



THE BOTTESFORD INSTITUTE

Trustees: Bottesford Parish Council

FINANCIAL RESERVES POLICY

Adopted by the Board of Trustees at The Bottesford Institute meeting on 09th June 2021

Signed: Bob Bayman (Acting Trustees' Chairman) Date: 09th June 2021

Signed: Tony Bennett (Treasurer to the Institute) Date: 09th June 2021

Date for Review: April 2022

FINANCIAL RESERVES POLICY STATEMENT

The Bottesford Institute is a registered charity with the charitable duty to use the Charity's income for public charitable purposes for the benefit of the inhabitants of the Parish of Bottesford. A well-run Charity, with a prudent approach to setting its budget will each year consider its level of Reserves. Any General Reserves will also need to be supported by Earmarked/Specific Reserves for specific needs, contingencies and commitments.

In assessing the level of The Bottesford Institute's reserves, account needs to be taken of the risks facing the Charity in terms of any significant unforeseen expenditure requirements, particularly in regards to its major capital asset of The Old School building.

Balancing the annual budget by drawing on reserves must be viewed as a legitimate short-term option only. Reserves must not be deployed to finance on-going/recurrent expenditure as this would be unsustainable because at some point, the reserves would be exhausted.

By undertaking a financial risk assessment as part of the annual budgeting and year end accounting procedures can assist in identifying planned and unplanned expenditure items and thereby indicates an appropriate level of reserves.

The purpose of this policy is to set out how The Bottesford Institute will determine and review the level of reserves.

This policy on the establishment, maintenance and adequacy of reserves and balances will be reviewed annually.

This Financial Reserves Policy shall form a part of The Bottesford Institute's Financial Regulations, as such, will be reviewed annually and may only be amended or varied by formal resolution of The Bottesford Institute's Board of Trustees.

THE BOTTESFORD INSTITUTE

FINANCIAL RESERVES POLICY

Index		Page
1.	Introductions	4
2.	Purpose	4
3.	Procedures	4
4.	Types of Reserves	5
5.	General Reserves	5
6.	Earmarked (i.e. Specific) Reserves	6
7.	Management and Control of Reserves	7
8.	Current Level of Financial Reserves	7
APPENDIX A		
	Reserves Breakdown – As At 31 st March 2021	8
	Version Control Record	9

THE BOTTESFORD INSTITUTE

FINANCIAL RESERVES POLICY

1. INTRODUCTIONS

The Bottesford Institute is required to maintain adequate Financial Reserves to meet its future expenditure, commitments and contingencies. The purpose of this policy is to set out how The Bottesford Institute will determine and review the level of reserves.

There is, however, no specific minimum level of reserves that The Bottesford Institute should hold, and it is therefore the responsibility of the Board of Trustees to determine the level of reserves and also to ensure that there are procedures for their establishment and use.

2. PURPOSE

The Bottesford Institute is required to maintain adequate Financial Reserves to meet its foreseeable needs and commitments, and also to have money available in the event of an emergency.

The Bottesford Institute will hold reserves for three main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing (*i.e. timing of insurance premium payments, increase demand for grant aid support*).
- A contingency to cushion the impact of unexpected events or emergencies (*i.e. gas boiler breakdown/replacement in The Old School building*).
- A means of building up funds, to meet known or predicted requirements. The setting aside of funds over a period of time to meet known future expenditure reduces the impact of meeting the full expenditure in one year (*i.e. repairs/improvements to The Old School building, such as new roof or replacement damp proof*).

3. PROCEDURE

Any decision to set up a reserve must be made by The Bottesford Institute's Trustees. The Bottesford Institute's Board of Trustees will be required to consider the following when making recommendations for each reserve:

- The reason for/purpose of the reserve.
- How and when the reserve can be used.
- Procedures for the reserve's management and control.
- A process and timescales for review of the reserve to ensure continuing relevance and adequacy.

Expenditure from reserves can only be authorised/made by a formal resolution at a meeting of The Bottesford Institute's Board of Trustees.

The reserves will be reviewed by The Bottesford Institute's Board of Trustees as part of the annual budgeting process.

The Clerk to The Bottesford Institute's Board of Trustees will maintain a detailed schedule of all reserves which will form part of the accounts package.

4. TYPES OF RESERVE

Reserves can be categorised as:

- General Reserves.
- Earmarked/Specific Reserves.

5. GENERAL RESERVES

This is the non-ring fenced (i.e. not specific/earmarked) balance of The Bottesford Institute's funds which do not have any restrictions as to their use. The main purposes of the General Reserves are:

- To operate as a working balance to help manage and smooth the impact of uneven cash flows.
- To provide a contingency cushion, held to cope with the impact of unforeseen events or genuine emergencies.

