



The Friends of Mount Edgcumbe Country Park

Registered Charity No. 295261

Patron: The Earl of Mount Edgcumbe



Friends of Mount Edgcumbe Policy Document

RESERVES POLICY

Policy Details

Policy Name – Reserves Policy

Policy Status – APPROVED

Policy Version No. – Approved 1.0

Policy Owner – Neil Rugg

Policy Amendment Record

| Date | Version No. & Status | Reason for Amendment | Revised Status |
|-------------|---------------------------------|-----------------------------|-----------------------|
| 17/11/17 | 0.1 Draft | New policy | Draft |
| 30/11/17 | 0.2 Draft | Comments received | Draft |
| 5/12/17 | 0.3 Draft | Agreed at committee | Final Draft |
| 6/3/18 | 1.0 Approved | Approved at AGM | |
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THE FRIENDS of MOUNT EDGCUMBE COUNTRY PARK

(FoMECP)

RESERVES POLICY

1. INTRODUCTION

- 1.1 Charity Commission documents provide guidance to individual charities, such as The Friends of Mount Edgumbe Country Park (FoMECP) to enable them, through their Trustees, to achieve their aims by ensuring that assets are properly used, that its funds are spent effectively and its organisational and financial affairs are well managed in accordance with the Constitution.
- 1.2 The Constitution of FoMECP does not explicitly give the unincorporated charity a power to hold reserves. Therefore, FoMECP relies on powers implicit by the law and its Trustees can use these powers when they are satisfied that they do so in the best interests of the charity. Trustees should therefore comply with the general trust principle that funds received as income should be spent within a reasonable period of receipt of those funds.
- 1.3 Unless a specific fundraising activity is being undertaken to fund a project which is time limited and beyond the scope of the reserves Trustees should take care not to give an impression of the extent or urgency for the need for funds.
- 1.4 This Reserves Policy Document has been produced in line with the guidance provided in the Charity Commission document 'Charity reserves: building resilience, CC19 (January 2016)'. That guidance document specifies actions that 'must' be complied with and those that 'should' or 'should not' be complied with.
- 1.5 The Charity Commission accepts that not all controls will be appropriate to all charities, they should be proportionate to the risks involved and will not be relevant where they are not appropriate.
- 1.6 A spreadsheet (APPENDIX 1) has been prepared that cross checks compliance of the FoMECP Reserves Policy with the guidance. This enables any divergence to be identified. Any such divergence (APPENDIX 2) will be reported to the next AGM for explanation and either approved by the AGM or sent back to the Trustees to consider an amendment to the Policy.
- 1.7 The complete Policy and divergences will be reviewed annually to ensure that the internal workings of the charity are effective and that they are relevant to, and appropriate for, the charity and not too onerous or disproportionate.
- 1.8 The review will also take into account changes in the charity's structure, activities and area of operation that could affect the risks to the charity.

1.9 Separate Policies have been prepared dealing specifically with General, Finance and Data Protection.

1.10 A copy of all policies will be provided to all Trustees.

2. DEVELOPMENT of the RESERVES POLICY

2.1 Following the guidance provided by the Charity Commission the Reserves Policy has been developed by considering the following questions:

- a) Why might FoMECP needs reserves for the charity to be effective?
- b) How much will be needed in reserve?
- c) Are any funds held in reserve at the end of the year?

3. THE NEED FOR RESERVES

3.1 In considering the need for reserves to be held the financial dealings of FoMECP have been considered.

3.2 The sources of income available to the charity are as follows:

- a) Annual or life membership fees.
- b) Event attendance fees.
- c) Sales of books etc at the Friends Lodge.
- d) Static collection boxes.
- e) Legacies.
- f) Gift Aid.
- g) Bank interest.
- h) Donations.

3.3 Income from all of these sources varies on a year by year basis and apart from the majority of the membership fees the income accrues gradually throughout the year.

3.4 The major part of expenditure from the FoMECP Account goes on the funding of projects within Mount Edgcumbe Country Park (the Park). Whilst FoMECP ask the Park to provide a forward list of projects that they would like FoMECP to fund this has rarely been forthcoming and has frequently been interrupted by ad-hoc requests for urgent funds to cover damage/breakdown/ bids for funding from outside bodies etc.

3.5 The Park is owned and managed by Cornwall Council and Plymouth City Council. The Trustees exercise care to ensure that items funded by FoMECP are outside of those that the Councils should be legitimately funding themselves.

