



OYAP Trust Reserves Policy

OYAP Trust is committed to developing strong financial management processes and keen to ensure the financial resources to ensure the long term future of the charity. The purpose of this policy is to explain to funders, donors, and the general public why OYAP Trust holds unspent, unrestricted funds. This should strengthen their confidence that OYAP will manage their money effectively.

Background: what are Reserves?

Reserves are the unrestricted funds freely available to spend on our charitable purpose. OYAP follows the Charity Commission's guidance document CC19 which defines reserves as

that part of a charity's unrestricted funds that is freely available to spend on any of the charity's purposes. This definition excludes restricted income funds and endowment funds.

The current total value of OYAP's unrestricted, free reserves are declared in our annual accounts.

1. Statement of Policy

The board recognizes four key reasons to hold an unrestricted reserve:

- 1) Contingency: unexpected expenditure in the event of an emergency
- 2) Cash flow: payments which are needed before associated income is received
- 3) Commitment: committed expenditure which cannot be covered by income
- 4) Closure: where financial unsustainability means OYAP needs to be wound up

OYAP therefore aims to establish a sufficient strategic reserve to provide for the charity's obligations in the event of any of these situations.

In view of current funding conditions, and the increasing difficulties in securing core funds, the board agree that OYAP should aim to establish a reserve fund covering three months' venue operating costs and one term's committed project delivery. In addition, it should provide for the staff costs associated with winding up. Our aim is to work towards holding a sufficient reserve fund separate to our operating cash reserves. We are working towards this target over the next three years.

In the event of OYAP achieving long term security of tenure in a 'home' venue, the ambition is to work towards a target of six months' venue costs.

2. Application of Reserves

The reserve fund is established to help ensure business continuity in the event of a temporary funding shortfall or the decision to wind up our charitable operations. The fund is not intended to be beyond reach, can be drawn upon in other circumstances, and forms part of our general free reserves. In addition to its core purpose (the 4 Cs), the Board considers the following applications to be valid use of the reserve fund

- 1) Business support: activities to advance our charitable purpose or strengthen our resources, including funding additional human or material capacity.

- 2) Development funding: reasonable and affordable development of important new activities in the absence of other secured funds.

If use of the reserve fund is proposed, the Board will be given a full costed proposal for consideration. This will include an indication of plans for restoring the temporary depletion of the reserve fund.

In the event of winding up, the Memorandum of Association of OYAP Trust makes provision for reserves to be transferred to another organisation with similar objects, following the satisfaction of liabilities.

3. Review of Financial Risks

The principle financial risks facing OYAP are outlined as part of our organisational risk assessment. This risk assessment is regularly reviewed and updated by both the senior management team and the Board. In brief this includes:

- Insufficient core unrestricted funds
- Loss of income
 - (a) changes in context and funding
 - (b) failure to deliver projects
 - (c) low participation fees
- Cash flow issues arising from project fundraising

At April 2020, based on expenditure for the previous year, our estimate of the level of reserves needed can be summarised as follows:

overheads	£	10,878.79
project delivery	£	10,168.33
salaries	£	23,019.96
redundancy pay	£	14,149.04
holiday pay allowance	£	5,312.30
	£	<u>63,528.42</u>

The board is aware, however, that this may not be a sufficient timescale to complete funded projects, which may result in a return of funds. It is assumed that a negotiated settlement could be reached on outcomes and that reduced project delivery costs would mitigate this risk.

The increasingly volatile funding situation led the decision to set aside a separate account for this reserve fund from 2020. At that date the value of this account stands at £31,811.74, so some progress has been made in achieving this target. We aim to add any available surplus at the next year end.

4. Review of Reserves

The Trustees review the reserve levels of the charity annually. This review includes cash flow, income and expenditure, and the funding climate. The Trustees also take into consideration the future of the charity and key risks identified during the risk review.