Reserves Policy

Croydon Commitment

Linking Business with the Community

Updated February 2026 To be reviewed February 2027

RESERVES POLICY

The Code of Governance for Charities and IPCs states that “While all charities should maintain some level of reserves to ensure long-term financial sustainability, the charity should disclose its reserves policy in the annual report.”

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

All registered charities must explain their policy on reserves in their trustees’ annual report, stating the level of reserves held and why they are held. Charities with incomes over £500,000 should expand their review of the charity’s reserves.

As a small charity, Croydon Commitment has no formal requirement to hold reserves to a set amount but should consider a number of factors, such as

- How much cash might be needed to see the charity through a crisis.
- How much would it cost to close down.
- Provide stakeholders with assurances that the charity is well managed
- Are reserves too high or low for the charity’s needs How much uncertainty is there in an income forecast?
- How secure are the income streams?
- What is the charity’s monthly expenditure?
- How able are we to reduce service delivery on a temporary basis in an emergency?
- What regular expenditure might be reduced temporarily in an emergency? How much might this reduce costs - training, maintenance, parking planned new projects/work.
- How much would it cost us to close down? Redundancy, outstanding debtors etc

Croydon Commitment’s annual costs are approximately £36k. As a ratio of operating costs to reserves, a six-month reserve policy (£18k) would be appropriate. Croydon Commitment will operate its Reserves Policy with regard to the following:

- The amount of reserves at report date.
- What reserves level (ratio of reserves to annual operating expenditure).
- What steps the charity is going to take to establish or maintain reserves at the agreed level.

RESERVES POLICY TO BE DISCLOSED IN ANNUAL REPORT

Croydon Commitment reserves position: **6 months operating costs**

Current Year Previous Year % Increase / (Decrease) **N/A**

Unrestricted Funds (Reserves): **£ 98,147**

Restricted / Designated Funds: **£57,665**

Total Funds **£123,529**

Ratio of Reserves to Annual **54%**

Operating Expenditure **£21,000**

The reserves that we have set aside provide financial stability and the means for the development of our principal activity. We intend to maintain our reserves at a level which is at least equivalent to 6 months operating costs and any redundancy considerations.