



RESERVES POLICY

Document Type: EXTERNAL
Last Revision Date: July 2021
Next Revision Date: July 2023
Version: 1.0

The Charities SORP requires a statement of a charity's reserves policy within its annual report. This policy sets out Foyer Federation's position on the right level and purpose of holding unrestricted funds to spend on delivering our charitable purpose. This position excludes restricted income. It also excludes tangible fixed assets.

As part of financial management and forward planning, we do not wish to hold levels of reserves which may tie up money unnecessarily, and limit the amount spent on the potential benefits we provide. We wish to strike a balance to protect our solvency and future activities.

We have established agreement amongst Trustees to hold three months' operating costs in reserve in addition the Trustees may choose to set aside designated funds for a specific project or purpose for the next financial year.

We have a risk management policy and process which enables trustees to monitor financial risk to the organisation in relation to achieving our strategic plan and operating our core offer to members and young people. Bi-monthly finance committee meetings and at least four board meetings a year provide opportunity to scrutinise risk.

The strategic plan contains activities that cannot be met from a single year's funding, and we are developing an income generation strategy to ensure funds are there to deliver the plan. We are also alert to the possibility of unexpected risks to the charity which are monitored through the risk register.

It is the intention of Trustees to build reserves from unrestricted income. Trustees believe this to be prudent and necessary for a number of purposes:

- a. To enable the organisation to continue to operate while finalising future income streams;
- b. To support innovative projects which need a period of testing and development and whose outcome may support future funding bids;
- c. To support the strategic direction of the charity and, where necessary, to underwrite the costs of strategic change;
- d. To cover support costs and unplanned expenditure in periods when these are not covered by generated income.
- e. To give trustees time to take appropriate action if income falls below expectations;
- f. To fund short-term deficits in a cash budget ie before a funding grant is received

Target amount

The target amount will vary based on the expenditure of the charity in any given year with our target figure relating to 3 months of operating costs.

We define operating costs as:

A quarter (ie 3 months) of the total budgeted expenditure for the coming year eg for the year 2021/22 the agreed expenditure within the budget was 293k and therefore the target reserves for March 22 would be 73k

The table below shows the most recent reserve positions over the last 5 years. In March 21, using the definition above our operating costs were planned as 20k a month so the required reserves at the end of the year would be 60k. Therefore, we posted unrestricted reserves 10k higher than our operating costs.

	March 2021	March 2020	March 2019	March 2018	March 2017
Unrestricted reserves	£ 70,527	£ 35,823	£ 6,909	£ 73,756	£ 81,644
Restricted reserves	£ 0	£ 0	£ 0	£ 34,470	£ 24,575
Total reserves	£ 70,527	£ 35,823	£ 6,906	£ 108,226	£ 106,219

When working on the principle of 3 months of operating costs it is important to regularly monitor any new income and expenditure within the year. This level of prudence is important to determine whether the target amount needs to be increased.