
1 Introduction

- 1.1 Foundation Scotland [FS] wishes to ensure that it achieves a position of financial strength so that, in turn, it can fulfil its purpose of growing long-term independent funding, providing social investment and building financial capital to strengthen Scottish communities.
- 1.2 In order to achieve this, FS reviews its reserves policy to ensure that a reserve levels are set so that risks and liabilities are covered but equally that reserves work hard, and investments and developments are undertaken in line with the strategic plan.

2 Scope

- 2.1 This Policy applies to the Unrestricted and Designated Funds of FS.

3 Abbreviations and Definitions

Abbreviations

- FC – Finance Committee

Definitions

- Designated Funds/ Reserves – Unrestricted funds which have been set aside by trustees for an essential or future purpose. They are effectively ring-fenced and no longer part of unrestricted general funds.
- Unrestricted or General Funds/Reserves or Free Reserves – funds received without restriction which can be used for any charitable purpose and as deemed fit by the trustees.

4 Policy

- 4.1 The level of reserves and designated funds is set by the Board, with advice from the FC and is based on identified risks and the strategic plan.
- 4.2 The main areas with the potential to impact or requiring use of reserves have been identified and are noted below:-
 - FS's operating income arises throughout the year however there are two peaks in the year – April and October. In order to provide for lags in income and to ensure positive cash flow three months of operating costs will be held – in liquid form – in unrestricted reserves. The sum required to cover this will be recalculated annually at the time of the annual audit.
 - As FS undertakes investment in its infrastructure and operating systems and in line with the strategic plan it may operate an in-year deficit budget. The unrestricted reserves necessary to support these deficits will be recalculated annually at the time of the annual audit.

4.3 In order that developments are undertaken in line with the strategic plan the Board has designated the following unrestricted funds:-

- The IT Infrastructure Fund – to support technological innovation and to ensure IT hardware is fit for purpose.
- The Pension Scheme Deficit Fund – to support any deficit arising from the multi-employer defined benefit pension scheme, which has historically been in deficit. The scheme was closed to new entrants in 2010.
- The Income Generation Fund – to generate returns to contribute to FS's operating income each year.
- The Strategic Plan Investment Fund – to support the execution of the Strategic Plan.
- The Endowment Builder Fund - to support the establishment of Endowment Funds.

4.4 The FC reviews the level of reserves held against this policy at annually at the time of the audit.

5 Roles and Responsibilities

- The FC are responsible for reviewing the Policy
- The Board are responsible for approving the Policy
- The CFOO is responsible for adhering, monitoring and reporting against the Policy

6 Training

- There is no training associated with this Policy

7 References

- [SV reserves 03 \(sayervincent.co.uk\)](http://sayervincent.co.uk)

8 Review

8.1 This policy is reviewed, approved, and endorsed by the Board of trustees. It is updated when required by legislation, to ensure that it reflects statutory responsibilities, government guidance and best practice for FS or every 12 months, at year end, whichever is the soonest.