



Reserves Policy Guide

Introduction

An operating reserve is an unrestricted fund balance set aside to stabilize a club's finances by providing a cushion against unexpected events, losses of income, and large unbudgeted expenses. Operating reserves should not be used to cover a long-term or permanent income shortfall. The term "Reserves" is used to describe that part of a club's income funds that is freely available for its operating purposes not subject to commitments, planned expenditure and spending limits.

Why do clubs need a reserves policy?

- Having a reserves policy helps inform the way in which a club manages its cash, liquid assets and debt, that is, its financial management approach.
- A comprehensive reserves policy will assist clubs when planning and explaining their approach to club members. It contributes significantly to the committee's ability to balance the needs of current and future beneficiaries, to provide club members with assurances that the club is well managed and that it has, where appropriate, a strategy for building up reserves.
- Without a reserves policy, the club cannot be confident that their reserves level matches the club's needs at the time. The club could be holding reserves that are too high or too low for its needs.
- A reserves policy enables a club to safeguard against unplanned/ unpredicted situations, such as pool closure, increased pool hire costs etc.

What does a reserves policy cover?

A reserves policy should cover as a minimum:

The amount of reserves as at report date;

What reserves level (expressed in the ratio of reserves to annual operating expenditure) the committee agrees the club needs, together with the reasons why the club needs this level;

What steps the club is going to take to establish or maintain reserves at the agreed level; and

Arrangements for monitoring and reviewing the policy on a regular basis.



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How do you set a reserves policy?

An appropriate level of reserves could be set through:

- Discussion with your club committee
- Analysis of cash flow
- Analysis of existing funds and reserves
- Review of future income streams with an assessment of their reliability
- Review of committed expenditure and how far this is controllable
- Examination of past trends
- Examining the likely changes in the main source of income
- Assessment of how your club may cope with changes in the main source of income
- Studying the likely effects on the club members
- Assessment of the risks facing the club, and how likely these are to materialise
- Forecasting levels of income in future years (considering the reliability of each source of income, and the prospects for opening up new sources)
- Forecasting expenditure in future years based on planned activities
- Analysis of any future needs, opportunities, contingencies or risks
- Assessment of the likelihood of each of those needs arising, and the potential consequences for your club not being able to meet them.



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Reserves policy template

Current reserves position:

	Current Year	Previous Year	% Increase / (Decrease)
Unrestricted Funds (Reserves)			
Annual operating costs			
<ul style="list-style-type: none"> • Pool hire 			
<ul style="list-style-type: none"> • Coaching fees 			
<ul style="list-style-type: none"> • Other costs 			
Total Funds			
Ratio of reserves to annual operating costs			

The reserves that we have set aside provide financial stability and the means for the development of our principal activity.

We intend to establish/ maintain our reserves at a level which is at least equivalent to **XXXX (a set range, amount or manner of calculation, with justification/ reasons).**

We intend to take the following steps to establish the reserves at the agreed level:

1. **Ensure club membership fees are set slightly above current operating costs**
2. **Set annual fundraising targets**
- 3.

We intend to use the reserves in the following manner in **XXXX (state timeframe):**

1. **Capital expenditure on club equipment**
2. **Education and training**
3. **To cover unexpected pool costs should the need arise**

The committee regularly **(state regularity like quarterly, etc)** reviews the amount of reserves that are required to ensure that they are adequate to fulfil our continuing obligations.