



Shildon Railway Institute

Financial Operating Reserves & Distribution Policy

Version 1.0 Adopted
Last Review 02/09/2023

Purpose

The purpose of the Operating Reserve Policy for Shildon Railway Institute is to ensure the stability and sustainability of the 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 un-budgeted expenses, unanticipated loss in funds, or uninsured losses.

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

Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of Shildon Railway Institute 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 Shildon Railway Institute 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 a designated fund set aside by action of the Board of Directors. 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, ongoing professional services such as audit, accountancy fees, taxes, insurances, licenses.

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 accounts, and reported to the Membership at the Annual General Meeting, and included in the regular financial reports to the Management Committee.

Accounting for Reserves

The Operating Reserve Fund will be recorded in the financial records as 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 held by the Institute.

Funding of Reserves

The Operating Reserve Fund will be funded through contributions from surplus unrestricted operating funds.

The Management Committee may also from time to time direct that a specific source of revenue be set aside for Operating Reserves.

Examples of such may include one time donations, special grants, or funds raised through special appeals.

The Management Committee will also seek throughout each year to organise specific events that are intended to generate funds specifically to contribute to the Operating Reserve Fund.

Use of Reserves

Use of the Operating Reserves requires three steps:

1. Identification of appropriate use of reserve funds.

The Management Committee, Treasurer and Deputy 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. Authority to use operating reserves

The Treasurer and Secretary will submit a request to use Operating Reserves to the Management Committee. The request will include the analysis and determination of the use of funds and plans for replenishment. The organisation's goal will be to replenish funds used within twelve months to restore the Operating Reserve Fund to its target minimum amount. If the use of Operating Reserves would seem to be likely to take longer than 12 months to replenish, the request will be scrutinised more carefully. A majority of the Management Committee will approve or modify the request and authorise transfer from the fund.

3. Reporting and monitoring.

The Treasurer and Deputy Treasurer are responsible for ensuring that the Operating Reserve Fund is built up and maintained and used only as described in this Policy. Upon approval for the use of Operating Reserve funds, the Treasurer will maintain records of the use of funds and plan for replenishment. He/she will provide regular reports to the Management Committee of progress to build or restore the Fund to the target minimum amount.

Review of Policy

This Policy will be reviewed annually at minimum, by the Management Committee, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Treasurer and Deputy Treasurer to the Management Committee.