Common Ground Suffolk

Reserves Policy

Growing food. Building community. Cultivating resilience.

Version: 1.0
Date adopted: 19/06/2026
Date of next review: 19/06/2027
Applies to: The board of directors of Common Ground Suffolk

1. Purpose

This policy sets out the approach of Common Ground Suffolk to maintaining financial reserves. It explains why reserves are held, how the target level is determined, the circumstances in which reserves may be drawn upon, and how the policy will be reviewed.

This policy applies to the board of directors and is intended to provide transparency to members, funders, and other stakeholders about how the Society manages its financial resilience.

2. What Reserves Are

Reserves are the funds held by the Society that are freely available to spend on any of the Society's objects. They are distinct from:

- Restricted funds, which are funds given to the Society for a specific purpose and which may only be spent on that purpose.
- Designated funds, which are funds that the board has set aside for a particular purpose but which remain at the board's discretion to reallocate if necessary.
- Fixed assets, which are the value of physical assets such as equipment or infrastructure held by the Society.

This policy concerns unrestricted reserves only. Restricted and designated funds are managed separately in accordance with the Society's financial procedures and the conditions attached to any relevant grant or donation.

3. Why We Hold Reserves

Common Ground Suffolk holds reserves to ensure that it can continue to operate and fulfil its objects in the event of unexpected financial pressures. Specifically, reserves allow the Society to:

- Continue delivering services to beneficiaries during periods of income uncertainty, for example if a grant application is unsuccessful or a payment is delayed.
- Meet unexpected costs that arise without prior notice, including emergency equipment replacement, insurance excesses, or one-off legal or compliance costs.
- Manage the timing difference between when costs are incurred and when income is received, which is a common feature of grant-funded organisations.
- Demonstrate financial stability and sustainability to funders, partners, and members, which is a condition of many grant programmes and a marker of good governance.
- Wind down the Society's activities responsibly if it were ever necessary to do so, ensuring that obligations to volunteers, beneficiaries, and creditors could be met.

4. Target Reserves Level

4.1 Target

The board of Common Ground Suffolk aims to maintain unrestricted reserves equivalent to a minimum of three months of the Society's core operating costs at all times.

Core operating costs are defined as the expenditure necessary to sustain the Society's essential functions, including insurance, administration, volunteer coordination, and any ongoing programme commitments. They exclude one-off capital expenditure and project costs funded by restricted income.

The three-month target is calculated at the start of each financial year based on the approved budget for that year and is reviewed at each subsequent board meeting as part of the regular financial report.

4.2 Rationale

Three months of operating costs represents the minimum level of resilience considered appropriate for an organisation of Common Ground Suffolk's size and stage of development. This level reflects:

- The typical lead time between submitting a grant application and receiving a decision, which is commonly twelve to sixteen weeks for the funders the Society targets.
- The need to maintain credibility with funders, many of whom require evidence of financial reserves as a condition of making an award.
- The relatively low fixed cost base of the Society in its early years, which means three months of costs provides meaningful protection without requiring the Society to hold funds that could otherwise be deployed for community benefit.

4.3 Aspirational target

The board recognises that as the Society grows, a higher reserves level may become appropriate. It is the board's aspiration to build reserves toward six months of core operating costs over the medium term, as income becomes more stable and the Society takes on greater operational commitments. This aspiration will be reviewed as part of the annual budget-setting process.

> *The monetary value of the three-month target will vary from year to year as the Society's cost base changes. The board will calculate and record the current target figure at the start of each financial year and include it in the annual report to members.*

5. When Reserves May Be Used

Reserves may be drawn upon in the following circumstances, subject to board approval:

- To bridge a short-term funding gap where income is delayed but expected, provided the board has a credible plan for restoring reserves to the target level within a reasonable timescale.
- To respond to an unexpected cost or emergency that cannot be met from current income and where delay would be detrimental to the Society's activities or obligations.
- To fund activity that the board has determined to be in the best interests of the Society's objects, where the board is satisfied that the use of reserves is appropriate and that the reserves level can be restored within the following financial year.

Reserves may not be used for the following purposes:

- To fund ongoing expenditure where there is no credible plan to restore the reserves level.
- To supplement restricted funds or to substitute for income that should properly be sought from other sources.
- For any purpose that falls outside the Society's objects as set out in its rules.

6. Monitoring and Reporting

The board will monitor the Society's reserves position as a standing item at every board meeting. The financial report presented to the board will include:

- The current level of unrestricted reserves.
- The current three-month target figure for the financial year.
- A statement of whether the Society is above, at, or below its target reserves level.
- Where reserves are below target, a brief explanation of the cause and the board's plan for restoring them.

The reserves position will also be reported to members in the Society's annual report, including the target level, the actual level at the end of the financial year, and a brief explanation of any significant variance.

7. Where Reserves Are Held

Reserves are held in the Society's main bank account unless the board resolves to hold a portion of reserves in a separate savings or deposit account for the purpose of obtaining a better rate of return. Any such decision will be recorded in the board minutes.

Reserves are not invested in equities, bonds, or any other instrument that carries a risk of capital loss, in accordance with the Society's investment policy. The primary objective is the preservation of capital and liquidity, not the maximisation of return.

8. Asset Lock

Common Ground Suffolk is a community benefit society with a full asset lock, registered under the Co-operative and Community Benefit Societies Act 2014. All assets of the Society, including reserves, are subject to the restriction on use set out in the Society's rules and in the Community Benefit Societies (Restriction on Use of Assets) Regulations 2006.

This means that reserves may only be used for purposes that are for the benefit of the community, and may not be distributed to members other than as a return on withdrawable share capital at a rate set by the board in accordance with the Society's rules. This restriction is irrevocable and applies to all decisions about the use of reserves.

9. Review

This policy will be reviewed by the board at least annually, ordinarily at the AGM or at the first board meeting following the end of each financial year. The review will consider whether the target reserves level remains appropriate in light of the Society's current size, financial position, and risk profile.

The policy may also be reviewed at any other time if the board considers it necessary, for example following a significant change in the Society's income or expenditure, a change in funder requirements, or a material change in the Society's operating context.

Adopted by the board of Common Ground Suffolk: 19/06/2026

Signed (Chair): Connor Jacobs

Common Ground Suffolk | *Reserves Policy* | *Version 1.0*

Common Ground Suffolk is a community benefit society registered under the Co-operative and Community Benefit Societies Act 2014.

This policy should be read alongside the Society’s Rules, annual budget, and financial procedures.