



## BOTANICAL SOCIETY OF BRITAIN & IRELAND

### RESERVES POLICY

Prepared by & date:	Julie Etherington, Finance Manager (FM), August 2024
Approved by & date:	Finance Committee (FC), 17 September 2024
Approved by & date:	Board of Trustees, 17 September 2024
Next Review due:	Autumn / Winter 2025 (annual review interval)

#### 1. Context, Purpose and Risk Management

The Charity Commission's guidance document; **CC19 Charity Reserves; building resilience** (last updated 14 June 2023), sets out that it expects trustees to decide, publish, implement and monitor their charity's reserves policy so that they can comply with their legal duties to:

- act in the interests of their charity and its beneficiaries
- protect and safeguard the assets of their charity
- act with reasonable care and skill
- ensure their charity is accountable

Reserves help a charity operate effectively and Trustees should keep their Reserves Policy and the level of reserves held under regular review, making sure they aren't setting aside too much or too little. In CC19, the Charity Commission asks trustees to *"... regularly monitor and review the effectiveness of the Policy in the light of the changing funding and financial climate and other risks."*

This Reserves Policy was first created in December 2019 and has been updated annually since then, always with the above in mind and has been continually developed in consideration of BSBI's Strategy 2021-2024 and now BSBI's Strategy 2024 – 2027 ("BSBI's Strategy", "The Strategy") where BSBI's Vision is set out; **A world where wild plants thrive and are valued and understood**. This is our 'big picture' of the world that we would like to see, one in which there

is understanding and appreciation of wild plants and the need for their habitats to thrive at a time of rapid biodiversity loss and climate change. We share this vision with others.

BSBI’s purpose is to advance the understanding and appreciation of wild plants and support their conservation in Britain and Ireland. This purpose is underpinned by three strategic goals and their priorities and key activities.

BSBI’s Strategy also sets out (at 1.3) Decision Making Criteria (DMC) below to screen all existing work and any new case for a centrally funded/resourced project or investment, to ensure everything both fits with the strategy and ensures long-term resilience.

Criteria	Detail
<b>Fit with Purpose</b>	The activity is within our scope, delivers to one of our goals and contributes to our vision. It fits within our strategy map
<b>Financially viable</b>	The activity is financially viable and planned sufficiently far in advance to be budgeted. If there is no budget, the task is important enough that we should seek funds/ partners or use reserves to achieve it and make it viable
<b>We have the time and capacity to manage and govern</b>	We are able to give the activity the time and attention it needs or are able to find funding to buy-in capacity or expertise. Members are given the steer and support they need, as required
<b>We have the capability and know-how</b>	We have the capability and expertise in house or can buy it in or work with others to bring it in. This could include using training opportunities
<b>Opportunity</b>	The activity offers an opportunity to: <ul style="list-style-type: none"> <li>• work in partnership with others</li> <li>• fill identified gaps in our activities (e.g. training for different skills levels, plant groups or regions) or extend successful current work across our geography</li> <li>• provide useful leads or future strategic opportunities</li> </ul>
<b>Risks are understood</b>	The risks of the activity are understood, especially the risk to our reputation and integrity (see BSBI Values and Principles)
<b>We can evaluate our contribution</b>	We can evaluate our activity and demonstrate added value; that we have made a difference. We will get due credit for our contribution and be able to flag up our achievements

By considering these DMCs, where the financial viability of existing & new work is assessed, BSBI seeks to ensure its overall financial sustainability and resilience.

The focus in the first years of the Strategy (2021 – 2023) was on continuing to build resilience, strengthening foundations and ensuring BSBI is working towards a position where it has a sustainable annual Operating Surplus on the General Fund. Good progress has been made here; illustrated below:

	2024	2023	2022	2021	2020	2019	2018	2017
Operating Surplus (Deficit) on the General Fund £000 *	120*	(27)	3	(15)	(25)	(33)	(61)	(146)

This Reserves Policy is an important part of the Strategy pathway described above and of good governance and financial management.

