



POLICY/PROCEDURE INFORMATION (Policy no FI001)	
Subject	Liquidity, Investment and the treatment of Reserves Policy FI001 <i>(This policy is non-contractual and is subject to periodic review and will be amended according to service development needs).</i>
Applicable to	All staff of Nottinghamshire Hospice
Target Audience	Others such as agents, consultants and other representatives of Nottinghamshire Hospice may be required to comply with the policy as a condition of appointment.
Date issued	Sept 2019
Next review date	Sept 2022
Lead responsible for Policy	Chief Executive Officer
Policy written/reviewed by	Chief Executive Officer Director of Finance and Resources, Treasurer
Notified to (when)	Strategy and Corporate Governance Group
Authorised by (when)	Strategy and Corporate Governance Group
CQC Standard if applicable	Well-led
Links to other Hospice Policies	Financial Manual
Links to external policies	
Summary	This document aims to provide a clear understanding of Nottinghamshire Hospices Liquidity, Investment and Reserves Policy
This policy replaces	Liquidity, Investment and the treatment of Reserves Policy FI001 2019-2022

IMPORTANT NOTICE

Staff should refer to the Hospice website or Policies and Procedures folder on the 'N' drive for the most up to date Policy. If the review date of this document has expired it is still valid for 3 months.

After that staff should seek advice from their clinical lead or manager.

VERSION CONTROL		
Status	Date	Reviewed date
Original policy written by Rowena Naylor-Morrell, CEO	May 2018	
Policy reviewed by CEO and Director of Finance and Resources	July 2019	
Policy reviewed by Colin Peacock, Treasurer	Aug 2019, Sept 2022	
Policy notified to Strategy and Corporate Governance Group	Sept 2019	
Policy ratified by Board of Trustees	Sept 2019	
Updated logo and published on website	Dec 2020	

UNDER REVIEW

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UNDER REVIEW

1.	Introduction <p>Liquidity, Reserves and Investment Policy, are dynamic conditions that remain valid only as long as the need for those funds to be retained, in those forms remain. Each year the Trustees will review the Liquidity, Reserves and Investment Policy to ensure that the levels set remain valid and relevant to the needs of the Hospice. In reviewing these policies the Trustees will be informed by the review of the overall Risk Assessment and any new developments. Those reviews will include consideration of the proportion of the reserves invested in each form and will where necessary reformulate those proportions in line with determined needs of the Hospice.</p>
2.	Liquidity <p>The Hospice position on liquidity and the holding of reserves is that:</p> <ul style="list-style-type: none">• The Hospice generates income to provide services in line with its charitable purposes. Money should only be held in reserve where it is to cover known liabilities, projected developments and to reasonably underpin long term security for the organisation and the users of its services.• The Hospice must seek to retain sufficient liquid reserves to meet its day to day commitments and its contingent liabilities.• The Hospice shall hold money available to assist the day to day cash-flow situation and to provide a level of cover in extreme and immediate circumstances. The level of that sum, proportionate to the level of funds held in other forms will be determined by the Trustees as set out above.• Liquid funds will be held in Bank accounts and Building Society time deposit accounts where they are accessible within short periods and where despite that they are capable of generating a reasonable level of interest.• Liquid funds will be held in a variety of such accounts and re-invested regularly to ensure availability and return in line with our current market rates.

- The funds held in liquid forms in Time Deposits and Bank Accounts will be managed by the Chief Executive Officer and the Director of Finance and Resources on behalf of the Trustees.

3. Investment

The Hospice position on the holding of investment is that:

- The Hospice must seek to ensure that a proportion of its funds are invested for growth, so as to prevent erosion of the capital value of the monies entrusted to the Trustees for the furtherment of the aims of the charity.
- The investment of Hospice funds in medium and long term investments requires skill and expertise of professionals in the sphere of investment management. The Hospice Trustees will seek advice from suitably qualified and experience professional persons when making such investments.
- An Investment working party (IWP) will be formed to liaise with our external professional advisors on an ad hoc basis where additional investment funds become available

The principal set down above, the requirements of the Trustee Investment Act and the guidance of the Charity Commission, require that:

- The Board of Trustees (via the IWP) shall determine both the level of investment and the level of risk of those investments.
- The Board Trustees (via the IWP) shall provide guidance in writing to any person engaged in making investments on the Hospices behalf. That guidance shall include the absolute amounts to be invested, the levels of risk which any portfolio of investments should cover and any guidance about areas of investment that the Board of Trustees believe would be in conflict with the aims and objectives of the charity.

The second principal acknowledges the necessity of engaging skilled professional advice in order to optimise the opportunity of investment. The Hospice must establish processes to follow up the guidance given to such professionals and to regularly review the nature, content and out-turn of the

investment portfolio held on the Hospices behalf. To that end the follow process shall be set in place:

- The Board of Trustees (via the IWP) will oversee and manage the process of investment that is being handled on behalf of the Hospice by external professional brokers. That group must include the Honorary Treasurer in post at the time.
- The IWP will review the position in respect of those medium and longer term investments on behalf of the wider Trustee body. The Chair of the IWP will report on the current state of the investments at the regular meetings of the Hospice Board of Trustees and there shall be a standing item on the agenda for the purposes of such reporting.

4. Reserves

The financial strategy adopted at the Board of Trustees meeting in March each year will set up certain principals for the management of reserves.

- The Hospice must seek to retain sufficient liquid reserves to meet its day to day commitments and contingent liabilities. This will be calculated using a risk based approach to the impact of loss of revenue.
- The Hospice must seek to ensure that a proportion of its funds are invested for growth, so as to prevent erosion of the capital value of the monies entrusted to the Trustees for the furtherment of the aims of the charity.

An annual risk assessment will be completed in support of the Financial Strategy. It will identify what liabilities that the Hospice will face in relation to its general running costs should a loss of revenue occur. On average but subject to annual review this should be no more than a sum equivalent to 20% of the running costs of the Hospice itself. (Hospice Ltd but not its Commercial or Lottery Divisions).

Additionally the Risk Assessment will set out the Contingent Liabilities in relation to Hospice and Hospice Commercial and determine the correct level required to cover these risks.

Taking these elements together sets the figure that the Hospice should retain in liquid funds.

- 20% of Hospice running costs.

The Board of Trustees will determine and agree the appropriate level of investment in line with the Strategic Development Plan, the Risk Assessment and the Financial Strategy.

Utilising the principals and calculations from above that underpin decisions in relation to the apportionment between liquid, medium term, and long-term investments. The proportions are set out below:

Liquid Reserves	% of total reserves fund	Investments	% of total reserves fund	Total Reserves
300k	44%	376k	56%	676k