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## **Reserves Policy**

This policy will be reviewed by 31<sup>st</sup> December of each year as part of the annual budget planning and approval process.

### **Introduction**

In the published 2015 accounts it was stated that the reserves held in the general funds were estimated at the equivalent of nine months of the charities general expenditure budget, amounting to £525,000. It was noted that the unrestricted reserves held in the general funds met and exceeded that objective. It was stated that the council would continue to review the levels of reserves which have accrued and would utilise these reserves to finance changes to the infrastructure of the Society particularly through IT, website development, staff changes and the refurbishment of the Royal Welsh Pavilion.

As of the end of July 2016 the reserves stand at £1,115,678 following a transfer of £124,660 to the operational budget to fund IT software development, the refurbishment of the exterior of the Pavilion and a bulk order of medals.

This policy seeks to address the charity's future needs in relation to its reserves and to satisfy Charity Commission requirements for charities to adopt comprehensive reserves policies.

### **Explain Why Needed**

The Council has examined the charity's requirements for reserves in light of the main risks to the organisation and the cost of projected future projects. The main risks are identified as external events beyond the Society's influence including the decision of the UK to leave the European Union and the implementation of a central equine database by the Welsh Government. Future projects may include a new or improved website.

For 2016 the Council has established a financial planning process whereby when agreeing the annual operational budget during the autumn of the preceding year, larger capital or revenue items will be funded out of its reserves.

### **Explain Level Needed**

Reserves in 2016 are needed to meet the working capital requirements of the charity against an environment of external change and uncertainty around future income, to set against identified risks and to fund future projects. The Council is confident that with sufficient reserves they will be able to continue the current activities of the charity in the event of a significant drop in income, geo-political changes or significant changes in the equine industry.

### **Explain How to Get to Needed Level**

The Society has decided to retain an operational reserve based on the current projected 12 months of operating costs of £597,480. Added to this are reserves of £440,000 set against identified risks to the Society and £75,000 set against the cost of future projects. This creates a total reserve of £1,112,480. This figure is held in the charities investment portfolio.

### **Plans to Monitor and Review**

The Council recognises that it should not be retaining income funds that should be paid out in the fulfilment of its charitable objectives. The Council undertakes to:

- Review the reserves position annually
- Review the investments position annually
- Forecast its income and the reliability of each income source
- Forecast its expenditure on the basis of planned activities and their associated costs
- Consider future needs and opportunities, for example expansion possibilities

- Consider various scenarios, for example, what if there was a change in government policy affecting their area of operations