

# Selsey Community Forum

## Financial Reserves Policy



### **Policy Statement**

This document sets out the policy and procedures of the Selsey Community Forum in maintaining an appropriate financial reserve. It applies to Trustees, staff and volunteers.

The Selsey Community Forum complies with applicable legislation, with regulatory requirements and appropriate guidance, and in particular the Charity Commission Guidance Note CC19 Charity Reserves: Building Resilience.

### **General**

Selsey Community Forum will continually strive to ensure that all its financial and administrative processes are carried out and reported honestly, accurately, transparently and accountably and that all decisions are taken objectively and free of personal interest.

All members of the Selsey Community Forum have a responsibility for putting these principles into practice and for reporting any breaches they discover.

This Policy helps the Charity to promote:

- **resilience** – as part of our internal financial management, informing planning and linking into risk management
- **confidence** – showing funders and others that the Charity is actively managing our finances and being intentional about what unspent funds are being held
- **compliance** – Trustees are required by the Charity Commission to include the Reserves Policy in the Annual Report

### **Definitions**

The term "Reserves" is used to describe that part of the Charity's income funds that is freely available for its operating purposes and not subject to commitments, planned expenditure and spending limits. Reserves do not include endowment funds, restricted funds and designated funds. After taking out any unspent restricted funds all the money that the Charity has at any point in time are its "Reserves" which are constantly going up and down on a day-by-day basis as donations, grants and other sources of income are received and bills, invoices and other outgoing payments are paid.

The purpose of the Charity's Reserves Policy is to explain why the Charity is holding unspent charitable funds instead of spending it immediately on promoting the Charity's charitable activities for the public benefit. It is important to remember that Charity law requires any income received by a Charity is to be spent within a reasonable period of receipt. As Trustees we need to justify the holding of income as reserves.

The reasons for maintaining a Reserves Policy includes:

- a. The risk of an unforeseen emergency or other unexpected need for funds, eg an unexpected large bill or finding 'seed-funding' for a project
- b. Covering unforeseen day-to-day operational costs
- c. A source of income, eg a grant, not being renewed. Funds might be needed to give the Trustees time to take action if income falls below expectations
- d. Planned commitments, or designations, that cannot be met by future income alone, eg plans for a

major asset purchase that requires the Charity to provide 'matched funding'

- e. The need to fund short-term deficits in a cash budget, eg money may need to be spent before a funding grant is received

## **Responsibilities**

There is no single level or even a range of reserves that is right for all Charities. Any target set by the Trustees for the level of reserves reflects the circumstances of this Charity.

Selsey Community Forum operates a three-year Business Plan and, together with a Fundraising Strategy and Business Risk Assessment, each year prepares a budget of income and expenditure. This is reviewed at regular Trustees meetings.

As part of the development of this Policy a range of target reserves levels has been considered:

- A minimum level of reserves that would allow the Charity to close down in a controlled and responsible way
- A level that would keep the mission-critical work on the road
- The level required to support the strategic plan effectively

As a general rule it is assumed that recommended reserves of between six and twelve months' running costs should be maintained.

To this end the Selsey Community Forum will maintain a reserve level to be held against closure costs of the Charity. Trustees at their monthly meeting will review the Charity balances to ensure they can meet upcoming commitments.

## **Review**

This Policy will be developed, implemented, monitored and reviewed on at least an annual basis.

Reviewed and Approved by Trustees: November 2024

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Mike Nicholls, Chair, Selsey Community Forum