

## **Dóchas Reserves Policy (Approved 26/03/2024)**

### **Introduction**

In accordance with best practice as recommended by the Charities Regulator in Ireland, the Board of Directors of Dóchas, (“the Board”), has developed this reserves policy for the organisation.

The purpose of the policy is to ensure transparency and clarity for all stakeholders about what Dóchas reserves are, how they are accumulated, how and when they are spent and how adherence to this policy is monitored by the Board to ensure compliance.

### **What are reserves?**

Reserves are made up of funds that are available for expenditure in a future period.

In the Dóchas balance sheet reserves are clearly split between restricted and unrestricted reserves. Restricted reserves are funds that must be used for a specific purpose or project. Unrestricted reserves are funds that are available for expenditure at the discretion of the Board in furtherance of any of Dóchas’ objectives. This policy is concerned with the management and oversight of Dóchas’ unrestricted reserves.

### **Why Dóchas holds unrestricted reserves?**

The Board is responsible to ensure that Dóchas has adequate funds on hand to ensure the long-term viability of the organisation and to maintain the smooth operation of Dóchas. To allow for an unexpected shortfall in revenue or an unexpected increase in expenditure the Board has decided that Dóchas should maintain a certain level of unrestricted reserves.

In determining the appropriate level of reserves to maintain the following are considered:

- Strategic and financial plans and budgets
- Sources of income and how it is generated – membership and donor
- Recurring expenditure
- Contractual obligations e.g. staff, rent
- Non recurring expenditure
- Unplanned expenditure
- Risks and external events putting pressure on Dóchas.

The nature of holding reserves is not a static position and the above issues will be considered annually by the Board when reviewing the level of reserves being maintained.

### **Target level of reserves**

The Board has currently set the target level of unrestricted reserves at between five and seven months of budgeted, committed and recurring unrestricted expenditure.

Recurring expenditure is considered to be all expenditure that is incurred annually by Dóchas in the provision of its membership services and programme activities.

Non recurring expenditure is considered to be expenditure that is incurred in any given financial year that is not expected to recur annually, e.g. investment in infrastructure (CRM, website)

The Dóchas budget template facilitates differentiation between recurring and non-recurring expenditure.

Derogations from this policy can only be approved by the Board in the event of sudden internal or external context changes that warrant a departure from the 5-7 month range. Any derogations must be documented and time-bound. The internal management team have no authority to make changes to this policy.

### **Free reserves**

As part of its annual financial planning Dóchas calculates its expected “free” reserves at the end of the financial period. Free reserves are those unrestricted reserves that exceed the target level of between five and seven months’ budgeted, recurring and committed expenditure.

### **Designated reserves**

As part of its review of the level of reserves, the Board will consider annually whether to specifically designate some of the free reserves to be spent on a specific project, or otherwise earmark some of the reserves to cover possible but unplanned expenditure - e.g. maternity/sick leave cover in the next financial year. In the event of designated reserves not being expended in a financial year the Board can redesignate these reserves at the end of the financial year.

### **Principles**

The principles underlying this policy are:-

- Dóchas will manage its finances so as to ensure that the level of year end reserves is adequate to meet of between five and seven months’ budgeted, recurring and committed expenditure.
- Dóchas will not build up excessive reserves but if they have arisen, we will have a plan to reduce them over a limited period of time, as agreed by the Board.
- Dóchas will only use unrestricted reserves to deal with a sudden unexpected drop in its core income or necessary increased expenditure not included in its budget.
- Dóchas reserves will always be used for the furtherance of Dóchas’ strategy and objectives.
- Dóchas may on occasion use unrestricted reserves to fund cash flow due to the seasonal nature of the receipt of Dóchas income, (from members or grant payments).
- Dóchas will identify non-recurring expenditure as part of its annual budgeting procedures and determine if any of this non-recurring expenditure should be funded from reserves.

### **Monitoring this policy**

The Finance and Risk Committee (“FARC”) will review the level of unrestricted reserves on a quarterly basis and report to the Board on whether the target for unrestricted reserves is being met. The FARC will also monitor the spending of any designated reserves in each financial year.

Reserves are then reported annually in our Directors’ Report and Annual report. Members are asked to approve these, as well as our annual budget, at the Annual General Meeting.

*This policy is posted on our website so it is fully accessible to members, and is reviewed annually.*