Reserves Policy

CHARITY POLICY & PROCEDURE

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Aims

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Aims

This policy is determined by the Board to develop and disclose a reserves policy as recommended by the Code of Governance.

The Charity expects all employees to work within the Charity's rules and procedures. All employees have a responsibility to conduct themselves in an appropriate and professional manner in accordance with the Charity's **Code of Conduct** and values.

This policy and procedure does not form part of any employee's contract of employment, and it may be amended at any time. Talbot House Children's Charity ("the Charity") may also vary this procedure, including any time limits, as appropriate in any case.

1. **Definition of Reserves**
The Code of Governance for Charities and IPCs (Guideline 6.3.1) states: ***"While all charities should maintain some level of reserves to ensure long-term financial sustainability, the charity should disclose its reserves policy in the annual report."***
    - The term "Reserves" is used to describe that part of a charity's income funds that is freely available for its operating purposes not subject to commitments, planned expenditure and spending limits. Reserves do not include endowment funds, restricted funds and designated funds.

2. **Why we need a Reserves Policy**
    - Having a reserves policy helps inform the way the Charity manages its cash, liquid assets and debt, that is, its financial management approach.
    - A comprehensive reserves policy contributes significantly to the Board's ability to balance the needs of current and future beneficiaries, ensures that the charity is well managed and that it has, where appropriate, a strategy for building up reserves.
    - With a reserves policy, the Board can be confident that their reserves level matches the charity's needs at the time and that these reserves are neither too high nor too low for its needs.

3. **What does our Reserve Policy Cover**
Our Reserves Policy covers:
    - The level of reserves as at the report date.
    - What reserves level (expressed in the ratio of reserves to annual operating expenditure) the Board agrees the Charity needs, together with the reasons why the Charity needs this level.
    - What steps the Charity is going to take to establish or maintain reserves at the agreed level.
    - Arrangements for monitoring and reviewing the policy on a regular basis.

4. **How we Agree a Reserves Level**
An appropriate level of reserves is set by looking at several key areas including:
    - Discussions with the CEO and Head Teacher.
    - Discussing the level of reserves at our quarterly finance committee meetings.
    - Analysis of existing funds and reserves.
    - Review of future income streams with an assessment of their reliability.
    - Review of committed expenditure and how far this is controllable.
    - Examination of past trends.
    - Examining the likely changes in the main source of income.
    - Assessment of how the Charity may cope with changes in the main source of income.
    - Studying the likely effects on the beneficiaries.
    - Assessment of any risks facing the Charity, and how likely these are to materialise.
    - Forecasting levels of income in future years (considering the reliability of each source of income, and the prospects for opening new sources).
    - Forecasting expenditure in future years based on planned activities.
    - Analysis of any future needs, opportunities, contingencies or risks; and assessment of the likelihood of each of those needs arising, and the potential consequences for the Charity not being able to meet them.

5. Where we Believe our Position to be at Present

- Through strong financial management the Charity is in an excellent position of having a reasonable level of reserves at present.
- This has been accumulated over several years as the Charity has developed the school offer for children with special needs and has built up a professional workforce who deliver the highest quality of care and education for all pupils.
- The Charity has reviewed fee levels with the Local Authorities who place with us and is not aware of any potential issues relating to Government funding levels which may affect future income.
- Recent expansion of the roll, to 70 pupils, has been handled well, and the initial capital project which will help us provide more classroom provision will be ready for the beginning of the next academic year.
- The school is currently expanding its teaching and support offer to pupils with a focus on speech & language, occupational therapy (OT) and associated therapies.
- Further expansion of pupil places may take place in the future, subject to Board discussion. This would require additional capital for a new building and ancillary costs.

6. Review

The reserves that we have set aside provide financial stability and the means for the development of our principal activity.

- We intend to maintain our reserves at a level which would enable us to cover our operating costs for a period of between 6 and 12 months, which would enable us to continue to provide the service for our pupils, if there were any unforeseen circumstances which effected our income, and to continue to identify development areas as outlined above.

We intend to use the reserves in the following manner during 2025 to 2028.

- To maintain funds equivalent to 6 and 12 months of operation costs in the likelihood that income levels from local authorities are affected by the reduction in government funding for SEN.
- Designed funds set aside to meet potential expansion plans and capital funding requirements for a new building project.
- Designated funds to review and strengthen the current management, teaching and support structure for the benefit of the pupils.

The Board will provide an annual review of the level of reserves that are required to ensure that they are adequate to fulfil our continuing obligations.

This policy is non-contractual and is subject to review. This policy may be subject to review prior to the date shown if deemed necessary. The CEO, along with the Finance Committee, will be responsible for reviewing this policy every 3 years.