3.6 The remainder of expenditure covers the costs of running the charity: administration, membership, insurance and production of the Journal and the Trustees seek to ensure that these costs are covered by the membership fees in order that the income from all other fund raising activity goes directly towards the Objects of the charity.

3.7 Due to the size of the Park (865 acres), the large number of listed properties, the many structures within it and numbers of the public freely using it, it is possible that at any one time FoMECP could be requested to provide a significant level of funding.

3.8 As an example, sums in excess of £10,000 have been spent on replacing worn out shuttle buses, providing matched funding to grant applications and to the initial generation of funding bids for listed properties.

3.9 In 2016 receipts totalled £27,505, while payments totalled £39,772. The reserve carried into 2017 was £54,966. This indicates the potential for mis-match between income and expenditure and how a reasonable balance allows for FoMECP to fund essential or urgent projects.

4. RISKS

4.1 The risks of not having a reasonable sum in reserve have been taken into account in producing this Reserves Policy.

Risks to income

4.2 In the financial year 2016 the income from the annual Car Show (£11,596) amounted to 79% of the total income of events organised by the Charity. The income from this open air event is very weather dependent and from previous experience if it is inclement the profit to the charity can drop to around £4,400.

Risks to requiring expenditure

4.3 Weather can also have a huge impact on the Park. Severe storms have in the past done a great deal of damage and campaigns to raise funds for specific re-planting projects take time to organise and realise sufficient income.

4.4 Weather also damages the fragile structure of the many listed buildings and other items within the Park. When such damage gets to the point of requiring immediate attention to prevent destruction is impossible to predict.

4.5 These risks will be managed by ensuring that the reserve always remain in the black and be of sufficient amount to cover anticipated and potentially unexpected demand.

5. LEVEL OF RESERVE

5.1 Due to the uncertainty in income and expenditure explained in the previous section the FoMECP Executive Committee does not set a Budget annually. In place of this the FoMECP Finance Policy explicitly states that: *The Trustees will not commit expenditure beyond the financial resources available.* This ensures that there will not be a shortfall.

5.2 In following that policy the Trustees will take into account the projected running costs of the charity.

5.3 Over and above these a reserve is held to have funds available in order that projects can be immediately funded rather than having to wait for the income to arrive in its account.

5.4 Accordingly the Trustees will not set a zero target level of reserve and do not set an upper target level for the reserve.

5.5 The Trustees are cognisant of the fact that holding a high level of reserve may lead the members to query the level of the membership fee. However the equalisation policy of matching fees to running costs is designed to allay those concerns.

5.6 The identified level of reserve held at the end of each year will exclude any 'restricted' funds, i.e. those donated to and held for a particular future project. It will also exclude any 'designated' funds, i.e. those earmarked for essential future spending, for example to fund a project that could not be met from future income alone.

6. SEEKING GRANTS from FUNDERS

6.1 When seeking grants from funders the Trustees should ensure that they can explain the Reserves Policy by showing that reserves are transparent and based on a clear policy and understanding of what the money is to be used for; and that the charity has sufficient reserves.

6.2 When seeking grants from funders the Trustees need to ensure that they understand the funder's policy towards applicant's reserves; that they seek opportunities to explain the FoMECP Reserves Policy and the level of reserves held; and that they present the Reserves Policy and reserves level in a positive and clearly understood way.

7. REVIEW and REPORTING

7.1 The level of reserve will be kept under review by the Trustees throughout the year as part of the Treasurer's report to the monthly Executive Committee meetings and the Trustees will not commit expenditure beyond the financial resources available. Therefore the level of reserve will be kept at an acceptable level.

7.2 Towards the end of the year this Reserves Policy will be reviewed in the light of income and expenditure to ensure that it remains relevant to any changing circumstances.

7.3 The level of reserve held at the end of each year will be published in a report and presented to the AGM for members' approval. The report will contain:

- a) The level of reserve held as at December 31st
- b) A breakdown of any of the reserve that has been committed to projects and a brief outline of the project details
- c) Details of any 'restricted' funds
- d) Details of any 'designated' funds
- e) A final total of the year end reserve
- f) A statement that the Trustees agree that the level of reserve carried forward to the following year is reasonable and acceptable

7.4 A statement on the Reserves Policy and the reserve held will be included in the Annual Report to the Charity Commission.