



Reserves Policy

1. Policy Statement

The Charities Statement of Recommended Practice (SORP) (FRS 102) states that a reserves policy should cover:

- The reasons why the charity needs reserves.
- What level or range of reserves the trustees believe the charity needs.
- What steps the charity is going to take to establish the agreed level or range.
- Arrangements for monitoring and reviewing the policy.

The law requires that any income received by a charity should be spent within a reasonable period of receipt of the funds. Trustees should be able to justify the holding of income as reserves. A reserves policy explains to existing and potential funders, donors and other stake holders why a charity is holding a particular level of reserves. A good reserves policy gives confidence to stakeholders that the charity's finances are being properly managed and will also provide an indicator of future funding needs and its overall resilience.

The Charities SORP requires a statement of a charity's reserves policy within its annual report. In addition, if a charity operates without a reserves policy, the regulations require this fact to be stated in the annual report.

All charities need to develop a policy on reserves which establishes a level of reserves that is right for the charity and clearly explains to its stakeholders why holding these reserves is necessary.

2. Introduction

The Brecon Beacons Park Society (BBPS) was formed in September 1992 as a registered charity (No 1075345) and became a Charity Incorporated Organisation (No 1180841) in June 2019.

Its Constitution identifies the following Society Objects:

- To advance the enhancement, protection, and conservation of the countryside, heritage and other amenities of the Brecon Beacons National Park for the benefit of the public.
- To advance the education of the public in the ways in which to achieve the above including the provision of opportunities for healthy recreation and in particular walking.

The Society is predominantly financed by membership fees, although other sources of income include donations, project funding and grants.

The organisation currently has just over 1,000 members and is managed by an Executive Committee. The Committee includes all of the trustees who are elected at the Annual General Meeting, and typically meets eight times a year.

The level of income is in the main determined by the level of membership fees received. Financial reserves are built-up in years when income exceeds expenditure and are, in general, retained to mitigate those years when expenditure exceeds income. It is the responsibility of the Treasurer to monitor the level of reserves and keep the Trustees informed of the situation on a regular basis.

3. Types of Funds

- **Restricted Funds:**

These are monies received from grant funders/donors for a specific area of expenditure. They are only available to be used for the purposes specified by the grant funders/donors and are not freely available to spend.

- **Unrestricted Funds:**

These can be used on the objects of the charity and can be spent as the Trustees see fit. These can be also referred to as free reserves.

- **Designated Funds:**

These are unrestricted funds earmarked for essential future spending, for example, to fund a project that could not be met from future income alone.

- **Designated Reserves**

These are held as part of the Society's overall risk management framework to cover any liabilities existing should the need arise, and need to be ring-fenced. The level is determined by the Trustees on an annual basis once the proposed expenditure budget has been agreed.

4. Trustees - Responsibility and Accountability

- Trustees have overall responsibility for the governance of the organisation.
- Trustees should be able to justify the holding of income as reserves.
- Where the Trustees have a Reserves Policy, this policy must be set out in the Trustees Annual Report.
- Trustees should keep the Reserves Policy under review to ensure it meets the changing needs and circumstances of the Charity. In this way, Trustees will be aware of the build-up of excess reserves or of reserves being unexpectedly or rapidly depleted.

5. Calculation and Monitoring of Designated and Free Reserves

The level of **Designated Reserves** in place is determined annually by the Trustees once an expenditure budget for the financial year has been agreed. Various risk factors need to be assessed including a possible fall in income, and unexpected expenditure because of unplanned events. As the Society has no paid staff and no rental or contractual liabilities, the Trustees have decided that the level of **Designated Reserves** should be set at the equivalent of **one year's budgeted expenditure**. For the financial year **2023-2024**, this equates to a figure of **£26,000**.

Consideration of reserves should be made beyond the current year, as the levels of income are variable year-on-year and are dependent predominantly on funds received from the membership.

The monitoring of reserves should not just be a year-end procedure. How the level of reserves changes during the year can be a good indicator of the underlying financial health of the Centre and can also be a good indicator of potential problems.

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