



DRAFT RESERVES POLICY

Introduction:

The Charities Commission guidelines state that it expects trustees to decide, publish, implement and monitor their charity's reserves policy (the Policy) so that they can comply with their legal duties to:

- act in the interests of their charity and its beneficiaries
- protect and safeguard the assets of their charity
- act with reasonable care and skill
- ensure their charity is accountable

. This Policy has been revised in light of the impact of the COVID crisis. This policy document sets out:

- a medium term plan for the restoration of reserves,
- the basis for the establishment of the level of reserves,
- the purpose and approved use of such reserves.

The Board of Trustees (Board) is responsible for establishing this Policy and to regularly monitor and review its effectiveness in the light of the changing funding and financial climate and other risks. Reserves are essential to ensure all spending commitments and potential liabilities can be fulfilled and assists with the mitigation of the impact of unplanned events on SALTO Gymnastics Charitable Foundation Limited (SALTO), the members, staff and volunteers.

This Policy is reviewed, at least annually in line with the financial accounts review. Our aim is to maintain our reserves to ensure our financial resilience and sustainability, including protecting ourselves against unexpected shocks to SALTO activities that are not insurable risks.

The Policy sets out new aspirational target reserves levels and the key principles by which we manage surpluses or deficits compared with the targets. Our aim is to strike the appropriate balance between ensuring a sustainable financial position and using our funds to fulfil our charitable objects.

Types of Reserve

Restricted Reserves:

Restricted funds fall outside the definition of reserves. In SALTO's case, it may during the normal course of its fund-raising activities, receive the proceeds of donations or grants, which may be received with conditions attached regarding their use. Such funds will be held in a separate designated account and such funds shall be employed in strict accordance with the conditions attached and/or the purpose stated in the application for such funds. As such, these funds are not included in the calculation of the Unrestricted Reserves considered prudent for the day to day operation of the club.

Designated Reserves:

SALTO may decide to accumulate reserves in anticipation of a future project or material expense. These are detailed in the table below. As such it may set aside funds from its normal income and/or general fund-raising activities with a view to utilizing such reserves at the appropriate time to facilitate the project or meet the liability of the planned expense. SALTO may, at its discretion, re-designate the application of such funds to meet a new priority provided such is in furtherance of its charitable objects.

Unrestricted Reserves:

SALTO may decide to accumulate general reserves in order to ensure that the SALTO may fulfill its normal day to day activities, contractual commitments and operating expenses to mitigate the risk, however small, of an adverse change to anticipated future revenues or adverse impact of an unplanned or significantly larger expense than that which was included in the budget. As such, it may set aside funds from its normal income and/or general fund-raising activities with a view to utilizing such reserves at the appropriate time to avoid the need to cease delivery of scheduled activities in furtherance of its charitable objects. Unrestricted reserves are funds that are not specifically defined as Restricted Reserves but may include Designated Reserves.

These unrestricted reserves must be freely available to spend on any of the Charity's purposes. The starting point for calculating the amount of reserves help is therefore the amount of unrestricted funds held by a charity. However, just as in SALTO's case, some, or all, of the unrestricted funds may not be immediately available for spending.

This is because spending those funds may adversely impact on the Charity's ability to deliver its aims, or they are not easily convertible to cash or illiquid. Such items should be excluded from the calculation of reserves, include:

- **Tangible Fixed Assets** used to carry on the Charities activities, such as land and buildings. In January 2021, the Board commissioned a valuation report to establish the current valuation of the SALTO Centre. The SALTO Gymnastics Charitable Foundation Limited's balance sheet, as at 31st December 2020 reports the SALTO Centre valuation as £1,500,000. The net fixed asset value more than £1,000,000 is excluded from the calculation of free reserves as this equity is not easily realized into cash and could fall in adverse economic conditions.

- **Programme– related investments** those held solely to further the Charity’s purposes.
- **Designated Funds** set aside to meet essential future spending, such as funding a project that could not be met from future income.
- **Commitments** that have not been provided for as a liability in the accounts.

Level of Unrestricted Reserves

The Board has set targets for unrestricted reserves in this Policy, in accordance with Charity Commission guidelines (currently set out in CC-19), noting that reserves are needed to bridge the gap between the spending and receiving of income and to cover unplanned emergency repairs and other expenditure. The board has designated and established targets for Contingency, Financial Management and Strategic Reserves.

The Board shall always act with reasonable care and skill, using information and advice, as it deems appropriate, to set an annual budget, with a view to funding the delivery of scheduled activities and future development goals, in furtherance of its charitable objects. Such budget is set with due regard to prevailing operating income and expenditure, as well as prudent forecasting, based upon known internal and external factors. The budget also aims to create a modest surplus to contribute to an increase to the balance of unrestricted reserves towards the stated targets.

The Trustees considers the ideal medium target level of reserves is £50,000 by 2022, but the short-term target for 2021 is £30,000 because activity levels will take some time to reach pre-COVID19 levels.

