

	<b>Document Title</b>	Reserves Policy		
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## Sankey Canal Restoration Society

### Reserves Policy

#### 1. Statement Of Intent

The Society's policy:

- Is valid from the Issue Date until such time as an updated version is published.
- Will be reviewed every year, or sooner if required by changes to the Society's activities, to legislation or to best practice guidance.
- Applies to all SCRS Trustees and Executive Leadership Committee Members who are carrying out activities for, or on behalf of the Society, paid or unpaid. The Trustees have delegated responsibility for managing this policy to the Society's Treasurer.
- The Society does not currently employ any staff.

#### 2. What Is The SCRS Reserves Policy?

SCRS aims to maintain a general reserve of unrestricted funds sufficient to meet its financial, legal and moral obligations to its service users, employees and volunteers and to all relevant authorities.

#### 3. What Are Reserves and Why Does SCRS Need Them?

Reserves are a parcel of unencumbered assets that an organisation maintains over and above those required for its day-to-day operations. Reserves allow the organisation to deal with any unforeseen challenges, such as sudden and unexpected reductions in income or large items of expenditure that were not budgeted for.

In addition to dealing with operational challenges, the existence of adequate reserves will ensure that, if the worst happens and the organisation needs to be closed down, there will be sufficient funds to meet all of its obligations and liabilities as part of a managed exit.

It is typical for a trading organisation, including a charity, to maintain a general reserve comprising assets that are either cash (i.e. cleared funds at the bank) or in a form that can be converted into cash within the required period.

Therefore, the Trustees and Executive Leadership Committee have agreed that SCRS requires a general reserve:

- To cover a potential shortfall in income. For example, if annual memberships are not renewed by a large number of members, the reserve could be called upon to provide the necessary cash-flow until a drive to attract new members is undertaken.
- To meet unexpected expenditure. For example, if a major repair is required to an asset, it could be met from the reserve.
- To ensure that all obligations and liabilities can be met if the charity needs to close. For example, if any outstanding printing and distribution payments are required for the Sankey Milestones journal.

#### 4. Why Does SCRS Need A Reserves Policy (the 'Policy')?

SCRS needs a Policy for four principal reasons:

- i. To assist the Trustees and Executive Leadership Committee to assess what the sufficient level of reserves should be at any given time. Indeed, this will change over time as the charity grows, as the service it provides changes and as the risk profile of its income and expenditure changes.

It should be noted that, whilst SCRS like all charities should maintain sufficient reserves, it also has a duty not to be over-cautious and maintain an excessive level of reserves. Subject to maintaining sufficient reserves (in accordance with this Policy) SCRS should apply all of its income and assets to the provision of the services detailed in its charitable objectives.

- ii. To clarify the arrangements for monitoring and reviewing the level of reserves.
- iii. For compliance purposes, because standard accounting practice requires a charity to report on its reserves and its reserves policy in the statutory annual financial accounts.
- iv. To assist with fundraising activities, because many awarding charitable trusts and similar funding organisations require the Policy details as part of their assessment of any funding application.

#### 5. How Will The Policy Apply In Practice?

The Trustees and Executive Leadership Committee will agree a target value for the general reserve, which will be kept under review and assessed regularly by the Treasurer.

The actual value of the reserves at any given time will then be measured and compared with the target, and appropriate action taken to make up any shortfall or utilise any surplus funds as appropriate.

#### 6. How Will The Target Value Of General Reserve Be Assessed?

The Trustees and Executive Leadership Committee will consider each of the following:

- i. **Income Risk** – The robustness of the current income streams, SCRS's sensitivity to the partial or complete withdrawal of a funding source and the likelihood and timing of any potential new or replacement funding source.
- ii. **Expenditure Risk** – The level of confidence in the budgeted expenditure for the current period, the likelihood and likely magnitude of any unbudgeted costs arising and the ability of SCRS to adapt its spending in the short to medium term in response to unexpected events.
- iii. **General Operating Environment** – The potential external risks or changes that could impact on SCRS's operating position, for example changes in legislation, changes in local authority priorities, activities by 'competitor' charities and the loss of key Committee members.
- iv. **Cost Of Closure** – Should a significant event or events occur that cause the Trustees and Committee to decide to close the Society, how the closure would be managed and funded.

## **7. Arrangements For Monitoring And Reviewing The General Reserve And The Policy Itself**

The target general reserve and the Reserves Policy itself will be the subject of a regular review led by the Treasurer and arranged with the Trustees. It is not expected that the target general reserve will change significantly during the financial year but any proposed changes will be reported to and discussed at a subsequent Executive Leadership Committee meeting.

A formal assessment of the target general reserve and of actual reserves will be undertaken by the Treasurer and the Trustees on an annual basis as part of the preparation of the annual financial accounts, details of which are submitted to the Charities Commission in accordance with reporting requirements.

This formal assessment will be presented to, and approved by, the Trustees and Committee each year and the latest annual assessment will be appended to the Policy each year.

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