

RESERVES POLICY

Summary: To present the updated Reserves Policy

Recommendation: That the Board adopts the updated Reserves Policy along with the 2024/25 Budget

Report by: Magda Glanowska – Head of Finance

INTRODUCTION

The current Reserves Policy was approved by the Board in June 2019. The current policy is aiming for a total of useable funds in the range of £110k - £130k. 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 earmarked 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 £69k in the 2023/24 Budget alongside Designated Funds of £231k. The June Reforecast (Jan-24 update) reported a predicted closing balance at 31st March 2024 of £71k in the General Fund and £140k in Designated Funds of which £71k is the Development Fund. The Development Fund are readily available funds designated for future developments as decided by the management.

Draft operating budget for 2024/25 predicts a General Fund of £72k and £304k in Designated Funds of which £181k is the Development Fund. The total combined operating costs of the organisation (both restricted and unrestricted) budgeted for 2024/25 are £1.5m (£1.495m in 2023/24).

RECOMMENDATION

We propose for the General Fund to be 5% of total operating costs at £70-75k, which would equate to 38 days of pay, allowance, facilities and IT activity. Furthermore, the Development Fund could be available in the short term to fill an urgent need.

In addition, we propose that 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 (based on 2023/24 Reforecast).

It is recommended that the total available reserves are to be kept at minimum of 90% of the agreed target (£162k min).

This updated policy has been reviewed and recommended for the Board's adoption by the Finance and Governance Committee at their February 2024 meeting.