

Financial Reserves Policy

Purpose of Reserves

“Most charities are keenly aware of the need to secure their viability beyond their immediate future. To provide reliable services of funding over the longer term, charities must be able to absorb setbacks and to take advantage of change and opportunity”. (Charity Commission Booklet CC19)

It is recognised that a cushion of reserves is not only of great benefit to an organisation but that it is also a reflection of its good financial housekeeping. Reserves can provide funds for the development of services, for dealing with emergencies and for providing a period of grace for the organisation should it be wound up.

Aim of the Policy

The aim of this policy is to allow Rochdale Connections Trust to manage its reserves efficiently. The policy will encourage the use of reserves to further the charitable aims of Rochdale Connections Trust. It will also provide a target for reserves for Rochdale Connections Trust to actively aim for. Rochdale Connections Trust aims to keep the ideal reserve figure. In the event of any surplus Rochdale Connections Trust will aim to use the funds in the best interests of its beneficiaries.

The policy identifies:

- How much should ideally be kept in reserves.
- What purpose those reserves are for.
- How and when Rochdale Connections Trust can access those reserves.

Reserves

Capital Equipment Reserve

Funds to allow the purchase of replacement or essential new equipment. An example of this would be to replace a broken photocopier.

Service Delivery Reserve

Funds to allow for the continued successful delivery of Rochdale Connections Trust services or funding for one off pieces of work. An example would be to provide cover for maternity leave or to pay for an exceptional piece of work to be done, such as updating policies in light of changed legislation.

Contingency Reserve

To provide time for Rochdale Connections Trust to be wound up in an orderly fashion in the event that the organisation ceases to operate. This reserve would be made up of a minimum of three months' running costs and the redundancy payments for the staff.

Amounts to be held in Reserves

The amount of reserves shall be determined by the Trustees of Rochdale Connections Trust and added to this document at such time as they agree a figure.

Financial Investments

Rochdale Connections Trust seeks to produce the best financial return with a minimal level of risk to the capital. To minimise risk further, the reserves must be invested in UK regulated savings accounts which are covered by the Government backed Financial Services Compensation Scheme (FSCS). Currently, Rochdale Connections Trust must only deposit up to a maximum of £85,000 per financial institution. The financial objective of Rochdale Connections Trust is to at least maintain the real value of the assets and to generate a sustainable return to further the charity's aims and objectives.

The trustees wish to keep at least 60% of the assets in investments that can be realised within 24 months. A minimum of 40% of the total assets should be kept in cash or near cash investments at all times.

Authorisation of use of Reserves

The use of reserves up to £1,000 can be approved by the dual authorisation of Chair and the Treasurer of Rochdale Connections Trust together. Amounts over £1,000 need to be approved by the Trustees.

(adapted from Bolton CVS Reserves Policy)