

## 12 Reserves policy

Version 3 | October 2021

### 1. Purpose

The purpose of this policy is to ensure the stability of the mission, projects, programs, employment, and ongoing operations of the company. Designated reserves are intended to provide an internal source of funds for situations such as a sudden increase in expenses, onetime unbudgeted expenses, unanticipated loss in funding, or uninsured losses. Designated reserves may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure. Designated reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of HCV Network Ltd. for the designated reserves to be used and replenished within a reasonably short period of time. This policy will be implemented in concert with the other governance and financial policies of HCV Network Ltd. and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

### 2. Goal

The minimum amount to be designated as reserves will be established in an amount sufficient to maintain ongoing operations and programs for a set period, measured in months. Designated reserves serve a dynamic role and will be reviewed and adjusted in response to internal and external changes. The goal of HCV Network Ltd. is to retain sufficient funds required to meet six months of average operating costs.

On this basis, HCV Network Ltd. would expect to hold minimum reserves of approximately 6 months of operating costs based on 2020 accounts (£225,000).

### 3. Accounting for designated reserves

Designated reserves will be recorded in the company's financial records as 'Reserves'. Designated reserves will be funded and available in cash or cash equivalent funds. Designated reserves will be maintained in a segregated savings account that is independent from HCV Network Ltd.'s current bank accounts.

#### **4. Funding of designated reserves**

Designated reserves will be funded with surplus unrestricted funds. Directors may from time to time direct that a specific source of revenue be set aside for designated reserves. Examples may include one-time gifts or bequests, special grants, or special appeals.

#### **5. Use of Designated reserves**

Use of the designated reserves requires three steps:

##### 5.1 Identification of appropriate use of designated reserves

The Global Director and staff will identify the need for access to the designated reserves and confirm that the use is consistent with the purpose of the designated reserves as described in this Policy. This step requires analysis of the reason for the shortfall, the availability of any other sources of funds before using the designated reserves, and evaluation of the period that the funds will be required and replenished.

##### 5.2 Authority to use designated reserves

Authority for use of up to £10,000 of designated reserves is delegated to the Global Director in consultation the Finance Manager. The use of the designated reserves will be reported to the Directors at their next scheduled meeting, accompanied by a description of the analysis and determination of the use of funds and plans for replenishment to restore designated reserves to the target minimum amount. The Global Director must receive prior approval from the Directors for use of the designated reserves in excess of £10,000.

### 5. 3 Reporting and monitoring

The Global Director is responsible for ensuring that designated reserves are maintained and used only as described in this Policy. Upon approval for the use of designated reserves, the Global Director will maintain records of the use of funds and plan for replenishment. He/she will provide regular reports to the Directors of progress to restore the designated reserves to the target minimum amount.

### **6. Relationship to other policies**

HCV Network Ltd. shall maintain the following policies, which may contain provisions that affect the creation, sufficiency, and management of the designated reserves:

- Financial Policy

### **7. Review of this policy**

This Policy will be reviewed every other year, at minimum, by the Global Director and the Finance Manager, or sooner, if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Directors.

### **8. Balance**

- January 2<sup>nd</sup>, 2018: £17,492
- January 2<sup>nd</sup>, 2019: £17,513 – (as the company suffered a deficit to year ended 31 December 2018 it was agreed no increase in reserves possible)
- January 2<sup>nd</sup>, 2020: £100,000
- January 2<sup>nd</sup>, 2021: £100,000