



Boscombe Link, 3-5 Palmerston Road, Bournemouth BH1 4HN.
Tel & Fax: 01202 466130
email: contactus@bournemouthcvs.org.uk

RESERVES POLICY

Introduction

The Charity Commission advises all charities to have a reserves policy to ensure their viability beyond the immediate future and provide continuity of service over the longer term.

Bournemouth Council for Voluntary Service allocates unspent money to three different types of fund in the accounts at the end of the financial year.

Restricted funds: This relates to unspent money from restricted grants. The grant-provider has specified what the money must be spent on and the trustees do not have the power to spend the money on anything else.

Unrestricted funds: This is money that can be spent on anything which furthers the objectives of the charity.

Designated funds: This is the part of unrestricted funds which is earmarked for specific activities which will be spent in a particular timeframe. Examples include refurbishing office accommodation and developing projects. The trustees reserve the right to change the allocations in order to reflect changes in circumstances.

The funds listed above can also be called reserves.

Bournemouth Council for Voluntary Service is particularly aware of the need to cover contingency liabilities such as gaps in funding streams, cash flow and meeting the cost of redundancy payments to staff in the event that the organisation were forced to close.

The level of unrestricted reserves has been set by Bournemouth Council for Voluntary Service taking into account the following:

- Core funding is currently only secured from the local authority. It would typically take a minimum of a year to make up any shortfall in local authority funding. This funding is not always received in advance.
- Additional funding has been received at a consistent level for a number of years; however it has all been short term in nature. The organisation needs to safeguard against future changes in funding programmes. Additionally in-kind support which is currently received may not be available in the future.
- Sufficient funds should be readily available to provide working capital to enable the organization to bid for additional funding streams which may be paid in arrears.

- Funds should be available in order to build capacity internally and contribute to improved productivity and sustainability of the organization.
- The smooth running of the charity and the provision of certain core services to the voluntary and community sector needs to be maintained by ensuring that redundancies do not have to be made in the event of the sudden loss of funding. Funds should be available to continue to subsidise the provision of core services until alternative sources of funding can be found.
- If the charity were to close it would take a minimum of 9 months to find alternative sources of support for the voluntary and community groups across Bournemouth.
- Funding should be available to deal with contingencies which might arise in the day to day running of the organization (detailed below).
- A number of costs would be associated with dissolution of the charity (detailed below).

The target amount for unrestricted reserves given the above is 6 to 9 months of annual expenditure.

The unrestricted reserves can be drawn on in an emergency or to take advantage of unexpected opportunities.

If funds fall below the required level, the trustees will include a target figure for rebuilding unrestricted reserves when setting budgets before the outset of each financial year.

Specific expenditure of reserves:

Day to day contingencies which might arise:

There are a number of events that could occur during a year that are generally not budgeted for and would typically be funded from unrestricted reserves (if they cannot be met from appropriate restricted funds).

- Sickness cover
- Maternity/paternity leave
- Recruitment costs to fill existing posts
- Unexpected replacement of equipment
- Capital items

Costs of closure

- Redundancy costs
- Notice period to staff
- Expiry period of leases
- Other running costs for 6 months
- Creditors as per balance sheet
- Audit costs
- Other legal and accountancy costs

Running costs incurred in ensuring compliance with the governing document (e.g. convening EGM etc.)

Monitoring and reviewing of reserves policy

The trustees will consider current costs of closure and examine the level of reserves each year when setting the following year's budget. They will also consider current designated funds and decide whether to:

- Maintain each one
- Alter time frame for expenditure
- Increase or decrease current fund levels

This reserves policy will be reviewed every year.

Date approved: 9TH JUNE 2011

Next review date:

Signed:

Chair

Signed:

Chief Executive