

RESERVES POLICY

Summary: To present 2025-26 Reserves Policy for adoption

Recommendation: That the Board adopts 2025-26 Reserves Policy along with the Budget

Report by: Magda Glanowska – Head of Finance

INTRODUCTION

The current Reserves Policy was approved by the Board in February 2024. The current policy is aiming for the General Fund to be 5% of total operating costs at £70-75k. Furthermore, the Development Fund could be available in the short term to fill an urgent need.

In addition, total available funds (General Fund plus Development Fund combined) target to be £180k which equates to 3 months of core salaries, allowances, facilities and IT costs. The total available reserves are to be kept at minimum of 90% of the agreed target (£162k min).

Reserves Policy should be reviewed annually according to best practice.

The Board endeavours to have sufficient financial reserves to meet contractual and financial obligations, based on total operating costs, in the event of a sudden decline in income. This target amount is covered first by the General Fund of the organisation which is typically ear-marked for this purpose and is included in savings deposit accounts which can be liquidated on demand.

Local Authority finances provide a general guideline of 3% of net budget as a reserve fund which is evaluated based on risk levels. Further clarification of the setting of this fund level has been requested by Finance and Governance Committee to determine whether the holding is sufficient, given current risk levels.

RESERVES

CNL reported a General Fund of £71k in the 2024/25 Budget alongside Designated Funds of £78k. The Reforecast 2 (September 2024) reported a predicted closing balance at 31st March 2025 of £77k in the General Fund and £198k in Designated Funds of which £167k is the Development Fund. The Development Fund are readily available funds designated for future developments as decided by the management.

Draft operating budget for 2025/26 predicts a General Fund of £71k and £78k in Designated Funds of which £50k is the Development Fund. Total available reserves are budgeted at £120k. The total combined operating costs of the organisation (both restricted and unrestricted) budgeted for 2025/26 are £1.367m (£1.5m in 2024/25).

RECOMMENDATION

We propose to keep the existing Reserves Policy and review next year.

Magda Glanowska, Head of Finance
FEBRUARY 2025