

SP10 RESERVES POLICY

Policy Number	SP10
Policy Name	Reserves Policy
Issue Date	February 2025
Review Date	February 2026
Owner	Finance Director
Reviewing Body	Approved by Executive Team, ratification by Board of Trustees February 2025

Version	Amendments	Date	Initials
0.0	Original	February 2023	FD
1.1	1 year review	February 2024	BOT
1.2	1 year review	February 2025	FD

Reserves Policy

The Charity's funds and reserves fall into two broad categories — restricted funds and unrestricted funds.

Restricted funds are those funds only available for expenditure in accordance with the donors' directions. Details of these are set out in the notes to the published Annual Report and Financial Statements.

Unrestricted funds represent an historic accumulation of income and expenditure surpluses from income which did not have a condition of use placed upon it by the donor/funder. These are classified according to whether they are committed to a particular use or are free to be applied.

Fixed asset funds represent the fixed assets of Autism Unlimited, the vast majority of which are the freeholds of Portfield School and the residential homes. Without them the charity could not operate. They are shown separately from other unrestricted funds due to the size and importance of these assets.

Designated funds are set aside at the discretion of the Trustees for a specific future purpose.

Free reserves are not committed to a particular use, i.e. they are freely available for general use, should a need arise. They are retained to enable the Trustees to provide assurance to our service users, the public and local authorities that Autism Unlimited will be able to sustain its contractual commitments to deliver care and education services. These funds are primarily held in cash for liquidity purposes.

Free reserves are set at a level to withstand any short-term financial risks, the main ones being the additional costs of managing a significant shortage of skilled care workers or teaching assistants and the loss of revenue of a significant number of service user contracts. Based on the financial risks facing the charity, the Trustees have targeted a free reserves holding of between three and six months' annual expenditure. Should projections of free reserves fall outside this range, the Trustees will review the business plan and make changes as appropriate.

Liquidity is another indicator of a charity's ability to respond to risks and opportunity. It measures an organisation's ability to convert assets to cash or to acquire cash — through a loan or money in the bank — to pay its short-term obligations or liabilities. The Trustees have targeted a minimum cash holding of three months of annual expenditure. Cash forecasts should therefore be a part of the charity's financial planning and reporting, and should reflect the fact that cash receipts and payments do not occur evenly throughout a year, i.e. that there are peaks and troughs in cash balances reflective of seasonality.

Should cash forecasts indicate that balances will fall below the level of three months' operating expenditure, the Trustees will review the business plan and make changes as appropriate, including consideration of the fixed assets employed in the business and the methods by which they are financed.