



Bristol City Community Trust

Operating Reserves Policy

Reviewed: May 2018



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The Purpose

The Operating Reserves policy for Bristol City Community Trust is to ensure the stability of the mission, programs, employment, and ongoing operations of the organisation.

The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and 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 Bristol City Community Trust for operating reserves to be used and replenished within a reasonably short period of time. The operating reserve policy will be implemented in concert with the other governance and financial policies of Bristol City Community 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 minimum amount to be designated as operating reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. 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. 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. Depreciation, in-kind, and other non-cash expenses are not included in the calculation.

The amount of the operating reserve fund target minimum will be calculated each year after approval of the annual budget, reported to the Finance Committee/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 board-designated operating reserve.

The Fund will be funded and available in cash or cash equivalent funds. Operating reserves will be maintained in a segregated bank account (Triodos) or investment fund, in accordance with investment policies.

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 trustees and staff 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. Authority to use operating reserves: The Chief Executive Officer will submit a request to use operating reserves to the Finance Committee. The request will include the analysis and determination of the use of funds and plans for replenishment. The organisation's goal is to replenish the funds used within twelve months to restore the operating reserve fund to the target minimum amount. If the use of operating reserves will take longer than 12 months to replenish, the request will be scrutinised more carefully by the entire board.
3. Reporting and monitoring: The Chief Executive Officer is responsible for ensuring that the operating reserve fund is maintained and used only as described in this Policy. Upon approval for the use of Operating Reserve funds, the Chief Executive Officer will maintain records of the use of funds and plan for replenishment. He/she will provide regular reports to the Board of Trustees of progress to restore the fund to the target minimum amount.

Version No.	Author	Approved by	Date of Approval	Next Review Date
1	Amy Kington	Trustees	2/12/2015	1/12/2017
2	Daniel White	Trustees	25/05/2018	1/5/2019