

Education Otherwise Reserves Policy

Education Otherwise Association is registered as a Charity (1055120). The Charity is managed by a Board of Trustees. The Officers of the Board consist of a President, Management Chair, Service Chair and a Treasurer. Our postal address is 61 Bridge Street, Kington, HR5 3DJ.

Objective

In order to enable Education Otherwise Association (the Charity) to meet its existing financial obligations as they fall due and have sufficient resources to enable it to achieve its wider mission and its charitable objects, it is necessary to formalise a policy in respect of reserves maintained by the Charity.

This policy seeks to ensure financial sustainability of the charity for the long-term. In setting the policy, the Board of Trustees (the Trustees) has referenced CC19 Charities and Reserves, issued by the Charity Commission. In setting the parameters for the reserves policy, the Trustees have considered the following:

- If reserves are too low, the charity risks insolvency and its charitable purpose will be put at risk.
- If reserves are too high, money will be tied up unnecessarily, thus limiting the charity's achievement of its purpose and jeopardising its ability to raise future funds.

The Charity requires a reserve to be held in order to meet:

- Contingency: unexpected expenditure in the event of an emergency;
- Cash-flow: enabling bills and accounts to be paid before the money to cover it has been received;
- Commitment: commitment to ongoing service users and commitment to occasional significant expenditure which cannot be covered by the annual income;
- Conservation: funds which the trustees cannot spend immediately without compromising their legal responsibilities to ensure that the Charity resources are used necessarily, reasonably and incidentally in fulfilment of their charitable objects and

- Closure: the charity is required to hold sufficient funds to meet the cost of winding up should it become financially unsustainable.

In considering the Charity's level of reserves, the Trustees take into account that the charity is unique in the support and services which it offers to the public and that service users frequently have ongoing support needs which can span up to three to four years. The Trustees consider it necessary to retain reserves to meet the Charity's commitment to service users for a period of up to four years.

In considering the Charity's level of reserves, the Trustees take into account recent, significant and unprecedented rises in demand for the Charity's services following Covid 19 lockdown, significant increases in children coming to Elective Home Education as a result of special education needs which cannot be met in school and significant increases in children coming to Elective Home Education as a result of mental health needs resulting in inability to attend school.

Definitions

Reserves represent total funds available to the charity (liquid or otherwise) in order to enable it to meet its objectives. Charity reserves are made up of two sub-sets, unrestricted funds and restricted funds. The Charity currently holds no restricted funds.

Unrestricted funds (including designated funds) are income or income funds which can be spent at the discretion of the Trustees in furtherance of any of the charity's objects. If part of an unrestricted fund is earmarked for a particular project it may be designated as a separate fund, but the designation has an administrative purpose only and does not restrict the Trustees' discretion to spend the funds. Designated funds are part of the unrestricted funds which Trustees have earmarked for a particular project or use, without restricting or committing the funds legally.

Reserves

1. Minimum Reserves: A minimum of three years' operating and governance costs should be retained in bank balances. When calculating this, any designated funds should be taken into account.
2. Maximum reserves: A maximum of four years' operating and governance costs should be retained as reserves.

3. Designated Funds: Where in the opinion of Trustees, a potential project should be funded out of unrestricted funds, a designated fund may be created. The Trustees retain absolute discretion to spend any funds so designated as they deem appropriate or cancel the designation at a later point.

4. Efficient use of bank balances retained: The Charity will retain sufficient balances within instant access deposit accounts and current accounts at Triodos and CAF banks to meet (i) the Minimum Reserves requirement (ii) and any unspent, earmarked Designated Funds.

5. If any amounts in excess of this total are greater than four years' core expenditure, the Trustees will consider whether they can fund projects which meet the Charity's charitable objectives in order to ensure that funds are allocated for public benefit.

Any unrestricted fund expenditure which is directly attributable to a specific project will be allocated to that project and in effect funded therefrom.

Policy last reviewed and updated Saturday 10th August 2024