

The Reef

Reserves Policy – Adopted 6th July 2023

1. Key Principles

- 1.1 This Reserves Policy for The Reef is based on the guidance provided by the Charity Commission [CC19 “Charity reserves: building resilience”](#). In outline this requires that trustees develop and publish a reserves policy that:
- Justifies and explains any reserves held;
 - Identifies and plans for the maintenance of essential services;
 - Reflects the risks of unplanned closure;
 - Helps to address the risks of unplanned closure on their beneficiaries.
- 1.2 There are two types of reserves:
- **Unrestricted reserves**, funds which are held to offset risks, and are freely available to spend on any of the charity’s purposes.
 - **Restricted reserves**, funds which are raised or held for *specific* future purposes.
- 1.3 Additionally some of the unrestricted funds may be **Designated funds**, these are funds which are earmarked for a particular project or use, without restricting or committing the funds legally. The designation may be cancelled by the trustees if they decide not to proceed with the use or project for which the funds were designated.

2. Restricted Reserves

- 2.1 Our only restricted reserve is a donation of **£787** made by Colehill Parish Council specifically towards the cost of installing a cleaner’s sink. This is still a requirement and we anticipate the sink being installed in 2024.

3. Designated Funds

- 3.1 In 2018 The Reef received a s.106 payment from Bloor Homes for **£30,000**. This payment is not legally restricted and can be used for any purpose we wish, however the Trustees have agreed to designate this major grant to fund future improvements to the fabric of the building, such as the installation of solar panels.
- 3.2 The trustees have agreed to designate **£20,000** for maintenance to the building and contents. Since being appointed in March 2023, the trustees have identified a number of significant maintenance expenses that are likely to be required in the short term, to ensure the building continues to operate effectively as a youth and community centre. It’s likely the cost will significantly exceed the £5,000 already allocated in the operating budget. These maintenance items include:
- Internal redecoration of the whole building;
 - Externally significant repairs to the rendering (possibly covered by insurance);
 - Repairs and painting for the soffits and window frames;

- Replacing most of the soft furnishings in the upstairs room;
- Repairs to emergency lighting;
- Repairs to velux windows.

4. Unrestricted Reserves

- 4.1 Charity commission guidelines suggest that 3 - 6 months of running costs should typically be held in a 'free use' unrestricted reserve fund. These resources are vital to allow the charity to continue to operate when facing unforeseen issues.
- 4.2 Given our recent experiences under Covid-19, where The Reef was effectively closed to hirers for c. 18 months, the trustees consider it to be more prudent to currently hold c.18 months of running costs as an unrestricted reserve, and to aim to reduce this over time.
- 4.3 Our operating costs for the current year (less exceptional items related to the change of trustees) is forecast at £45,000. In a worst case scenario where the venue remains closed to hirers for any protracted period, the staffing element is likely to be lower and our base operating cost is likely to be c. £40,000 p.a.
- 4.4 Our desired level of unrestricted reserves is therefore £60,000, based on 18 months of running costs.
- 4.5 Our net current assets as at 30th Sept 2022, and as reported in our 2021/22 accounts, were £115,790. Since that date the cash held in our bank accounts has not changed significantly.
- 4.6 Deducting the restricted reserves and designated funds from our assets, our **Total Unrestricted Reserves = £64,993**, which equates to 19.5 months on running costs.
- 4.7 Over the next 2 years the trustees anticipate that our reserves will reduce by c. £34,000 as we absorb planned increases to our staffing costs and then build our income to cover these increased costs. By Sept 2025 our unrestricted reserves are likely to stand at c. £30,000, which equates to 9 months of running costs.

Version History

| Date | Summary of Changes |
|--------|--------------------|
| 6/7/23 | New Policy |
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This Policy will be reviewed annually.