

The Reserves Policy

This reserves policy covers an assessment of how much the charity needs to hold in reserves and why, the ways in which reserves can be spent, and details of how the policy will be reviewed and updated.

The reserves policy of SHHG is to hold sufficient reserves to operate effectively in accordance with the aims, needs and objectives of SHHG, taking into account potential risks, contingencies and the separate Risks Policy.

In the short term, this involves maintaining reserves at a level that enables SHHG to manage financial risk and income volatility. In the longer term, reserves help to ensure the ongoing delivery of SHHG's charitable objectives. As such, SHHG holds unrestricted funds in two reserves:

- **General Reserve:** funds set aside which may be used at the trustees' discretion that are held principally to mitigate financial risks and income volatility (31/3/24: £130,000).
- **Development Fund:** funds set aside which may be used at the trustees' discretion that are held principally for the general future development of SHHG (31/3/24: £631,737).

The Medium-Term Financial Plan that was approved by the Trust Board in November 2023 also proposed the introduction of a specific asset management reserve in the medium term.

Assessment of the required level of reserves

To establish an appropriate level of general reserves, the SHHG reviews the following factors:

- A. Analysis of existing funds
- B. Current income streams and their reliability
- C. Medium term financial plan
- D. Financial risks

Following a review of these factors, the Trust Board has established that a prudent approach would be to aim to hold general reserves as a contingency to cover 3 months' operating costs. Based on forecasts for 2025/26 this amounts to approximately £950,000.

Historically, the Trustees were content that it was reasonable to hold a general reserve of between £100,000 and £150,000. This was based on (a) the relatively high level of

reserves within the Development Fund that could be used to mitigate short term financial pressures if required (b) past experience of the likelihood of risks crystallising (c) other mitigation available to the Gardens including support from Hampshire County Council as sole trustee and (d) the lower operating costs prior to catering provision transferring in-house in January 2024.

This position was reviewed in January 2023 and given changing circumstances it was agreed to increase this balance by £30,000 per annum. In November 2023 the Trust Board agreed to transfer the catering provision in-house from January 2024. This increased the income and expenditure of SHHG and therefore increased the level of reserves needed to cover 3 months' operating costs.

The Trust Board will address this in two phases:

- Continue with no change to the planned £30,000 per annum contribution to the general reserve in 2024/25 and 2025/26 given the period of business change that will require draws from the Development Fund for implementation
- Reassess the annual contribution to the general reserve in planning for 2026/27 targeting a general reserve balance to cover 3 months' operating costs.

SHHG also retains unrestricted funds within the **Development Fund**, which can be used at the trustees' discretion to further the charitable objectives of the Gardens. There is no specific target balance for this reserve.

The Medium Term Financial Plan identified the option to make contributions to reserves from annual surpluses to cover future **asset management** costs. This will be considered by the Trust Board in future iterations of the MTFP once the period of business change has been successfully implemented.

Current and projected reserves balances based upon the Medium Term Financial Plan (MTFP) and assuming the successful implementation of business change are shown in the table below.

Current and projected reserves balances

£'000	31/03/2024	31/03/2025	31/03/2026	31/03/2027	31/03/2028
General reserve	130	160	190	245	300
Development fund	632	177	142	138	103
Asset management	0	0	0	35	35
Total	762	337	332	418	438
Months operating costs*	2.4	1.1	1.1	1.3	1.4

* Based on forecast expenditure for 2025/26

The Trustees recognise that the level of unrestricted reserves is below the prudent target of three months' operating costs, however they are satisfied that this position is acceptable in the short term while the period of business change and MTFP are implemented to develop the visitor offer and generate income growth. After this point, the Gardens will need to establish a higher level of unrestricted reserves. If this does not happen, the Trustees are aware of the associated risks.

Monitoring and reviewing the Reserves Policy

The Reserves Policy will be reviewed and approved annually by the Trust Board as part of ongoing strategic and financial planning to ensure that it is appropriate in the light of:

- The overall budget
- Any reassessment of financial risks
- Current and forecast rates of inflation
- The position of Hampshire County Council as sole trustee
- The operating model of the Gardens

The trustees must be content that the reserves policy reflects a realistic assessment of need.

Reserves balances will be reviewed regularly as part of ongoing financial monitoring and reporting to ensure that the level of reserves is appropriate and to enable appropriate mitigating action to be taken if necessary.

The level and adequacy of reserves will also be covered in the annual report accompanying the accounts each January. The trustees will publish an assessment of the risks that the charity faces and how these are being managed in the annual report.