

Finance and Reserves Policy Template

A guide to financial management, sustainability, and responsible use of resources

1. Overview

[Name of Organisation] is committed to managing its finances responsibly, transparently, and in a way that supports its charitable aims and long-term sustainability.

This policy sets out how we manage income, expenditure, financial controls, and reserves. It is designed to ensure that resources are used effectively, risks are managed appropriately, and the organisation remains financially viable.

This policy applies to trustees, staff, volunteers, and anyone involved in financial decision-making or handling funds on behalf of the organisation.

2. Our Approach

We aim to maintain strong financial governance while keeping arrangements proportionate to the size and complexity of the organisation.

We recognise that good financial management is essential to:

- delivering services effectively
- maintaining stakeholder trust
- meeting legal and regulatory requirements
- planning for the future

We will ensure that financial decisions are made in the best interests of the organisation and in line with our charitable objectives.

3. Legal and Regulatory Framework

This policy is guided by relevant legislation and guidance, including requirements set by the Charity Commission for England and Wales.

Trustees are responsible for ensuring that:

- funds are used for their intended purposes
 - proper financial records are kept
 - appropriate financial controls are in place
 - annual reporting requirements are met
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4. Financial Responsibilities

Overall responsibility for financial management lies with the Board of Trustees or Management Committee.

Trustees are responsible for ensuring that the organisation remains solvent, uses funds appropriately, and manages financial risks.

Day-to-day financial management may be delegated to a Treasurer, Finance Lead, or senior staff member, depending on the size of the organisation. This includes maintaining records, monitoring budgets, and reporting on financial performance.

All individuals involved in handling money must act with honesty, care, and accountability.

5. Financial Planning and Budgeting

The organisation will plan its finances to ensure sustainability and effective delivery of its activities.

An annual budget will normally be prepared and approved by trustees, setting out expected income and expenditure. Financial performance will be monitored regularly against this budget, and adjustments made where necessary.

For smaller organisations, this may be a simple income and expenditure plan. Larger organisations may use more detailed financial forecasting.

6. Income and Expenditure

We will ensure that all income is properly recorded, receipted where appropriate, and banked promptly.

Expenditure will be authorised in line with agreed procedures and must support the organisation's objectives. Wherever possible, spending decisions will be supported by appropriate documentation, such as invoices or receipts.

We will aim to ensure value for money while maintaining quality and safety.

7. Financial Controls

Appropriate financial controls will be in place to protect the organisation's assets and reduce the risk of error or fraud.

These may include:

- separation of duties where possible
- authorisation of payments
- regular bank reconciliation
- secure handling of cash and online transactions

The level of control will be proportionate. Smaller organisations may operate simpler systems, while larger organisations may require more formal procedures.

8. Banking Arrangements

The organisation will maintain a bank account in its name. Signatories will be approved by the trustees, and at least two authorised individuals will normally be required for payments where possible.

Online banking access will be managed securely, with appropriate oversight.

9. Reserves Policy

The organisation aims to maintain an appropriate level of financial reserves to ensure stability and resilience.

Reserves are funds that are freely available to spend on any of the organisation's purposes. They do not include restricted funds, which must be used for specific purposes.

The level of reserves held will depend on factors such as:

- the size and nature of the organisation
- the reliability of income streams
- financial risks and commitments
- the need to manage unexpected events

As a general guide, organisations may aim to hold reserves equivalent to a number of months' running costs. However, this will vary and should be regularly reviewed.

The purpose of holding reserves is to:

- manage short-term cash flow
 - respond to unforeseen circumstances
 - ensure continuity of services
 - support strategic development where appropriate
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10. Use of Reserves

Reserves may be used where necessary to support the organisation's objectives, including during periods of reduced income or increased demand.

Any significant use of reserves should be agreed by trustees and recorded appropriately. Plans should be made to rebuild reserves where they have been used.

11. Financial Reporting

Regular financial reports will be provided to trustees or the governing body to support effective oversight and decision-making.

These reports will include information on income, expenditure, and financial position, and may highlight any risks or issues.

The organisation will also meet its external reporting requirements, including submitting accounts where required.

12. Risk Management

Financial risks will be identified and managed as part of the organisation's overall risk management approach.

This may include risks relating to income sustainability, cash flow, fraud, or unexpected costs. Appropriate steps will be taken to reduce and manage these risks.

13. Fraud and Misuse of Funds

The organisation takes a zero-tolerance approach to fraud, theft, or misuse of funds.

Any concerns should be reported immediately and will be investigated appropriately. Where necessary, action will be taken in line with relevant policies and legal requirements.

14. Review

This policy will be reviewed regularly, at least once a year, to ensure it remains effective, proportionate, and in line with legal and regulatory requirements.

15. Approval

Adopted by: [Board of Trustees / Management Committee]

Date: _____

Signed: _____

Name: _____

Position: _____

Next Review Date: _____