

Appendix A – Chair’s Update (for discussion)**Reserves Policy****How we are Commissioned and funded**

Healthwatch Hertfordshire is a charity and limited company, commissioned by Hertfordshire County Council, and is an independent charity. Our funding covers the basic costs of running the organisation, fulfilling our statutory functions, and delivering our core services. In addition, we provide services outside our commissioned role and can generate revenue for these activities.

Purpose of reserves

Reserves provide resilience for the operation of the organisation should there be unexpected costs, and to support the delivery of statutory duties and other obligations during periods of significant change or uncertainty. They are added to, or reduced by, any ongoing variance between income and expenditure. In addition, management may make provision within the reserves for anticipated future costs.

Our duties to our commissioners

Our contract with Hertfordshire County Council currently states that we undertake and represent that Healthwatch Hertfordshire are *“of sound financial standing and is not aware of any circumstances that may adversely affect such financial standing in the future;”* (provision 5.1.7).

We must also ensure that we

“have sufficient working capital, skilled Staff, equipment, machinery and other resources available to it in order to carry out the Services in accordance with the Contract Standard;” (provision 5.1.8).

Healthwatch Hertfordshire approach to reserves

Our reserves are unrestricted, and can be utilised in any way in accordance with the charity’s objectives that our Board of Trustees deems appropriate. Reserves may be used for any purpose, including operating expenses, direct project costs, staff costs, skilled external expertise and investment in any new projects or further revenue generation.

Healthwatch Hertfordshire have identified two different categories of reserves:

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- A contingency or **designated reserve** – earmarked in advance for anticipated spending related to any costs, to protect staff, assets, and recipients of Healthwatch services for a period of time. These are agreed in advance by the Board of Trustees and are intended to cover anticipated costs in the circumstances that anticipated income streams/ funding are no longer available or the organisation is forced to close for whatever reason.
- An operating or **general reserve** – any overflow from the designated reserve that can be understood as “savings”, with the flexibility to further support the annual operating budget of the organisation, or negating a planned or unplanned deficit budget, approved by the Board of Trustees as appropriate.

Decision making powers

- The levels of reserves and their structure are decided by the Board of Trustees of Healthwatch Hertfordshire.

Use of Reserves

Trustees will expect the organisation’s reserves to be managed taking account of the following agreed aspects:

1. Designated reserves may include (but are not limited to): protections in the instance of closure or changes to the nature of the charity operations or purpose, including legal advice, redundancy packages and other staff support, and may include any relevant cost agreed as appropriate by the Board of Trustees. These costs may not transpire, but are held as earmarked until such time as the Board of Trustees agree it is appropriate that they are released.
2. General reserves may include (but are not limited to): sufficient cover for operating expenses equivalent to at least two months of operating cost. Operating costs are not project delivery costs, but include commitments to contracts to run the business (for example, our telephone line and voicemail, our website, IT and HR support services, and other operational support including any cost of breaking those contracts if necessary). The level of this reserve and its appropriateness will be reviewed and agreed by the Board of Trustees.

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3. The Board will review reserves on a quarterly basis and approve any transfers between categories, or new allocations within categories, as and when appropriate.
4. Healthwatch Hertfordshire Trading Limited, Healthwatch Hertfordshire’s trading arm, may donate any surplus from its separately commissioned projects to the Healthwatch Hertfordshire reserves at its Directors’ discretion. Such a donation is exempt from corporation tax.

Reviewing the policy

This policy will be renewed annually or when the Board identifies a need for an additional review.

Reviewed and signed off by Board by the 11th of May 2026

**Ivana Chalmers**

Ivana Chalmers, Chief Executive and Company Secretary
Responsible Officer