



BYB@Blackrod

Reserves Policy

April 2024

Approved by: Trustees on 17 April 2024

Last reviewed on: APRIL 2024

Next review due by: APRIL 2025

PURPOSE

This Reserve Policy is to ensure the financial health and integrity of the organisation that is BYB@Blackrod, a Charitable Incorporated Organisation. Reserves are a parcel of unencumbered assets that an organisation maintains over and above those required for the day to day operations. The purpose of this reserve policy is to build and maintain an adequate level of unrestricted cash reserves to support the organisation's day-to-day operations in the event of unforeseen shortfalls. Operating reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap.

WHAT ARE RESERVES AND WHY DO WE NEED THEM?

Reserves allow the organisation to deal with any sudden and unexpected reductions in income or large items of expenditure that were not budgeted for. It is typical for a trading organisation, including a charity or CIO to maintain a general reserve comprising assets which are either cash (i.e. cleared funds at the bank) or in a form that can be converted in to cash within the required period. BYB@Blackrod is no different to many other organisations; it needs a general reserve for these purpose:

- To cover a shortfall in income, for example, if grant funding was withdrawn the reserve could be called upon to provide the necessary cash flow until a replacement funder was found.
- To meet an unexpected expenditure
- In the event of closure. In addition the existence of adequate reserves will ensure that, if the worst happens and the organisation needs to be closed down, there will be sufficient funds to meet all of its obligations and liabilities as part of a managed exit. In the event of closure, the general reserve would be required to fund all closure costs.

We need the Policy for four principal reasons:

- To assist the Trustees to assess what the sufficient level of reserves should be at any given time. This will change over time as the charity grows, the services it provides change and the risk profile of its income and expenditure changes. It should be noted that whilst all charities should be maintaining sufficient reserves, it also has a duty to not be over-cautious and maintain excessive levels of reserves. Subject to maintaining sufficient reserves (in accordance with the

Policy) BYB@Blackrod should apply all of its income and assets in the provision of the services detailed in its charitable objectives.

- To clarify the arrangements for monitoring and reviewing the level of reserves.
- For compliance purposes, as standard accounting practice requires charities to report on its reserves and reserves policy in the annual statutory accounts.
- To assist with fundraising, as many charitable trusts and similar organisations require details of, or even sight of, the Policy as part of their assessment of any funding application.

HOW WILL THE POLICY APPLY IN PRACTICE?

The Trustees will agree a target level for the general reserve, which will be kept under review and reassessed regularly. The actual level of reserves at any time will then be measured against this target, and appropriate action taken to make up any shortfall / utilise any surplus. In assessing the appropriate level for the target general reserve, the Trustees will consider each of the following:

Income risk: the robustness of the current income streams including BYB@blackrod sensitivity to the partial or complete withdrawal of any particular funding source and the likelihood and timing of any potential replacement / new funding.

Expenditure risk: the level of confidence in the expenditure budgeted for the current period, the likelihood and likely magnitude of unbudgeted costs arising and the ability to flex spending in the short to medium term in response to unexpected events.

General operating environment: the potential external risks / developments / changes that could impact BYB@Blackrod's operating position.

Cost of closure: should an event or events occur which cause the Trustees to decide to close BYB@Blackrod how closure of the charity would be managed and funded.

TARGET RESERVE

Given that BYB@Blackrod is a dynamic, growing organisation, it is likely that the target

general reserve will change from time to time. The target minimum Reserve Fund is equal to three months of recurring operating costs and is calculated on a maximum three months expenditure to ensure ongoing activities. Current reserves equate to one month's operating costs and it is our goal to increase these operating reserves to a minimum of three months over the course of the next five years. A three month policy is designed to enable BYB@Blackrod to operate for that period of time. These reserves will be reported to the Board of Trustees, and included in the regular financial reports to ensure that we are working towards achieving our objectives.

REVIEW OF POLICY

This Policy will be reviewed by the Board of Trustees annually, or sooner if warranted by internal or external events or changes for example a change in circumstance or change in structure of the charity.

Changes to the Policy will be recommended by the Treasurer to the Board of Trustees. Every revision on approval will be recorded in writing and redistributed as necessary. Its purpose will so as to ensure the financial health and integrity of the organization in pursuit of its mission as set out in