



LINK

East Fife Mental Health Befriending Projects

RESERVES POLICY

Policy Statement

The Trustees regularly review reserves. Using the Reserves Policy supports both strategic and financial planning of the charity. A risk-based approach is used to calculate an optimal number of reserves that analyses the reliability of income and liabilities. Amounts are included for risks we are aware of as well as contingencies to allow the organisation to cope with unexpected costs or loss of income.

Purpose of Reserves

We hold reserves to:

- Protect the continuity of our work against uncertain future income streams
- Cover for specific liabilities and identifiable risks
- Cover for redundancy payments should the project require to be wound up
- Allow us to meet contractual obligations

Income streams

As a charity, we generate funds for charitable activities. Our income is mostly restricted income in the form of grants and some unrestricted income from donations and bank interest.

Restricted: Our restricted funds must only be used for the purpose they are intended and reflect conditionality applied by the funder. We have positive relationships with our funders and effective management of our grants ensures that they are delivered as intended and reported on as required.

Unrestricted: Our unrestricted funds can be applied at the discretion of the Trustees in the furtherance of our charitable purposes. This comes from donations and bank account interest.

Budget

LINK's Managers set an annual budget for each financial year. As an employer LINK has a duty to our staff. Annually we obtain from our Treasurer a statement for the cost of redundancy.

Liquidity and Level of Reserves

The Trustees have set optimal reserves of 3 months of unrestricted expenditure.

The level of free reserves is published within our annual accounts.

Policy Review

The Reserves Policy is reviewed annually as part of our internal financial control systems.