

INVESTMENT POLICY

Agreed at the Council Meeting on 10th December, 2008

PURPOSES OF FINANCIAL RESERVES

- 1 To ensure the Foundation can cover administrative and operating costs
- 2 To assure the Foundation's position of independence, freedom and responsiveness of action
- 3 To provide financial headroom for the Foundation to develop its activities for future as well as current members
- 4 To provide reassurance to suppliers

(These purposes are expanded in Annex A)

OBJECTIVES

- 1 The total of cash and liquid funds (including deposits and securities) should be kept at levels which can cover 12 months of total costs including direct event expenditure, journal production costs, salaries, accommodation, journal and administration costs in meeting purpose 3
- 2 Generate investment income to support Foundation activities
- 3 Aim to cover a proportion of the Foundation's costs from realised capital gains, dividends and interest taking one year with another
- 4 The investment portfolio should have low risk criteria commensurate with the charitable status of the Foundation

GUIDELINES

- 1 The maximum invested in any one commercial bank or building society should not exceed 20% of Foundation funds
- 2 At least £150,000 should be invested in deposits with building societies, banks or government securities, to be reviewed in line with objective 1
- 3 Working capital in immediate access accounts should not normally exceed £100,000
- 4 Remaining funds but not more than normally 50% of total funds may be invested in Common Investment Funds where the balance as between UK/World, sectors and specific funds should be reviewed by the Finance and General Purposes Committee

ANNEX A

PURPOSE OF FINANCIAL RESERVES

1. To ensure the Foundation can cover administrative and operating costs

The Foundation depends on earning a surplus on sponsorship and on investment income to cover any deficit. Both these sources are unpredictable and can be highly variable, moreover total dependence on sponsorship could on occasion weaken the Foundation's independent position.

2. To assure the Foundation's position of independence, and freedom and responsiveness of action

It is important for the Foundation to be able to organise events which deal with controversial issues, which fail to attract sponsorship or for which sponsorship is intentionally eschewed or which are unexpectedly significant and merit rapid attention. It is equally important that the Foundation is not beholden to any pressure group or other body by reason of its dependence on their financial support. Sufficient financial resources are required for the Council to maintain such independence.

3. To provide financial headroom for the Foundation to develop its activities for future as well as current members

The Foundation operates with minimal staff. The current programme absorbs all of the Director's time and any significant developments would call for the commitment of resources to cover extra staff and facilities. Such initiatives might take a year or two to become self-financing and the Foundation could not undertake them unless it could absorb the risk of failure without prejudice to the above purposes. The Foundation serves its members and the wider community; the management of reserves should recognise that future members may wish to pursue new initiatives or priorities and should not unduly restrict such possibilities.

4. To provide reassurance for suppliers

Adequate reserves enable the Foundation to commit itself to activities such as booking lecture rooms etc. and maintain confidence in its credit worthiness.