cosrt
College of Sexual and Relationship Therapists

Reserves Policy

Reserves are that part of a charity's unrestricted funds that is freely available to spend on any of the charity's purposes. This reserves policy seeks to explain to existing and potential funders, donors, beneficiaries and other stakeholders why a charity is holding a particular amount of reserves. A reserves policy gives confidence to stakeholders that the charity's finances are being properly managed and will also provide an indicator of future funding needs and its overall resilience.

The Charities Statement of Recommended Practice ("SORP") requires a statement of a charity's reserves policy within its annual report. In addition, if a charity operates without a reserves policy, the regulations require this fact to be stated in the annual report.

Definition of reserves

The term "Reserves" is used to describe that part of a charity's income funds that is freely available for its operating purposes not subject to commitments, planned expenditure and spending limits. The starting point for calculating the amount of reserves held is therefore the amount of unrestricted funds held.

However, some or all of the unrestricted funds of a charity may not be readily available for spending. This is because spending those funds may adversely impact on the charity's ability to deliver its aims. The items that should be excluded from reserves are:

- Tangible fixed assets used to carry out the charity's activities, such as land and buildings.
- Programme-related investments held solely to further the charity's purposes.
- Designated funds set aside to meet essential future spending, such as funding a project that could not be met from future income.
- Commitments that have not been provided for as a liability in the accounts.

Restricted Funds

Restricted funds fall outside the definition of reserves, but the nature and amount of such funds may affect a charity's reserves policy. Where significant amounts are held as restricted funds the nature of the restriction should be considered, as such funds may reduce the need for reserves in particular areas of the charity's work.

Minimum reserves

The Minimum reserves level is the least the charity needs to hold in reserves in order to fulfil its charitable duties and meet its spending commitments in the event of an unplanned closure.

COSRTs ongoing spending commitments are typically staff related, and as such, minimum reserves is to be set at 100% of annual staff costs. Annual staff costs include all salaries and associated costs to the employer.

Maintaining Reserves

The level of reserves will be monitored in quarterly Trustee meetings throughout the year using quarterly management accounts. If reserves during the year are significantly below or above budgeted levels, consideration will be given, as to whether this is a short-term situation or an indicator of a long-term issue. Appropriate action will then be taken dependent on the variance.

Reserves may be invested however, Trustees should ensure that reserves are invested in highly liquid assets only (i.e. a way that can be readily realised as cash, when needed).

Review of Policy

This policy should be reviewed every three years or when ongoing spending commitments materially change.