

Financial Reserves Policy for Reuse Littleborough

Approved by the Board of Trustees

1. Introduction

This policy sets out the approach of Reuse Littleborough to holding and managing financial reserves. It ensures sound financial management and provides assurance to stakeholders that the charity is equipped to manage risk and deliver its charitable objectives sustainably.

2. Purpose of Reserves

Reserves are funds that are freely available to spend on any of the charity's purposes. They exclude restricted funds, endowments, and designated funds set aside for specific projects.

The purposes of holding reserves are to:

- Ensure financial stability and continuity in the event of unexpected income shortfalls or expenditure needs;
- Provide a buffer against operational risks, such as delays in grant funding or unforeseen costs;
- Support planned strategic investments or capacity-building initiatives;
- Enable a managed response to emergencies or economic downturns.

3. Reserve Levels

Reuse Littleborough aims to hold **free reserves** equivalent to **3 to 6 months of core operating costs**. This range ensures sufficient cover for the following key areas:

- Salaries and core staffing;
- Premises-related costs;
- Insurance, utilities, and administration;
- Essential service delivery.

The target reserve amount will be reviewed annually as part of the budgeting and risk assessment process.

4. Types of Funds

- **Restricted Funds:** Funds given for a specific purpose and must only be used for that purpose.
- **Unrestricted Funds:** Funds that can be used for any of the charity's purposes.
- **Designated Funds:** Unrestricted funds earmarked by the trustees for particular projects or purposes.
- **Free Reserves:** Unrestricted funds that are not designated and are available to spend at the trustees' discretion.

5. Management and Monitoring of Reserves

- The Board of Trustees is responsible for ensuring that reserves are maintained and monitored appropriately.
- The Treasurer will provide regular updates on reserve levels at board meetings, with a full review during the annual budget-setting process.
- Any decision to use reserves outside of the normal policy framework must be approved by the Board of Trustees and documented accordingly.

6. Use of Reserves

Where reserves fall below the target range, the Board will:

- Investigate the reasons and assess the impact on the charity's activities;
- Develop an action plan to restore reserves over an agreed period;
- Ensure continued financial monitoring and transparency.

Where reserves exceed the target, trustees may consider:

- Designating funds for future strategic initiatives;
- Investing in the charity's capacity or sustainability;
- Enhancing service delivery aligned with the charity's objectives.

7. Policy Review

This policy will be reviewed annually by the Board of Trustees or sooner if:

- There are significant changes to the charity's income, expenditure, or risk profile;
- Guidance from the Charity Commission or regulators changes;
- Strategic decisions impact the charity's financial structure.