

## **Rother Fed Reserves Policy**

### **1.0 Rother Fed needs reserves to:**

- 1.1 Meet contractual liabilities should the organisation have to close. This includes redundancy pay, amounts due to creditors and commitments under leases eg the photocopier.
- 1.2 To meet unexpected costs like break down of essential office machinery, staff cover re illness, maternity leave, parental leave, and legal costs defending the company's interest.
- 1.3 To replace equipment as it wears out.
- 1.4 To give the company some independence from housing revenue account dependence and provide services to our non-council house members
- 1.5 To provide working capital when funding is still pending
- 1.6 From time to time funding has certain restrictions which means that by law it must be held in a restricted reserves until it is spent in line with the funding agreement.

### **2.0 Rother Fed's funding.**

- 2.1 Rother Fed is currently funded by RMBC through we believe housing revenue account funding.
- 2.2 This dependence on one funder makes the company financially vulnerable
- 2.3 Some independence is being sought with a target of £8000 income generation and £5000 external grant applications this financial year, rising each year over the life of our present 3 year business plan.
- 2.4 RMBC repeat their HRA funding each year and the Directors are of the view that this pattern is likely to continue, if we can deliver the outputs in our business plan .

### **3.0 A prudent level of reserves**

- 3.1 Were Rother Fed to close the organisation would incur a number of winding up costs.
- 3.2 **Costs of closure**

## Redundancy costs

		£0	£0
<b>Notice period to staff</b>			
Development Manager	4 weeks	2236	
Member Development Officer	4 weeks	2477	
Finance and Admin Officer	4 week	1289	
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			£6,000
			£5,000
			£1000
			-----
			£12,000

3.3 This represents 9% of the current year's forecast expenditure of £136,710.

### 3.4 Assuming an ongoing organisation

There are a number of events that could occur during a year that are generally not budgeted for and would be typically funded from reserves.

#### Sickness

Development Manager	£2236
Member Development Officer	£2477
Finance and Admin Officer	£1289
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	£6000

The probability of all staff being sick for their maximum entitlement in one year is very low so this reserve has been reduced by 66% to £2000

	£2,000
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	£8000

3.5 This represent 7% of the current years forecast expenditure of £136,710.

3.6 It is assumed that most capital purchases will be funded from specific grants for capital purchases.

## 4.0 Designated Funds

4.1 £14,000 has been placed into designated premises funds for possible future accommodation costs in the event of Rother Fed moving to its

own building in the future. This was allocated from our business support grant for 2006-7.

- 4.2 These designated costs could act as a reserve in the case of possible closure.

## **5.0 Unrestricted Funds**

- 5.1 Any request for Unrestricted Funds must go to the Finance Subcommittee for their consideration.
- 5.2 Unrestricted Funds are funds the company receives to further its objects. These funds can be donations, grants or fees earned.
- 5.3 Subject to the Reserves Policy, the Finance Subcommittee can consider funding to other company priorities not addressed within the Business Plan.

## **6.0 Establishing and maintaining a prudent level of reserves.**

- 6.1 At the end of the last financial year (January 2008) there was only £2253 in unrestricted funds and £903 remaining from our initial business support grant totalling £3156.
- 6.2 With another £4000 in earned income in April 2008 our unrestricted reserves now total £7156, this still only meets the minimum required under our reserves policy for contingencies, assuming an ongoing organization.
- 6.3 Further unrestricted funds through income earned can be used as planned in item 5.2

## **7.0 Monitoring and reviewing of reserves policy.**

- 7.1 The trustees will consider current costs of closure and examine the level of reserves each year when setting the following years budget.
- 7.2 This reserves policy will be reviewed every two years.

Date approved 14<sup>th</sup> July 2008  
Next review date