Moreover, BSBI's Reserves Policy helps in several ways, to:

- Define Reserves & understand what are BSBI's Reserves
- Understand the impact of risk on Reserves – re income, expenditure, organisational size, its Risk Register & the wider environment
- Describe why Reserves of a particular level are deemed to be needed
- Help manage resources and plan ahead, including balancing the needs of current and future beneficiaries
- Help demonstrate to donors, funders, grant making bodies and beneficiaries (stakeholders) and build confidence the Board manages BSBI's money well and is attentive to financial sustainability and resilience.
- Help stakeholders understand funding gaps and how they can help fill them. This understanding is particularly important because it helps to optimise the success of fundraising bids, which in turn further diversify BSBI's income and reduce risk.

## Introduction

There are many myths about what funders want to see in charity accounts, particularly in relation to reserves. However, most grant-makers will take a rational view and assess each case on its merits. This means that charities do need to explain their position well, regardless of whether they have high or low reserves.

Source: "Beyond Reserves: What do Grant Makers Want?" by Acevo, CFG, Institute of Fundraising, Sayer Vincent

It goes without saying that different grant making bodies have different criteria to be met before an award is made; some more narrowly defined than others. BSBI does its best to meet different criteria however we must accept that in practice, it is not always possible to meet all criteria.

This Reserves Policy uses the *risk identification approach*, which is based on an understanding of the income streams and their risk profile, the degree of commitment to expenditure and the overall risk environment in which the charity operates.

This document now sets out BSBI's Reserves Policy.

## 2. BSBI's Reserves

BSBI currently holds nine (2023: six) individual funds:

Unrestricted:	two (2023: two)
Restricted:	seven (2023: four)

Reserves are defined (Source: *CC19 Charity Reserves; building resilience*) as follows:

***"Reserves are that part of a charity's unrestricted funds that is freely available to spend on any of the charity's purposes."***

## Two Unrestricted Funds:

1. The **General Fund**: (£716k at 31 March 2024 (2023: £160k)) and is the most important of BSBI's funds. Its purpose is explained in BSBI's Annual Report & Accounts as:

*"... Working Capital for the continuation of the Society's activities and as a buffer against fluctuations in income. It affords BSBI the ability to promote itself and, critically, to continue to raise further funds to ensure its long-term financial sustainability."*

**The General Fund fits the CC19 definition of Reserves above so is included in BSBI's Reserves**

2. The **Strategic Development Fund / Reserve (SDR)**: (£260k at 31 March 2024 (2023: £160k)). This fund was created by the Board in 2021 with an original designated amount of £100k and a further £267k has been added since. Its purpose is explained in BSBI's Annual Report & Accounts as:

*"...to fund the one-off or short-medium term costs of delivering the Strategic Plan; building financial resilience more quickly and effectively than might otherwise be possible."*

For example, BSBI's Budget 2024/25 allows for £33k to be met from the SDR for part of the salary costs of the Countries Manager & the Scotland Officer, the former role having been added to the staffing structure specifically to support delivery of BSBI's strategic aims.

**The SDR is not therefore "freely available", does not fit the CC19 definition of Reserves above and is not included in BSBI's Reserves.**

**NB. This is confirmed by CC19 which explains: "The items that should be excluded from Reserves are: .... Designated funds set aside to meet essential future spending, such as funding a project that could not be met from future income"**

## Seven Restricted Funds:

These funds; £32k at 31 March 2024 (LY: £3k) are not included in BSBI's Reserves for the purpose of this Policy because there are only specific, restricted, purposes to which they can be applied. The information below is extracted from BSBI's Annual Report & Accounts 2024 & is included here for context & completeness only.

- 1) The **Presidents' Award Fund** provides for an annual award of £300 for outstanding contributions to botany.
- 2) The **Welsh Flora Fund** is normally for small ad hoc grants towards botanical publications relating to North Wales. There was no expenditure this year however, last year, £750 was met from this Fund; the North Wales proportion of the *Plant Atlas 2020* book launch costs.

