

# COMMUNITY LINKS BROMLEY



## Cash Reserves policy

Date issued 21 January 2026

Next review date 31 January 2027

### 1. Introduction

- 1.1. This policy sets out the Community Links Bromley (“CLB”) need for financial reserves and the target range set.
- 1.2. This policy demonstrates CLB’s commitment to ensuring that their organisation is run with sound financial management at its core. The Reserves Policy’s aim is to ensure that our work is protected from the risk of disruption at short notice due to a lack of funds, whilst at the same time ensuring that we do not retain reserves at a higher level than is required.

### 2. Policy

- 2.1 The Charity Commission’s Charity Reserves: Building Resilience (CC19) guidance states: “It is important for charities to have a policy explaining their approach to reserves. 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, or decision that there is no need for reserves, should reflect the particular circumstances of the individual charity and be explained in the policy.
- 2.2 The purpose of this policy is to explain to CLB funders, beneficiaries, the public and the Charity Commission what these reserves are kept and not kept for and when they are to be used.
- 2.3 There is no single level, or even a range of, reserves that is right for all charities. Any target set by the Board for the level of the reserves to be held should reflect the particular circumstances of CLB. To do this, CLB should know the why it should hold reserves and, having identified those needs, consider how much should be held to meet them.

### 3. Definitions

- 3.1 Reserves are that part of the charity’s unrestricted funds that are freely available to spend on any of the charity’s purposes. These free reserves include short-term investment balances, cash and other working capital balances.
- 3.2 The items that should be **excluded** from reserves are:

- Tangible fixed assets used to carry out the CLB's activities, such as land and buildings.
- Designated funds set aside to meet essential future spending, such as funding a project that could not be met from future income.
- Commitments that have not been provided for as a liability in the accounts.

#### **4. Reserved Principles**

4.1 As part of the effective financial management, CLB hold reserves to ensure CLB can manage:

##### **4.2 Financial Impact of Risks**

Ensure that there is no significant disruption to our charitable activities, holding appropriate reserves will enable the organisation to respond to any unforeseen reduction in income (for example when income does not reach expected levels); or additional expenditure (for example when projects overrun or unplanned events occur).

We have based our projections for the appropriate amount of reserves we require on the basis that the reserves at our target figure would provide short-term cover until long-term solutions can be established.

The financial risks we face are monitored on an ongoing basis, through our Risk Review and at each bi-monthly Board Meeting and assessments on the possible financial impact of those risks have been incorporated into the reserves figure we have calculated.

##### **4.3 Working Capital**

Free reserves include both cash and investments, which are immediately available. Working capital represents a significant element of our reserves. CLB's income includes contracts which necessitate a significant working capital requirement. This requirement may increase should funding be secured that is paid in arrears.

##### **4.4 Target Level of Reserves**

The target is to cover redundancy, sickness and running costs at approximately six months income. Currently this has been assessed at £100,000 although the policy was originally created some years ago when expenditure was lower than it currently is and CLB does not believe it truly reflects the current position.

CLB unlike most other charities does not rely on donations but receives regular income from its contract with the London Borough of Bromley and this should be taken into account when calculating the required level of reserves.

This is not CLB's total income but at the moment a substantial part of it and as such, whilst the contract is in operation are to be treated almost as guaranteed for the term of the contract and taken into account in determining the correct

level of reserves CLB needs.

The current level of expenditure for CLB on an annual basis subject to regular review is in the order of £210,000 - £220,000.

The target level of reserves agreed by the Board current is between £160,000 to £180,000 in the short term. This is to act as a safeguard against current contractual uncertainty with respect to LBB core funding. This level of funding will provide a year of grace to plan for a merger, closure, or campaign if future funding is not secured.

The Board consider that this target figure provides sufficient flexibility in the context of operational requirements, and for an organisation of our size.

#### **4.5 High Level of Reserves**

A charity's level of reserves or unspent funds can appear to donors, beneficiaries or the Charity commission to be too high and this is generally for two reasons.

- First, because the trustees have not explained fully the reasons why they are keeping the level of reserves that they are.
- Second, because they are having difficulty in using their funds. A charity with excess reserves or unspent funds should explore the reasons for this, for example whether they could do more to increase the number of beneficiaries entitled to use the charity's service or utilise those resources more fully.

If ultimately a charity has more resources than it needs to fulfil all of its purposes then the trustees must consider whether the purposes of the charity should be amended to enable the charity to operate more effectively.

The review of this policy and the reserves positions included within our regular financial reporting for CLB will ensure an appropriate reserves level is maintained.

#### **5. Implementation**

The level of reserves will be monitored throughout the year and will be reported to the Board on a bi-monthly basis as part of its financial reporting. This is a standing item on the Board agenda

CLB will include in the annual report details of this policy on reserves, stating the level of reserves held and why they are held.

CLB will publish this policy on its website.

#### **6. Consultation**

This policy and procedure has been approved by the CLB Board on 21 January 2026.

## **7. Legislation and Regulation**

The Charity Commission guidance 'Charities reserves: building resilience' (CC19)

## **8. Review**

This policy will be reviewed annually as part of the CLB's financial planning processes or sooner where required.