



RESERVES POLICY

AGREED: JULY 2023
REVIEW DUE: JULY 2024

1. INTRODUCTION

The Charity Commission advises all charities to have a reserves policy, to help secure viability beyond the immediate future and provide reliable services over the longer term.

Our funds are allocated in 3 different ways:

1.1 Restricted funds

This relates to unspent money from restricted grants. The donor has specified what the money must be spent on and the trustees do not have the power to spend the money on anything else.

1.2 Unrestricted funds

This is money that can be spent on anything which furthers the objectives of the charity.

1.3 Designated funds

If part of an unrestricted fund is ear marked for a particular project, it may be designated as a separate fund. Designation does not legally restrict the trustee's but their decision should be a genuine one.

The funds listed above can also be called reserves.

2. DEFINITIONS

For clarity, Food Friends will establish definitions of key terms for our reserves policy:

2.1 As in the Charity Commission's Statement Of Recommended Practice (SORP) 2005, here Food Friends uses the term 'reserves' (unless otherwise indicated) to describe the part of Food Friends income funds that is freely available. 'Reserves' are therefore the resources Food Friends has or can make available to spend for any or all of Food Friends purposes once it has met its commitments and covered its other planned expenditure.

2.2 More specifically, reserves are income which become available to Food Friends and are to be spent at the trustees' discretion in furtherance of any of Food Friends objects (sometimes referred to as 'general purpose' income); but which are not yet spent, committed or designated (i.e. are 'free').

2.3 This definition of reserve funds excludes: permanent endowment; expendable endowment; restricted funds; any part of unrestricted funds not readily available for spending, specifically income funds which could only be realised by disposing of fixed assets held for Food Friends use and program related investments.

3. REASONS FOR RESERVES

Food Friends needs reserves:

- 3.1** To meet contractual liabilities should the organisation have to close. This includes redundancy pay, amounts due to creditors and commitments under leases.
- 3.2** To meet unexpected costs like break down of essential office machinery, staff cover re illness, maternity leave, parental leave, and legal costs defending Food Friends interest.
- 3.3** To replace equipment as and when it needs replacing.
- 3.4** To ensure that Food Friends can continue to provide an effective and quality service to our stakeholders. Within this context: to minimise recruitment, staff training, staff induction and marketing costs by avoiding the need for redundancies caused by financial crisis.
- 3.5** To provide working capital when funding is paid in arrears.
- 3.6** From time to time funding has certain restrictions, which means that by law it must be held in restricted reserves until it is spent in line with the funding agreement.

4. OPERATION OF THE RESERVES POLICY

- 4.1** The level of reserves required by Food Friends will be reviewed annually with the preparation and approval of the annual accounts and appropriate levels of resources will be identified.
- 4.2** Should the level of reserves held by Food Friends be less than that identified as needed, then the trustees will set out the steps that Food Friends is going to take to increase reserves to the required amount.
- 4.3** Should the level of reserves be higher than needed, then the option to designate funds will be considered.
- 4.4** In both 3.3 and 3.4 above, the trustees will specify the time period over which the changes will be made.