- 3) The **Scottish Officer Fund** received income of £22,000 this year (2023: £20,000) restricted to meet expenditure relating to the post of and activities undertaken by the Scotland Officer. This fund continued to be fully expended during the year.
- 4) The **Scottish Training Programme** received donation income of £NIL (2023: £5,385 from The MacRobert Trust) which was fully expended on the Scotland Officer's time costs of organising and delivering four training workshops and five field training days in Summer 2022 and five mini-workshops during the Scottish Botanists' Conference in November 2022. This Fund closed at the end of 2022/23.
- 5) **The Botanical Training Fund** was established in the year out of a successful fundraising campaign focused on expanding BSBI's Identiplant and FISC training into Ireland and Scotland. A generous grant from The Britford Bridge Trust, a sizeable legacy from the Estate of Liz Mc Donnell, together with donations and Gift Aid totalling £26,043 were received for these purposes, enabling £10,000 to be used towards the associated pay costs of BSBI's Training Co-ordinator. The fund is now invested to meet future expenditure in pursuit of its aims.
- 6) **The Support for Recorders Fund** is also a new fund in 2024, the four aims of which are to fund the work of BSBI staff to:
  - 1) Develop new and emergent Recorders through support, training and mentorship
  - 2) Provide training and trainer opportunities for all Recorders
  - 3) Ensure BSBI's software and database support Recorders' needs, and that there is training, physical equipment and help available for their use.
  - 4) Advance projects that make a meaningful contribution to botanical conservation through science and data collection

£12,874 was raised in 2024 for this Fund, comprising a generous legacy from the Estate of Clive Lovatt, donations and Gift Aid, all now invested, to meet future expenditure in 2024/25 & beyond.

- 7) The **Holy Grass Project Fund** was created by a £3,000 donation to meet the expenditure of a joint project between BSBI and Royal Botanic Garden Edinburgh (RBGE) looking specifically at the genetics of *Hierochloe odorata* (Holy-grass) across its disjunct populations in Britain and Scandinavia. The expected £3,500 project costs are also funded by a BSBI Science & Research grant of £500.

### 3. BSBI Income Diversification & Risks

BSBI generated £0.8M income in 2023/24 from ten diverse categories, reported in BSBI's quarterly management accounts under the following headings:

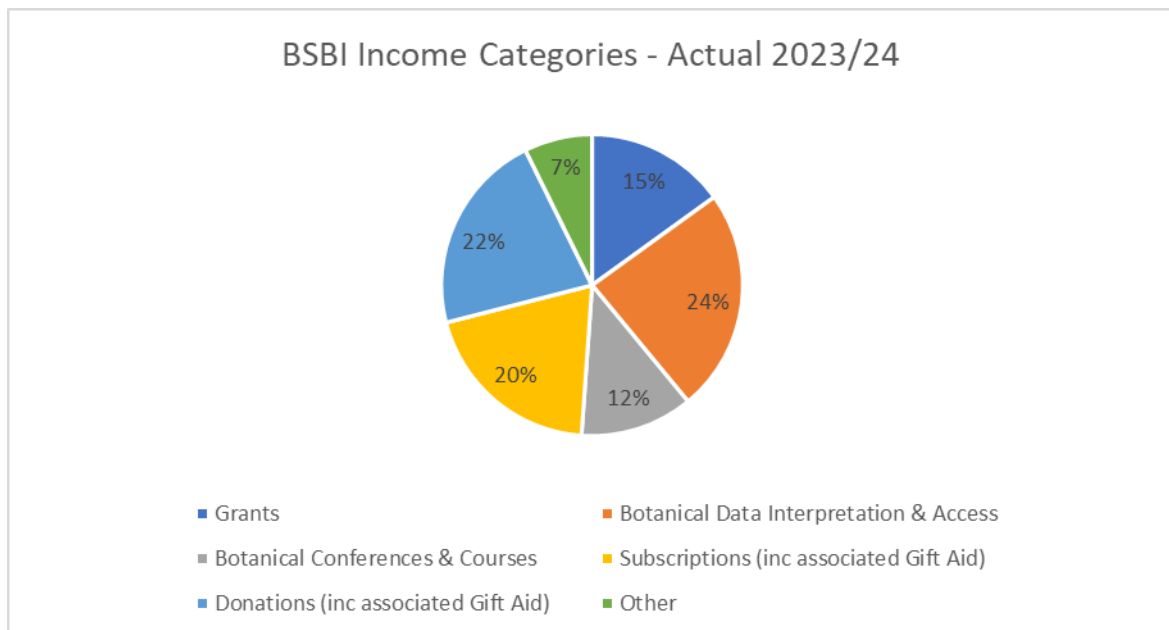
1. Grants
2. Projects and Contracts (Note 1)
3. Botanical Conferences & Courses
4. Botanical Publications
5. Subscriptions
6. Donations
7. Legacies
8. Royalties
9. Investment Income & Bank Interest
10. Gift Aid (Note 2)

