

# Reserves Policy

(dated Apr-23)



**Date Created**

Apr 2023

**Responsibility**

Finance Sub-Committee

**Date Adopted by Trust Board**

**Review Date**

## Purpose:

The purpose of this Reserve Policy is to provide guidelines for the management of the District's financial reserves. The policy outlines the objectives of the reserve, the sources of funds, the level of reserves required, and the procedures for managing the reserves.

## Objectives:

The objectives of the District's financial reserves are to ensure the following:

1. The ability to meet unexpected expenses, emergencies, or financial hardships
2. The ability to develop of activities within the District
3. The ability to support requests for assistance from other parts of the Scout movement
4. The ability to invest in long-term projects or initiatives that align with the District's strategic goals
5. The ability to maintain the group's financial stability and sustainability

## Sources of Funds:

The following are the sources of funds for the District's financial reserves:

1. Membership subscriptions
2. Donations, grants, and bequests
3. Fundraising activities and events
4. Surplus funds from the operating budget
5. Investment income

## Level of Reserves:

The District Trustee Board and the District Finance Sub-Committee will regularly review its reserves to ensure that they are sufficient to enable it to meet its ongoing expenses and future liabilities. The District will monitor its reserves when setting the annual levy to ensure that the reserves do not increase unnecessarily.

The level of reserves required will depend on the size and complexity of the District's operations, the nature of the activities, and the level of risk associated with them. The District should maintain a minimum of eighteen months of operating expenses (based on an average of the three previous year's accounts) as reserves; this will ensure the District can honour the subscriptions paid by the members. The District Trustee Board may approve a variation to this in any unusual or unexpected set of circumstances, such as a pandemic.

If at any time the reserves fall below this level, the District Treasurer will report this to the District Trustee Board who will then consider an appropriate recovery plan. The District Trustee Board have the authority to temporarily vary the level of reserves – and this will be included in the notes of the District Trustee Board meeting – together with agreement of the plan and time-scale to bring the reserves back into line with the approved scale.

The District may reserve funds over and above normal operating expenses for specified purposes. Any funds held in the specified ring fenced reserves may only be used for the benefit of the specified purpose.

Sub-Committees should maintain a minimum of twenty four months expenditure with an option to invest any surplus via the District's investment account(s).

Any surplus funds will be invested in line with the Investment Policy.

### **Procedures for Managing Reserves:**

The following procedures should be followed for managing the District's financial reserves:

1. The reserves should be held in a separate bank account from the operating funds.
2. The Treasurer responsible for the management of these accounts must ensure that accurate records are kept of all income and expenditure etc. In addition, they are responsible for ensuring that adequate procedures are in place to avoid any financial mismanagement. A financial report must be made (ideally by the Treasurer) at every meeting of the respective sub-Committee.
3. The Treasurer should prepare an annual report on the status of the reserves and present it to the District Trustee Board and members.
4. The reserves should be invested in low-risk, highly liquid investments that provide a reasonable rate of return.
5. Withdrawals from the reserves should be approved by the District Trustee Board and should only be made for unexpected expenses, emergencies, or financial hardships, or to fund long-term projects or initiatives that align with the group's strategic goals.
6. The District should review the Reserve Policy annually to ensure that it remains relevant and effective.

### **Conclusion:**

The District's financial reserves are an essential component of the group's financial management strategy. The reserves provide a cushion against unexpected expenses and emergencies, as well as the ability to invest in long-term projects and initiatives. The District Trust Board and members should ensure that the Reserve Policy is followed to maintain the group's financial stability and sustainability.

The Trustees annually review the reserves policy and continue to plan to hold reserves to protect the District and delivery of its charitable programmes by providing time to adjust to changing financial circumstances.

The policy seeks to ensure an equitable balance between spending the maximum amount of income raised as soon as reasonably possible after receipt, while maintaining an appropriate level

of reserves in order to ensure the uninterrupted operation of the charity. It also provides parameters for future budgeting and strategic plans and contributes towards decision making.