



Reserves Policy

For a Not-for-Profit Community Organisation

1. Purpose of this Policy

This policy sets out how our organisation manages and uses its financial reserves. Reserves help ensure we can continue delivering community benefit even when unexpected costs or income changes occur.

2. What We Mean by “Reserves”

Reserves are the funds that are freely available to support our work. They exclude:

- Money that is restricted for specific projects
- Funds already committed to planned activities
- Fixed assets that cannot be easily spent

3. Why We Hold Reserves

We hold reserves to:

- Maintain financial stability and protect our core work
- Manage unexpected events or short-term cash flow issues
- Allow time to adjust if income reduces
- Support responsible planning and organisational resilience

4. Target Level of Reserves

Our target is to hold reserves equivalent to 3 months of core operating costs.

This level is reviewed annually and is based on:

- The predictability of our income
- The scale of our ongoing commitments
- The level of financial risk in our activities

5. Use of Reserves

Reserves may be used to:

- Cover temporary shortfalls in income
- Support essential organisational development
- Respond to emergencies or unforeseen costs

Any use of reserves must be approved by the Management Committee and recorded in the minutes.

6. Monitoring and Review

The Management Committee will:

- Review reserve levels at least once a year
- Consider whether the current level is appropriate
- Agree any actions needed to build or release reserves

7. Transparency

We will report our reserve levels openly in our annual accounts and explain any significant changes.