

Cash and Reserves Policy

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Next review date: Hilary term 2028

Policy owner: Head of Finance & IT

Approved by: Governing Body

1. Purpose

- **Objective:** St Antony's College is guided in all decisions and actions by our overarching purpose and organisational [values](#). The College's purpose is 'to promote international understanding in a complex world' and the College policy in relation to cash and reserves is one of several policies that support the College's delivery of that purpose by helping to provide a sound financial base.
- **Scope:** There are two aspects to this policy: cash and reserves. These are inter-related and there is a layer of complexity added because the College manages different types of charitable funds. It is important for Trustees to recognise those fund types and the constraints that are placed upon their use.

The purpose of this policy is to set the parameters for how cash and reserves are managed, taking account of Charity Commission requirements, charity law and good practice in the sector.

2. Definitions

The fund types are as follows:

- **Endowment Funds - Permanent:** These represent a consolidation of donations and gifts where the income obtained through managing the funds is to be used to support various activities of the College as outlined by the donor. The capital sums for such funds may not be spent.
- **Endowment Funds - Expendable:** Expendable Endowments are the consolidation of gifts and donations where either the investment income or the capital sum may be used for the purposes outlined by the donor. Of particular relevance for this policy is the General Endowment of the College which has been established to provide funding for the College's general activities. This fund has been managed as if it were a permanent endowment in order to grow the capital value and to provide a growing level of annual investment income (warranted income) in perpetuity. However, the funds are freely available to us to use in full for the general purposes of the College.

- **Restricted Funds:** Restricted Funds are grants, gifts and donations that are given for a particular purpose by the donor or organisation making a grant to the College. They may only be used for specific purposes.
- **Unrestricted Funds:** These funds represent all income which has been received by the College where no restriction has been placed upon its use. Unrestricted funds include a number of different categories, some of which have been designated by the Governing Body for particular purposes. Within unrestricted funds, the General Reserves are of particular importance as they represent that part of a charity's unrestricted income fund that is freely available to spend on any of the charity's purposes. These funds are generally held in cash and are readily available for use.

3. Procedures

- **Cash balances:**

It is the responsibility of the Head of Finance and IT to manage cash balances through the year in order to ensure the continued operation of College activities. In order to meet this requirement, the role holder is tasked to ensure:

- A minimum cash balance equivalent to three months of College expenditure is maintained across all College bank accounts and cash deposits.
- Bank interest receipts are maximised by holding excess cash balances in suitable short-term deposit accounts, taking care to ensure cashflow meets the first aim.

Trustees will ensure that all cash and short-term deposits will be held with reliable banks or other suitable financial institutions and ensure that due diligence has been carried out in advance of placing deposits with a new institution.

In selecting a suitable banking product, care will be taken to ensure that the financial institution with whom the College has a relationship is meeting the College's ESG requirements. As part of this commitment, the College supports the Cambridge [Banking Engagement Forum \(cam.ac.uk\)](https://www.cam.ac.uk/banking-engagement-forum) and will look to work with banks and other financial institutions which have been screened through the processes established by the forum where this meets the College's needs.

- **Reserves policy: Charity Commission guidance:** the Charity Commission expects trustees to decide, publish, implement and monitor their charity's reserves policy so that they can comply with their legal duties to:
 - act in the interests of their charity and its beneficiaries
 - protect and safeguard the assets of their charity
 - act with reasonable care and skill
 - ensure their charity is accountable.

In practice, this means that trustees should develop a reserves policy that:

- fully justifies and clearly explains the reasons for keeping or not keeping reserves
- identifies and plans for the maintenance of essential services for beneficiaries
- reflects the risks of unplanned closure associated with the charity's business model, spending commitments, potential liabilities and financial forecasts
- helps to address the risks of unplanned closure on their beneficiaries, staff and volunteers

- Is published and tailored to the charity's circumstances – it should not be just a standard form of wording. It should explain to funders, beneficiaries, the public and the Commission exactly what reserves are kept (or not kept) for and when they are to be used
- is put in place and operated in practice
- Is regularly monitored and reviewed for effectiveness in the light of the changing funding and financial climate and other risks.

