

Central England Quakers – Finance Committee

Reserves Policy, issued April 2009, revised Nov 2011, Jul 2013, Nov 2015, Apr 2016, July 2017, Feb 2018, May 2018

A Purpose of a Reserves Policy

(a) to ensure that the charity has adequate funds to undertake its charitable activities and protect itself from fluctuations in income or expenditure and (b) to reassure the public that it is using its income for charitable work, and not accumulating excessive reserves.

Notes: These proposals relate to “free reserves” – capital invested in buildings is not considered to be available for supporting operating expenditure, and is excluded from the policy. Investment fund values must be regarded as “nominal” – clearly the value of any portfolio will rise and fall according to market conditions. Portfolio values quoted include any cash held in the broker accounts.

B Policy

Fund	Criteria	Policies	Target values	Current status
General Fund	a) General fund commitments, protection for normal cash flow	General Fund budget should be balanced – capital should not be used for operational expenditure in normal circumstances.	£30,000, excluding Restricted/Reserve Funds (see below)	Cash balance at end 2017 was £37,000. Surplus will be used to fund a budget deficit in 2018. Reserves drawn in 2017 to fund budget deficit. Balance at end 2017 was £9,500 Value of GF portfolio at Dec 2017 was £204,000
	b) Reserve for unforeseen expenditure, including funding new concerns not anticipated in the budget	Maintain GF Reserve Fund (<i>established March 2013 from proceeds from sale of Trustee Reserve Funds</i>)	£25,000 target balance	
	c) Investments to cover exceptional unforeseen expenditure, and to provide adequate investment income	Investments to be equivalent to between 6 months and 12 months GF expenditure (GF expenditure currently ca £100k pa)	Suggested portfolio values:- For c) £75,000 } For d) £100,000 }	
	d) Contingency needed to cover a major financial disaster affecting a Local Meeting or Branch	Contingency fund in addition to the above reserves. To include £40k contingency for Northfield Ecocentre, agreed by Trustees	Total £175,000	
	e) Reserves for LMs/Bs financial risks	LMs/Bs should aim to cover their own financial risks, per MoU clause 2.2	Nil	
	f) Black Country Fund established 2015 from residual funds of Dudley LM, to fund Black Country projects	BC Fund will continue to receive income from Trustee Reserve Fund of around £9k per year	No target values have been established yet	

Fund	Criteria	Policies	Target values	Current status
Building Fund	<p>a) Income from subscriptions and investments needs to cover annual grants to LMs, to avoid using capital</p> <p>b) Funds held in bank account should be sufficient to support normal grant/loan cash flow</p>	<p>Assume average grants of £12k pa. Funded by subscriptions £1k and investment income £11k. Assume investment yield 3%.</p> <p>Specify minimum cash balance for Building Fund bank account.</p>	<p>£370,000 minimum portfolio value</p> <p>£30,000 minimum balance</p>	<p>Value of portfolio at Dec 2017 was £430,000</p> <p>Balance at end 2017 was £57,000, surplus c/f to 2018</p>
Bull Street Fund	Original purpose was to set funds aside to cover refurbishment to Priory Rooms & Bull Street MH from 2014. Fund is now used to cover all routine repairs & maintenance at 40 Bull St & 41 Bull St (Peace Hub).	Opening balance Jan 2014 was £241,000. Major programme of improvements, undertaken since 2014 has depleted the Fund. Decision taken by Finance Committee in May 2018 to use the Building Fund to support Bull St property expenditure, and reduce Bull Street Fund reserves accordingly.	<i>New target: £50k</i>	Fund value at end 2017 was £44,000
Trustee Fund	<p>a) Protection for quarterly (standing order) loan repayment</p> <p>b) Protection for salary payments</p> <p>c) Contingency for unforeseen repairs</p>	<p>Maintain adequate funds in bank account to cover a quarterly payment in the event of late receipt of rental income</p> <p>Sufficient funds to cover 6 months salary Reserve £20k, sell investments for >£20k</p>	<p>Minimum £30k } } 60k } Minimum £10k } Minimum £20k }</p>	Balance at end 2017 was £61,000
Trustee Reserve Funds	Constituent Charities and other historical funds, some restricted and/or designated to specific beneficiaries. Outside the scope of the central Reserves Policy.	Sell all funds with income mandated to General Fund. Sell those funds with income mandated to Susanna Cole Trust and transfer capital to SCT. Retain only those Funds with income designated or restricted to LMs	Funds restricted to designated LMs: ie Cotteridge, Hartshill, Northfield and BC Fund (formerly Dudley LM)	Achieved 2013
Other Restricted Funds	Redditch Building Fund	Retain the Fund in a discrete bank account for repairs and improvements to Redditch Friends Meeting House		Fund value at end 2017 was £25,000

Summary target fund values:-

General Fund: bank balance £30,000 General Fund Reserve: £25,000 General Fund Investments: £175,000 (nominal)
Trustee Fund: bank balance £60,000 *No investments held*
Trustee Building Fund: bank balance £30,000 Building Fund Investments: £370,000 (nominal)
Trustee Bull Street Fund: Nominal cash balance held within Trustee fund Bull Street Fund (cash & investments): £50,000
Lloyds Loan Servicing Account needs to maintain a working cash balance of at least £2000