

# Reserves Policy



<b>Trustee Owner</b>	Andrew Newbold
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<b>Review date:</b>	1/3/25
<b>Related documents</b>	Financial Controls Policy Risk Management Policy

## Approval History

Version	Reviewed by	Amendment History	Approved by	Date
1.0	Jane Sullivan	First Draft	Chris Crewdson	01/03/22
1.1	Katharine Jane	Updated for charity status	Jane Sullivan	14/7/22
1.2	Andrew Counsell	Reviewed – no amends needed	Katharine Jane	11/03/24

## Purpose

The purpose of this policy is to demonstrate how Newton Rigg Ltd keep money aside to build and maintain an adequate level of net assets to support our organisation and:

- Protect our business against drops in income
- Assist in strategic planning by considering how new projects or activities will be funded
- Inform the budget process by considering whether reserves need to be used during the financial year or built up for future projects
- Enable investment decisions to be made where necessary utilising reserves
- Inform the budget and risk management process by identifying any uncertainty in future income streams.

## Policy Statement

The Board of Trustees are responsible for the effective and efficient use of available resources. These responsibilities are outlined by the Charities Commission in their published guidance: <https://www.gov.uk/government/publications/charities-and-reservescc19>

The Board is ultimately responsible for the allocation of resources to deliver the vision of the organisation. Within this context, the Board delegates responsibility for the management of available finances and reserves to managers as outlined in the scheme of delegation and within the constraints of budgets approved by the Board.

## Application of the Policy

When considering an appropriate level of reserves, the Board have considered:

- The risk of unforeseen emergency or other unexpected need for funds
- A fall or rise in sources of income
- Planned commitments, or designations, that cannot be met by future income alone, for example plans for a major capital project
- The need to fund potential deficits in a cash budget, for example money may need to be spent before funding is received
- The full range of financial risks identified

## Reserves

This policy sets out our free reserves, which are defined as unrestricted funds excluding fixed assets and defined benefit pensions. These free reserves include short-term investment balances, cash and other working capital balances.

As part of effective financial management, we hold reserves to ensure we can manage:

- **Financial impact of risk.** There are a range of risks we face, including the risk of an unforeseen drop in income or unbudgeted increases in expenditure.
- **Working capital.** A significant proportion of our reserves are represented by non-cash assets and liabilities, such as accrued legacy income, other debtors and stock. These reserves are not readily available.

We have based our projections for the appropriate amount of reserves we require on the basis that the reserves in our target range would provide short-term until long-term solutions can be established.

As part of our annual Trustee's Report and Accounts and as part of our commitment to transparency, we publish the principal risks and uncertainties facing our organisation; and the mitigations we have put in place to manage them as far as reasonably possible.

## Target Range for Reserves

The target range is set at 2 months' payroll together with 4 months' overheads.

The Board of Trustees consider that this target range provides sufficient flexibility in the context of operational requirements, and for an organisation of our size and complexity.

This target has been spread over 10 years beginning with the financial year April 2023 at a rate of £5000 per annum.

## **Responsibilities**

The Board of Trustees are responsible for ensuring that we manage our resources responsibly, and that we act in the best interests of the organisation and the people we serve. The Board has responsibility for approving and monitoring the implementation of this policy.

## **Laws and Regulations**

This policy sets out the framework we have in place to confirm the level of reserves we have determined is appropriate for our organisation, and draws upon guidance such as the Charity Commission's CC19.

## **Monitoring**

Reserves levels and forecasts will be monitored as part of monthly financial reporting, with regular reports provided to the Board of Trustees.

In addition, the policy results in the payment of corporation tax on an annual basis.