

Policy title:	Realise Reserves Policy		
Scope:	Realise		
Policy owner & job title:	Realise Board		
Approver:	Realise Board		
Date:	09/02/2017	Review Due Date:	09/02/2020

Policy summary:

Whilst it is not a strict legal requirement to have a policy on reserves, it is very much considered best practise. A reserves policy demonstrates to existing and potential funders, donors and other stakeholders why a charity holds a particular amount of reserves. It is a key part of financial management and planning. Holding too much in reserves limits the potential benefits that a charity can provide, holding too little increases the risk of the charity failing if it cannot meet its contracted or scheduled activities.

Associated Policies & Procedures: None

1. POLICY STATEMENT

Realise will hold a level of reserves which allows it to deliver its agreed commissioning programme over the course of a financial year and in addition to this will retain a prudent level of contingency funding to cover unexpected costs as they arise. This statement has also been considered in light of the risk profile for the organisation, as described in its strategic risk map.

Realise will set a commissioning programme on an annual basis. The starting point for the level of reserves at any given moment is therefore that the reserves at the financial year-end will cover the planned expenditure during the financial year to follow. In addition to this, an amount will be set aside to mitigate the financial risk from the possibility of unforeseen expenditure. In essence this creates a level of reserves composed of two elements:-

- a. The planned expenditure for the year to follow
- b. A contingency fund to cover unforeseen expenditure

Further detail is now provided on each of these two elements.

(a) The planned expenditure for the year to follow

This amount will vary year on year. The expenditure for Realise in any given year is by and large discretionary. There are few fixed operational costs, beyond the staff costs. A report is produced for the Realise Board on an annual basis each February that sets out the commissioning intentions for the year which in effect represents the planned expenditure.

(b) A contingency fund to cover unforeseen expenditure

This element of the reserves provides mitigation against the risk of unforeseen expenditure. Given the limited operational activity undertaken at Realise it is unlikely (but not entirely impossible) that unforeseen costs may arise. This needs to be balanced against the experience gained in running the operational activity associated with Realise for a period of 6 years to date, and not having incurred any unforeseen costs during that period. It is therefore proposed that an amount of £100k be set aside as part of the reserves to cover such unforeseen expenditure.

Summary

Based on the methodology outlined above, the reserves policy for Realise in effect means that the business will be managed with a view to retained reserves in the range of £100k and the planned expenditure for the current financial year. It is recognised that some tolerance beyond these limits may be required, by way of example:-

- Should a substantial new donation be received during any given year this may increase the level of reserves beyond the upper tolerance.
- Should an unforeseen cost arise this may decrease the level of reserves beyond the lower tolerance of £100k.
- Should a specific project be launched which required a longer term fund-raising initiative to be undertaken
- The Board should monitor the level of reserves at the end of each financial year to ensure compliance with this policy, or alternately to be able to justify an exception being made to the policy

2. RESPONSIBILITIES OF EMPLOYEE

Employees who support the management of Realise's programme of activity are required to ensure that strategic and operational decisions are taken with the requirements of this policy in mind. This is with a particular emphasis on ensuring that the targeted level of reserves is retained.

3. RESPONSIBILITY OF ASPIRE

Aspire will make this policy available to internal and external stakeholders. This policy has been considered against our Equality and Diversity Policy and no additional provisions are required