



OPERATING RESERVES POLICY

The purpose of the Operating Reserves Policy for **The Aire Rivers Trust** is to ensure the stability of the mission, programs, employment, and ongoing operations of the charity.

The Operating Reserve is intended to provide an internal source of funds for situations such as (but not exclusive to):

- a sudden increase in expenses
- one-time unbudgeted expenses
- unanticipated loss in funding
- uninsured losses

The Reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, or investment in infrastructure.

Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of The Aire Rivers Trust for Reserves to be used and replenished within a reasonably short period of time (by the end of the following Financial Year in which any Reserves are allocated).

The Operating Reserve policy will be implemented in concert with the other governance and financial policies of **The Aire Rivers Trust** and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.



Definitions and Goals

The Operating Reserve Fund is defined as the designated fund set aside by action of the Board of Trustees.

The Operating Reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes.

The target minimum Operating Reserve Fund is equal to **three** months of average operating costs. At time of adoption of the Policy (Financial Year 2019/2020) this is calculated as a target of £20,000.

The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services. The amount of the Operating Reserve fund target minimum will be calculated each year at an appropriate time, reported to the Board of Trustees and included in the regular financial reports.

Accounting for Reserves

The Operating Reserve Fund will be recorded in the financial records as a Board-Designated Operating Reserve and will be available in cash or cash equivalent funds. to be commingled with the general cash.

Funding of Reserves

The Operating Reserve Fund will be funded with surplus unrestricted operating funds. The Board of Trustees may from time to time direct that a specific source of revenue be set aside for Operating Reserves. Examples may include one-time gifts or bequests, special grants, or special appeals.



Use of Reserves

Use of the Operating Reserves requires three steps:

1. Identification of appropriate use of reserve funds.

The Secretary/Treasurer will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. This step requires analysis of the reason for the shortfall, the availability of any other sources of funds before using reserves, and evaluation of the time period that the funds will be required and replenished.

2. Analysis of appropriate use of operating reserves.

The Secretary/Treasurer will submit a request/recommendation to use Operating Reserves to the Board of Trustees. The request will include the analysis and determination of the use of funds and plans for replenishment.

3. Board of Trustees authority for use of operating reserves.

The request/recommendation will be considered and voted on at an Ordinary (or Extraordinary) meeting of the Board and the decision recorded in the Minutes.

Approved by the Trustees on 29th May 2019 and signed by the Chairman .