

Reserves Policy - Noa's Place CIO

1. Introduction and Purpose

The purpose of this policy is to set out the approach of Noa's Place CIO to building and maintaining financial reserves. This policy ensures our long-term viability and demonstrates responsible financial management to the Charity Commission, funders, and our community.

2. Definition of Reserves

'Reserves' are defined as the portion of the CIO's unrestricted funds that is freely available to spend on any of the charity's purposes. This excludes:

- **Restricted Funds:** Money given for a specific purpose (e.g., a grant for sensory equipment).
- **Designated Funds:** Unrestricted funds set aside by trustees for a specific future project.
- **Tangible Fixed Assets:** The value of assets like the hub building or essential equipment.

3. The Need for Reserves (Start-up Context)

The Board of Trustees believes that it is essential for Noa's Place to maintain reserves to:

- **Manage Cash Flow:** Cover short-term deficits (e.g., if a grant payment is delayed).
- **Maintain Hub Facilities:** Meet unforeseen costs such as urgent building repairs or the failure of critical sensory equipment (bubble tubes, fiber optics, etc.).
- **Respond to unforeseen events:** Manage a temporary drop in income from the café or charity shop.
- **Orderly closure or wind-down:** Ensure that if operations must cease, the charity can meet all legal and financial obligations.

4. Target Level and "Building Phase"

For the purposes of this policy, **essential operational expenditure** means: "Core costs required to maintain service delivery, including staffing, premises, utilities, insurance, and critical equipment maintenance."

The Board of Trustees has set:

- a **minimum reserves threshold of three months of essential operational expenditure**; and

- a target level of reserves equivalent to **three to six months of essential operational expenditure**.

Falling below the minimum reserves threshold will trigger a **trustee review and a formal recovery plan**.

Building Phase Clause: As a newly registered charity, we are currently in a "building phase" and do not yet hold significant reserves. This means we are **building towards** the target range (including the typical **5–10% of annual operating expenditure** benchmark) as the CIO's income stabilises. We aim to reach our target level within the first **24 months of full operation** by:

1. Allocating a percentage of all unrestricted public donations to the reserves fund.
2. Reinvesting a portion of any surplus generated by the community café and charity shop.

5. How Reserves Will Be Used

The use of reserves must be approved by a resolution of the Board of Trustees. Reserves should only be accessed where **alternative funding is not available** and in alignment with the purposes outlined in this policy. Once used, the trustees will develop a clear plan to replenish the fund.

6. Monitoring and Reporting

The Treasurer will monitor the level of reserves throughout the year. Reserves are **calculated** by comparing current unrestricted cash balances (as per latest management accounts) against the forecast essential expenditure for the next 3-6 months.

- A reserves update will be presented to the Board of Trustees **quarterly (every three months)** as part of the management accounts. **Particularly during the start-up phase, this ensures strengthened financial oversight and allows the Board to respond quickly to any changes in the CIO's financial position.**
- The level of reserves held will be reported in the Trustees' Annual Report each year.

7. Policy Review

This policy will be reviewed annually to ensure the target level remains appropriate as the hub grows and our risks change.

Date for Next Review: [19/11/2026]