



# Reserves Policy

## 1.0 Definition of reserves

The term 'Reserves' is used to describe money that is freely and readily available to Derbyshire Tennis (DT) to spend. Reserves are funds that have built up and been put aside in case they are needed for a specific reason. They must only be spent to further the aims of DT.

This policy does not include the tennis centre whose annual surpluses are put aside for the future development and maintenance of the facility.

## 2.0 Our beneficiaries

DT exists to provide localised representation and support to venues and coaches within the county. As a not-for-profit association, DT seeks to support charitable objectives for both increasing and retaining participation in tennis within the county. The main beneficiaries are:

LTA registered venues

LTA accredited coaches or those inspiring to become one

representative junior and adult players of DT

representative junior and adult players of registered venues

county, district and individual leagues and competitions

individual supporters / patrons

## 3.0 Rationale for holding reserves

### Income

Funding for DT is received from three main sources:

an annual grant from the LTA (ca 65% of income)

partnership income, i.e., sponsorship (ca. 10% of income)

participation income, e.g., tournament entry fees, coaching fees, etc. (ca. 25% of income)

### Composition of Reserves

Due to financial uncertainty, including the risk of future amendments to the LTA funding agreement, and to therefore ensure continuation of service to DT beneficiaries, DT should look to maintain two full

years' net expenditure as reserves. This amount comprises the components listed at **4.0 Typical Expenditure** below.

DT is also keen to ensure medium-term support for beneficiaries in case of unforeseen events and financial uncertainty.

### **Designated Reserves**

It is possible that additional Designated Reserves will be held for future expenditure, for example, if partnership income each year is higher than expected, and therefore future projects can be established and funded. Any such projects will be determined after consultation with the Midlands LTA Regional Team.

### **Allocated Dynamic Reserves**

It is possible that while expenditure will have been allocated for activities or projects in the current financial year, one or more of them may not fully spend their budget. In such cases, that funding will be considered as an 'Allocated Dynamic Reserve' and carried over to the next financial year. The intention is that budgets should be fully spent. This reserve mechanism allows some flexibility at year end rather than irresponsible spending of costs, thereby allowing DT to better utilise its funds by some measure of smoothing. It should be noted that if an activity or project is likely to have a shortfall, then DT could use its reserves or indeed underspend in other areas of the whole budget.

### **Grants & Loans**

DT distributes interest-free loans, each up to a maximum of £5,000, and repayable within 5 years to DT member organisations. From time to time grants, each up to a maximum of £2,000, are also offered to DT member organisations. DT is keen to maintain a £20,000 pot to continue offering this valuable service.

PS. This part of the reserve policy is not yet fully functional, awaiting Incorporation and charity status.

### **Fixed Assets**

DT owns the freehold of the tennis center at Ashe Place, Derby and is valued at more than £500,000.

## **4.0 Steps taken to establish the level of reserves**

A simple overview of the DT financial picture is outlined below.

It assumes a year in which no annual grant is received from the LTA, and no partnership income is received.

*Typical Expenditure, including county cup, performance tennis and business costs - £75k*

*Typical income, including competitions and county training - £25k*

*Annual deficit in absence of LTA grant and partnership income - £100k*

The required level of reserves for 2 years' operational costs would therefore be £200k. With an additional £20k pot of funding for venue grants and loans, this would leave a total reserve requirement of £220k

## 5.0 Review of current and previous years funds

Type of reserve	Target, as at 30/6/24	2022	2023	Change
Unrestricted	£	£	£	%
Restricted – loans	£	£	£	%
Restricted projects (allocated dynamic reserve)	£	£	£	%
TOTAL	£	£	£	%
Difference	£	£	£	%

## 6.0 Investment of reserves

DT seeks to produce the best financial return on reserves, allowing for an acceptable level of risk. Funds will be divided as follows:

Sufficient funds will be maintained within DT's bank current account to ensure that day-to-day business operations can continue without interruption. This is based upon the annual budget and the forecast cashflow at any given time

Funds required to meet unexpected expenditure will be held on a short-term withdrawal basis, but may be able to earn interest at a slightly higher rate

Undesignated reserves, which are not immediately required, will be invested with the objective of generating as high a return as possible, considering DT's policy towards risk (see section 7.0)

Designated reserves, e.g., interest free loans, will be held on a short-term withdrawal basis, but may be able to earn interest at a slightly higher rate

## 7.0 Policy towards risk of investment

DT aims to achieve modest capital growth and therefore a risk profile of "low to medium" should be exercised. The risk profile and fund asset performance are to be monitored at least annually.

Reserves should be invested widely to militate against any unexpected restrictions or failures, subject to ethical and moral considerations. Funds will only be kept with UK Banks, Building Societies and/or Wealth Management organizations that are registered with the “Financial Conduct Authority,” and thereby protected under the “Financial Services Compensation Scheme” (FSCS) up to an amount of £85,000. Any such investment institution holding DT funds must have an independently assessed high credit rating (minimum rating of A).

The base currency of all funds held is UK Sterling.

## **8.0 Monitoring and reviewing the reserves policy**

DT will monitor and review this reserves policy as follows:

The Treasurer will provide a financial report at least quarterly to the Trustees, including an update on the level of reserves

At the end of each financial year, the Treasurer will formally declare the reserves for the current and previous years, adding this information to the annual accounts and highlighting at the Annual General Meeting

At the end of each financial year, the Treasurer will update this Reserves Policy with reserve levels for the current and previous years, and it will be reviewed by the Trustees. The Trustees will adopt the revised policy or require amendment before adoption.

If there is a shortfall or a significant increase in reserves, the reasons for this change will be recorded at the Annual General Meeting. The Trustees will also record any steps they intend to take to address any issues that have led to this change

Annual expenditure will be reassessed each year, considering any changed circumstances, as well as the prevalent rate of inflation

FH Beer – Treasurer

J Grindell – Chair & Councilor

17<sup>th</sup> November 2023