakeholders that the charity's finances are being properly managed and will also provide an indicator of future funding needs and its overall resilience.

Reserves Definition

Reserves are the unrestricted funds that are freely available to spend for any purposes. The items excluded from reserves are:

- tangible fixed assets used to carry out the charity's activities, such as land and buildings
- project-related investments held solely to further the charity's purposes
- designated funds set aside to meet essential future spending, such as funding a project that could not be met from future income
- commitments that have not been provided for as a liability in the accounts

Restricted Funds

Restricted funds are monies specifically set aside for particular projects or funds that have been donated with specific covenants.

Wherever possible Trustees should encourage donors to give money without restrictions.

Restricted funds fall outside the definition of reserves, but the nature and amount of such funds may impact on the reserves policy.

1. Reserves Policy

TLT should aim to keep enough reserves to cover a minimum of 6 month's expenditure.

1.1 Rationale

As a charity TLT does not have a fixed flow of income but relies on donations from individuals and grants. The only fixed cost that TLT is responsible for is staff salaries. Other expenses such as insurance would not be incurred in the event of the charity closure.

As TLT experienced in 2021 despite best endeavours funds can dry up quite quickly, consequently the Trustees are understandably cautious in running down the level of the Reserves.

By having 6 month's expenditure the charity could ensure that all staff costs including redundancy were properly funded and any outstanding running expenses fully covered.

2. Related policies and documents

- Financial Management
- Information about the reserves policy and the level of reserves held will be included in the trustees' annual report.

3. Approval and Review

- Date Policy Approved:
- This policy will be reviewed every 2 years unless circumstances require earlier attention.