Trawden Arms Community Pub Group Limited (TFCPG)

Financial Reserves Policy

1. Purpose

The purpose of this Financial Reserves Policy is to ensure TFCPG maintains adequate financial reserves to:

- Safeguard the company against financial risks, such as unexpected costs, income shortfalls, or economic downturns.
- Support operational continuity and the delivery of the pub building.
- Fund future investments, maintenance, or community-focused initiatives aligned with the pub's mission.
- Comply with legal and regulatory requirements as a community-owned enterprise.

2. Scope

This policy applies to all financial reserves held by TFCPG, including unrestricted and restricted funds, and is applicable to the Board of Directors, management team, and any appointed financial officers.

3. Definitions

- Reserves - Funds set aside that are not committed to specific expenditures and are available to meet unexpected or planned financial needs. E.g. roof repairs, loss of a tenant (and hence the building running costs)
- Unrestricted Reserves - Funds available for general use at the discretion of the Board. E.g. Share Dividends, Pub Building improvements
- Restricted Reserves - Funds designated for specific purposes, such as grants or donations with condition or personal loans.

4. Objectives

The objectives of maintaining reserves are to:

- Ensure financial stability to cover at least 6 months of operating expenses, including rates, utilities, insurance and essential maintenance.
- Provide a buffer against unforeseen events, such as emergency repairs, legal costs.
- Enable strategic investments, such as refurbishments, community projects, or business development, without relying on external borrowing.
- Protect the pub's ability to meet its community-focused objectives, such as hosting events or supporting local initiatives.

5. Minimum Reserve Levels

- Loss of a tenant / empty building - TFCPG will aim to maintain unrestricted reserves equivalent to 6 months of annual operating costs in the event of a loss of tenant (and therefore loss of income to TFCPG). These operating expenses extend to cover utility, contents insurance, rates etc in the event of the loss of our tenant. To also include the cost of a replacement tenant. These are currently estimated at £6000.
- Loss of income - TFCPG will reserve £2000 in the event of a loss of income over a 6 month period.
- Legal fees - TFCPG will aim to reserve £2000 for unforeseen legal fees in order to protect the business from action which could jeopardise its operation or harm shareholder investment.
- Unforeseen maintenance - TFCPG will reserve £20000 for unforeseen maintenance such as roof repairs, central heating boiler replacement.

6. Management of Reserves

- Responsibility: The Treasurer with input from the Management Committee is responsible for monitoring and managing reserve levels.
- Annual Review: The Management Committee will review the reserves policy and levels annually during the budgeting process, considering:
    - Current and projected income and expenditure.
    - Potential risks (e.g., economic conditions, building maintenance needs).
    - Planned capital projects or community initiatives.
- Reporting: Reserve levels will be reported in the annual financial statements, with explanations for any significant changes or deviations from the target levels.
- Use of Reserves: Reserves may only be used with Management Committee approval and for purposes aligned with this policy, such as:
    - Covering unexpected shortfalls in income.
    - Funding emergency repairs or compliance costs (e.g., health and safety).

7. Building and Maintaining Reserves

- Surplus Allocation: Any annual surplus will be allocated to reserves, unless the Management Committee agrees to fund specific projects or initiatives.
- Fundraising and Grants: Where possible, the pub will seek restricted funds for specific projects to preserve unrestricted reserves for general purposes such as routine maintenance.
- Cost Management: TFCPG will aim to control costs and maximise income to build reserves without compromising service quality or community engagement.

8. Low or Excess Reserves

- Below Minimum Reserves: If reserves fall below the minimum level, the Management Committee will develop a plan to replenish reserves within 12 months, which may include cost reductions, fundraising campaigns, or deferring non-essential projects.
- Excess Reserves: If reserves exceed the maximum level, the Management Committee will consider allocating funds to:
    - Paying dividends in line with its business plan
    - Capital improvements (e.g., refurbishments, energy efficiency upgrades).
    - Share divestment - In the event of extreme personal circumstances, the Management Committee reserves the right to buy back shares and will maintain a prioritised exit list of those who have requested this.

9. Restricted Reserves

- Restricted funds will be held separately in accounting records and used only for their designated purposes.
- The Management Committee will ensure transparency in reporting restricted reserves and their usage to stakeholders and funders.

10. Communication and Transparency

- This policy will be communicated to all members, shareholders, and relevant stakeholders.
- The Management Committee will ensure that reserve levels and their rationale are clearly explained in annual reports and at general meetings to maintain trust and accountability.

11. Policy Review

This policy will be reviewed annually or sooner if there are significant changes in the pub's financial position, operations, or external environment. Any amendments must be approved by the Management Committee.

Adopted by the Management Committee of Trawden Forest Community Pub Group Limited
Date: October 2025
Next Review Date: October 2026