



Reserves Policy

British Educational Research Association

Company Limited by Guarantee

Company Number 08284220, Registered Charity Number 1150237

Updated April 2021

Reserves Policy

Introduction

1. The Charity Commission's CC19 guidance states: "There is no single level or even a range of reserves that is right for all charities. Any target set by trustees for the level of reserves to be held should reflect the particular circumstances of the individual charity. To do this, trustees need to know why the charity should hold reserves and, having identified those needs, the trustees should consider how much should be held to meet them."
2. This policy sets out BERA's free reserves. The term 'reserves' is used to describe the charity's funds which are freely available for operating purposes, not subject to commitments, planned expenditure and spending limits.
3. The reserves are split between cash, savings accounts with different banks to ensure FSCA protection and an actively managed investment fund.
4. As part of effective financial management, we hold reserves to ensure we can manage the financial impact of risk.

Financial Impact of Risk

5. There are a range of risks we face, including the risk of an unforeseen drop in income or unbudgeted increases in expenditure. To ensure there is no significant disruption to our charitable activities, holding appropriate reserves allows BERA to respond to any unforeseen reduction in income or additional unforeseen expenditure.
6. A detail review of the risks BERA faces if monitored on an ongoing basis by the Risk Assessment and Audit Committee (RAAC) who analyse various risks and their likelihood and ensuring mitigations are in place to manage these.

Working Capital

7. Free reserves are kept in both cash and investments, which are immediately available should they be required. The cash reserves are split over multiple FSCA protected banks to alleviate risk and the investment account is actively managed.
8. Levels of working capital do not materially vary on an annual basis and are kept under constant monitoring to determine any changes in the reserves policy or amendments required to budgets.

Reserve Target range

9. The target range for reserves is between a 1:1 to a 1.4:1 ratio of reserves to operating expenditure in a normal budget year.
10. The Finance & Operations Committee and BERA Council consider this ratio provides sufficient flexibility and stability for an organisation of the size and turnover of BERA. The reliance on publications income necessitates this level of reserves to secure BERA's activities.

Sustaining Reserve Target Range

11. Budgets are set annually, and it is not intended a surplus is made as BERA endeavours to spend funds fulfilling its charitable purpose. Deficit budgets are planned, where necessary, to bring the level of reserves down and BERA Council have endorsed this principle.
12. BERA membership and conference income often exceed predicted budgets and any excess is planned to be spent, not used to increase reserves.

Financial Commitments

13. Commitments and long-term plans are reflected in the budgets and evaluated on an ongoing basis.
14. In September 2019, on the recommendation of the Finance & Operations Committee, Council identified two significant short-term financial risks to the association and agreed to designate a proportion of these reserves to mitigating any risks against two specific contingencies. These ringfenced reserves are reviewed and can be released into general reserves should it be no longer be necessary to hold them.
15. It was agreed to ringfence £125,000 of reserves for the process of setting up BERA as its own employer and have to source a new office space.
16. It was agreed to ringfence £380,000 to mitigate against the potential threat and unknowns of Open Access as publications form the main source of income.
17. It was agreed in 2020 to ringfence an additional £125,000 for BERA's 50th anniversary in 2024. This will be drawn down over the coming years and major projects will be based around the anniversary year.
18. This is a total ringfencing of £630,000 of reserves in addition to the £1.25 million outlined elsewhere.

Responsibilities and Review

19. The BERA Finance and Operations committee are responsible for monitoring and reviewing this policy. The policy will be reviewed on at least an annual basis at the Spring meeting of the committee, and reported upon by the Treasurer at the BERA Annual General Meeting.
20. Ultimately, BERA Council as the trustees of the association are responsible for ensuring BERA's resources are managed responsibly and the charitable objective is served.

Reserves Position

	Current Year (2020)	Previous Year (2019)	% Change
Unrestricted Funds (Reserves)	£1,575,754	£1,354,677	+16.3
Restricted/ Designated Funds	£22,031	£22,031	0
Ringfenced reserves	£630,000	£505,000	+24.8
Total Funds	£2,205,754	£1,859,677	+18.6
Ratio of Reserves to Annual Operating Expenditure	1.26:1	1.08:1	+14.3