

# Bridge Estate Charitable Trust – Reserve Policy 2023/24

<b>Formally endorsed by</b>	Trust and Charities Committee
<b>Next Review</b>	March 2024
<b>Charity Commission Guidance</b>	Charity Commission guidance 'Charities reserves: building resilience' (CC19)

## 1. Introduction

1.1. The charity aims to maintain unrestricted funds sufficient to meet its charitable objectives as identified below:

- 1) To provide for the efficient maintenance and repair of Trent Bridge and the approaches to it.
- 2) To provide a contingency fund for the possible construction of such new bridge or bridges over the River Trent as may be found necessary or desirable.
- 3) To apply the residue of any income as the trustees think best for the improvement of the City of Nottingham and the public benefit of its inhabitants.

This policy sets out the charity's need for financial reserves.

## 2. Why does Bridge Estate need a Reserves Policy

2.1. The Charity Commission's CC19 guidance states:

'There is no single level or even a range of reserves that is right for all charities. Any target set by trustees for the level of reserves to be held should reflect the particular circumstances of the individual charity. To do this, trustees need to know why the charity should hold reserves and, having identified those needs, the trustees should consider how much should be held to meet them.'

2.2. Reserves are contributed to from the charity's unrestricted income that is freely available to spend on any of the charity's purposes. In setting a reserves policy, it is vital to understand the difference between unrestricted and endowment funds.

2.3. Unrestricted funds enable the charity to deal with sudden and unexpected reductions in income or large unforeseen items of expenditure. Endowment funds are restricted resources held until liquidised (i.e. property portfolio), upon liquidation these resources are held in a capital receipt reserve and earmarked for reinvestment in the property portfolio.

2.4. Bridge Estate requires a reserve policy for 3 principal reasons:

- To assist the Trustees to assess what a **sufficient** level of reserves needs to be recognising that this will need to reflect known events, liabilities and risks to enable it to meet its charitable objectives. Charities To clarify the arrangements for monitoring and reviewing the level of reserves.
- For compliance purposes, as standard accounting practice requires charities to report on its reserves and reserves policy in the annual statutory accounts.

### 3. Why does Bridge Estate hold unrestricted reserves

3.1. Holding sufficient reserves is required so the charity can demonstrate appropriate financial management, stewardship and sustainability. This reserve policy helps to provide assurance to the charities stakeholders that the charity is being managed in a prudent manner for the best interests of its beneficiaries.

3.2. As part of prudent financial management the charity has considered the following areas:

- **Working Capital**, the charity needs working capital to allow it to meet its liabilities as they arise (this is a key going concern requirement). Bridge Estates unrestricted reserves largely contains cash which is immediately available, should income from its investment properties decrease the charity is able to reduce the amount it has budgeted in relation to charitable objective 3 accordingly (i.e. public benefit of its inhabitants).
- **Financial risk**, the charity is subject to a number of financial risks, primarily around the investment properties and the potential loss of income / costs from potential void properties. The annual budget is set on a prudent basis and assumes certain levels of lease breakages / voids. If the actual financial performance of the trust is below its budgeted position, the Trustees are required to consider a reduction in the amount allocated within charitable objective (i.e. public benefit of its inhabitants) 3 and / or use unrestricted reserves. Any use of reserves is required to ensure it complies with this policy.

### 4. How will the Policy apply in practice?

4.1. The Bridge Estate has 3 defined unrestricted reserves:

- **Bridge Maintenance Reserve** – set aside for maintenance of Trent Bridge (per the first charitable objective).
- **Property Maintenance Reserve** – The charity has a large property portfolio and, to ensure its assets remain in good state of repair this reserve has been established to fund planned and unforeseen works.
- **General Reserve** – set aside to fund unforeseen expenditure and / or enable the charity to further meet its charitable objectives.

4.2. The Trustees will agree a target level / annual contribution for the aforementioned reserves, which will be kept under review and reassessed regularly. The actual level of reserves at any time will be measured against this target, and appropriate action taken to make up any shortfall / utilise any surplus.

## **5. Monitoring and compliance**

- 5.1. As part of the annual budget setting the level of reserves will be reviewed at the relevant Trust and Charities Committee meeting. To identify any impact of:
- Any in year pressures,
  - Future plans / commitments.
- 5.2. Reserve levels and forecasts will be monitored regularly, with regular reports (such as outturn and budget reports) provided to the committee.

**March 2023:**