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Restricted Funds Policy

FR006 Fundraising Policies

February 2025

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1. Introduction
   1. Due to the nature of the work we do at MHA it is common for us to receive donations that are restricted to a specific service (e.g. a care home, retirement living or MHA Communities) or an area of our work (e.g. music therapy or chaplaincy).
   2. MHA needs to minimise any risk of legal disputes, so it is vital that we comply with the law and the Fundraising Regulator’s Code of Practice regarding asking for, accepting, and spending any restricted gifts. This includes but is not exclusive to legacies (see Legacies Policy).
   3. MHA also has a moral responsibility to ensure that financial gifts donated to us are handled in an appropriate way (for the donor), and that they are spent in a way that best reflects both the donor’s wishes and MHA’s values.
   4. This policy will ensure a consistent and coherent approach to asking for, accepting, and spending restricted donations, ensuring the best outcome for MHA and our residents and members.
2. Scope and Purpose
   1. All MHA Fundraising, Operations and Finance colleagues.
   2. To provide MHA colleagues with guidance on how to treat restricted donations to MHA, ensuring they are asked for, accepted, and spent appropriately, in accordance with the donor’s wishes and compliant with the Fundraising Regulator’s Code of Practice. This excludes income from Trusts and Foundations where an application has been submitted.
3. Definitions

| Term | Definition |
| --- | --- |
| **Restricted Funds** | Donations that are restricted to a specific service (e.g. a care home, retirement living or MHA Communities) or an area of our work (e.g. music therapy or chaplaincy). |

1. Asking for Restricted Funds
   1. We must make sure that we do not suggest money is for a restricted purpose (such as paying for a conservatory, music therapist or chaplain) when it may be used for a different purpose or for general purposes.
   2. We must not ask for funds for a purpose that does not fit within the purposes of our charitable cause.
   3. If we are fundraising for a particular purpose, we must include a statement saying what would happen to funds we receive if the total amount raised is not enough to meet (or is more than) the target. Please see Appendix 1 for example wording.
2. Accepting Restricted Funds
   1. Before accepting a restricted donation, we must be confident that we can spend this gift within 5 years, unless it is related to a long-term capital appeal.
   2. All restricted gifts of £1,000 and over should be remitted to the Fundraising Team in Central Support who will process the donation and ensure the restriction is recorded.
   3. Where the donor expresses a specific purpose for a donation, we must keep a record of this to ensure that the donor’s wishes are met. This includes on what and when these funds have been spent.
3. Spending Restricted Funds
   1. **Locally Raised**
      1. We must use all funds raised for a particular cause for that cause.
      2. Restricted funds and legacies should not normally be used to replace general property capital funding unless there are specific reason to do so. E.g. If capital funding is not likely to be available for some time and that the need for the investment is reasonable. Therefore, donations should not normally be put towards any areas that would be expected to be funded through normal operating expenditure, as these should be funded via non-voluntary income e.g. resident fees.
      3. A donation must be used for the purpose for which it was given. This may be conditions the donor sets when making the donation (a written explanation of their wishes should be requested where possible for those donations other than legacies) or representations we make (either verbally or in fundraising materials) about how the money will be used.
      4. If we can meet the conditions or restrictions and we accept the gift, we must follow them.
      5. All restricted donations should be spent within 5 years of receipt of funds.
   2. **Centrally Held**
      1. All points in locally held funds apply to centrally held funds.
      2. All gifts of £10,000 and over received after 1 April 2020 will go to the Restricted Funds Panel (see Restricted Funds Application Form and Appendix 2, the Panel Flowchart).
      3. The Company Secretary will advise the panel on legal aspects of specific gifts as required.
      4. Home and scheme managers will be invited to submit proposals on how they would spend the gift which will be considered by the panel (Restricted Funds Application Form).
      5. The panel will review all requests to spend restricted unsolicited gifts, ensuring the best outcome for MHA and the best use of donations.
      6. All plans approved by the panel must require gifts to be spent within 5 years of receipt. If this is not spent, it will come back to the panel to decide whether to reallocate the gift to a different item / project.
      7. An annual statement will be distributed to each home and scheme showing the balance of restricted funds available to them, including any further restrictions. A list will also be reviewed annually by the panel.
4. Donations MHA are Unable to Spend
   1. Sometimes we are unable to spend funds, for instance when a project or service has closed. In this instance the process stated in the Historic Restricted Monies Held below must be used.
5. Historic Restricted Monies Held
   1. All historic balances which MHA are unable to spend will be brought to the Restricted Funds Panel.
   2. The panel will follow charity commission processes to identify if the funds can be transferred to another service, or if an application to the Charity Commission is required.

When a home or scheme is closed or sold it is the responsibility of the project team to ensure all remaining restricted funds are appropriately handled in partnership with the restricted funds panel.

* 1. The restricted funds panel will work in collaboration with the Company Secretary to ensure any required applications are made to the charity commission.

