**DRAFT Reserves Policy**

The [insert organisation name] reserves policy was reviewed and updated during [month/year].

The trustees have set a level equivalent to [number] months of operating costs for the organisation as a desired level of reserve. This fund is a contingency in the event of a sudden reduction in income, in order to protect the future operation of the organisation from the effects of any unforeseen variations in its income and expenditure. It also provides a cash flow for grants and contracts that are paid in arrears.

The trustees have designated reserves where there are planned commitments that cannot be met by anticipated future income alone. These reserves are broken down into a number of funds that relate to:

* The organisation's responsibilities as an employer to hold sufficient funds to provide proper notice and redundancy costs in the event of closure
* The organisation's responsibilities as a leaseholder with full-repairing responsibilities. It is the trustees' intention to build a capital improvement fund over the next few years to meet future repair and refurbishment commitments
* [include any other information that justifies and clearly explains keeping reserves]

The reserves policy and the levels of reserves required are reviewed yearly as part of the annual budgetary process.

Within the accounts, the amounts of reserves are specified in a table as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Unrestricted Funds represented by:** | **Desired Reserves** | **Balance as at 31st March 2019** | **Description of Funds** |
| **General purpose reserve fund** | *43,000* | **40,250** | Funds to provide cash flow and meet unforeseen expenses. Based on approx. 3 months of annual turnover. |
| **Salaries Reserve** | *6,000* | **6,000** | Two months salaries and employers’ NI contributions. |
| **Redundancy Reserve** | *14,500* | **14,000** | Redundancy liabilities (and required notice period) based on statutory minimum payments for all staff. |
| **Premises Reserve - General** | *16,000* | **16,000** | To fulfil lease obligations. |
| **Premises Reserve - Capital Improvements** | *25,000* | **5,735** | Funds to maintain, repair and improve premises held on a full-repairing lease. |
| **Asset Replacement**  | *3,000* | **1,000** | Provision to replace IT and furniture as required. |
| **Total** | *107,500* | **82,985** |  |