

Reserves Policy for Ann Craft Trust

September 2024

To be reviewed July 2025

1. Purpose of the Reserves Policy

The purpose of this policy is to ensure that Ann Craft Trust (ACT) maintains adequate financial reserves to support the continuity of its activities in the event of unforeseen financial challenges or to take advantage of strategic opportunities. This policy outlines the approach to managing reserves, ensuring the charity's sustainability and resilience in delivering its mission.

2. Definition of Reserves

Reserves are defined as the unrestricted funds that are freely available to be used at the discretion of the trustees to further ACT's charitable objectives. These funds exclude:

- Restricted funds (funds tied to specific projects or purposes).
- Designated funds (funds set aside for specific future needs, such as a building project).
- Fixed assets held for charity use.

3. Reserve Level Determination

The ACT Trustees are committed to ensuring that reserves are maintained at a level that is sufficient but not excessive. The appropriate level of reserves will be reviewed annually by the Trustees and is currently set to cover:

- **Three to six months of core operational costs**, which include salaries, and other essential overheads. This ensures that ACT can continue to function effectively during any short-term financial difficulties or where cashflow is hindered through late payments, for example, delayed grant funding.
- **Contingencies for unexpected costs**, such as legal obligations
- **Redundancy pay**, in the event the charity ceases to operate. The reserves must cover redundancy payments in line with the University of Nottingham's redundancy policy, ensuring staff are compensated as per contractual and legal obligations in the case of closure of ACT.

- **Strategic opportunities**, which may require short-term or one-off funding, such as new project initiatives, partnerships, or developments aligned with the Trust's mission.

The target level of reserves will be calculated and agreed on an annual basis, determined by the current assets and overheads.

4. Management of Reserves

The ACT reserves will be held in an account which offers the most favourable interest rates, and this will be reviewed regularly by the CEO and Operations Manager. The account used to hold reserves should allow for easy access where cashflow issues arise.

5. Monitoring and Review

- The reserve levels will be monitored monthly by the CEO and leadership team and on a quarterly basis by the Board of Trustees during the finance agenda item of the trustee meeting
- It will be reviewed annually as part of financial and future planning.
- Any significant use of reserves, outside of those related to cashflow, where there is assurance that this will be remedied within 2 months, should be justified by the Senior Leadership Team and approved by the Trustees. In such cases, a plan will be devised to restore reserve levels to the agreed target in a timely manner.

6. Reporting of Reserves

ACT will ensure transparency in its reserves policy by clearly reporting on its reserve levels in the annual financial statements. This will include:

- The amount of reserves held.
- The reasons for holding the stated reserves.
- The intended use of any designated reserves.
- Any future plans for building up or reducing reserves.

7. Review of Policy

This Reserves Policy will be reviewed annually by the Trustees to ensure it remains appropriate and responsive to changes in the financial environment and the needs of ACT.

This policy ensures that ACT operates with prudent financial management, maintains flexibility to respond to future opportunities or challenges, and provides for redundancy obligations in the event of business closure.