

## **Reserves Policy**

This policy is intended to ensure that the charity is able to maintain adequate free reserves to enable it to manage any reasonably foreseeable contingency.

### **Definition**

The Charity Commission defines reserves as that part of a charity's unrestricted funds that is freely available to spend on any of the charity's purposes. That includes cash at the bank, deposits and other investments which can reasonably easily be turned into cash.

It excludes restricted funds that can only be used for specific purposes, funds designated by the trustees for a specific purposes and fixed assets such as land and buildings, as these are not readily available to contribute towards working capital requirements.

### **Setting the amount of reserves**

Reserves will be set in accordance with Charity Commission advice at between three and nine months' expenditure. The amount of reserves will be set annually along with the budget for future activities. In setting the amount the charity will take account of

- How much uncertainty is there in our income forecast?
- How secure are our income streams?
- What is our monthly expenditure?
- How able are we to reduce service delivery on a temporary basis in an emergency and how much would this reduce our costs?
- What regular expenditure might be reduced temporarily in an emergency and how much might this reduce costs - training, maintenance, postponing planned new projects/work.
- How much would it cost us to close down -redundancy, outstanding debtors etc.

### **Use of reserves**

Reserves may be called on in the event of an unforeseen emergency or other unexpected need for funds. For example:

- an unexpected large repair bill or finding 'seed-funding' for an urgent project.
- covering unforeseen day-to-day operational costs, eg employing temporary staff to cover a long-term sick absence.
- a source of income, eg a grant, not being renewed. Funds might be needed to give the trustees time to take action if income falls below expectations.
- planned commitments, or designations, that cannot be met by future income alone, eg plans for a major asset purchase or to a significant project that requires the charity to provide 'matched funding'.
- the need to fund short-term deficits in a cash budget, eg money may need to be spent before a funding grant is received.

All such expenditure should be reported to trustees and expenditure above 20% of total reserves should not be undertaken without prior approval.

**This policy statement was reviewed by Jim Lewis, Trustee, and approved by Margaret Kiloh, Chair of Trustees, in June 2024. It is due for review in June 2026. The TVS Board of Trustees is responsible for implementing this policy.**