

Longhoughton Community and Sports Centre Trust

Financial Policy – Reserves and Investment

1. Introduction

The Trust's Articles of Association provide (at clauses 8j and 8l respectively) powers for Trustees as follows:

- to set aside income as a reserve against future expenditure but only in accordance with a written policy about reserves;
- to:
 - (i) deposit or invest funds;
 - (ii) employ a professional fund manager; and
 - (iii) arrange for the investments or other property of the Charity to be held in the name of a nominee;

In the same manner and subject to the same conditions as the trustees of a trust are permitted to do by the Trustee Act 2000;

This document sets out the Trust's policy with respect to Reserves and Investments.

2. Reserves

The Trust holds funds (reserves) in three distinct categories:

- i. Restricted funds:
- ii. Designated funds:
- iii. Free reserves:

2.1. Restricted funds

Certain funds have been provided to the Trust on condition that they only be used for specified purposes. Their use is therefore "restricted". An example of such funds would be monies held for maintenance of the Children's Play Area. From time to time, the Trust may have other restricted funds.

2.2. Designated funds

The Trust also holds certain funds which it has "designated" for specific purposes, but the deployment of these funds remains at the Trust's discretion.

The principal example is the Trust's designated sinking fund reserve established in order to secure the long-term maintenance of the Astro-turf football pitch, the useful lifespan of which approximately 10 years.

Longhoughton Community and Sports Centre Trust

Financial Policy – Reserves and Investment

2.3. Free reserves

Free reserves are the taken to be the Trust's net current assets (taking into account both current debtors and creditors) **minus** those funds held in restricted and designated funds.

In addition to the various restricted and designated funds detailed above, it is Trust policy to ensure that sufficient free reserves are available to maintain the day-to-day running costs for a minimum of three months.

Additionally, there may be circumstances where some free reserves are held as contingency for identified extraordinary expenses.

Trustees will, from time to time throughout the financial year, review and agree levels of free reserves.

The Trust's annual accounts will identify the level of free reserves at the end of the financial year.

3. Sinking Funds

The Trust operates three ¹ distinct designated sinking fund reserves:

- Synthetic Turf Pitch (STP) replacement fund
- Building maintenance fund
- STP ancillary maintenance fund (floodlights, floodlight electrical switchgear and cabinets, fencing etc)

4. Sinking fund contributions from income

From time to time the Trustees will review and agree the target amount required of the sinking funds.

Based on factors such as the prevailing inflation rate, the funds' level compared with the target, Trustees will review and agree transfers into the sinking funds from income, provided that sufficient surplus has been achieved in the year to make these allocations.

5. Re-investment of Restricted and Designated funds' interest

Certain funds are held over long periods for future use. Primary examples of this are the STP resurfacing sinking fund and the Children's Play Area maintenance fund.

In order to preserve the real value of such long-term funds against inflationary erosion, it is the Trust's policy to reinvest any investment interest into the same fund, provided that sufficient surplus has been achieved in the year to make these allocations.

¹ The third, STP ancillary maintenance fund, is a concept introduced at Issue 3 of this policy and has yet to be funded.

Longhoughton Community and Sports Centre Trust

Financial Policy – Reserves and Investment

6. Investment

The Trust adopts a low-risk investment policy; funds are not invested in stocks and shares, but only in bank deposits and bonds covered by the Financial Services Compensation Scheme (FSCS) deposit protection scheme guarantee (currently up to £85,000).

Whilst acknowledging the above, deposits are placed to maximise return and are subject to the availability of funds matching the forecast requirement of the Trust.

Restricted and designated funds are, wherever possible, invested in the Trust's savings accounts so as to maximise the return on investment. Those funds are separately accounted for in the Trust's IT-based accounts which are scrutinised annually by independent auditors for the purpose of complying with the requirements of the Charities Commissioner and Companies House.

Change Record

Issue	Review Date	
1		Original
2	May 2024	Re-formatted. No significant content change
3	August 2025	Merged with Investment Policy (which is now superseded) and Reserves policy (paragraphs 2-5) added.