



ELFT Charity

Reserves Policy

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Version Control Summary

Version	Date	Author	Status	Comments
1	01/07/23	Natalie Richards	Draft version	Initial Draft version
1	20/07/23	Natalie Richards	Referral	Reviewed by panel referred to KC
1	11/10/23	Natalie Richards	Approved	Confirmation of approval

1. Introduction

This document sets out the policy for the holding of reserves held in ELFT Charity (the Charity) as required by Statement of Recommended Practice (SORP) 2019 and Charity Commission guidance CC19

2. Definitions

Charity Reserves as defined under the SORP are those funds which become available to the charity to be spent at the trustees' discretion in furtherance of the charity's objectives, but which are not yet spent or committed or could only be realised through the disposal of fixed assets. These are therefore classified as 'free'.

Classification of funds:

Restricted Funds – funds which are subject to specific trusts e.g. terms of will – not free. This also includes Special Purpose Funds (SPFs).

Unrestricted Funds (not designated) – funds which are expendable at the discretion of the Trustees – free. This is defined as the ELFT General Fund.

Designated Funds - Trustees may determine during the reporting period to set aside a part of the unrestricted funds to be used for a particular future project or commitment. By earmarking funds in this way, the trustees set up a designated fund that remains part of the unrestricted funds of the charity. This is because the designation has an administrative purpose only and does not legally restrict the trustees' discretion in how to apply the unrestricted funds. It does however mean designated funds are not classified as free for the purpose of identifying reserves depending on the identified commitments of the funds.

Reserves are made up of cash held in the Charity's current bank account / cash account held by the Investment advisers, and the Charity investment portfolio which is readily convertible to cash.

3. Purpose and Scope

Trustees are under a legal duty to apply charity funds within a reasonable time of receiving them. This document aims to set out:

- The reasons why the charity holds reserves
- What level of reserves the trustees believe the charity needs

- Arrangements for maintaining reserves at the agreed level
- Monitoring and review of policy arrangements

This document is to enable the Trustees and those committees and individuals with delegated responsibilities to monitor income and expenditure as part of their plans to inform the strategic plans of the Charity.

4. Responsibilities

The Charity Finance Manager will:

- Distribute this guidance and ensure it is available electronically on the Charity and Trust website
- Ensure that Trustees and those committees and individuals with delegated responsibilities have sight of this policy
- Provide reports to the Charitable Funds Committee to enable them to monitor the funds to ensure reserves are held and maintained at the levels agreed, reporting any issues to the Trustees.

5. Reserves

5.1 Reason for Holding Reserves

The Trustees consider it necessary to retain reserves over the longer term to:

- Reduce the impact of risks from the external environment should the levels of income reduce significantly that the charity cannot meet its obligations
- Continue their programme of support to East London Foundation Trust
- Hold sufficient reserves to ensure the charity can cover its ongoing operational costs to process outstanding commitments.
- Meet the cost of closure or transfer of the charity's affairs should the need ever arise.

5.2 Level of Reserves

The minimum level of the reserves held by the Charity should be £200,000 which is equal to one year's operational costs and ongoing approved bids.

Reserves are made up of cash held at the bank and potential Charity investments. Cash held at bank should range between £200,000-£500,000.

Cash held above £500,000 will be considered for investment as per the investment policy. If cash is forecast to fall below £500,000 the Charity will seek to maintain the £500,000 lower cash limit by working capital management or potentially converting shares held to cash.

Reserves held above the maximum level will be considered for utilisation to fund projects to further the objectives of the Charity.

5.3 Calculation of Reserves

Reserves will be calculated by: -

Breakdown of Reserves

	£000
Total funds	1,111,916.73
Less: Endowment and restricted (SPF 4020)	(87,306.90)
Less: Endowment and restricted (SPF 4051)	(22,826.83)
Available reserves	1,001,480

Taken from finance statements as at 15th May 2023

The commitment value reflects any approved expenditure which has not yet been expended on the unrestricted undesignated funds.

5.4 Maintaining agreed level of Reserves

Fund Managers are required to complete an Annual Return Form (ARF) annually which indicates their planned expenditure from their charitable fund for the year. Managers are asked to commit a % of their fund, for the 2023-24 financial year this is set at 33%.

The Charitable Funds Committee will review the balances held in funds, to determine whether funds are being expended in line with the policy, Where it is felt that funds are not assisting in the achievement of the Charity's objectives (i.e. a fund is consistently under achieving the % target agreed) the Charitable Funds Committee may agree to release those funds into the generally available funds for reallocation.

Where the generally available reserves are excessive, the Charitable Funds Committee shall consider bids from within the Trust to best utilise the resources.

6. Approval and Ratification Process

This policy is discussed and approved by the Charitable Funds Committee and ratified by the Board of Directors as Trustees.

7. Review and Revision Arrangements

The Charitable Funds Committee will review this policy on an annual basis to ensure that levels reflect the activities of the Charity.

8. Dissemination and Implementation

The policy will come into effect when ratified by the Corporate Trustee and will be updated on the Trust website (or system managed and operated by the Trust for access and storage of policies) as well as the Charity Website.

All Divisional Directors, as delegated signatories will be sent a copy of the policy electronically on its implementation and when any amendments are made.

9. Monitoring Compliance

The Finance Reports provided to the Charitable Funds Committee will include the current level of reserves to monitor the effectiveness of the policy with regard to ensuring the funds held are being used within a reasonable period or where reserves have increased the committee is informed and appropriate action can be taken.