



# National Transport Trust

Preserving the past for the future

Old Bank House, 26 Station Approach  
Hinchley Wood, Esher KT10 0SR

## Reserves Policy

### Introduction

The Charity Commission and SORP 2000 require trustees to include a statement in their annual report about the level of reserves held and the reasons for this. To justify their holding of reserves, trustees should have a **reserves policy based on a realistic assessment of their reserves needs**.

Reserves policy reiterated in the 2018 Annual Report of The Transport Trust was:

*The Trust aims to maintain a minimum of the equivalent of two years' operating costs. The rationale is that a period of two years would be enough time for trustees to decide how to deal with a life-threatening problem and to implement the identified actions. At the 31 October 2018 £283,402 was held in unrestricted funds and £9,250 was held in restricted funds. Free reserves at year end totalled £279,182 which represents 5 years of operating costs.*

Paragraph 31(e) of SORP 2000 requires trustees to include in their annual report information about their charity's reserves policy and the level of reserves held. In particular, trustees should:

- Describe their charity's reserves policy;
- Explain why they hold or do not hold reserves and, if they do, in respect of what future needs, opportunities, contingencies or risks; and
- Give the level of reserves at the last day of the financial year to which the report relates.

The statement in the 2018 Annual Report complies with this requirement.

However, in so far as the Trust's underlying Reserve Policy should cover the following areas, as a minimum, there may be a risk that the current Policy might be regarded as less than wholly adequate.

- The reasons why the Trust needs reserves;
- What level (or range) of reserves the Trustees believe the charity needs;
- What steps the Trust is going to take to establish or maintain reserves at the agreed level (or range);
- Arrangements for monitoring and reviewing the policy.

It is probably appropriate to apply greater analyses to the Reserve Policy to provide Trustees with the reassurance that their Reserves level matches the charity's anticipated needs.

## Realistic assessment of reserve needs

The assessment should be informed by analyses of:

- Forecasts for levels of income in future years, taking into account the reliability of each source of income and the prospects for opening up new sources;
- Forecasts for expenditure in future years on the basis of planned activity;
- Analysis of any future needs, opportunities, contingencies or risks the effects of which are not likely to be able to be met out of income if and when they arise; and
- Assessment, on the best evidence reasonably available, of the likelihood of each of those needs etc arising and the potential consequences for the charity of not being able to meet them.

This assessment will be undertaken on an annual basis and will form part of the Treasurer's presentation to Council of the planned budget for the following year.

The Transport Trust needs reserves to:

- Be able to survive a temporary fall off in income;
- Meet contractual liabilities should the organisation have to close. This could include redundancy pay (should the Trust have employees at that time), amounts due to creditors etc. under leases;
- Meet unexpected costs such as of essential office machinery, staff cover re illness, maternity leave, parental leave (should the Trust employ paid staff at some future date), and legal costs defending the Trust's interest;
- Replace office equipment as it wears out;
- Ensure that the Trust can continue its work and in particular to continue to support its Red Wheel Scheme and to provide loans and awards through its annual awards event and other similar schemes;
- Provide working capital.

## Transport Trust Funding

At present The Transport Trust is funded from three principle sources, membership income, individual donations and bequests.

In preparing the Business Plan and associated Budgets for the coming year certain assumptions regarding the renewal/ continuation of funding streams have had to be made. This has taken place on a prudent basis and is spelt out in the Budget assumptions document.

Accepted as a policy of the National Transport Trust at a Council meeting on 15<sup>th</sup> September 2020

Stuart Wilkinson  
Chairman

Next Review Date: 15<sup>th</sup> September 2021