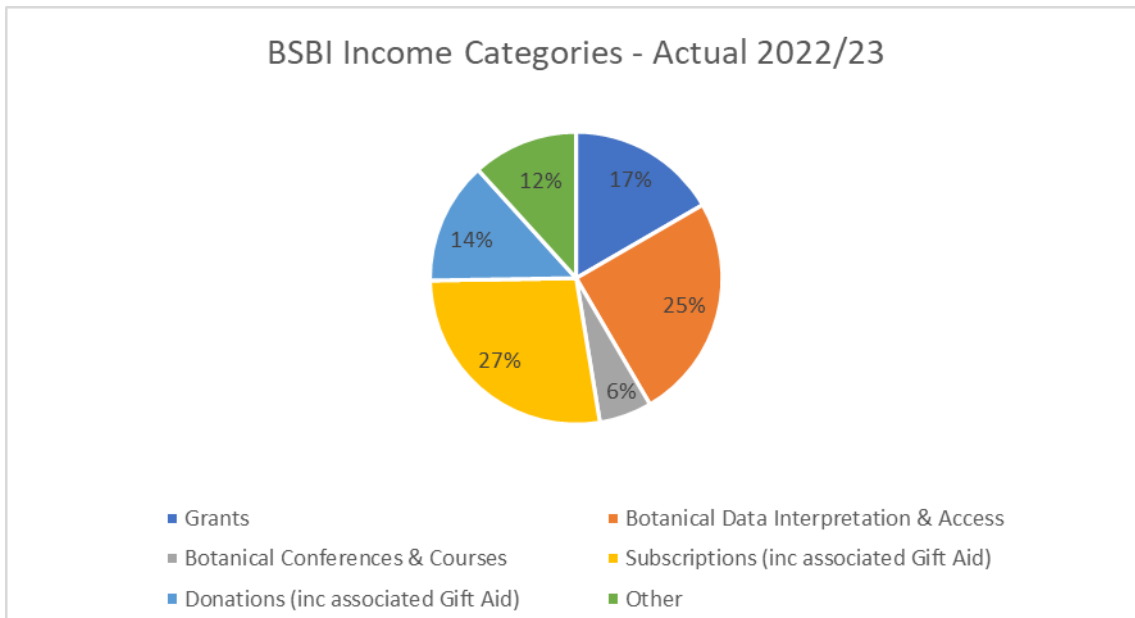
In the Annual Reports & Accounts, the following applies:

Note 1 – Income from Projects & Contracts is known as Botanical Data Interpretation & Access

Note 2 – Gift Aid is reported within the relevant source; either Subscriptions or Donations

The relative contribution of each category in 2023/24 and the previous year is illustrated below:





It is the hallmark of a healthy organisation to have several stable income categories (sources). This profile aims to reduce the risk of a reduction in any one category threatening the future of an organisation and this aim is central to BSBI's *Income Diversification Strategy*. It is pleasing, therefore, that BSBI has ten categories; five (as pictured) and five more contained within the Other category, with those contributing 7% of income (2023: 12%).

Over time, BSBI's income is becoming more diversified and in the last 2 years, BSBI has begun to generate these new and ongoing sources within existing Categories:

- **Identiplant and FISC**, within Botanical Conferences & Courses
- Within the **Grants** source, BSBI is now being awarded a significant grant from The Department of Agriculture, the Environment & Rural Affairs (DAERA) to support botanical priorities in Northern Ireland. The grant award is £0.7M & runs from Apr 23 – Mar 28
- **Ebooks**, within Botanical Publications

Also, a new Category:

- **Royalties** from Princeton University Press on the sale of the Atlas 2020 & other books

We move on now to use the Risk Identification Approach to setting BSBI's Reserves Policy, and to examine these income categories and the trends, risks and the stability / variability of each

