

## Reserves Policy

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Finance Director

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**Review date:** April 2013

**Revision date:** April 2016

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**Approved by:** Finance and Investment Committee

**Date of meeting:** 15 April 2013

**Name of Chairman:** David Barclay

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**Approved by:** Board of Trustees

**Date of meeting:** 14 May 2013

**Name of Chairman:** Adrian Williams

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## 1. Policy Statement

Charity law requires any income received by a charity to be spent within a reasonable period of receipt. Trustees should be able to justify the holding of income as reserves.

A reserves policy explains to existing and potential funders, donors and other stakeholders why a charity is holding a particular amount of reserves.

## 2. Introduction

St Nicholas Hospice Care is an independent charity delivering specialist palliative care to patients and their families within the communities of West Suffolk and Thetford – covering a population of 250,000 people. Care is delivered by a specially trained multidisciplinary team supported by a large team of volunteers to patients within our Sylvan Ward, Community, Day Hospice and outpatient settings.

The organisation also includes a Faculty of Learning and Development delivering palliative care education to the local community and a Fundraising Department that manages a range of fundraising activities and a retail section with several shops in the local community staffed by paid staff and volunteers.

The purpose of this policy is to give confidence to stakeholders that the charity's finances are being managed and can also provide an indicator of future funding needs.

### 2.1 Definitions

#### **Free reserves:**

That part of the charity's unrestricted income funds that is freely available to spend.

#### **Designated funds:**

Unrestricted funds earmarked for essential future spending, for example, to fund a project that could not be met from future income alone.

#### **Building Fund**

This is a designated fund representing the construction cost of the original Hospice building less depreciation charged thereon.

#### **Restricted funds**

These are monies received from supporters/grant funders for a specific area of expenditure. They are not freely available to spend.

#### **Endowment Fund**

These are funds which the Trustees are legally required to invest or to keep and use for the Charity's purposes.

## 3. Responsibilities and Accountability

### 3.1 Trustees

- Trustees have overall responsibility for the governance of the organisation.
- Trustees should be able to justify the holding of income as reserves.
- Where the Trustees have a reserves policy, this policy must be set out in the Trustees' annual report.
- Trustees should keep the reserves policy under review to ensure it meets a charity's changing needs and circumstances. In this way Trustees will be aware of the build up of excess reserves or of reserves being unexpectedly or rapidly depleted.

### **3.2 Directors**

Directors have delegated responsibility for implementing procedures concerning financial governance of the organisation.

Directors must ensure that controls and procedures are in place to meet the duties of the Trustees in relation to the reserves policy. Failure to put in place the necessary controls and procedures could result in reputational issues for the organisation and affect its long term sustainability.

## **4. Procedures and implementation**

### **4.1 Total reserves**

Include restricted reserves, the endowment fund, designated funds (including tangible fixed assets and the building fund) and free reserves (the general fund).

### **4.2 Calculation of free reserves target**

Free reserves should total 12 months of total organisational operating costs based on the next budget year. This should be regularly reviewed to ensure that it meets the organisation's changing needs and circumstances.

### **4.3 Designation of funds**

Funds can be designated for the following items:

- Significant capital spend
- Piloting new services
- Capacity building which self funds after year one
- Capacity building which generates income to fund increases in operating costs

Each item should be supported with a costed business case, be scrutinized by the Directors, the relevant Board committee and Finance and Investment Committee and approved by the Board. This should take place during the budget approval process.

Designated funds should be used within 2 years of their target date, if this does not take place they should either be released back into free reserves or re-approved for designation.

The annual report and accounts should detail the amount and purpose of the designations.

### **4.4 Endowment fund**

The Earl of Euston 2009 Fund has been invested and the income earned must be spent in accordance with the objects of the organisation. The fund can be spent in its entirety should the financial stability of the Hospice come under threat.

## **5. Related Policies / Guidelines**

- Financial Policy and Procedures
- Investment Policy

## **6. Monitoring and Review**

This policy will be reviewed every year or more frequently in response to legislation or Charity Commission Guidance

## **7. Statutory Compliance and Evidence referenced**

Charity Commission Guidance: CC19 Charities and Reserves  
Companies Act 2006.

Statement of Recommended Practice 2005 - 'Accounting and Reporting by Charities'.