

# Reserves Policy

## Our Beneficiaries

Introduce your beneficiaries, who are they, what are their needs etc. For example:

The beneficiaries of the FSI are small to medium sized Not-for-profit organisations who benefit, on the whole, from the core programmes and therefore a 'x' month reserve would allow the FSI the opportunity, if necessary wind down its programme of support.

## Rationale behind the Reserves Policy

Why do you need a reserves policy? For example:

The FSI runs learning, fundraising, capacity building and advocacy activities and programmes that support small charities, predominantly in the UK. The FSI Reserves Policy is to maintain sufficient level of reserves to enable normal operating activities to continue over a period of up to 'x' months should a shortfall in income occur and to take account of potential risks and contingencies that may arise from time to time.

Excluded from the Reserves Policy is income associated with:

- Endowment Funds
- Donor Restricted Funds (Earmarked Income)

Therefore, in order to demonstrate transparency, accountability and sound financial management the FSI Reserves Policy clearly justifies the amount of reserves kept back each year.

## Steps taken to establish the level of reserve

You will need to make a judgement on how much reserve to keep back. In order to do this you should use the FSI Simple Income & Expenditure Risk Assessment. For example:

In order to make a judgment on the amount of reserve the Trustees have considered the risks in respect of expenditure, unrestricted income and where appropriate restricted income and where funds can only be realised by the disposal of a fixed asset. Also taken into consideration are any external identified potential major risks to income and expenditure during the year under consideration.

A risk assessment has been undertaken for the period 'x' and the following has been determined using the Risk Identification approach:

### Example

- Unrestricted Income: Medium Risk
- Restricted Income: Low Risk
- Expenditure: Low Risk
- External Potential Major Risks:
  - Change of Government (Statutory Grants may be withdrawn)
  - Economic Environment (Recession)

- Examination of past trends

## Level of reserve required by the FSI

List out for the Trustees how the reserves are being monitored i.e. what reserves are in the current year and previous year and if appropriate what you aim to add to reserves for the current year. For example:

Review of current and previous years funds

	Previous Year	Current Year	Actual Increase	%
Unrestricted Funds Reserves	80,000	106,000	26,000	25%
Restricted Funds	0	0	0	
Designated Funds	0	0	0	
<b>Total Funds</b>	<b>80,000</b>	<b>106,000</b>	<b>26,000</b>	<b>25%</b>

You will get this information from the FSI Simple Income & Expenditure Risk Assessment

After reviewing our current position which indicates the following:

- Unrestricted Income: **Low Risk** of delivering 'x' Target
- Restricted Income: **Medium Risk** (if appropriate add one sentence explanation)
- Expenditure: **Low Risk** (if appropriate add one sentence explanation)
- Other Major Risks: **Medium Risk** – (state what the other risks are)

The FSI should hold in reserve approximately 'x' months operating capital which within the current budget period equates to 'x'.

Current Reserves equal 'x' which represents a shortfall of reserve approximately 'x' operating capital which within the current budget period equates to 'x'.

Current Reserves equal £106,000 which represents a shortfall of £140,000.00.

Reserves will be used in the following manner:

- x
- x

## Monitoring and reviewing the Reserves Policy

How will you monitor and review the policy? For example:

This policy will be reviewed at the Annual Trustee Strategy meeting each year. The CEO will present the Trustee Board with a draft document and supporting materials that enables them to make an informed decision about levels of Reserves and feeds into their approval of the Strategy Document and Annual Operating Budget.