	Category	Trends & Risks	Stable or Variable?
1	Grants	A very important Category which can experience lumpy changes because individual grants won can be sizeable. The annual allocation of public sector grants continues to cause uncertainty; 12 months being the norm although some longer terms are now being awarded (eg. National Parks & Wildlife Services three-year Aquatic Plant Project (NPWS TAPP) grant 2023-25 and the DAERA five-year grant 2023-2028). Negotiation periods can be long and slow which adds uncertainty. With ongoing BSBI efforts, however, negotiation periods are shortening and payment dates can be influenced and advanced too.	Variable
2	Projects & Contracts	Another hugely important and increasing income category (2024: £196k / 2023: £134k). Although stable at 24/25% total income for the last 2 years (17% in YE 31.03.22) like grants, negotiation periods can be long and slow which adds uncertainty (eg. NE - where there are currently three MoA's each year) and are dependent on annually reviewed Government spending plans so can experience lumpy changes. BSBI works is strengthening partnerships with organisations and continues to look to engage with an increasingly wide variety of stakeholders and this pays off with more one-off work which can convert to a regular source over time.	Natural England (say 2/3 of total) variable  Other sources (say 1/3 of total) tend to be more Stable
3	Botanical conferences & courses	An important range of income generating charitable activities. Historically difficult to deliver surpluses from events although latterly, losses have lessened as organisers engage with guidance from the FM. Most events are now break-even / small surplus on direct costs. Identiplant & FISC have significantly boosted this source in 2023/24, creating two new income streams, with student demand outstripping all expectations and generating £70k revenue. Outlook positive.	Stable
4	Botanical Publications	Income represents sales through Summerfield; a stable category of income, albeit there is a risk of longer-term decline as Society becomes more digital. Ebooks were successfully launched in 2023/24 (£6k income) & this has helped to mitigate the impact of this risk. Also, BSBI typically launches 1-2 books pa with a pre-publication offer; these sales are more profitable. Two such launches are	Stable



		expected in 2024/25. Demand for some books is low because they cater for niche interests. Board now approves publications based on Strategic DMC. Normally stable	
5	<b>Subscriptions</b>	<p>Growth in <b>membership numbers</b> has averaged 7-8% pa for the last 4 years. Members typically stay members for a long time (~90% retention rate). Steps continue to attract a younger/ more diverse membership (eg. through increased social media engagement.) Membership was positively impacted by not only the launch of Atlas 2020, but also by a Covid-19 silver-lining &amp; is pushed along by BSBI's digital evolution (eg. Digital membership – no paper)</p> <p><b>Membership rates</b> are normally reviewed triennially. The last review was made in Jan 2023, next due in Jan 2026. Helpfully, there is low price elasticity of demand.</p>	Stable
6	<b>Donations</b>	BSBI is grateful to all organisations & members giving donations. Income has historically been unpredictable however, through Atlas and other regular campaigns, the Fundraising & Engagement Manager has made this category more stable – eg. Regular monthly giving through Stripe. The fundraising environment continues to be challenging however with UK inflation now having dropped to the Government's 2% target & cost of living costs levelling, the medium-long term outlook is positive, especially as the BSBI Science Strategy is now in place, allowing opportunities for more fundable projects, post Atlas.	<p>Variable (short term)</p> <p>Stable (medium-long term)</p>
7	<b>Legacies</b>	Legacy income is a development objective; it is difficult to predict, cannot easily be influenced and is highly variable.	Variable
8	<b>Royalties</b>	See notes above	Stable
9	<b>Investment income &amp; Bank Interest</b>	Investment Income is derived from a managed discretionary portfolio, overseen by FC & Board. Income normally stable & predictable, albeit will gradually reduce as the portfolio is drawn down. Bank Interest has seen an increase in 2023/24 resulting from the depositing of the £120k donation and £150k of the ~£250k legacy with Flagstone. Income will reduce over time as cash is expended.	Stable
10	<b>Gift Aid</b>	Members are encouraged to make Gift Aid declarations and this is an automatic stage in new member onboarding. Income therefore correlates to Subscriptions, is stable at ~£25k & gradually rising.	Stable

When this Policy was last reviewed, BSBI’s income was felt to be relatively stable / low risk. Since then:

- Income has been rising (2023/24 £0.5M, 2023/24 £0.8M, 2024/25 budgeted £1M)
- Income Categories have diversified (DAERA, Identiplant, FISC, ebooks)
- The diversifications are into ongoing (not one-off) sources
- Income has become longer term and therefore more stable (DAERA, NPWS TAPP)

**Conclusion:** Income is higher than before and has become relatively more stable. This increasing robustness lowers risk and gives comfort that Reserves can be set at a level lower than if income was more variable / higher risk.

