



## **Reserves Policy**

***Last reviewed April 2023***

### **1. Introduction**

1.1 In its guidance publication, *CC19 Charity Reserves – Building Resilience* the Charity Commission states that it expects trustees to decide, publish, implement and monitor their charity's reserves policy so that they can comply with their legal duties to:

- a) act in the interests of their charity and its beneficiaries
- b) protect and safeguard the assets of their charity
- c) act with reasonable care and skill
- d) ensure their charity is accountable

1.2 It says that in practice this means that trustees should:

- a) develop a reserves policy that:
  - i. fully justifies and clearly explains keeping or not keeping reserves
  - ii. identifies and plans for the maintenance of essential services for beneficiaries
  - iii. reflects the risks of unplanned closure associated with the charity's business model, spending commitments, potential liabilities and financial forecasts
  - iv. helps to address the risks of unplanned closure on their beneficiaries (in particular, vulnerable beneficiaries), staff and volunteers
- b) publish the reserves policy (even if not required to by law) and ensure it is tailored to the charity's circumstances – it should not be just a standard form of wording. It should explain to funders, beneficiaries, the public and the commission exactly what reserves are kept (or not kept) for and when they are to be used.

### **2. Why St Leonard's Management needs reserve funds**

2.1 The pandemic and lockdowns of 2021-22 shut down most of St Leonard's sources of income: the Gallery Café had to close, there were no hire fees because social activities ceased and all fund-raising events were cancelled.

2.2 We need to ensure that, should a similar catastrophe occur again, we have sufficient funds to cover all our liabilities (utility bills and insurance premiums, for example) and to fulfil our repairing obligations. In addition, should we need to make our employee, the Café Manager, redundant we would need funds to cover any redundancy payment.

- 2.3 Reserves might also be required in the event of an unexpectedly large repair **or replacement** bill, if sufficient grant funding were unavailable.
- 2.4 Reserves might also be needed to fund a short-term deficit in the cash budget, for example where there is a delay in the receipt of anticipated income.
- 2.5 In addition to the management of risk, the reserves are maintained in order to have capital to provide funding for new initiatives.

### **3. What level of reserves we need and why**

- 3.1 During the last pandemic our income dropped significantly for nearly two years.
- 3.2 The Trustees believe that should a similar catastrophe occur again, reserves representing 75% of one year's expenditure would cover us for long enough to allow us to explore possible other income sources and to draw up plans to cut all but essential spending.

### **4. Where the reserves will be held**

- 4.1 It would be desirable to place the reserves in an interest-bearing account. A no-notice account is not essential, but it is possible that in an emergency they may be required at short notice. **We may split the reserves between two accounts: a short- or no-notice account and a defined-notice account.**

### **5. Monitoring and reviewing this policy**

- 5.1 At the start of each financial year we will reconsider this policy and make adjustments if we consider it necessary.

### **6. Establishing and maintaining reserves at the agreed level**

- 6.1 At the start of each financial year we will consider our anticipated expenditure for the coming year.
- 6.2 If the reserves that we hold at that point are not large enough to satisfy the requirements of this policy, we will transfer moneys from our unreserved funds to make the reserves up to the required level.
- 6.3 If we do not hold sufficient unreserved funds to make up the reserves to the required level, we will transfer the largest sum that we are able to without compromising our finances for that year. As further sums become available in due course we will transfer more, until the reserves are at the required level.
- 6.4 If at any time the reserves are higher than required by this policy, we will transfer the appropriate amount back into our unreserved funds, to be used for our charitable purposes.

### **7. Publishing this policy**

- 7.1 We will outline and explain this policy in our annual report.