Charity Commission guidance (available at the link below) confirms that expendable endowments are excluded from the definition of reserves and also states "... expendable endowments offer trustees considerable flexibility in how they may use the funds, and this may influence the amount of reserves trustees choose to hold. Expendable endowments, when invested, can provide a relatively secure stream of income but the trustees also have the option of spending all, or part, of the endowment. This freedom may reduce the need for reserves, especially where the charity is not wholly dependent upon the investment income provided by the expendable endowment to fund its activities."

General Reserves are that part of a charity's unrestricted funds that are freely available to spend on any of the charity's purposes. As outlined by the Commission, "... there is no single level, or even a range of, reserves that is right for all charities. Any target set by trustees for the level of reserves to be held should reflect the particular circumstances of the individual charity. To do this, trustees need to know why the charity should hold reserves and, having identified those needs, the trustees should consider how much should be held to meet them."

4. College Reserves Policy Statement

College policy with respect to reserves considers the accessibility and the value of the College's General Endowment alongside the availability of cash for day-to-day operation of the College as part of the General Reserves.

Trustees take the view that these two funds in combination are available to support the College's short-term financial obligations in the event of an unexpected financial shortfall, providing a buffer that would ensure the College can continue to operate and navigate its way through any period of financial turmoil.

Trustees have determined that:

- the College will hold an expendable General Endowment, the purpose of which is to provide an annual income to support the activities of the College and a capital sum to provide financial security in times of financial crisis.
- the target value of the General Endowment should be the equivalent of three years' unrestricted expenditure, in order to meet the medium-term needs of the College.
- The College shall set upper and lower boundaries of the General Endowment being between the equivalent of 30 and 40 months of unrestricted expenditure, in order to ensure the charitable objectives of the College are maximised within the short-term.
- the College may utilise part or all of the capital value of the General Endowment (to include either direct expenditure or borrowing), above the minimum value, in order to finance expenditure on capital assets or deliver services for its beneficiaries.

- any borrowing from the General Endowment will be repaid within a 20-year timeframe such as to ensure repayments return the value of the original sum and the value capital return foregone as set by the target return on investments (currently 5% in real terms).
- where the value of the General Endowment falls outside of the boundaries laid out in this policy, action will be agreed in order to return the balance back within those boundaries within the life of the College's next financial plan.
- the equivalent of at least one year's unrestricted expenditure should be accessible as cash within one year's notice – sourced from a combination of both General Reserves and General Endowment. This requirement is in addition to the requirements for holding cash outlined elsewhere in this policy.
- the College will target a positive level of General Reserves over its planning cycle and where, in particular years, the level of those reserves falls below zero, Trustees will put plans in place to ensure the level of General Reserves returns above zero within the life of the next 3-year financial plan.

It is the intention of Trustees that this policy will ensure sufficient funds and adequate cash will be available to maintain the operation of the College in the short to medium term (up to five years) and enable all necessary adjustments to College finances during any period of financial difficulties so that the College will continue to operate in perpetuity.

Where circumstances arise that require the suspension of College activities and the ultimate closure of the charity, it is intended that this policy will provide sufficient finances to ensure such a process is undertaken in a stable and controlled way, allowing the College to meet its financial responsibilities and minimising the impact on College members.

5. Related Documents

- **References:**
 - Charity Commission guidance – [Charity Reserves: Building Resilience \(CC19\)](#)
 - Charity Commission guidance – [Investing for Charities \(CC14\)](#)

6. Contact Information

- **Policy Owner:** Head of Finance & IT
 - **Support:** for help or clarification regarding the policy, contact accountant@sant.ox.ac.uk
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