#### 4. BSBI Expenditure & Risks

Continuing with the Risk Identification Approach, this section considers BSBI’s expenditure levels, trends and overall stability / variability. We also consider at a macro level the Board’s ability to control expenditure; if expenditure is capable of being curtailed adequately, at minimal exit cost and on a timely basis if required, this gives a sense of comfort that Reserves can be set a lower level than if this is not possible.

The table below shows BSBI’s Operating Income, Expenditure and Deficit (before Investment Gains & Losses) on its Unrestricted Fund for the year ended March in each of these 7 years:

	2025*	2024	2023	2022	2021	2020	2019
Income £k	992	754	513	443	366	420	430
Expenditure £k	(977)	(662)	(596)	(484)	(386)	(445)	(463)
Operating Surplus (Deficit) £k	15	92	(83)	(41)	(20)	(25)	(33)

*\*Budget YE 31.03.25 – see Appendix; Expenditure = £1025k less £48k = General Fund Expenditure £977k*

Broadly speaking, BSBI has doubled in size over the period and has also become more complex. Much of this change is down to an increase in staffing & other changes made in order to deliver the Strategy; the headcount over the same period has increased similarly; from 8 to 16.

Typically, two thirds of Expenditure have been & still are Salary costs. BSBI’s 16 employees (14 as at 31.03.24 plus 2 added since) mean that BSBI has an annual contractual salary commitment of ~£0.6Mpa. Trustees continue to believe that this staffing level is consistent with the needs of good governance, supporting BSBI’s activities and meeting its charitable objectives.

In the unlikely event that BSBI’s activities had to be totally curtailed and all employment contracts terminated, employees with >2 years’ service would be entitled to Statutory Redundancy Pay as calculated here: <https://www.gov.uk/calculate-employee-redundancy-pay> The one-off cost is likely to be ~£60k (2023: £50k).

The increase vs 2023 does not track the increase in staff numbers because, at the time of writing, half of BSBI's employees is yet to reach 2 years' service and others are on contracts shorter than this anyway.

As well as to employees, there are financial commitments to others at any given time; to landlords, to recipients of training grants awarded, to suppliers and others. All of these commitments are in the normal course of business, none are onerous and are terminable within reasonable timescales at a one-off cost not expected to exceed £10k (no change vs LY).

**Conclusion: Overall, we expect that BSBI's expenditure would be capable of being curtailed adequately, at minimal exit cost and on a timely basis if required, so is low risk. This gives comfort that Reserves are unlikely to be used in an uncontrolled, unpredictable way and therefore can be set a level lower than if expenditure did not fit this profile.**

## 5. Organisational Size, Risk Register and the Wider Environment

As a relatively small charity, it continues to be difficult, if not impossible (and would be prohibitively expensive) to have contingency plans in place to deal with the risks associated with all unforeseen events. For example, staff work remotely, responsibilities are often restricted to single individuals, with little opportunity to share knowledge or have back-up plans for sickness or other absences.

Appropriate insurance is of course in place and everyone is encouraged to follow BSBI policies setting out good working practices. Risk assessments and other measures are in place to guide activities, and contingency plans are put in place where possible so as not to place unacceptable (if unlikely) financial burdens on BSBI.

BSBI grant and contract income is often short-term (12-18 months) and this poses a financial risk where it funds staff engaged on permanent employment contracts. These risks are mitigated where possible – eg. Employment contracts are equal in length to the funding income stream – eg. BSBI's Wales Officer's contract of employment end date coincides with the HLF funding end date in March 2026 & similarly, the England Officer is funded by Natural England until March 2025, so is contracted until then.

