

Administration

4.7 Reserves Policy

Policy Statement for St Joseph's Out of School Club

Statement of Intent

At St Joseph's Out of School Club we aim to hold sufficient reserves to meet redundancy obligations and other costs should the Out of School Club have to close. We aim to maintain a level of funds to help with future sustainability, ie. to support the Out of School Club if income falls below expected levels or to assist our recovery should we encounter a business disaster, for example. loss of premises.

Aim of Policy

This policy enables St Joseph's Out of School Club to adhere to its obligations with regards to the Out of School Club's Group Constitution¹. Specifically the Committee aims to:

- retain funds to cover operational costs in periods of low activity;
- maintain funds to cover costs associated with the closure of the Out of School Club;
- ensure our funds cover the cost of relocation should our current rental accommodation become unavailable. This equates to a term's costs².
- manage the Out of School Club's funds responsibly;
- provide a budget to enable us to predict fluctuations in revenues and expenditure quickly and to enable quick resolutions; and
- in the event that funds are used to recover from unexpected incidences, we will aim to rebuild our reserves primarily to meet redundancy obligations (inclusive of pension payments), and continue to rebuild our funds to cover a business disaster.

In addition, the effectiveness of the policy is monitored and reviewed in light of changing funding, financial climate and other risks on an annual basis. As such, it is an important part of the internal financial management of St Joseph's Out of School Club, for example helping with forecasting.

To assist us in writing this Reserves Policy, we have followed the guidance set out in Annex 1 of the Charity Commissions "Charity Reserves: building resilience" document³.

What are reserves?

Reserves are that part of a charity's unrestricted funds that are freely available to spend on any of the charity's purposes. A good reserves policy gives confidence to stakeholders (ie. Gloucestershire County Council, parents/carers etc), that the charity's (St Joseph's Out of School Club) finances are being properly managed.

These reserves can also be classified as restricted or designated funds and can be explained as follows:

- *Restricted funds*: Are subject to specific trusts, which may be declared by the donor(s) or with their authority (eg. in a public area) or created through legal process, but still within the wider objects of the charity.
- *Designated funds*: Are part of the unrestricted funds which the Committee have earmarked for a particular project or use, without restricting or committing the funds legally. These funds can be cancelled at a later date if the project/use does not go ahead.

¹ Group Constitution 2019

² Based on the Autumn term which is the longest term being 15 weeks long

³ CC19 published 29 January 2016

Annual Return

St Joseph's Out of School Club's Trustees Annual Report contains a brief statement (see below) on its policy on reserves and clearly explains to our stakeholders why holding these reserves is necessary⁴.

The management committee aim to reserve the maximum of either:

- One half term's running costs plus exit costs; or
- £10,000

[Annual Return 2018-19]

St Joseph's Out of School Club's funding streams

St Joseph's Out of School Club is an unincorporated⁵ charity that provides education and care for children aged 3 to 11 in the Stroud Valley. The Out of School Club is a registered childcare provider with Gloucestershire County Council. Income is received from parents/carers as well as tax-relief voucher schemes through parents/ carers place of work.

In addition the Out of School Club actively organises fundraising events during the year to fund Out of School Club activities, this is done through parent/carer inclusion and donations. This additional money is used for specific projects or to purchase specific early years educational items.

(Unrestricted) Reserved funds

Being a small charity, St Joseph's Out of School Club's investment policy for reserves is very straight forward. Reserved funds are held in an interest bearing account with a UK bank linked to the Out of School Club's business current account allowing for same day money transfer. It also has a Designated fund held in a UK Building Society to cover costs associated with closure of the Out of School Club.

The reserves can be invested. However, by their nature, reserves tend to be resources that may be needed in the short to medium term. The Committee, therefore, ensure that reserves are invested in a way that can be readily realised as cash, when needed.

Fundraising or applying for grants

When fundraising, the Committee will ensure that the Out of School Club is open and transparent about the setting's need for funds.

When applying for a grant, the Committee will endeavour to ensure that the funder understands our reserves policy and that this policy explains and justifies the reserves held.

Committee responsibilities

The Committee's monitoring of reserves is not just a year-end procedure. How the level of reserves change during the year can be a good indicator of the underlying financial health of the Out of School Club and can be an indicator of potential problems.

In particular, the Committee will:

- identify when reserves are drawn on so that they understand the reasons and can consider the corrective action, if any, that needs to be taken;

⁴ Requirement by Charity Commission. See para 4.1 of CC19

⁵ A charity without a corporate structure (see Charity Commission CC22a: Charity Type: how to choose a structure)

- identify when reserve levels rise significantly above target so that they understand the reasons and can consider the corrective action, if any, that needs to be taken;
- where the reserves level is below target, consider whether this is due to short-term circumstances or longer term reasons which might trigger a broader review of finances and reserves;
- regard the ongoing review of the reserves target, the reserves level and the reserves policy as part of managing the charity;
- ensure that the reserves policy continues to be relevant as the charity develops or changes its strategy and activities;
- review the statement on reserves in the Trustees' Annual Report where there have been significant changes in the reserves policy or level of reserves held.

In addition, the Committee will:

- review the Out of School Club's reserves annually and ensure that the funds are adequate;
- undertake suitable risk assessments before reserves are used;
- our designated fund grows each year and will continue to do so as we employ the changes of the national living wage. Also if we take on a new member of staff, we will amend the reserve to reflect this;
- where other costs may be taken into consideration, this will be reviewed by the Committee and, if agreed, reflected in our policy;
- the money in the reserves are for the described reasons. Should we encounter a situation that does not reach this criteria, the Committee will meet to discuss alternative options. If the only solution is to use our reserves, then this will be done by a Committee vote and recorded in the relevant minutes;
- our reserves will be grown using good business practice techniques. This will ensure that our income is greater than expenditure;
- reserves will not be developed by fundraising activities;
- if using the reserves results in a balance of £6,000 or less, we will look at alternative options to fund that activity.

Further Guidance

- Charity Commission Guidance: Internal Financial Controls for Charities (CC8)
- Charity Commission Guidance: Charity Reserves: building resilience (CC19)
- Charity Commission Guidance: Charity Types: How to Choose a Structure (CC22a)

Version Number	Author	Purpose of change	Date
1.0	NP and HS	Updating policies	23.01.2023