**GUIDE TO ESTABLIDSHING A CLUB’S RESERVES POLICY**

**1. INTRODUCTION**

Reserves (savings) are important to clubs for a number of reasons including contingency planning and for fulfilling legal and moral commitments.

A reserves policy demonstrates: transparency and accountability to members, good financial management and justification of the amount of reserves.

All clubs would like reserves but many find it difficult to build them. To achieve reserves a club must plan for a surplus and then build a practice of annual surpluses by having a clear policy in place to state why you are building a reserve.

**2. DEFINITION OF RESERVES**

Reserves can be: that part of a club's funds that are freely available to fund its general operations, funds that are identified and segregated for specific circumstances or funds put aside for unforeseen circumstances (subject to commitments, planned expenditure or other restrictions).

Regardless of the reason for the reserves, the board should put policies in to see that they happen.

**2. WHY DOES A CLUB NEED A RESERVES POLICY?**

a) A reserves policy helps a club to properly manage its resources.

b) A reserves policy helps a club to plan and formally report its approach to members.

c) A reserves policy helps the club to match its reserves to its requirements.

**3. WHAT DOES A RESERVES POLICY COVER AS A MINIMUM?**

1. The amount of reserves (at least at every balance sheet date);
2. The reason(s) why the club needs this level of reserves;
3. How the club intends to establish / maintain reserves at the amount determined by the board; and
4. How the directors are to review the reserves policy on a regular basis.

**4. HOW DOES THE BOARD SET A RESERVES LEVEL?**

Reserves may be set by considering the following:

1. Cash flow (and forecasts);
2. A review of existing funds and reserves;
3. A review of future income streams;
4. A review of likely future expenditure;
5. A review of past operational and other trends;
6. The likely effects of any changes on the members/ categories;
7. A review of the major risks facing the club;
8. An analysis of future needs, contingencies and risks the potential consequences for the club not being able to meet them.

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