Risks posed are recorded on a Risk Register are discussed by the Board at its quarterly board meetings and are addressed wherever possible. Below are the highest two unmitigated risks on the Risk Register to which the Board is currently devoting its attention:

- 1) Loss of Data, electronic functions or other important information; Trustees have identified an operational risk particular to the BSBI Plant Distribution Database (DDb) which holds in excess of 56 million plant distribution records and is a critical BSBI resource.**

**Risk:** A digital & data review was carried out which identified that IT issues such as server failure, a lack of specialist knowledge and resource to manage and maintain the DDb, and / or cyber-attack, exposes BSBI to being unable to carry out core functions and activities if these risks were not to be addressed.

**Mitigation:** Trustees have been addressing this risk by strengthening BSBI's resources; James Drever was recruited into the new role of Data Support Officer in August 2023, now working alongside the existing Database Officer, each with a clear programme of work, including increasing knowledge and user guidance for the DDb and developing an emergency recovery plan against which progress can be measured. More recently, work on cloud storage has been taken forward and Data Recovery Planning will be discussed at the next Data Plan Steering meeting.

**Potential Financial Impact of Risk on Reserves: Minimal – Moderate (Up to £50k)**

## 2) Key roles unfilled when current post holders step down

**Risk:** Lack of a continuity plan for succession of Trustee, Chairs, Secretaries and Vice County Recorders (VCRs). The risks of this are that BSBI's responsibilities may not be carried out: administration, legal obligations, areas of governance, financial responsibilities resulting in financial or other penalties. Where a VCR role becomes vacant, there is a loss of botanical leadership, knowledge & experience for that geographical area.

**Mitigation:** Trustees are addressing this via a range of succession planning measures, all of which are embedded within the new BSBI Governance Handbook. Succession planning measures include review determining how key roles can be supported & thus workload shared, creating clear job descriptions for key roles and advertising for trustees and those key roles regularly and widely, clearly stating the skills and expertise sought, tracking progression through committees, knowledge sharing and training opportunities. For VCR vacancies, BSBI's Science & Data Committee is capturing the location & number of current & likely upcoming vacancies (eg. through retirement). Measures to fill these vacancies include compiling, sharing and regularly reviewing the list, inviting applications, describing the skills sought, emphasising the benefits of joint recorderships and VCR teams. This is alongside provision of support, training and networking opportunities, support with data management and providing a range of science projects for recorders to participate in (see Support for Recorders fund described in section 2).

**Potential Financial Impact of Risk on Reserves: Minimal – Moderate (Up to £50k)**

Over time and with growth, BSBI's operations and responsibilities inevitably become more complex eg.

- It is soon to become registered with the Charities Regulator in Ireland <https://www.charitiesregulator.ie/>
- BSBI became subject to statutory audit in 2023
- There is progressively greater reliance placed on digital delivery of services which could be impacted by factors outside BSBI's control.
- Growth itself can also bring unplanned obstacles from which learning & improvements follow

**Conclusion:** Overall, there has been an increase in the level of risk associated with BSBI's size, complexity, Risk Register and the wider environment which could impact on the Reserves needed by BSBI and should therefore be reflected in the level of Reserves maintained.

## 6. The Appropriate Level of Reserves

CC19 advises that deciding the level of reserves that a charity needs to hold is an important part of financial management and forward financial planning. Failure to do this may result in reserves levels which are either:

- **higher than necessary** and may tie up money unnecessarily. Holding excessive reserves can unnecessarily limit the amount spent on charitable activities and the potential benefits a charity can provide.
- **too low**, increasing the risk to the charity's ability to carry on its activities in future in the event of financial difficulties, and increasing the risks of unplanned and unmanaged closure and insolvency

**The Board of Trustees has reflected on all of the above and feels that £0.6m (LY: £0.5m); the equivalent of 7-8 months' (LY: 9 months') operating expenditure (see section 4) is the appropriate level of Reserves. This is felt to be adequate but not excessive and will help BSBI achieve a financially sustainable & resilient business model, capable of handling and independently funding a crisis situation should the need arise to fundamentally curtail the nature or size of operations or ultimately, to conduct a complete shutdown.**

Taking an action to increase the Appropriate level of Reserves is appropriate for the following reasons:

- There is a **reduction** in risk conclusion in section 3 (Income)
- There is a **reduction** in risk conclusion in section 4 (Expenditure)
- There is an **increase** in risk conclusion in section 5 (Organisational Size, Risk Register and the Wider Environment)

The growing complexity of BSBI and the time it would take in a crisis situation to unravel and close down its operations may mean that it may now take longer and cost more than before, probably during a period with little or no income arising because key staff delivering chargeable outputs were unable to be retained – all of this meaning that the demand placed on Reserves would be greater – eg. The CEO and / or Finance Manager may need to be retained longer than other staff to carry out an orderly shutdown.

