

Reserves Policy



Introduction

Reserves are that part of a charity's unrestricted funds that are freely available to spend on any of the charity's purposes. This excludes restricted income funds and tangible fixed assets held for the charity's use and amounts designated for essential spending.

Need for a Reserves Policy

The Trustees agreed a policy which requires reserves to be maintained at a level that ensures that the organisation's core activity could continue during a period of unforeseen difficulty. Furthermore a proportion of these reserves are required to be maintained in a readily realisable form.

Our Risks

Our organisation is supported by Cambridgeshire County Council in the form of grant income receivable. This grant income is greatly influential in the continuation of our organisation and as such, the potential loss of this income has been identified as one of our primary risks. Although funding for the year has been received, CARESCO recognises that this income is not guaranteed. The Trustees conclude that the risks associated with this income are medium. The organisation has diverse funding streams which help to lend stability to the situation and the Trustees are confident that the charity will remain viable for the foreseeable future.

Occasional grants are secured, generally related to specific capital projects. However, because of the one-off, purpose directed nature of these grants, the risks associated with their loss are low; we are confident that alternative grant sources can be found.

Members' payments for services provided make a substantial contribution to our income. The risk to these receipts as an ongoing funding stream has currently been assessed as low.

CARESCO's main commercial venture is the Charity Shop. There is a financial risk associated with any commercial venture. However a full financial risk assessment has been made and reserves made to help mitigate any adverse situation. Although this endeavour is rated as a medium risk, there are no perceived threats within its sphere of operation

The Required Level of Reserves

The calculation of the required level of reserves is an integral part of the organisation's planning, budget and forecast cycle. It takes into account risks associated with each stream of income and expenditure being different from that budgeted. Some of these risks have been identified above.

Having considered all the facts and information available in 2022 according to the current economic climate and the predictions of a worldwide recession, the Trustees concluded that the charity should endeavour to hold a level of reserves sufficient to fund the organisation in a period of unforeseen difficulties for six months. They believed that this was a suitable length of time for them to consider the options and to find a solution to the difficulties.

In addition to the above, the current building from which CARESCO conducts its main activities has been assessed as having a limited lifespan. There is an expectation of a future need for either repairs to the existing building or the purchase or construction of a new building. Therefore, a Building Fund Reserve is being accumulated toward this goal in preparation for this eventuality.

Policy Review

The management board of CARESCO trustees recognise that the risks facing our organisation are not constant. Our view of risk will depend on how vulnerable our income streams are and how healthy our financial forecasts are. Also, as an employer our financial risks will change over time. The risks and the levels of reserves required will fluctuate. Accordingly, the Trustees have committed to review the Reserves Policy on an annual basis. This review should be carried out when the figures for the previous financial year become available.

Approved by the CARESCO Trustees on 1st December 2022,
to be reviewed annually

Signed
(Chairman)

Date