Reserves Policy for Creative Art Works CIC

The Board of Directors regularly review reserves, using the Reserves Policy to support both the Financial Strategy and the Strategic Plan. A risk-based approach is used to calculate an optimal amount of reserves that looks at reliability of income, costs for re-organisation of activities, and specific liabilities. Amounts are included for risks we are aware of as well as contingencies to allow Creative Art Works to cope with unexpected costs and opportunities.

We principally hold reserves to:

- protect the continuity of Creative Art Works' work against uncertain future income streams
- provide the capital needed to finance investment in operations
- provide funds to replace assets
- to cover for specific liabilities and identifiable risks
- to allow Creative Art Works to respond to unexpected opportunities that can further mission
- to allow Creative Art Works to meet contractual obligations.

The Board has set optimal reserves at £3,000 (2022: £N/A) which equates to approximately 6 months unrestricted expenditure. As at 31 March 2023, the level of Free Reserves (defined as total general unrestricted funds, less tangible assets and excluding defined benefit pension obligations and long-term commitments) stands at approximately £1,000 (2021: £Nil), thereby £2,000 below the optimal reserves figure.

Creative Art Works has designated reserves of £196 (2021: £N/A) and restricted reserves of £Nil (2021: £Nil). The designated reserves are held to represent reserves that are not available for other activities since they have been used to purchase fixed assets and are not available unless the assets are disposed. Restricted reserves relate to income to be used in accordance with specific restrictions imposed by funders and therefore do not form part of general reserves.

The Reserves Policy is reviewed quarterly as part of our internal financial control systems.

Document version control

Version number	Change or update	Author or owner	Date
1.0	First version	Robert Boyce	27.04.2023