

# RESERVES POLICY

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<b>Approved by which forum</b>	Executive Committee <input type="checkbox"/> Trustee Board <input checked="" type="checkbox"/>
<b>Date of approval</b>	
<b>Last date of renewal/review*</b>	
<b>Next date of renewal/review*</b>	November 2025

All policies should be reviewed every three years unless stated otherwise.

## Scope of Reserves Policy

The Reserve Policy covers all free reserves held at the British Educational Leadership, Management and Administration Society (BELMAS).

BELMAS defines free reserves as that part of a charity's income funds that is freely available to spend for any or all of the charity's purposes once it has met its commitments and covered its other planned expenditure.

## Free Reserves

Funds excluded from the definition of free reserves, and hence the policy, are:

- **Restricted funds held**  
This is where funds have been generated for a specific purpose, for example, a donation for a specific award, or funding from an external body for a specific activity.
- **The Operating Reserve**  
This is the minimum amount of reserves required by BELMAS at any one time.
- **The Development Reserve** (if required by the Board of Trustees).  
These are amounts set aside for a particular project or use. The designation of funds is not binding, however, and the Trustee Board may change its plans and release these amounts to "free reserves".

## Reasons for Holding Reserves

The reserve policy determines the level of reserves required to enable BELMAS to:

- fund working capital
- fund unexpected expenditure when unplanned events occur
- fund shortfalls in anticipated income

### Calculation of Required Operating Reserves

The minimum reserves required are calculated as 12 months operating costs (as defined by the annual budgeted organisational expenditure), known as the 'operating reserve'.

Reserves in excess of the required reserves are held as 'free reserves' or 'designated reserves', in accordance with the Trustee Board.

If reserves fall below 12 months' operating costs for more than six months, the Trustees should ask the management to formulate a recovery plan to be submitted to Trustee Board for approval.

If there are surplus funds available above the minimum level, the Committee should plan to utilise these within five years.