

Reserves Policy Statement

This policy on reserves was agreed at the Management Committee meeting on 3rd October 2005 and amended at the Management Committee meeting on 10th December 2007.

The trustees have set a reserves policy, which requires:

- Reserves are maintained at a minimum level, which ensures that LGEC's core activity could continue during a period of unforeseen difficulty.
- A proportion of reserves are maintained in a readily realisable form.

The calculation of the required level is an integral part of the organisation's planning, budget and forecast cycle. It takes into account:

- Risks associated with each stream of income and expenditure being different from that budgeted.
- Planned activity level.
- Organisation's commitments.

Why we need reserves?

LGEC requires unrestricted reserves for a number of reasons including:

- Providing a safety net to enable us to access sources of funding that are paid in arrears.
- Development costs for bringing new projects on stream.
- Enabling the organisation to make up for shortfalls in funding if necessary.
- Contingency – enabling the organisation to deal with unforeseen circumstances.
- Statutory redundancy payments as required.
- Winding up costs in the event of it being necessary to dissolve the organisation.

Level of reserves

LGEC's minimum base reserve is the cost of maintaining basic services for 6 months if all or most project funding is withdrawn at short notice. This includes costs incurred should it be necessary to dissolve the organisation. This is estimated to be approximately £60,000 and is based on the following estimate:

	<u>12 Months</u>	<u>6 months</u>
Redundancies	10712	10712
2 staff members for 1 year	56702	28351
Rent	7000	7000
Utilities (water, gas, phone, etc)	5000	2500
Other office expenses	2000	2000
Insurance, audit & other professional	4000	3000
Contingencies (wind up costs, sickness, mat leave, etc)	5000	5000
	£90,414	£58,563

Monitoring reserves

At 31st December 2006, our current level of unrestricted reserves was £121,901, approximately 4.5 months of annual expenditure. The trustees aim to maintain unrestricted reserves at least 3-6 months of annual expenditure to ensure that sufficient funds are available to cover project funding that is claimed quarterly in arrears.

To avoid cash flow problems, LGEC tries to negotiate quarterly payments in advance with amenable funders and ensure that claims are submitted as soon after the quarter end as possible.

Reviewing reserves

This policy and the analysis of income & expenditure will be reviewed on an annual basis.

Approved by the trustees and signed on their behalf by:

Name.....

Date

Signature

Due for renewal