



**Abbey Cwmhir
Heritage Trust**

*Ymddiriedolaet
Trefladaeth
Abaty Cwmhir*

Reserves Policy

1. Policy Purpose

The purpose of our Reserves Policy is to explain to the Charity Commission, major funders & donors, the Trust's members and the public at large why the charity is holding unspent charitable funds (whether a bank or deposit account, or other form of investment) instead of spending it immediately on promoting the Trust's activities for the public benefit.

The term "Reserves" is used to describe that part of The Trust's income funds that is freely available for its operating purposes not subject to commitments, planned expenditure and spending limits. Reserves do not include restricted funds and designated funds.

2. Responsibilities

2.1.1.	Trustees must ensure that the charity's funds are used appropriately, prudently, lawfully and in accordance with the charity's purposes for the public benefit
2.1.2.	The general principle of charity law is that funds received as income should be spent within a reasonable period of receipt
2.1.3.	The holding of reserves will be authorised (generally) by an implied power to hold reserves
2.1.4.	Trustees are justified in exercising their power to hold income reserves if, in their considered view, it is necessary in the charity's best interests

3. Contingencies

3.1.1.	The Trust's reserves do not have to be sufficient to cover the sum of the costs of all identified contingencies
3.1.2.	The contingency reserve will normally be based on the costs of mitigating the most "expensive" contingency
3.1.3.	The most "costly" contingency is something that so adversely affects the charity's long-term sustainability

	that it leaves the charity no longer financially viable
3.1.4.	Our Risk Analysis shows the likelihood of the risk occurring but also a review of its impacts and the likely costs of mitigating them

4. Cash Flow

4.1.1.	The Trust should identify in advance a cash flow showing income and expenditure for the coming year and should be updated monthly
4.1.2.	This will avoid any unseen cash flow issues
4.1.3.	Where predictable cash-flow issues cannot be resolved by rescheduling receipts and/or payments then incorporating appropriate provisions into the charity's Reserves Policy is an alternative solution
4.1.4.	Currently this stands at £500

5. Restricted Funds

5.1.1.	Money which is given to support a particular sub-set or aspects of a charity's activities are Restricted Funds
5.1.2.	Charity law requires that Restricted Funds (and any interest or Gift Aid income which they generate) can only be spent in accordance with the wishes of the donor(s)
5.1.3.	Restricted Funds that apply to the Trust are donations that have specifically been given to support our ongoing Research
5.1.4.	Restricted funds cannot be transferred to the general fund to cover wind-up costs without the explicit permission of the donors
5.1.5.	Restricted funds CANNOT be counted as part of the Reserve Policy

6. Closure

6.1.1.	If the Trust has come to the end of its useful life and needs to be closed down the Trust should have sufficient Reserves to meet its financial commitments
6.1.2.	Currently this stands at a nominal £500

7. Reserve Fund

7.1.1. The Trust has £6,000 in our Deposit Account for our Reserves

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