In general, a robust level of reserve should be maintained and take account of operational and financial issues that The Bottesford Institute faces. The levels of General Reserves may change from year to year.

Setting the level of General Reserves is one of the decisions to be taken in the formulation of The Bottesford Institute's medium term financial strategy and is agreed as part of the annual budget setting process. The Bottesford Institute's Board of Trustees are responsible for ensuring that The Bottesford Institute maintains sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment.

The level of the General Reserves for the forthcoming year will take account of the strategic, operational, and financial risks of The Bottesford Institute's main areas of income and expenditure and consider any provisions and contingencies that may be required. Items to be considered will include:

- The level of inflation and interest rates.
- The level and timing of revenue and any capital receipts.
- Availability of other funding sources e.g. Grants etc.
- Unexpected essential repairs or maintenance work.
- One-off events.
- Demand led pressures.
- Uninsurable losses.

The level of General Reserves is a matter of judgement and whilst this policy does not attempt to prescribe a specific level. It is the intention of The Bottesford Institute's Board of Trustees to maintain the General Reserves at a minimum level of £2,500, being an amount, which is estimated to be sufficient to meet the Charity's known annual operational expenditure as landlords of The Old School building.

If the General Reserves becomes depleted below the minimum level (*i.e. less than £2,500*) agreed and accepted by The Bottesford Institute's Board of Trustees, then the funds will be built up in subsequent years to the agreed minimum balance. The primary means of building General Reserves will be through an allocation built in the annual budget, but may also be potentially enhanced through the reallocation of funds (e.g. underspends).

If in extreme circumstances General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, then The Bottesford Institute's Board of Trustees would be able to draw down from its Earmarked/Specific Reserves to provide short term emergency resources, which would then be replenished in the next annual budget.

The use of General Reserves must be authorised by a formal resolution at a meeting of The Bottesford Institute's Board of Trustees.

6. EARMARKED/SPECIFIC RESERVES

The purpose of an Earmarked/Specific Reserve is to set aside amounts for expenditure that extend beyond one year or as a contingency against a specific situation occurring. Where expenditure is planned in future accounting periods, it is prudent to build up reserves in advance by accumulating funds, for use in a later financial year, to meet these known or planned policy initiatives.

Earmarked/Specific Reserves will increase through decisions of The Bottesford Institute's Board of Trustees and will decrease as they are spent on their specific intended purposes.

Earmarked/Specific Reserves may be created for activities such as:

- Maintaining the Charity's fixed asset, The Old School building (*i.e. a building repair fund*).
- Funding future grants where applications exceed annual funds available.

Any decision to set up and to allocate funds to an Earmarked/Specific Reserve, to meet known or predicted specific requirements, must be made by the by a formal resolution at a meeting of The Bottesford Institute's Board of Trustees. When an Earmarked/Specific Reserve is established, a clear reason/ purpose should be set out, together with limitations on how and when the funds are expected to be used.

All Earmarked/Specific Reserves are to be recorded on a central schedule held by the Clerk to The Bottesford Institute's Board of Trustees, which lists the various Earmarked/Specific Reserves and the purpose for which they are held.

Expenditure from Earmarked/Specific Reserves can only be authorised by a formal resolution at a meeting of The Bottesford Institute's Board of Trustees. It is the responsibility of the Clerk to The Bottesford Institute's Board of Trustees to ensure funds are spent in line with their purpose.

The purpose of each Earmarked/Specific Reserves should be reviewed annually as part of the budget setting process in March/April, to ensure their continuing relevance and adequacy.

Where the purpose of an Earmarked/Specific Reserves becomes obsolete, or where there is an over-provision of funds, the excess may, on the approval of The Bottesford Institute's Board of Trustees, be transferred to the General Reserves or to one or more other Earmarked/Specific Reserves.

If, in extreme circumstances, General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, The Bottesford Institute's Board of Trustees are able to draw down from its Earmarked/Specific

Reserves to provide short-term resources, provided the funds are replenished/repaid at the earliest opportunity.

7. MANAGEMENT & CONTROL OF RESERVES

The use of Reserves shall be approved by The Bottesford Institute's Board of Trustees having regard to this policy.

The level of General Reserves shall be reviewed on an annual basis during March/April as part of the annual budgetary review and budget setting process. The minimum level of General Reserves shall be recommended to The Bottesford Institute's Board of Trustees by the Clerk to The Bottesford Institute's Board of Trustees. This will form part of the recommendations for the annual budgetary review and budget setting process.

