

TRANSITION BRO GWAUN LTD

Reserves Policy

Objective

To enable TBG to meet its existing financial obligations as they fall due and have sufficient resources to enable it to achieve its wider mission and its charitable objects.

In setting the policy, the Board of Trustees has referenced CC19 Charities and Reserves guidance issued by the Charity Commission <https://www.gov.uk/government/publications/charities-and-reserves-cc19/charities-and-reserves>

In setting the parameters for the reserves policy, the Board of Trustees has considered the following:

- If reserves are too low, the charity risks insolvency and its charitable purpose will be put at risk.
- If reserves are too high, money will be tied up unnecessarily, thus limiting the charity's achievement of its purpose and jeopardising its ability to raise future funds.

TBG's financial position

The vast majority of TBG's income are donations made via their subsidiary company TCV Ltd which derive from income from the Community Wind Turbine in Fishguard. TCV Ltd is a 50% shareholder of ACT Ltd which owns the turbine. The nature of this income (weather dependant) and the current state of repair and age of the wind turbine must be taken into consideration when determining reserves.

TBG's expenses fluctuate vastly depending on current project activities but big increases normally only occur when initial funding has been obtained. Projects may be carried forward after the funding has ended and the possibility of these rises in expenses have to also inform this policy.

Definitions

Reserves represent total funds available to the charity (liquid or otherwise) to enable it to meet its objectives.

These broadly are made up of two sub-sets, unrestricted funds and restricted funds.

- **Unrestricted funds** are income or income funds are freely available to spend on any of the charity's purposes by discretion of the trustees. If part of an unrestricted fund is earmarked for a particular project it may be designated as a separate fund, but the designation has an administrative purpose only and does not restrict the Trustees' discretion to spend the funds (Designated Funds).
- **Restricted funds** are funds subject to specific trusts which may be declared by the donor(s) or with their authority or created through legal process, but still within the wider objects of the charity. Restricted funds fall outside the definition of reserves, but the nature and amount of such funds may impact on a charity's reserves policy.

Reserves policy

This policy should be reviewed annually so risks can be reassessed (see page 3)

1. Minimum Reserves – to buffer weather dependence

A minimum of six months' future operating and governance costs should be retained in bank balances. When calculating this, the designated fund held by TCV Ltd is not taken into account.

2. Maximum reserves – when state of repair and age of turbine look to threaten the charities income and to give time to the charity to increase other income streams and lower their expenses substantially in case of medium or long-term loss of income from the turbine

A maximum of twelve months' operating and governance costs should be retained as reserves. When calculating this, the designated fund held by TCV Ltd is not taken into account.

3. Designated Funds (earmarked for a specific purpose): TBG has one designated fund that its subsidiary TCV Ltd holds to pay for wind turbine repairs or deposits for a replacement. Where in the opinion of Trustees, a potential project (which is not yet at the stage of readiness for external funding or gone on beyond the funding) should be funded out of unrestricted funds, another designated fund can be created.

4. Contributions to restricted funds

These funds should be held as bank deposits and current accounts throughout the period of each respective project that the funds relate to. Such funds are excluded from the calculation of reserves.

5. Efficient use of bank balances retained

The charity will retain sufficient balances within instant access deposit accounts and current accounts at Triodos Bank to meet the Minimum Reserves requirement or - if decided by the Trustees - to meet the Maximum Reserves. When meeting Maximum Reserves requirements, the charity will endeavour to transfer parts of the funds into a savings account.

The designated fund held by TCV Ltd for wind turbine repairs is held in a TCV Ltd savings account at Triodos Bank.

A list of income and expenditure will be maintained in order to track all income and expenditure on a weekly basis.

Attachment

Assessment of target level of general reserves

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

1. Income risk: the robustness of the current main income stream, donations made via their subsidiary company TCV Ltd which derive from income from the Community Wind Turbine in Fishguard. TBG’s sensitivity to the partial or complete income loss due to weather conditions or turbine malfunction.
2. 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 TBG to flex spending in the short to medium term in response to unexpected events.
3. General operating risk: the potential external risks / developments / changes that could impact TBG’s operating position, such as changes in tax or government legislation or available funding.
4. Cost of closure: should an event or events occur which cause the Trustees to decide to close TBG, how closure of the charity would be managed and funded.

Approved by: TBG Trustees	Date Approved: 10/09/24	Review Date:
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