

Reserves & Investments Policy	
Reference: FP05	Effective date: 1 December 2014
Page no: 1 of 2	Approved: 12 Sept 2022
Last revision 26 Aug 2022	Next revision due: Aug 24



Reserves

Windmill Hill City Farm relies on a variety of income sources including earned income, grants and donations. A decrease in income would reduce its activity and in the worst case may force it to close.

In order to maintain effective operations of the organisation the Board of Trustees has that a financial reserve equivalent to operating costs for 3 months should be maintained. This level of reserve would allow staff to continue working to secure new funding and if necessary to allow a period of time to cut services in a way whereby service users are supported to move on. The Board has agreed that a period of 6 months reserve should be the longer-term aim. This is an amount it considers prudent in the event of a major business interruption as determined by an analysis of risks to the charity.

To establish or maintain this level of reserves Windmill Hill City Farm will ensure that

- funding bids adequately cover overheads (including building a reserve) as well as direct costs
- income generation is maximised through efficient operations and sound management; and
- the trading operation is focussed on maximising profit.

The reserves should be built up from the unrestricted income. The level of reserves should be calculated and monitored by the finance team and reported to the Board through the meetings of the Finance Sub-Group.

Investments

Where the organisation has cash in the bank beyond the level of day-to-day need, the excess amount should be invested to achieve a return. This policy sets guidelines for the levels of access (ie length of time investments are tied in), risk (balanced against possible reward) and investment that should be made.

The organisation should always keep on instant access a level of funds necessary for day-to-day business. This includes anticipating major expenditure for the coming three months as well as monthly payroll, tax and supplier payments. A prudent minimum level for instant access accounts is £50,000, not including customer deposits held, which should be maintained in a separate account.

The level of risk to which invested funds are exposed should be low. The organisation is not yet sufficiently robust to make speculative investment. Investments should be restricted to cash and deposit accounts with well-established banks. The risk of the investment should be limited to loss of interest if an early withdrawal is made. Capital should be put at no risk.

The period of investment should be balanced to account for the cash flow forecast for the coming 15 months.

Loans

The farm is allowed to use their funds to give it out as a loan. This will need to be approved by the CEO and only given to connected parties. The approved charitable loans as listed out on the HMRC website are:

- a loan made to another charity for charitable purposes only



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- any other loan made for the benefit of the charity, and not for the avoidance of tax (whether by the charity or another person)