

# COVID-19: Guide to Reserves

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yorkcvs

## **Introduction:**

York CVS is a social action organisation; supporting and championing York's voluntary, community and social enterprise (VCSE) sector to make positive change, challenge issues and grow new ideas for the future in order to strengthen communities.

We do this by supporting new and existing VCSE groups and organisations with guidance about legal structures, governance issues, policies and procedures and by identifying potential funding sources and developing funding bids. We also bring organisations together to discuss and challenge local issues through our events and voluntary sector forums.

The following guidance and information on reserves is designed to support VCSE groups and organisations who are preparing funding applications during the COVID-19 pandemic.

## **Reserves:**

### **1. What are they?**

The Charity Commission's definition is that reserves are unrestricted income that is not yet spent, committed or designated. It means that reserves exclude restricted funds (which are income funds that have been given for a specific purpose e.g. a restricted grant), designated funds that the trustees have set aside for a specific purpose, and any fixed assets that are being held for the charity's own use.

### **2. Why are they important?**

As a charity or another type of voluntary and community sector organisation you will be aware of the need to secure your financial viability beyond the immediate future. For your organisation to survive in the medium to long term you need to be able to absorb setbacks and to take advantage of opportunities. If your organisation has little or nothing in reserve then this pandemic may cause closure. However, if your organisation has sufficient reserves to enable you to exist for a period of time (say

three months) then you might be able to secure new funding streams, which enables you to continue your service.

### **3. Reserves policy**

A reserves policy is a sign to funders and donors that you are following good practice and that you take financial management seriously. It increases the transparency of your organisation thereby increasing the confidence of donors and members.

Your reserves policy should include 4 things:

- A justification for holding the reserves in the first place.
- The level of reserves that it has been agreed should be held
- The steps that you are taking to get to or maintain that level of reserves 4. The arrangements for reviewing the policy and the level of reserves.

More details are available at: <https://www.gov.uk/government/publications/charities-and-reserves-cc19/charities-and-reserves#sA1>

#### **The view of funders on reserves at this time\*:**

#### **The National Lottery Community Fund and Two Ridings Community Foundation**

Both these funders have suggested that organisations should look to include their reserves as part of their sustainability planning as funding is limited and cannot be relied upon to meet all of the needs. So they are happy to have bids from organisations with reserves but they want to see that it is proportional.

\*Information published 25 May 2020.

#### **Support:**

If your group or organisation needs support, please contact our Funding and Development Officer, Jane Granville: [jane.granville@yorkcvs.org.uk](mailto:jane.granville@yorkcvs.org.uk)