



# Reserves Policy

## Definition of Reserves

Our Reserves are that part of our unrestricted funds that are freely available to spend on any of the Mission Area's purposes. To calculate the reserves available, we have excluded restricted funds and endowment funds, as well as tangible fixed assets held for operational purposes and any amount deemed to be designated by the Trustee Board (MAC).

The MAC has a legal duty to spend income within a reasonable time of receipt. However, as MAC trustees we may make decisions and take actions that allow the Mission Area to function properly on a sound financial basis. This means the MAC has to assess and conclude whether the MAC does need reserves and whether holding such reserves are in the Mission Area's best interests.

## Setting the Reserves Policy

In setting this reserves policy, the MAC has considered the following possible reasons to hold reserves:

- Unexpected expenditure that hasn't been budgeted for, creating a need for funds that hadn't been anticipated
- Expenses fluctuating for reasons out of the MAC's control e.g., long term sickness cover, legislation changes to pensions.
- Income streams fluctuating or timescales being extended e.g., grant reductions or legacy issues.
- The MAC may need to invest in assets, the recovery of cost only being seen in later years.
- There may be a need to match-fund new projects from reserves.
- Funds may be paid in arrears and therefore the MAC requires reserves for cash flow funding.

The MAC has considered whether such events may occur and the need for a pot of funds as free reserves.

The MAC has adopted a sensible approach to the calculations, and can show that a robust and thorough process has been undertaken, taking into consideration:

- the income streams received by the Mission Area, considering whether they are restricted or unrestricted funds, received in advance or arrears and the factors will cause them to fluctuate – considering both internal and external issues.
- The risks and uncertainties the MAC face in the future as defined in the risk register which allow the MAC to consider the likely need for funds.
- The strategic plans the MAC have in place and whether these plans require an amount to be spent to cash flow an initiative.
- The costs the MAC has that are committed and for how long
- Whether redundancy costs are inherent within the team and how would these be funded



## Policy Review and Process

The MAC will keep the policy and also the level of reserves held under review.

Fluctuations of reserves will be discussed to assess whether it is a short term or longer-term issue. Changes in income streams and risks will also be monitored, with the MAC considering the changes these impacts have on reserves.

If the MAC has calculated how much is needed in reserves, and finds it has an excess then it will consider whether that excess should form part of a strategic planned spend or investment for the future.

Where the MAC is confident that the reserves policy is robust and realistic, but there are insufficient funds to maintain that level of reserves, the MAC should still report their reserves policy and the level they would ideally like to have. Plans for achieving this level, and the activities that will allow them to achieve it should be documented in the Trustees Annual Report.

As of the date this policy was adopted the agreed amount of reserve is £50,000

Date Adopted: \_\_\_\_14.07.2025\_\_\_\_

Date due for review: \_\_\_\_14.07.2027\_\_\_\_