



## RESERVES POLICY

Reviewed by Trustees: 02/04/2020

### Introduction

This policy considers the ideal levels of reserves that the charity should aim to hold. The purpose of this reserves policy is to ensure that the charity is not spending too much, or too little money, so that it has resilience against drops in income or demands of a new project, but also ensures that all money received to further the aims of the charity is being used in a reasonable amount of time.

### Definition of Reserves

This policy defines that reserves are made up of cash or short term deposits and other assets readily convertible to cash held by the charity, but excluding any restricted funds (unless the restriction allows them to contribute to the minimum reserves requirement, e.g. to be spent on staff costs) and excluding any funds put aside for a specific future project.

### Target Reserves

At all times, reserves should be available for 6 (six) months of employee costs, 6 (six) months of office costs, and 12 (twelve) months of membership servicing.

Employee costs include salary, pension, telecommunications, and any expenses owed to the employee.

Office costs include rent and services, fixed phone lines, and stall bike costs.

Membership servicing includes creation of and printing of the magazine, postage for magazine distribution, and other materials required by members, such as local campaign fliers.

### Monitoring Reserves Against the Target

To monitor compliance with the target reserves policy, a rolling 12 month cash flow forecast will be prepared on a regular basis, to predict how the expected reserves held will vary over the next 12 months, and to compare forecast reserves to the target over this time.

If this forecast predicts that the charity will not be able to meet the reserves policy, either because there is expected to be significantly too little money or too much money compared to the target reserves, the trustees shall take appropriate action.