Financial Principles Document

Society for Latin American Studies - UK Registered Charity

Approved by: SLAS Committee
Date: 8th April 2026
Review Date: April SLAS committee meeting 2027

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1. Purpose

This document sets out the financial principles governing the Society for Latin American Studies (the "Society") to ensure sound financial management, regulatory compliance, and the sustainable pursuit of our charitable objectives.

2. Reserves Policy

2.1 Reserves Level

The Society shall maintain unrestricted reserves equivalent to **two years of annual operating expenditure**, calculated on a rolling three-year average of actual expenditure.

2.2 Rationale

This level of reserves is maintained to:

- Ensure continuity of operations during periods of reduced income
- Protect against unforeseen expenses or liabilities
- Provide financial stability for multi-year or future commitments
- Allow the Society to respond to strategic opportunities
- Meet potential contractual obligations should activities need to cease

2.3 Review and Monitoring

The Treasurer(s) shall report on reserves levels at each Trustee meeting. The reserves policy shall be reviewed annually as part of the budget-setting process.

2.4 Action if Reserves Fall Outside Target

- If reserves fall below the two-year target, Trustees shall develop a plan at the earliest possible opportunity to rebuild reserves through income generation or expenditure reduction
- If reserves significantly exceed the target, Trustees shall consider increasing charitable activities or establishing designated funds for specific purposes

3. Investment of Funds

3.1 Investment Principles

All investments shall prioritise:

1. **Security of capital** - protection of the Society's funds

2. **Liquidity** - ability to access funds when needed for charitable activities
3. **Yield** - achieving reasonable returns within the constraints of security and liquidity
4. **Operational efficiency** - accounts must be practical for Trustees to manage, with appropriate online access and straightforward administration

3.2 Permitted Investments

Funds may be held in:

- Bank current accounts (for operational funds)
- Instant access savings accounts
- Notice accounts (up to 120 days' notice)
- Fixed-term deposit accounts (up to 12 months)

3.3 Credit Rating Requirements

All savings providers must hold a **minimum Fitch long-term issuer default rating of BBB+** (or equivalent rating from Moody's or S&P Global) at the time funds are deposited.

The Treasurer(s) shall monitor ratings quarterly and if a provider's rating falls below BBB+, Trustees shall consider whether to withdraw funds at the earliest opportunity without financial penalty.

All institutions must be protected by the Financial Services Compensation Scheme (FSCS).

3.4 Diversification

To manage risk:

- Deposits held by any one financial institution must not exceed the amount covered by the Financial Services Compensation Scheme (FSCS).
- Temporary balances exceeding the FSCS limit may be held for a short period (usually less than 30 days) where operationally necessary (e.g. following receipt of income or awaiting transfer to another account), but should be resolved at the earliest practical opportunity
- The Treasurer(s) may spread deposits across multiple providers to maximise FSCS protection

3.5 Deposit terms

To balance liquidity with returns:

- At least one year's operating expenses must be held in accounts accessible within 12 months (instant access, notice accounts up to 120 days, or fixed-term deposits maturing within 12 months)
- Within this one-year allocation, at least three months' operating expenses should be instantly accessible for immediate operational needs
- Funds exceeding one year's operating expenses may be placed in fixed-term deposits of up to 12 months
- Fixed-term deposits should be laddered where practical to ensure periodic access to maturing funds

3.6 Ethical Considerations

The Society shall, where practical, select financial providers whose values align with our charitable objectives and avoid those with significant activities contrary to our mission.

4. Banking Arrangements

4.1 Authorised Signatories

- At least four signatories should be maintained on the Society's current account to ensure operational continuity. This will usually be the President, Vice-President, Treasurer{s), and another Officer where there is only one Treasurer in post.

5. Financial Planning and Budgeting

5.1 Annual Budget

The Treasurer(s) shall prepare an annual budget for Trustee approval before the start of each financial year, including:

- Projected income from all sources
- Planned expenditure on charitable activities
- Administrative and governance costs
- Expected movement in reserves

5.2 Monitoring

Actual income and expenditure shall be compared against budget quarterly, with significant variances (>10%) explained to Trustees.

6. Financial Controls

6.1 Record Keeping

All financial transactions shall be properly documented and recorded. Records shall be retained for at least six years.

6.2 Independent Examination/Audit

Accounts shall be independently examined or audited annually as required by the Charities Act 2011, depending on the Society's income levels.

7. Restricted and Designated Funds

7.1 Restricted Funds

Income received for specific purposes shall be held in restricted funds and used only for those purposes. The Treasurer(s) shall maintain clear records of all restrictions.

7.2 Designated Funds

Trustees may designate unrestricted funds for specific projects or purposes, while retaining the ability to re-designate if circumstances change.

9. Conflicts of Interest

Trustees and officers shall declare any financial interest in transactions involving the Society. Interested parties shall not participate in decisions where they have a conflict.

10. Review

This policy shall be reviewed annually by the Trustee Board and updated as necessary to reflect:

- Changes in the Society's financial position
- Regulatory requirements
- Changes in banking and investment markets
- Best practice in charity financial management

Approved by Trustee Board

Signed: ________________________ **Chair of Trustees**

Date: ________________________

Next Review Date: ________________________