

<b>Title</b>	<b>Reserves Policy</b>
Category	Corporate
Reference	
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Responsible Director	Tony Saunders
Approved by	Board of Trustees, June 2025
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## Version control

Version	Date issued	Brief summary of changes
2.0	October 2024	
3.0	June 2025	

St Luke's adopts a risk-based approach to the management of its free reserves that seeks to strike an appropriate balance between financial prudence and investment in front line services, our infrastructure and strategic projects. We have reviewed our reserves policy during the financial year and this new policy represents a dynamic risk-based approach that considers the financial stability of St Luke's as well as longer term strategic opportunities and risks the charity faces, the different reasons for holding reserves, and looks to build a target range based on holding these reserves in aggregate, as follows:

- **Operational reserves** – the minimum level of free reserves to be held at all times for immediate working capital needs (such as paying the monthly wages). This is currently estimated as a minimum of **£1.25m**
- **Base reserves** – the minimum level of free reserves to be held at all times, in addition to operational reserves, in order to cover statutory or associated liabilities should we need to undertake a major restructure, or should we lose a key income stream, in order to help mitigate the financial risk to the charity. We estimate this to be **£1.75m**.  
The cumulative value of the above elements gives **a platform of c. £3m**. We then build on this with the potentially more variable element:
- **Opportunity reserves** – the final element of reserves held to provide resources to take on new opportunities or to deal with known issues and emerging risks. The level will fluctuate based on financial performance and strategic requirements and will be assessed annually by the Board. We anticipate a range of **between £0.5m and £4m** depending on where we are in the cycle of expenditure into new opportunities. Major capital projects and significant designated fund spend would fall into the category of money spent from these opportunity reserves.
- **Total reserves** – based on the above reserves categories, using a cumulative methodology, the Board considers the need for a target range of free reserves of **£3.5m to £7m**. It is recognised that, relative to the annual expenditure of the

charity, the free reserves policy may appear to be quite low, particularly towards the bottom end of the range. However, St Luke's own considerable property assets, not all of which are required for regulated clinical activity or income generation. If required a further **£4.5m of property assets** could be sold without affecting the core clinical activity or disrupting income generation activities.

In addition to this range of free reserves, the Board also holds a policy in regards to designated funds, restricted funds, and free reserves, as follows:

- St Luke's **designated reserves** policy is to hold appropriate designated reserves for strategic and capital projects as determined on an annual basis; these reserves can be designated, re-designated or released at the discretion of the Board of Trustees.
- St Luke's **restricted reserves** policy is that when necessary and legally required we will hold restricted funds.