

New Road Old Stones Trust

Reserves Policy

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1. What is the New Road Old Stones Trust (NROST) Reserves Policy?

“The NROST aims to maintain an appropriate level of general reserve of unrestricted funds to meet its financial, legal, and moral obligations to its employees, volunteers, and to all relevant authorities.”

2. What are reserves and why does NROST need them?

a. Reserves are a parcel of unencumbered assets that an organisation maintains over and above those required for the day-to-day operations.

b. Bumps in the road

i. Reserves allow NROST to deal with any ‘bumps in the road’, such as sudden and unexpected reductions in income or large items of expenditure that were not budgeted for.

ii. It is typical for a trading organisation, including a charity, to maintain a general reserve comprising assets which are either cash (i.e. cleared funds at the bank) or in a form that can be converted into cash within the required period.

iii. NROST is no different to many other organisations; it needs a general reserve:

1. To cover a shortfall in income; For example, if one of the main donors withdrew funding, the reserve could be called upon to provide the necessary cashflow until a replacement funder was found.

2. To meet an unexpected expenditure; For example, if a major and unexpected expense was required, this could be met from the reserve.

c. Closure

i. In addition to the ‘bumps in the road’ scenario, the existence of adequate reserves will ensure that, if the worst happens and NROST needs to be closed down, there will be sufficient funds to meet all of its obligations and liabilities as part of a managed exit.

ii. In the event of closure, the general reserve would be required to ensure

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all residual operations, redundancy and other closure costs are funded.

3. Why does NROST need a Reserves Policy?

NROST needs a Reserves Policy for four principal reasons:

- a. **To assist the Trustees** to assess what the **sufficient** level of reserves should be at any given time. Indeed, this will change over time as NROST grows, the services it provides change, and the risk profile of its income and expenditure changes.

It should be noted that whilst NROST, like all charities, should be maintaining sufficient reserves, it also has a duty to not be over-cautious and maintain excessive levels of reserves. Subject to maintaining sufficient reserves (in accordance with the Reserves Policy) NROST should apply all of its income and assets to the provision of the services detailed in its charitable objectives.

- b. **To clarify the arrangements** for monitoring and reviewing the level of reserves.
- c. **For compliance purposes**, as standard accounting practice requires charities to report on its reserves and reserves policy in the annual statutory accounts.
- d. **To assist with fundraising**, as many charitable trusts and similar organisations now require details of, or even sight of, the Reserves Policy as part of their assessment of any funding application.

4. How will the Reserves Policy apply in practice?

- a. The Trustees will agree a target level for the general reserve, which will be kept under review and reassessed regularly. The actual level of reserves at any time will then be measured against this target, and appropriate action taken to make up any shortfall / utilise any surplus. However:
 - i. Given that NROST is a newly formed charity (September 2024), the Trustees recognise that there is uncertainty as to what an appropriate level of reserves should be, therefore a target figure of three months' annual budget has been agreed, which will be subject to annual review; and:
 - ii. It is not possible to hold the desired three month's annual budget as a reserve from inception, therefore to avoid detrimental impact to the

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ability to meet liabilities, the Trustees agreed to adopt a slow and cautious approach to building the Reserve Fund; Therefore:

- iii. At the Trustee meeting held 17 October 2024 it was agreed that 2% of the NROST income each month would be transferred to the Reserve Fund, and for this arrangement to be reviewed at the end of each financial year, with any decision to increase the percentage monthly contribution to the Reserve Fund balanced against the anticipated income and expenditure.
- b. NROST hold Reserve Fund money in a dedicated, interest bearing, bank account.

5. How will the target level of general reserves be assessed?

In assessing the appropriate level for the target general reserve, the Trustees will consider each of the following:

a. **Income risk**

The robustness of the current income streams, NROST's sensitivity to the partial or complete withdrawal of any particular funding source, and the likelihood and timing of any potential replacement/new funding.

b. **Expenditure risk**

The level of confidence in the expenditure budgeted for the current period, the likelihood and likely magnitude of unbudgeted costs arising, and the ability of NROST to flex spending in the short to medium term in response to unexpected events.

c. **General operating environment**

The potential external risks/developments/changes that could impact NROST's operating position, such as changes in government legislation, changes in priorities at the local authority, activity by 'competitor' charities, or the loss of key staff members.

d. **Cost of closure**

Should an event or events occur which cause the Trustees to decide to close NROST, how closure of the charity would be managed and funded.

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6. Arrangements for monitoring and reviewing the general reserve, and the Reserves Policy itself

- a. Given that NROST is a growing organisation, it is likely that the target general reserve will change from time to time.
- b. The target general reserve, and indeed the Reserve Policy itself, will be the subject of a regular review by the Trustees.
- c. A formal assessment of the target general reserve and of actual reserves will be undertaken by the Treasurer on an annual basis, as part of the preparation of the Report of Trustees that ultimately appears in the Statutory Audited Accounts, which are submitted to The Charity Commission.
- d. This formal assessment will be presented to, and approved by, the Trustees each year. The latest annual assessment will be appended to the Reserves Policy each year.

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Appendix 1 - Reserve policy review 2025/26

1. Policy

The Treasurer has reviewed the Reserve Policy and is satisfied that it is fit for purpose for 2025/26.

2. Income risk

NROST has a small but committed donor base which at 21 November 2025 has 22 individuals and 6 churches who have donated at least once in 2025/26, compared with 25 individuals and 7 churches who donated at least once in the whole of 2024/25.

In addition, the Macdonald Trust have committed to donate £300/month through 2025/26.

No specific risks have been identified to the NROST income for 2025/26. The Macdonald Trust donations are expected to end December 2027.

3. Expenditure risk

Current and predicted levels of spending are in line with budget.

NROST wish to phase increase staffing with an ultimate goal of appointing a project worker in each of the 10 Greater Manchester boroughs. This needs to be introduced with care as current funding levels do not support a substantial staffing increase. It is recommended to the Trustees that the appointment of new staff should include the increase of financial support from existing and new donors to ensure provision for the subsequent NROST increased operating costs following the appointment of additional staff.

4. General operating environment

No general operating environment external risks/developments/changes have been identified that could impact NROST's operating position.

5. Cost of closure

The cost of closure is limited to:

- a. Redundancy – for 2025/26 no employee is eligible for redundancy pay due to length of service not meeting minimum thresholds.

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- b. Outstanding invoices payable where goods/services cannot be cancelled.
- c. Return to donors of any unspent designated gifts.
- d. Costs of notifying official bodies, donors, and the general public of closure.
- e. The sale of tangible assets in 2025/26 may realise in the region of £1,000 to offset closure costs.

6. Level of reserves

- a. The 2025/26 budget means that the target level of reserves for the end of 2025/26 is £10,305.
- b. The Trustee meeting 11 October 2025 agreed to increase contributions to the reserve fund as follows:
 - 2025/26: 3% of income
 - 2026/27: 5% of income
- c. Given 6-b it is anticipated the Reserve fund will end 2025/26 80% underfunded, and 2026/27 approximately 60% underfunded assuming the budget income is similar to 2025/26.
- d. For 2027/28 the Treasurer will propose an increased transfer to the Reserve fund of 10% of 2027/28 budget income. It is anticipated 2027/28 would end 20% underfunded, with full reserve funding expected to be achieved during 2028/29, the 5th year of operation.

7. Recommendation to the Trustees meeting 25 November 2025

The Treasurer proposes this Appendix is accepted and added to the Reserve fund policy in line with the Reserve fund policy clause 6-d.