

## **INVESTMENT POLICY - 1<sup>st</sup> MAY, 2013**

### **PURPOSES OF FINANCIAL RESERVES**

**1. To ensure the Foundation can cover administrative and operating costs**

The Foundation depends on earning a surplus on sponsorship and on investment income to cover any deficit. Both these sources are unpredictable and can be highly variable, moreover total dependence on sponsorship could on occasion weaken the Foundation's independent position.

**2. To assure the Foundation's position of independence, and freedom and responsiveness of action**

It is important for the Foundation to be able to organise events which deal with controversial issues, which fail to attract sponsorship or for which sponsorship is intentionally eschewed or which are unexpectedly significant and merit rapid attention. It is equally important that the Foundation is not beholden to any pressure group or other body by reason of its dependence on their financial support. Sufficient financial resources are required for the Council to maintain such independence.

**3. To provide financial headroom for the Foundation to develop its activities for future as well as current members**

The Foundation operates with minimal staff. The current programme absorbs all of the Chief Executive's time and any significant developments would call for the commitment of resources to cover extra staff and facilities. Such initiatives might take a year or two to become self-financing and the Foundation could not undertake them unless it could absorb the risk of failure without prejudice to the above purposes. The Foundation serves its members and the wider community; the management of reserves should recognise that future members may wish to pursue new initiatives or priorities and should not unduly restrict such possibilities.

**4. To provide reassurance for suppliers**

Adequate reserves enable the Foundation to commit itself to activities such as booking event facilities and maintain confidence in its credit worthiness.

### **OBJECTIVES**

- 1 The total of cash and liquid funds (including deposits and securities) should be kept at levels which can cover twelve months of total costs including direct event expenditure, journal production costs, salaries, accommodation, journal and administration costs in meeting Purpose 3 above. This corresponds to ca £375,000.

As a consequence of spending cuts, funding from government funded departments and agencies is declining. Council has agreed that for the time being there should be a special reserve of £200,000 in addition to the £350,000 reserve – a total reserve target of £550,000.

- 2 To generate investment income to support Foundation activities.
- 3 Aim to cover a proportion of the Foundation's costs from realised capital gains, dividends and interest taking one year with another.

### **INVESTMENT GUIDELINES**

- 1 The investment portfolio should have low risk criteria commensurate with the charitable status of the Foundation.
- 2 The maximum invested in any one commercial bank or building society should not exceed 20% of Foundation funds.
- 3 At least £150,000 should be invested in deposits with building societies, banks or government securities, to be reviewed regularly in line with Objective 1.
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- 4 Working capital in immediate access accounts should not normally exceed £100,000.
- 5 Remaining funds, at a target percentage of 35% of the total reserves (including the special reserve), may be invested in Equity Investments. It is recognised that market fluctuations may take the percentage above 35% for short periods but this percentage should not exceed 40%. The balance between UK/World, sectors and specific funds should be reviewed regularly by the Finance and General Purposes Committee.