**LANDGUARD BIRD OBSERVATORY (LCT)**

**Financial Reserves Policy & Procedure**

**Purpose**

The purpose of this policy is to establish guidelines for managing and maintaining financial reserves within LCT. Financial reserves serve as a safety net, ensuring stability during unexpected events or financial challenges.

**Scope**

This policy applies to all financial reserves held by our organisation.

**Definitions**

* **Financial Reserves**: Funds set aside for specific purposes, such as emergencies, capital projects, or future investments.
* **Reserve Ratio**: The percentage of total assets allocated to reserves.

**Procedure**

**1. Reserve Types**

1. **Operating Reserves**: Maintain a portion of unrestricted funds as operating reserves. These funds cover day-to-day expenses and short-term cash flow needs.
2. **Capital Reserves**: Allocate funds for long-term capital expenditures (e.g., maintenance, equipment replacement).
3. **Restricted Reserves**: Set aside funds for specific purposes (e.g., closure).

**2. Determining Reserve Levels**

1. **Risk Assessment**: Assess organisational risks and financial stability. Consider factors such as revenue volatility, programmatic needs, and external economic conditions.
2. **Reserve Policy**: Establish a target reserve ratio (e.g., 12 months’ operating expenses). Adjust based on organisational needs and risk tolerance.

**3. Funding Reserves**

1. **Regular Contributions**: Allocate a portion of surplus funds to reserves if possible.
2. **Windfalls**: Use unexpected windfalls (e.g., grants, bequests) to bolster reserves.
3. **Investment Income**: Reinvest investment income into reserves if possible.

**4. Reserve Management**

1. **Segregation**: Keep reserve fund separate from operating account.
2. **Investment Strategy**: Develop an investment strategy for reserve funds (e.g., interest account). Balance liquidity, safety, and yield.
3. **Review**: Review reserve levels annually and adjust as needed.

**5. Reserve Use**

1. **Emergency Situations**: Use operating reserves during emergencies (e.g., unforeseen circumstances, unexpected revenue loss).
2. **Capital Projects**: Tap into capital reserves for planned capital expenditures.
3. **Policy Compliance**: Ensure all reserve withdrawals comply with the organisation’s aims & objectives.

**6. Reporting**

1. **Financial Statements**: Include reserve balances in financial statements.
2. **Communication**: Update the committee on reserve levels and usage.

**Review and Updates**

* This policy will be reviewed annually and updated as needed.
* **Ref:**
* Microsoft Bing Co-Pilot (2024), AI generated.