

## **Reserves Policy**

**1<sup>st</sup> July 2018 – 30<sup>th</sup> June 2019**

### **1.0 Crawley Town Community Foundation needs reserves to:**

- 1.1 Meet contractual liabilities should the organisation have to close. This includes redundancy pay, amounts due to creditors and commitments under leases.
- 1.2 To meet unexpected costs like break down of essential office machinery, staff cover regarding illness, maternity leave, parental leave, and legal costs defending the charity's interest.
- 1.3 To replace equipment.
- 1.4 Ensure that the charity can continue to provide a stable and quality service to those who need them, and to minimise recruitment, staff training, staff induction and marketing costs by avoiding the need for redundancies caused by financial crisis.
- 1.5 To provide working capital when funding is paid in arrears and place the charity in a position where it could bid for funding, which can be paid up to 12 months in arrears.
- 1.6 From time to time funding has certain restrictions, which means that by law it must be held in a restricted reserves until it is spent in line with the funding agreement.

### **2.0 Crawley Town Community Foundation's funding.**

- 2.1 The Foundation is currently funded by a few different organisations, including the EFLT, PFA and PLCF for example.
- 2.2 Whilst a range of funders creates a high level of administration, it does provide some security in so far as at any point in time some funders are likely to be in place.
- 2.3 The Foundation plans it's fund raising in advance having a 12 month view of the cash flow. Typically it takes 12 months to secure a new funder from initial research through the application process to receiving the grant.

- 2.4 Some funders repeat their funding each year. An assessment of the risk that a funder will not renew funding is made below.

### **3.0 Analysis of funders.**

Most of the existing Foundation funding organisations are either specific one-off funding projects or cover core costs.

### **4.0 A prudent level of reserves**

- 4.1 Crawley Town Community Foundation aims to have 6 months of expenditure as reserves.

Based on the budget and forecasts for 2018-19 therefore, we have a target of approximately £400,000.

- 4.2 Were Crawley Town Community Foundation to close, the organisation would incur a number of winding up costs.

### **4.3 Assuming an ongoing organisation**

There are a number of events that could occur during a year that are generally not budgeted for and would be typically funded from reserves such as sick pay, maternity leave; parental leave; adoption leave etc.

### **5.0 Potential for short time working.**

- 5.1 Whilst we have to take a prudent position and allow for redundancy in the event of a financial crisis, the charity does have a good relationship with its staff and the options of part-time working and short term lay-offs would also be considered. It should be noted that increasingly income through funding is related to outputs and a move to part-time working could jeopardise some funding.

### **6.0 Restricted Funds**

- 6.1 Most funding is restricted in some way. For example, core costs received from the EFLT are restricted to operational costs. Specific projects such as Premier League Kicks and National Citizen Service have funding allocated for those projects.

## **7.0 Establishing and maintaining a prudent level of reserves.**

- 7.1 In the event of reserves dropping below the target, Crawley Town Community Foundation will aim to restore the reserves as close to the 6-month level of expenditure over the course of the following financial year. This could be achieved by increased fund raising, increasing earned income and / or reducing expenditure.

- 7.2 If reserves exceed 6 months of expenditure, the Foundation will aim to reduce the level of reserves over the following financial year taking into consideration the following year's budget and projections. This could be achieved by reducing fund raising, allocating less staff time to earned income activities, reducing prices, or increasing 'free' activities and so increasing expenditure. Increasing 'free' activities could be one off in areas like courses and fact sheets, or expanding the organisation generally. In the latter case due attention will be paid to identifying funding that would sustain the expansion after the reserves had been brought under control. If the Foundation's turnover is growing year on year this might mean there is no need to reduce reserves for the target to be met.

## **8.0 Bringing actual reserves into line with the policy.**

- 8.1 Reserves were approximately £200,000 as at 30<sup>th</sup> June 2018, which is around 50% short of the target.

We aim to increase the level of reserves in line with the policy, with a target of 30% over the next 2 years.

## **9.0 Monitoring and reviewing of reserves policy.**

- 9.1 We will consider current costs of closure and examine the level of reserves each year when setting the following year's budget.

- 9.2 This reserves policy will be reviewed every year.

## **10.0 Working Capital Facilities**

- 10.1 We aim to rely upon the cash reserves to enable cash flow for the Foundation. There are no loans or reliance on a bank overdraft