

Strongpoint CIO - Reserves Policy

Introduction

What is a Reserves Policy?

It is good practice to keep money aside as a reserve to protect the charity against drops in income or allow it to take advantage of new opportunities. The charity's reserves can be spent on any of its aims.

A reserves policy should set out:

- how much the charity needs to hold in reserve and why
- how and when the charity's reserves can be spent
- how often the reserves policy will be reviewed

Charities can set aside enough money to meet a potential need, such as an unexpected drop in income. If setting aside money for a specific purpose, such as building works, a charity should make it clear that this is separate from the charity's general reserves.

Strongpoint CIO - Reserves Policy

Components

The policy allocates money from unrestricted fund balances, which are not invested in fixed assets, to several designated funds. These funds are:

1. Continuity Fund

This fund is to be used to bridge any possible delays in receiving promised grants or managing payment in arrears contracts.

2. Restructuring Fund

This fund is to be used to cover essential trading/activities whilst sourcing income

3. Cyclical Maintenance Fund

This fund is to be used for major items of maintenance of the fabric of the buildings such as lift and fire equipment servicing costs.

4. Dissolution Fund

This fund provides for the costs of dissolution should the charity be unable to continue. It is only to be used in the event of the Trustees' deciding the charity should cease to exist. It will be used to pay notice periods, redundancies and the expenses of running Strongpoint CIO.

Fund	Desired Balance
Continuity fund	£1000
Restructuring fund	£1000
Dissolution - - 6 months minimal running costs	£6000
- 3 months residual salaries (1 member of staff)	£4500
- Redundancy costs	£1000
Routine maintenance (6 months)	£500
Total Minimum reserves required	£14000

The minimum reserves required is the Restructuring Fund plus the Dissolution Fund. These are to be used to ensure we look at every alternative before dissolution of the company/ charity.

3 year review

Due to the nature of the organisation and the regular review of the budget, this policy should be reviewed on a 3 yearly basis to ensure

- the continuity element matches changes to the annual budget
- the restructuring element matches the requirements of operating activities
- the cyclical maintenance element moves forward in at least an inflationary manner
- the dissolution element matches the requirements of the staffing levels

Should the budget be reduced due to the end of projects or other such occurrences, then the reduction of reserves should be planned over a minimum of five years.

POLICY DATED: 21st April 2024

REVIEW DATE: 3 years after date of policy

APPROVED by the Board of Trustees, 21st April 2024

Signed on behalf of the Board of Trustees -



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