1. Restricted Funds Panel Terms of Reference (TOR)
   1. The purpose of the terms of reference is to provide guidance for the panel to consider when reviewing restricted funds application forms (Appendix 2). As well as new gifts, the panel will also review historic balances and property capital funding.
   2. **New Gifts Criteria**
      1. All MHA Communities gifts will be transferred to the appropriate MHA Communities scheme as long as the panel are satisfied the scheme will spend the gift within five years.
      2. All Area Managers will work with home/ scheme managers to ensure plans are put in place for spending of gifts. Any spend requests of £10,000 and over will come to the panel for approval. Where the gift is for a wider restriction (eg. dementia care) the panel will work with the appropriate teams to agree the use of these funds.
      3. All gifts for a restricted area (for example music therapy, chaplaincy) the panel will agree if the gift is to be put towards new work, fund existing work or offset to release unrestricted donations back into the general pot.
   3. **Historic Balances Criteria**
      1. Where the balance applies to a home or scheme which is currently open the above criteria and process will apply.
      2. Where the balance applies to a home or scheme which is no longer open or never started the panel will look to allocate the gift to a suitable local activity. Looking to retain geographical proximity where possible.
      3. If there is no suitable local activity the panel will look to allocate based on closest match to initial wording of gift (where known) and area of greatest need for MHA.
      4. These criteria will require an application to the charity commission which will be coordinated by the company secretary’s office with support of the finance and fundraising teams.
   4. **Property Capital Funding Criteria**
      1. The primary purpose for using restricted funds and legacies for property capital projects is for the addition or enhancement of facilities available to residents.
      2. Where such funds are used to replace furniture and or equipment before the end of their economic life, the replaced items should be considered for distribution to an alternative home or service.
2. Training and Monitoring
   1. Compliance is assessed through direct observation, monitoring, and supervision of our colleagues.
3. Communication and Dissemination
   1. This policy is disseminated and implemented within all MHA services through MHA’s channels of communication.
   2. Each colleague’s line manager must ensure that all teams are aware of their roles, responsibilities.
   3. This policy will be available to the people we support and their representatives in alternate formats, as required.
   4. Any review of this policy will include consultation with our colleagues, review of support planning, incident reports, quality audits and feedback from other agencies.
   5. Queries and issues relating to this policy should be referred to the Standards and Policy Team [policies@mha.org.uk](mailto:policies@mha.org.uk)
4. Equality Impact Assessment (EIA)
   1. Equality, Diversity, and Impact Assessment to be confirmed.
5. Resources
   1. **MHA Policy Documents, Procedures, and Guidance:**
   * Restricted Funds Application Form
   * Legacies Policy
6. Appendices
   * Appendix 1 - Exemption Statement Example Wording
   * Appendix 2 – Restricted Funds – Panel Flowchart

Appendix 1: Exemption Statement Example Wording

* + 1. If target not reached:
  + If MHA are unsuccessful in reaching the required target for this campaign all funds raised will be assigned to a project either in a similar cause area, i.e. music therapy / chaplaincy, or location (if campaign specific to a defined geographical area).
    1. If target exceeded:
  + If MHA have exceeded the target and the required funding for a project these additional funds will be used to either expand on the initial project or will be assigned to a project within a similar cause area i.e. music therapy / chaplaincy, or within that location (if the campaign is specific to a geographical area).

Appendix 2: Restricted Funds – Panel Flowchart

**Restricted Funds - Panel Flowchart**

Notification received by MHA and forwarded to the Legacy Officer or Fundraising Managers

Homes and schemes notified of restricted funds available to them

Finance update Restricted Funds Register from monthly update received. Finance to produce list of historic restricted income, including assigning unique ref code to each item, that is flagged red / amber / green (i.e. over or coming up to 5 years)

Homes and schemes follow finance processes with agreed delegated levels of authority for spend of under £10,000

Finance issue annual statement of Restricted Funds held by home / scheme detailing movements and closing value

Finance will process all claims <£10k for payment and update Restricted Funds register

Claims >£10k are forwarded by finance to the Panel for approval

Finance team provide report of restricted fund applications, and historic funds that meet criteria, to panel one week before meeting

Panel meets

Decision and meeting notes sent to Finance (for action)

Homes and schemes follow standard procurement processes and work with estates (where relevant) for delivery of the project.

1. Version Control

| Version | Version Date | Revision Description / Summary of Changes | Author and Review Panel | Next Review Date |
| --- | --- | --- | --- | --- |
| 5 | October 2022 | * Regular compliance review * Additional Information: Spending centrally held restricted funds - the annual statement distributed to each home and scheme will now also show the balance of restricted funds available to them, including any further restrictions (if applicable) * Additional Information: Historic monies held - The restricted funds panel will follow the Charity Commission processes to identify if the funds can be transferred to another service, or if an application to the Charity Commission is required. * Additional Information: Terms of Reference - Capital Funding section added detailing the primary purpose for using restricted funds, unusual use of restricted funds for capital funding and exception, and where funds are used to replace furniture details. | Author   * Head of Fundraising * Legacies Manager * Standards and Policy Manager | October 2024 |
| 6 | July 2024 | * Reformatted * Restricted funds application form updated. | Author  Standards and Policy Manager | October 2024 |
| 7 | October 2024 | * Removed Appendix 3 * Compliance review- policy codes removed | Author   * Standards and Policy Manager | October 2024 |
| 8 | February 2025 | * Updated policy to reflect more accurate reflection of process followed. * Clarification of gift and spend value for a number of clauses. | Author   * Standards and Policy Manager   Review Panel   * Head of Fundraising * Restricted Funds Panel | February 2027 |