



## **UNDER REVIEW**

### **AN INTELLIGENT RESERVES POLICY 2019-2020**

#### **Context**

A charity's reserves policy is a key component of its financial strategy as well as being a public statement of the Trustees' view of the financial position of their charity. Any policy needs to be clear, transparent and tailored to the needs of the charity. It should provide a robust argument for the holding of reserves instead of spending such monies on the charitable cause. Risks facing the charity should be assessed and it is this assessed risk together with the financial strategy of the charity that then provides the context for the Reserves Policy.

#### **What are reserves?**

Reserves are funds that a charity has which can be freely spent on any of its charitable purposes. This definition excludes restricted income funds and endowment funds (the IHSGB's Development Fund and Youth Fund) as these must be spent in a specific way. Reserves will also normally exclude tangible fixed assets held for the charity's own use. This is because these assets are used by the charity to deliver their activities and as such cannot be sold to meet a funding deficit. Amounts already set aside for essential future spending (designated funds) are also excluded from reserves.

#### **RESERVES POLICY**

Founded in 1986, the IHSGB exists to maintain the purity of the unique Icelandic horse, to promote interest in the breed, to protect the welfare of the breed, and to encourage Icelandic horse breeding and riding competitions. The British Society is a full member of FEIF, the International Federation of Icelandic Horse Associations, which has 20 members including Canada and the USA. IHSGB is the only Icelandic horse association in Britain recognised by FEIF as representing the whole of the United Kingdom.

The **principal activities of the Society** are:

- To educate the public about the Icelandic horse and its origins, preservation and standards in accordance with the standards of FEIF (The Federation of Icelandic Horse Associations).



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- To improve general standards in the management, use and treatment of horses with particular reference to the special features of the Icelandic horse by the education of breeders, importers, owners, judges, veterinarians, trainers and members of the public.

1. The Trustees of IHSGB Ltd. should seek to achieve a **reserve of unrestricted funds** equivalent to 12.5% of its annual income to meet an unforeseen emergency or other unexpected need. (c. £2,500).

2. That this reserve be invested in a Managed Trust Account through an organisation such as the Charities Aid Foundation (CAF).

*A CAF Trust Account is a simple system that is a bit like having your own charitable trust, except it operates as a subsidiary fund of CAF. You can put money into the Trust Account, call it what you like and specify what charitable purposes the money can be used for. As CAF is a charity, the same charitable tax benefits apply to the Trust Account. It is like having your own independent trust, but the Trustees of CAF take responsibility for carrying out your charitable wishes.*

3. That any interest on this account is made available to the Society in year as part of its general income stream and allocated to the annual budget.

4. That Trustees aim to invest any growth on this account, plus any year on year profits generated through trading (the Income & Expenditure account) into a **second unrestricted fund/reserve**

a. This fund is now known as the **General Development Fund** and is operated subject to the principles adopted below.

b. **However, given the capital of the General Development Fund is only to be spent 'in exceptional circumstances' the Board of Trustees need to be mindful of the need to retain some budget flexibility year on year and of the need to protect the cash flow. Given this it may be appropriate to carry forward some I&E surplus year on year in the IHSGB Ltd general trading accounts (the bank accounts). This should be at the discretion of the serving Board of Trustees.**



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5. That the Board of Trustees agree to set a rolling three year budget to permit reserves/surpluses to be deployed to their best advantage and ensure cyclical events (Youth & World Cups for example) and programmed initiatives (Education hub, Judge Training for example) are adequately planned and budgeted for.

## **PRINCIPLES FOR THE USE OF THE IHSGB LTD GENERAL DEVELOPMENT FUND**

To maintain our status as a registered charity that is able to claim tax relief, we are required to demonstrate annual achievement of the Society's aims. Established in 2013, this fund helps us to achieve our goals and demonstrate our charitable credentials. The aim of the fund is for the interest earned to be used to award grants that will further the Society's objectives.

Applications for grants are to be made in writing to the Board of Trustees by 31st July each year for the following year. The application should include the reasoning why the applicant believes that the Society objectives would be enhanced and state the benefits to be gained. Applications may be from anyone, and there is no limit to the number of times an individual may apply.

The Board of Trustees shall consider the merits of each and every application, seeking clarification where necessary. Any awards so granted will be announced at the Society AGM in November. If no applications are received or none is considered sufficiently worthy then the interest will be reinvested into the fund.

If the total amount asked for by those applications considered worthy exceeds the amount of interest available, then the Board will decide which applications will provide the Society with the greatest return. The Board decision is final and there will be no right of appeal, however the individual may apply again the following year.

The capital of the fund may only be spent in exceptional circumstances and the Trustees will need the majority of fully paid up members to give their written agreement. This will reassure people that their donations will be fully used to create a lasting legacy.

### **Legacies**

See separate Policy. Bequests may be both general and restricted, may be made directly to the Development Fund or held separately as cash and/or assets.



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*Trustees endorsed this revised policy and adopted it with immediate effect.*

*01/10/20219*

*Revision date 1<sup>st</sup> October 2020*

*Review date 1<sup>st</sup> October 2025*

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