

Reserves and Investment Policy

1 Introduction

- 1.1 The Charity Commission expects charities to develop, publish and monitor a reserves policy whilst the Company Articles give us the power –Power 5(h)– to hold reserves so long as it is in accordance with a written policy.
- 1.2 A reserves policy helps a charity protect and safeguard their assets and demonstrate accountability for their finances. The policy should justify and explain the reason for keeping (or not keeping) reserves, identify and plan for the maintenance of essential services and reflect the risks of unplanned closure. Since North Halifax Partnership (NHP) does maintain reserves it follows that an investment policy reflects how those reserves are managed.

2 Reserves Policy

- 2.1 NHP maintains reserves which are unrestricted ie the reserves are not designated for a particular programme or activity and as such NHP has discretion on how such reserves can be used. This policy refers to unrestricted reserves as opposed to any restricted reserves which are designated to be spent against an activity for which funding has been specified eg grant or contract.
- 2.2 NHP’s Risk Management Strategy acknowledges a number of factors that could impact on the need for reserves. These include failure to deliver a programme within price, capacity to deliver contracts, threat of competition, funding reduction and loss of funding. This policy needs to be read therefore in tandem with the Risk Management Strategy Document.

The need for reserves can be identified as follows :-

- 2.2.1 Redundancy – NHP manages contracts and grants that generally have a fixed end date and/or a notice period for ending the funding. With virtually all funding being time limited it is necessary to maintain reserves to cover potential redundancies.
- 2.2.2 Capital Repairs – NHP needs to maintain suitable insurance and reserve funds for managing unexpected repairs which NHP are responsible for under existing contracts / leasing agreements on the buildings it occupies.

- 2.2.3 Income and Expenditure Account – Contracts and grants are awarded on the basis that if the recipient spends over the amount awarded in any year then that extra cost must be met by the funded organisation. NHP will maintain some reserves to fund unexpected overspends. It will also maintain reserves in order to temporarily cash flow programme expenditure if NHP experiences late contract fee/grant income payments. Grants and contracts usually include targets and performance indicators with the possibility of funding being reduced if targets are not achieved. NHP will maintain reserves to meet unexpected reduction in fees/grants. Reserves will also be used to fund new ideas and projects or provide match funding in a bid to an outside funder.
- 2.2.4 NHP considers reserves in the context of the running costs of the organisation and in particular to meet any unplanned or unfunded expenditure. NHP will maintain a minimum reserves figure equivalent to 1 months expenditure (running costs) and a desirable reserves figure of up to 3 months expenditure

3 Investments Policy

- 3.1 The reserves policy recognises the need to maintain an amount of reserves to deal with various issues, however, it is sensible to seek to gain interest on the reserve funds held by depositing a certain amount. NHP has the power to invest funds in accordance with Company Articles – Power 5(j)3
- 3.2 It is necessary to maintain some reserves in a current account to fund cash flow activities. Therefore, at least annually, NHP will review the amount held in interest bearing accounts against the total reserves/ bank balances held.
- 3.3 Money on deposit can normally be arranged for varying periods eg from 1 day to 1 year. NHP will endeavour to place saving accounts within the agreed profile as shown below and not place more than 15% of likely lowest level of predicted available cash within the next 12 months.
- 3.4 Saving accounts of more than 12 months must have Trustee approval.
- 3.5 Investments must be with a UK based reputable institution which must be a member of the Financial Services Compensation Scheme.
- 3.6 Early termination of the investment period should result in loss of interest only, no other fees.
- 3.7 NHP will not invest reserves in stocks or shares or other forms of investment which may risk in a loss in value unless specifically approved by the Trustees

Investment Type	Nature	Period	Investment target range, as a % of total available cash
<i>Operating cash</i>	<i>Volatile, must be quickly available</i>	<i>Daily , max 30 days</i>	<i>45% - 55%</i>
<i>Planned cash</i>	<i>Not immediately required</i>	<i>2 - 6 months</i>	<i>40% - 35%</i>
<i>Long term</i>	<i>Strategic , longer term</i>	<i>7 -12 months</i>	<i>15% - 10%</i>

4. Governance

Board paper prepared for each meeting showing a summary cash flow plus the amounts on deposit showing the period of investment and interest rates.