Earmarked/Specific Reserves shall be reviewed on an individual basis. This review will also be undertaken as part of the annual budgetary review and budget setting process. Recommendations on creation, amendment, cessation or continuation of Earmarked/Specific Reserves will be given by the Clerk to The Bottesford Institute's Board of Trustees to The Bottesford Institute's Trustees by way of a report forming part of the recommendations for the budget setting process. Approval for the creation, amendment, cessation or continuation of Earmarked/Specific Reserves will be given by a formal resolution by The Bottesford Institute's Trustees at a meeting of The Bottesford Institute's Board of Trustees.

Given the opportunity costs of holding Reserves, it is critical that Reserves continue to be reviewed each year as part of the budget setting process to confirm that they are still required and that the level is still appropriate.

Movements in Earmarked/Specific Reserves and General Reserves shall be reported, at least on an annual basis, to The Bottesford Institute's Board of Trustees as part of the normal annual accounting report.

8. CURRENT LEVEL OF FINANCIAL RESERVES

The level of Financial Reserves (i.e. General & Earmarked/Specific) held by The Bottesford Institute will be agreed by The Bottesford Institute's Board of Trustees during the discussions held regarding the setting of the budget for the next financial year and year end accounting procedures. The Clerk to The Bottesford Institute's Board of Trustees will advise The Bottesford Institute's Trustees on the level of Financial Reserves required to fulfil its obligations.

Total Financial Reserves (i.e. General and Earmarked/Specific) held by The Bottesford Institute (as at the 31st March 2021) are **£36,431.94**.

The current level of General Reserves held by The Bottesford Institute is **£2,500.00**, being an Operational Reserve, with this amount being estimated to be sufficient to meet the Charity's known annual operational expenditure as landlords of The Old School building premises (i.e. insurance premiums and H&S inspections) for the financial year 2021/22.

Earmarked/Specific Reserves currently held by The Bottesford Institute amount to **£33,931.94**, being split between a building repair fund and the grant aid fund.

This document was adopted and the above levels of reserves were agreed by The Bottesford Institute's Board of Trustees at the meeting of The Bottesford Institute held on 09th June 2021 (*Minute Reference TBI/21-012*). The level of reserves are scheduled to be reviewed again in March/April 2022 as part of the 2022/23 financial year budget setting process.

RESERVES BREAKDOWN

Appendix A

<u>Position 31st March 2021 (2020/21 Year End)</u>				<u>BI Reserve Funds</u>	
Funds Held Within HSBC Bank	BSC: 40:34:08	Account: 11687948			£36,431.94
Funds Held at HSBC Bank	BSC: 40:34:08	Account: 51687956			£0.00
Total Value of Reserve Funds					<u>£36,431.94</u>
Funds Allocation:					
Building Repair Fund					
	Old School Building Repair Fund Reserve			£25,448.95	
	<i>Purpose/Use: To provide support for 'major' repairs to the Old School Building</i>				
	<i>Calculation: Based on 75% of the years Excess/Deficit of Income Over Expenditure</i>				
	After Grants				
	Upto a Maximum Reserve level/amount of 10% of the Capital Asset Value				
	<i>i.e. 10% of £500,000 = £50,000</i>				
Specific Reserves					
	Grant Funds Reserve			£8,482.99	
	<i>Purpose/Use: To provide additional funding where Grant applications exceed annual funds available</i>				
	<i>Calculation: Based on 25% of the years Excess/Deficit of Income Over Expenditure</i>				
	After Grants				
	Other (??)			£0.00	
	<i>Purpose/Use: ??</i>				
	<i>Calculation: ??</i>				
					£8,482.99
General Reserve					
	Unallocated (Operational Reserve)			£2,500.00	
	<i>Purpose/Use: To meet known expenditure (i.e. Insurance Premiums and H&S Inspections)</i>				
	<i>Calculation: £2,500 set amount</i>				
					<u>£36,431.94</u>

THE BOTTESFORD INSTITUTE
FINANCIAL RESERVES POLICY

Version Control Record

Ref.	Date of Update	Details of Amendments/Changes	BI Approval Minute
1	09 th June 2021	<p>Writing of a Financial Reserves Policy.</p> <p>Writing/producing a document entitled Reserves Breakdown (<i>Appendix A</i>), that gives details of the reserves held by The Bottesford Institute as at the end of 2020/21 Financial Year (i.e. 31st March 2021)</p> <p>Attaching the approved Reserves Breakdown (<i>Appendix A</i>) to the Financial Reserves Policy document.</p>	??/21
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