



Policy – RA4

Reserves Policy

Rationale Arts

RCN: 1181681

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1. Introduction

What is a reserves policy?

It is good practice to keep money aside as a reserve to protect the Rationale Arts charity against drops in income or allow it to take advantage of new opportunities. The charity's reserves can be spent on any of its aims.

A reserves policy should set out:

- How much the charity needs to hold in reserve and why
- How and when the charity's reserves can be spent
- How often the reserves policy will be reviewed.

Charities can set aside enough money to meet a potential need, such as an unexpected drop in income. If setting aside money for a specific purpose, such as building works, a charity should make it clear that this is separate from the charity's general reserves.

2. Components

The policy allocates money from unrestricted fund balances, which are not invested in fixed assets, to several designated funds. These funds are:

2.1. Continuity Fund

This fund is to be used to bridge any possible delays in receiving promised grants or managing payment in arrears contracts. This has been defined as a minimum of £750 based on the charity's current activity.

2.2. Restructuring Fund

This fund is to be used to cover essential trading/activities whilst sourcing income to a maximum of £500 based on the charity's current activity.

2.3. Cyclical Maintenance Fund

This fund is to be used for major items of maintenance of the fabric of the buildings such as redecorating the interior and exteriors. Equipment breakdown will be covered within this fund. This has been defined as a minimum of £500 based on the charity's current activity and equipment portfolio.



2.4. Dissolution Fund

This fund provides for the costs of dissolution should the charity be unable to continue. It is only to be used in the event of the Trustees' deciding the charity should cease to exist. It will be used for notice redundancies and the expenses of running *Rationale Arts* until closure of the organisation. The Charity does not employ anyone permanently hence at present This has been defined as a minimum of £250 based on the charity's current activity.

Fund	Balance
Continuity	£750
Restructuring	£500
Cyclical Maintenance	£500
Dissolution	£250
Total	£2000

The minimum reserves required is the Restructuring Fund plus the Dissolution Fund. These are to be used to ensure we look at every alternative before dissolution of the company/ charity.

3. Annual Review

Due to the nature of the organisation and the regular review of the budget, this policy should be reviewed on an annual basis to ensure:

- The continuity element matches changes to the annual budget.
- The restructuring element matches the requirements of trading activities.
- The cyclical maintenance element moves forward in at least an inflationary manner.
- The dissolution element matches the requirements of the staffing levels.

Should the budget be reduced due to the end of projects or other such occurrences, then the reduction of reserves should be planned over a minimum of five years.

Date of Change:	Changed By:	Comments:
09/08/2019	V.Murali	Policy approved by the Trustees
01/08/2020	V.Murali	Yearly Review – no change due to COVID
01/08/2021	V.Murali	Yearly Review – adjusted fund to match current activity. Approved by Trustees.