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**Reserves Policy**

1. **Introduction**

This Reserves Policy outlines the guidelines and principles for managing reserves within Sedcat. The purpose of this policy is to ensure the effective and prudent management of financial resources, allowing the Charity to fulfil it’s mission and sustain it’s operations in the long term.

1. **Objective**

The primary objective of maintaining reserves is to provide financial stability and ensure the continuity of essential services provided by the Sedcat. Reserves act as a buffer against unexpected events, economic fluctuations and operational challenges that my impact the Charity’s ability to fulfil it’s charitable objectives.

1. **Reserves Types**

Sedcat shall maintain the following reserves:

1. **Operating Reserves:** These funds are set aside to cover day-to-day expenses, such as staff salaries, utility bills and maintenance costs. The operating reserves should be sufficient to cover a predetermined number of months’ worth of expenses, between 3 and 6 months.

The Charity Commission Guidance is set out in the paper CC19 and this states:

‘There is no single level or even a range of reserves that is right for all charities. Any target set by trustees for the level of reserves to be held should reflect the particular circumstances of the individual charity. To do this, trustees need to know why the charity should hold reserves and, having identified those needs, the trustees should consider how much should be held to meet them.’

It is no longer necessary to keep a minimum level of reserves / restricted funds based on 6 or more months running costs. However, due to the type of service provided by SEDCAT, how it is funded and the SLA / Contract notice period, it would not be necessary to keep 6 months running costs held in restricted funds. At most 3 months running costs would be needed to allow for late payments by the local authority or wrap up period.

If SEDCAT lost the BCP Council SLA / Contract to provide community transport services, SEDCAT would need to source other funding to ensure we can still provide a service to our clients. With the recent increase in charges and changes to operational practices SEDCAT is in a better position to be more sustainable.

**Reserves to be held to cover loss of core SLA / Contract funding.**

The current SLA with BCP Council has a 3 month notice period either side. As part of this SLA, BCP maintain the minibuses and provide us with the use of one of their minibuses, Sedcat own the 5 other vehicles.

It is presumed that the council would however tender their Shopmobility grant as part of the Core Community Transport tender. Furthermore, Shopmobility is not sustainable at Castlepoint without core funding from the Community Transport services due to the shared staffing resource and infrastructure. It is reasonable to assume that if the BCP grants are stopped or SEDCAT lost the SLA / Contract, Shopmobility would close or be transferred to a new provider.

There are three likely outcomes which would affect the level of reserves held based on changes to the SLA / Contract.

These three outcomes also assume that SEDCAT is only receiving the core grants at the current level. If there were additional contracts or on-going funding from other sources the reserves policy would need to be reviewed again as there would be a greater chance of a service continuing. SEDCAT also continuously apply for other Grants to ensure the sustainability of the Charity.

**Outcome 1** – **BCP terminates the SLA / Contract with SEDCAT** and no longer funds Bat Bus / Community Transport / Shopmobility in the local area. BCP would provide 3 months’ notice to coincide with the end of the current SLA / Contract period. This would also mean that SEDCAT no longer has access to 1 of the buses since this is owned and maintained by BCP. SEDCAT’s operations could continue based on increasing fee charges to ensure we can continue covering our core costs and apply for other Grants.

The initial notice period would be funded by BCP Council so SEDCAT would only need to keep Redundancy Payments in reserves at a total of **£9,343** SEDCAT would use this notice period to find alternative sources of income if possible.

**Outcome 2 – SEDCAT lost the SLA / contract** and the service will be provided by a new provider. SEDCAT would be given the appropriate notice period and be funded up to the end of this period. The 1 BCP vehicle would be handed back. Depending on negotiations, who the provider may be and in the interests of SEDCAT’s members, SEDCAT may choose to transfer assets and membership details over to them, including Castlepoint Shopmobility.

Most, of the staff are likely to be eligible for TUPE. Volunteers could choose if they wished to transfer to the new organisation. TUPE costs should be met by the new provider or BCP. SEDCAT would only need to keep Redundancy Payments in reserves at a total of **£9,343.00** but should consider it may not need to spend this as staff would transfer under TUPE.

**Outcome 3 –** **SEDCAT can no longer meet its objectives** and chooses to terminate the SLA / Contract. SEDCAT should inform BCP at the earliest stage of this decision so BCP can make alternative arrangements and find a new provider. SEDCAT would be funded until the end of the notice period and it would only need to keep Redundancy Payments in reserves at a total of **£9,343.00**

Total reserves to be held to cover redundancies

**£9,343.00**

**3.0 Reserves to be held to cover operational costs**

In addition to the above outcomes based on a loss of SLA / Contract and core grant funding, there is the need to hold the following additional reserves:

1. **Grant Payment in arrears**: BCP should pay their grant in advance of the funded period, but to allow for late payments, it would be prudent to keep 3 months operational costs less non-grant income.

The total reserves needed for 3 months operating costs are broken down as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Monthly Cost** | **3 Month Total** | **Income Excluding Grant** | **Total Reserves to be held** |
| Volunteer expenses (fuel reimbursement) | £800 | £2400 |  |  |
| Bookkeeping | £200 | £600 |  |  |
| Payroll | £90 | £270 |  |  |
| Bank charges | £50 | £150 |  |  |
| Telephone | £96 | £288 |  |  |
| Fuel | £400 | £1200 |  |  |
| IT Support | £93 | £279 |  |  |
| Salaries | £5,619 | £16,857 |  |  |
| **Totals** | **£7,348** | **£22,044** | **£7,928** | **£14,116** |

1. **Sickness Cover**: this would allow for temporary staff cover, principally if a member of staff was off sick for a prolonged period and their role could not be covered by active staff. The costs of this would need to meet the liabilities of sickness pay (3 months full pay 3 months half pay for 4+ years of service). At most, using the highest paid member of staff as a baseline, this would cost **£1,415** assuming there was cover provided from the firstday of sickness.
2. Liability Shopmobility Equipment, primarily Electric Scooters and Powered Wheelchairs could still be incurred during the 3 month period as a result of breakdowns or damage in the interim. Loss through theft would be covered by the insurance. There would be no need to hold any reserves.

Total reserves to be held to cover operational costs

**£15,531**

**4.0 Total Reserves to be Held**

Total reserves to be held to cover operational costs and redundancies

**£24,874.00**

*Date of last Review October 2023*