



DRAFT RESERVES POLICY

Revision: 1.0

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Policy owner: Finance Manager

Objective

To enable The Kelly Foundation to meet its existing financial obligations as they fall due and have sufficient resources to enable it to achieve its wider mission and its charitable objects, it is necessary to formalise a policy regarding reserves maintained by the charity. This policy will seek to ensure financial sustainability of the charity for the long-term. The policy represents a prudent balance for a new and growing charity.

In setting the policy, the Board of Trustees has referenced CC19 Charities and Reserves, issued by the Charity Commission.

In setting the parameters for the reserves policy, the Board of Trustees has considered the following: If reserves are too low, the charity risks insolvency and its charitable purpose will be put at risk. If reserves are too high, money will be tied up unnecessarily, thus limiting the charity's achievement of its purpose and jeopardising its ability to raise future funds.

Definitions

Reserves represent total funds available to the charity (liquid or otherwise) to enable it to meet its objectives. These broadly are made up of two sub-sets, unrestricted funds and restricted funds.

Unrestricted funds (including designated funds) are income or income funds which can be spent at the discretion of the Trustees in furtherance of any of the charity's objects. If part of an unrestricted fund is earmarked for a particular project it may be designated as a separate fund, but the designation has an administrative purpose only and does not restrict the Trustees' discretion to spend the funds.

Restricted funds are funds subject to specific trusts which may be declared by the donor(s) or with their authority or created through legal process, but still within the wider objects of the charity. Restricted funds may be restricted income funds, which are spent at the discretion of the Trustees in furtherance of some particular aspects of the objects of the charity. Restricted funds may alternatively be endowment funds, where the assets are required to be invested, or retained for actual use, rather than spent.

Designated funds are part of the unrestricted funds which Trustees have earmarked for a particular project or use, without restricting or committing the funds legally. The designation may be cancelled by the Trustees if they later decide that the charity should not proceed or continue with the use or project for which the funds were designated.

Reserves policy

1. *Minimum Reserves:* A minimum of three months' operating and governance costs should be retained in bank balances. When calculating this, any designated funds should be taken into account.
2. *Maximum reserves:* A maximum of six months' operating and governance costs should be retained as reserves.
3. *Designated Funds:* Where in the opinion of Trustees, a potential project (which is not yet at the stage of readiness for external funding) should be funded out of unrestricted funds, a designated fund will be created. The Trustees retain absolute discretion, however, to spend any funds so designated as they deem appropriate or cancel the designation at a later point.
4. *Contributions to restricted funds:* These funds should be held as bank deposits and current accounts throughout the period of each respective project that the funds relate to. Such funds are excluded from the calculation of reserves in sections 1 and 2 above.

A list of income and expenditure codes will be maintained in order to track all income and expenditure.