The focus must be maintaining liquidity to meet obligations as they fall due. The Board approved a plan to borrow £100,000 Coronavirus Business Interruption Loans Scheme (CBILS) facility to ensure immediate liquidity needs were met. The balance on the CBIBLS facility is £88,888.90 (30 Nov 2021) and we must establish a framework for the medium-term operating activities of SALTO. In addition, after the enforced temporary closure of the SALTO Centre, the Board and Management have adopted a process of controlled cost reduction measures to ensure critical services are maintained during temporary closure.

In October 2021, the Board approved a plan to consolidate SALTO’s long-term debt (Mortgage, CBILS, Asset Finance) and to release some of the equity interest in the SALTO Centre to replenish the balance of unrestricted reserves

In the short-term, we aim to maintain unrestricted reserves of at least £20,000, as detailed in the table below

Description	Purpose of Reserves	Target Amount 2022	Target Amount 2021	Actual Amount Dec 21
Contingency Reserve (**Subject to Control Measures)	Ensure short term solvency in case of extreme event Buy some time in the event of a serious income shock Enable the organization to function while action is taken (including business interruption insurance claim) Ensure charitable commitments can be met	£30,000	£10,000	£20,000
Financial Management Reserves	Smooth volatility Provide coverage for permanent changes in circumstances Enable adjustments to be phased in over a longer time period Insulate usable reserves from adverse fluctuation in expenses, such as increase in hall hire cost due to adverse interest change.	£10,000	£10,000	£ 10,000
Strategic Reserves (*Establish Sinking Fund)	Enable delivery of SALTO Strategy Fund the non-recurring cost of major projects and initiatives	£20,000	*£10,000	*£ nil
Total Reserves	This is the unrestricted balance on the reserves account. This excludes balances on current accounts from time to time	£50,000	£30,000	£30,000

**** CONTINGENCY RESERVE CONTROL MEASURES are set out in the Rules Governing the operation and management of SALTO Gymnastics Club (the Club) Pursuant to Article 3a of the Articles Of Association adopted on 29 September 2021 (the Articles)**

SALTO's income is generated from the following sources

- Membership Subscriptions
- Membership Fees
- GiftAid
- Non Gymnastics Core Activities
- Trading Activity
- External Hire
- Sponsorship
- Donations/Grants/Bursaries/Crowdfunding/TheBigGive Fund Raising Events

- **Membership Subscriptions**

Prior to COVID19, generally predictable within a reasonable tolerance. Variable based upon the subscription fee rate and the number of participants/members. This represents the largest contribution to SALTO's Primary Trading Income. This income is regular, paid monthly and the majority is via pre-authorised card payments collected via our membership system and designated payment service provider. The subscription fees were last changed in October 2021.

- **Membership Fees**

Generally predicable within a reasonable tolerance. Variable based upon the actual membership fee rate and the number of participants/members. This is an annual fee. It is collected when members start their membership and annually thereafter in October. This fee was collected in October 2021, The annual fee for October 2021/22 was not increased.

- **GiftAid**

HMRC has granted a concession to SALTO to enable GiftAid claims on eligible member payments for which we hold valid gift aid declaration received in the previous financial year. We have a budget for a minimum £10,000 contribution for 2021. Following the merger of SALTO Gymnastics Club and The SALTO Foundation Limited, the latter has been recognized for by HMRC Gift Aid purposes and HMRC have also noted the change of name to SALTO Gymnastics Charitable Foundation Limited.

- **Non-Gymnastics Core Activities**

We look to develop innovative ways to offer activities that promote health and wellbeing to members and non-members taking advantage of time when the SALTO Centre is not fully occupied by our core-activities. Normally, this not only contributes to our charitable objects but also provides a strong and reliable source of revenue.

- **Trading Activity**

Trading activity is materially below pre Covid levels and likely to remain so in the immediate future.

- **External Hire**

Activity is materially below pre Covid levels. There are different forms of external hire from Parties, Competitions and Events, Community Club hire and Coach Education Courses. This source of income is expected to make an increasing valuable contribution External hire, except for Parties is now charged through SALTO Leisure Limited. External factors could easily stall this income potential.

- **Donations/Grants/Bursaries/Fund Raising Events/Crowdfunding/TheBigGive Appeal**

This is entirely linked to the volume and success of such activities. These are generally linked to a project or planned expense and the funds raised are either Restricted Reserves or Designated Reserves. There are long lead times between applications and any funding received with the exception of specific events. This is not predicable. Increasingly applications are being made for support for core costs.

- **Sponsorship**

Sponsorship is new to SALTO and not yet a predicable or making a meaningful contribution to the income mix. Two new sponsors came forward as part of our crowdfunding campaign and the Big Give Christmas Challenge.

Review By	Version Date	Version
Carl Richardson	February 2019	V1
Carl Richardson	July 2019	V2
Carl Richardson	June 2020	V3
Carl Richardson	Mar 2021	V3
Carl Richardson	December 2021	V4