

Policy Objective

To enable the Blue Marine Foundation to meet its existing financial obligations as they fall due and have sufficient resources to enable it to achieve its wider mission and its charitable objects, it is necessary to formalise a policy regarding reserves maintained by the charity. This policy will seek to ensure financial sustainability of the charity for the long-term.

In setting the policy, the Board of Trustees has referenced CC19 Charities and Reserves, issued by the Charity Commission.

In setting the parameters for the reserves policy, the Board of Trustees has considered the following: If reserves are too low, the charity risks insolvency and its charitable purpose will be put at risk. If reserves are too high, money will be tied up unnecessarily, thus limiting the charity's achievement of its purpose and jeopardising its ability to raise future funds.

Definitions

- 1.1 **Reserves** represent total funds available to the charity (liquid or otherwise) to enable it to meet its objectives. These broadly are made up of two sub-sets, unrestricted funds and restricted funds.
- 1.2 **Unrestricted funds** (including designated funds) are income or income funds which can be spent at the discretion of the Trustees in furtherance of any of the charity's objects. If part of an unrestricted fund is earmarked for a particular project it may be designated as a separate fund, but the designation has an administrative purpose only and does not restrict the Trustees' discretion to spend the funds.
- 1.3 **Restricted funds** are funds subject to specific trusts which may be declared by the donor(s) or with their authority or created through legal process, but still within the wider objects of the charity. Restricted funds may be restricted income funds, which are spent at the discretion of the Trustees in furtherance of some particular aspects of the objects of the charity. Restricted funds may alternatively be endowment funds, where the assets are required to be invested, or retained for actual use, rather than spent.
- 1.4 **Designated funds** are part of the unrestricted funds which Trustees have earmarked for a particular project or use, without restricting or committing the funds legally. The designation may be cancelled by the Trustees if they later decide that the charity should not proceed or continue with the use or project for which the funds were designated.

Policy Details

- 2.1 A minimum of nine months' operating and governance costs should be retained in bank balances. When calculating this, any designated funds should be taken into account.

- 2.2 A maximum of eighteen months' operating and governance costs should be retained as reserves. When calculating this, any designated funds should be taken into account.
- 2.3 Regarding Designated Funds:
 - 2.3.1 Where in the opinion of Trustees, a potential project (which is not yet at the stage of readiness for external funding) should be funded out of unrestricted funds, a designated fund will be created.
 - 2.3.2 The Trustees will only be requested to make such designations following a recommendation from the [Project Strategy and Review Committee](#).
 - 2.3.3 The Trustees retain absolute discretion, however, to spend any funds so designated as they deem appropriate or cancel the designation at a later point.
- 2.6 Contributions to restricted funds should be held as bank deposits and current accounts throughout the period of each respective project that the funds relate to. Such funds are excluded from the calculation of reserves in 2.1 and 2.2 above.
- 2.7 Efficient use of bank balances retained. The charity will retain sufficient balances within instant access deposit accounts and current accounts at Coutts to meet (i) the Minimum Reserves requirement, (ii) and any unspent earmarked Designated Funds. If any amounts in excess of this total are greater than 9 months' operating and governance cost, the Trustees will consider whether greater returns could be obtained from the placement of such funds with investment managers. If this is considered appropriate, the Trustees will then formalise their investments policy.
- 2.8 A list of income and expenditure codes will be maintained in order to track all income and expenditure.

Indirect cost recovery allocation

- 3.1 Different donors have different approaches to funding indirect costs relating to projects they fund. At some point in the future Blue Marine may need to enter into a negotiated indirect cost recovery agreement (NICRA).
- 3.2 The following general principles are adopted. In the case of restricted income fund projects, donors will be requested to agree to:
 - 3.2.1 A certain percentage of the total donation is to be allocated to unrestricted funds to assist with meeting Blue Marine's operational and governance costs. This will be decided on a case by case basis.
 - 3.2.2 Any unrestricted fund expenditure which is directly attributable to a specific project will be allocated to that project and in effect funded therefrom. Typical examples of this will

include staff or consultants time. Any such recharge of central resources will be performed on a just and reasonable basis.