All things considered, it follows that we recognise this potential shift by increasing the Appropriate Level from £0.5M to £0.6M

The decision to settle on £0.6M is based on all the forgoing and is represented by 7-8 months' expenditure, calculated here: 2024/25 Expenditure budget = £977k x 7.5 months/12 months = £610k, say £0.6M

The £0.6M proposed can be sense checked & corroborated by using the 2024/25 Budget to calculate the cost of a hypothetical crisis scenario (of which there could be many different versions)

- 3 months to recognise that BSBI had been hit by disaster, for a survival plan to be prepared and for the Board to be summoned to agree the plan: **3/12 x £977k = £244k**

- One month for employees to respond to the Board's proposals; payroll cost: **1/12 x £650k = £54k**
- As the disaster in this scenario is grave, no alternative approach is found so redundancies are implemented: **£60k (per page 11)**
- Costs incurred in capping the two risks set out at section 5: **Say £100k**
- The Chief Executive and Finance Manager are kept on for a further two mths: **Say £20k**
- Legal, Accountancy, HR, insolvency & other professional fees: **Say £50k**

**TOTAL = £528k + 10% contingency = £581k, say £0.6M**

The above list could be longer and the cost higher if we were to also consider, say, the losses sustained on the forced disposal of investments (upwards of £50k?), although it is debatable whether provision for such a cost is needed.

Meanwhile, the General Fund – and therefore BSBI's **actual** Reserves - stand at £716k at 31 March 2024. This means that, in practice, there is a modest excess / buffer of £0.1M above the £0.6M appropriate level proposed here, which is good news.

## 7. Looking Ahead

### The £250k Legacy

Looking beyond 31 March 2024 to the time of writing, BSBI has been fortunate to recently find out about a substantial legacy. In July 2024, a letter was received from the solicitors of the late Michael Elliott Braithwaite, who passed away in late 2023, notifying BSBI of a legacy expected to be in the region of £250k. The final value will be known when the estate is settled. The donor did not specify the uses to which the funds can be used so the funds are unrestricted.

Discussions will take place at the September 2024 Board meeting to decide how this valuable funding might best be used and, in the meantime, the first instalment of £150,000 is invested.

If Trustees decide to designate the legacy to specific cause(s) / Fund, this will not increase BSBI's Reserves. If, however, the £250k legacy is not designated, it will remain in BSBI's General Fund and will therefore increase Reserves by that amount – potentially to almost £1M. This would mean BSBI has a larger excess / buffer of up to £0.4M and this could mean that BSBI is perceived by outsiders as already well-funded.

### The Next Policy review

It should be again stressed that setting an Appropriate level of Reserves is not an exact science and the above could legitimately be replaced by a different approach, or simply a judgment call.

Should income streams become further diversified and / or stable, or the outlook improves and BSBI's risk profile lowers, the Board may in time feel it is able to reduce its Appropriate Reserves below £0.6M (currently the equivalent of 7-8 months' operating expenditure).

There is also a school of thought that an appropriate level could be set based on redundancy costs plus a chosen number of months' non-pay costs. One advantage is that it may better mirror what could happen in practice. This might be considered in future if felt appropriate.

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. Trustees are aware, however, that even if BSBI's financial position continues to improve, there is likely to be a level below which it would not be sensible to reduce minimum reserves. The position will continue to be monitored.

**Conclusion: The Board concludes that £0.6M is, on balance, an appropriate level of reserves; adequate but not excessive.**

## **8. Reporting Reserves**

Trustees acknowledge their responsibility to report BSBI's Reserves Policy in its Annual Report in a way that meets the requirements of the *Charities Statement of Recommended Practice (SORP) (FRS 102)*

## **9. Policy Duration & Remit**

- i. Once approved, this Policy will remain in effect until further notice.
- ii. The Policy will normally be reviewed annually.

