

The Order of Malta Volunteers – Reserves Policy
(registered company no. 09801949, registered charity no. 1164242)

POLICY REFERENCE	
Function	For information and guidance
Status	Approved & issued
Scope	Trustees
Owner	Tim Orchard
Version	2.0
Date approved by board	11 th December, 2018
Date for review	11 th December, 2019

Introduction

1. It is good practice for the trustees of the Order of Malta Volunteers (“the Trustees”) to have in place a financial reserves policy that, first, takes account of potential risks faced by the Order of Malta Volunteers (“the OMV” or “the Charity”) and, second, ensures that there are enough financial resources to enable the Charity to continue as a going concern.
2. Deciding the appropriate level of reserves is an important part of the Charity’s financial management and planning. Levels of reserves that are higher than necessary may tie up money unnecessarily and/or limit the amount available to be spent on charitable activities. Conversely, levels of reserves that are too low may put at risk the Charity’s solvency and thus its future charitable activities.
3. The Charity will publish this Policy on its website.

Significant risk factors

4. The Charity receives most of its unrestricted income from a single, annual fund-raising event, namely the White Knights Ball. Therefore the failure of this event represents the largest funding risk to the Charity.
5. Most of the Charity’s expenditure is represented by the subsidies applied to its pilgrimages and other charitable activities, of which the annual Lourdes pilgrimage is the largest.

Cash flows

6. The surplus from the annual White Knights Ball accounts for most of the Charity’s unrestricted income. In effect, this income is received as a single amount; and it is usually credited before the end of the first calendar quarter. Because most of the Charity’s activities take place from Easter onwards, the members of the Charity’s management committee (“the OMV Committee”) know the level of unrestricted income for the year before the activities take place.
7. In practice, however, the Charity is committed to running the year’s activities before the outcome of that year’s White Knights Ball is known. This cash flow mismatch suggests that it is prudent for the Charity to hold a certain level of minimum reserves to allow its charitable activities to go ahead in the event that the White Knights Ball generates less unrestricted income than expected (or even no unrestricted income at all).

8. Although the Charity has the power under its Articles of Association to borrow money, its bankers may choose not to offer an overdraft facility. A potential lack of access to borrowing argues for the Charity to retain a certain level of cash reserves.

Minimum level of reserves

9. The Charity will maintain reserves of at least £200,000 (the “minimum reserves”). This is broadly equivalent to the aggregate unrestricted income that the Charity could expect to receive from the White Knights Ball over two years.
10. The Charity will hold at least £100,000 of its minimum reserves in the form of either bank deposits (with a maturity of no more than three months) or liquid money market instruments (including AAA-rated liquidity funds).

The Order of Malta’s International Holiday Camp

11. Based on past experience, the OMV may expect to host the Order of Malta’s annual International Holiday Camp once every eight-to-ten years. This event typically requires a separate major fund-raising campaign. The Trustees would expect the costs of such a UK-hosted International Holiday Camp to be met mostly from funds raised specifically for the purpose by the Camp’s organising committee. In any event, the Trustees would not expect more than £100,000 of the costs of such a Camp to be met from the OMV’s reserves.

Monitoring, evaluation and review

12. The directors of the Charity will monitor the level of reserves at regular intervals during the year and will review the minimum level of reserves as part of the annual budget-setting process.
13. In any case, the Policy owner must keep up to date with relevant legislation and Charity Commission guidance and update this Policy whenever necessary. The Trustees must approve the revised version.
14. The Policy owner must review the Policy annually and either submit a revised policy for approval by the Board of Trustees or confirm in writing to the Chairman of the Trustees that the current version of this Policy is still fit for purpose.
15. The Trustees must formally review and re-approve this Policy every five years.