



## Happiness Outdoors Project

### Operating Reserves Policy

#### Purpose

This Reserve Policy is to ensure the financial health and integrity of the Happiness Outdoors Project (HOP), a non-profit organisation which aims to provide regular outdoor enrichment and learning opportunities for children and their communities; enabling them to develop strong and enduring connections with nature.

The purpose of this Operating Reserve Policy is to build and maintain an adequate level of unrestricted cash reserves to support the organisation's day-to-day operations in the event of unforeseen shortfalls. Operating reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap.

#### **Definitions**

**Reserves.** Are that part of HOP's unrestricted funds that is freely available to spend on any of HOP's purposes. The items excluded from reserves are any tangible fixed assets used to carry out HOP activities, such as tools.

**Restricted Funds.** Fall outside the definition of reserves, but the nature and amount of such funds may impact on HOP's reserves policy. Where significant amounts are held as restricted funds, the nature of the restriction should be considered, as such funds may reduce the need for reserves in particular areas of the HOP's work.

#### Developing Our Policy

There is no single method or approach to setting a reserves policy and the right approach depends on the size, complexity of activities, legal structure and the nature of funds received and held by HOP. The process HOP uses involves:

- Consideration of the nature of the funds received and held by HOP:
  - Are the funds unrestricted or restricted income?
- Understanding the nature of the funds allows Directors to identify unrestricted funds which can be spent on any purposes of HOP.
- Consideration of future budgets and future projects or spending plans that cannot be met from the income of a single year, and uncertainties HOP may face in the future, such as the need to hold some reserves to meet an unexpected call on funds or opportunities that may present themselves.

HOP will use the above process to identify why reserves might need to be held and to decide the amount of reserves needed to operate effectively.

As a non-profit CIC, HOP is guided by the Charity Commission guidance on reserves Annex 1 which sets an approach that can be used by smaller charities which do not hold significant amounts of endowed funds, property or operate a defined benefit pension scheme or carry out activities through trading subsidiaries.

## **1. Levels of Reserves**

HOP's target level of reserves may be expressed as a target figure or a target range and will be informed by:

- HOP's forecasts for levels of income for the current and future years, taking into account the reliability of each source of income and the prospects for developing new income sources
- HOP's forecasts for expenditure for the current and future years on the basis of planned activity
- Analysis of any future needs, opportunities, commitments or risks, where future income alone is likely to fall short of the amount of the anticipated costs
- Assessment, on the best evidence reasonably available, of the likelihood of a shortfall arising which means that reserves are necessary, and the potential consequences for HOP of not being able to make up the shortfall
- Formal commitments agreed with partner schools on delivery of sessions

## **2. Target Reserve**

The target minimum Operating Reserve Fund is calculated to ensure ongoing company activities. A 6-week policy is designed to enable HOP to continue operating for a school half term of HOP sessions and to ensure continuity with school partners.

As agreed with school partners, HOP sessions are offered subject to funding. If such a situation arises that a shortfall of funds occurs, then HOP will scale down to operate a minimum of 1 session per week at the school impacted by a funding shortfall. The Operating Reserve Fund will cover all running, overhead and salary costs required for a scaled down delivery until funding is secured and for a maximum 6-week period as necessary.

HOP reserves will be generated from unrestricted funds and any product sales, paid into the HOP account and used to top up the Operating Reserves Fund. Where further reserves are generated these will be used to extend the Operating Reserve Fund period to 12 weeks.

## **3. Monitoring of Reserves**

HOP will keep the reserves policy and the level of reserves held under review, monitor the level of reserves held throughout the year to establish any reason for any significant difference with the target level set. If reserves during the year are below target or exceed target, HOP will consider whether this is due to a short-term situation or a longer-term issue and take any appropriate action.

## **Approval and Review**

This policy will be reviewed by the Directors annually, as part of the financial planning cycle.

<b>Version No</b>	<b>Approved By</b>	<b>Approval Date</b>	<b>Main Changes</b>	<b>Review Period</b>
1.0	Directors	July 2024	Initial draft approved	Annually
2.0	Directors	September 2025	Target reserves section. Removal annual report section.	Annually