RAF REGIMENT ASSOCIATION

RESERVES POLICY STATEMENT: 2020

1. Introduction

1.1 The RAF Regiment Association ("the Association") is a Charitable Incorporated Organisation (CIO) (Reg No 1157661), authorised by Charity Commission constitution dated 26 June 2016.

1.2 Its purpose is to foster, by any charitable means, the esprit de corps and comradeship amongst all RAF Regiment personnel, both past and present, in order to promote the good name and traditions of the Corps.

1.3 The overall financial objective of the Association is to ensure that its funds are secure and available for use. The Association is dependent on subscription income and the interest produced by financial reserves (Reserves) to fund its activities. The objective of this Reserves Policy is to describe how the Association's trustees intend to develop and manage its reserves in order to secure the financial resilience of the Association while meeting the requirements of its Investment Policy, Rules and Charity Commission guidelines. The Reserves Policy should be read in conjunction with the Association's Investment Policy (dated dd December 2019).

1.4 In order to provide reliable and consistent services to its members the Association needs to be resilient. The Association needs to be able to meet unexpected expenses and take advantage of change and opportunities when they arise. The Association's trustees have agreed to develop this resilience by investing the funds, shown as 'Assets' in the 2017/18 accounts, in the form of 'Reserves'. [1]

1.5 The Reserves shall be used to manage uncertainty. The reserve levels described in this policy seek to avoid holding excessive funds which might limit the potential benefits the Association can provide, while also mitigating the risk to the Association's ability to carry on its activities in the future and avoid unplanned and unmanaged closure and insolvency.

1.6 Reserves exclude amounts designated for essential future spending and funds which have particular restrictions on how they may be used. The Association's reserves shall be drawn from the 'Assets' in the Annual Accounts, which are regarded as 'Unrestricted Funds'.

[1] Charity Commission Guidance Document CC19- Guidance Charity Reserves: building resilience. Published 29 January 2016

2. Reserves Strategy

2.1 The Association holds reserves to;

- Permit the Association to meet its Objectives while mitigating the effects of reductions in subscription income and give the trustees time to take action if income falls below expectations. Subscriptions represent the largest single source of the Association's income. This income source is particularly vulnerable to the numbers of members, which been steadily declining over recent years: a trend that is unlikely to change in view of the demographic of the membership; and

- Fund short-term deficits the operating budget.

2.2 The Association may be regarded as a small CIO and, at the time of the Association's 2018 AGM, its annual spend on supporting its Objectives (Rules Section II, para 8) had averaged ~ £12,000.00 per annum (over the period 2016-2018). The trustees do not anticipate that this level of activity is likely to change in the medium to long term: 24 – 36 months. That being so, current best practice indicates that it would be appropriate for the Association to organise its reserves as follows:

- A 'General Reserve' at a level to support unhindered activities at the current level for 12 – 24 months, and
- A 'Restricted Reserve' based on the balance of 'Unrestricted Funds' to meet the requirements of Association's Investment Policy, Rules and Charity Commission guidelines.

2.3 The Association's National Management Committee (NMC) shall determine the initial amounts to be allocated to the reserves, in accordance with the Association's Investment Policy and shown at Annex A. The NMC shall be responsible for the allocation of funds following the agreement in principle at the 2018 AGM and in accordance with the requirements of the Association's Investment Policy. In subsequent years the approval of the allocation of funds to and from reserves shall be undertaken as described in Section 5 'Review' below.

3 The General Reserve.

3.1 The General Reserve shall be funded from 'Unrestricted Funds', excluding 'cash' from in-year subscriptions, sales and other income, but including any surplus from in-year activities agreed by the NMC. The General Reserve should be maintained at a level to support unhindered activities at the current level, in the event of a deficit in subscription income for a period of 12 – 24 months.

3.2 The NMC shall be responsible for managing the amount held on a year-on-year basis, with the objective to maintain the level of funds in the General Reserve within the agreed parameters. The NMC shall avoid holding excessive reserves while mitigating the risk of reserves being unexpectedly depleted. The proposed level of funding for the forthcoming accounting period is shown at Annex A.

3.3 The greater proportion of the General Reserve should be immediately available and is likely to generate very little income in the form of interest. These funds should be both secure and immediately available.

3.4 The day-to-day management of the General Reserve, including the disbursement of funds, shall be undertaken by the NMC Treasurer: Rules Section 'Finance' and SOP 3.

4. The Restricted Reserve.

4.1 The Restricted Reserve shall be the balance of 'Unrestricted Funds', less the General Reserve and excluding 'Cash' from in-year subscriptions, sales and other income, but including any surplus from in-year activities as agreed by the NMC.

4.2 The objective of the Restricted Reserve shall be to meet the requirements of Association's Investment Policy, Rules and Charity Commission guidelines: i.e. generate a return sufficient to allow the Association to:

- Maintain the real value of its assets (Essential),
- Make good any deficit in operating costs, on an annual basis, (Essential) and
- Generate a surplus to support an expansion of the Association's activities (Desirable).

4.3 The NMC shall be responsible for investing funds in the Restricted Reserve in accordance with the Association's Investment Policy: i.e. the NMC shall follow a low to moderate risk investment strategy and seek to obtain a yield of RPI plus 2% - 4% per annum over the long term. Both investment income and capital shall be available within 12 months as required.

4.4 The day-to-day management of the Restricted Reserve shall be undertaken by the Association's Investment Fund Manager (IFM): Rules Section 'Finance'. The NMC shall be responsible for oversight of IFM activities: Rules Section 'Finance' and SOP 3.

4.5 The NMC shall be responsible for the distribution of interest generated by the Restricted Reserve on a year-on-year basis. In years subsequent to the establishment of the Reserves Policy, the NMC shall propose the level of funding for the forthcoming accounting period, for approval by the AGM, using the form shown at Annex A. The NMC shall avoid holding excessive reserves while mitigating the risk of reserves being unexpectedly depleted.

4.6 The NMC shall seek the approval of an Association General Meeting on any proposal for the disbursement of 'capital' funds from the Restricted Reserve which has not previously been approved in the Association budget: Rules Section 'General Meetings': Constitution para 11.6.1.

5. Review

5.1 The NMC shall review the Reserves Policy annually, simultaneously with the review of the Investment Policy, as part of the presentation of the budget at the AGM (Rules Section ‘General Meetings’). The annual review of November 2019 has concluded that, based on the performance as reported in the Treasurer’s Report to the 2018 AGM the levels of the General and Restricted Reserves are appropriate for the 2019/20 period in view of the Association’s financial performance, budget requirements, and any other material factors regarding the Association’s activities. The NMC review considers that is does not hold excessive reserves while mitigating the risk of reserves being unexpectedly depleted.

Kevin Ottaway
Chairman NMC
30 December 2019

Annex
Annex A - Proposed Annual Funding Levels for Reserves

Annex A to
The Financial Reserves Policy
Dated 30 December 2019

Proposed Funding Levels for Reserves for the period 1 Apr 20 to 31 Mar 21

The Association's NMC proposes the funding of the :

- General Reserve to be £17,000.00 (Pounds Sterling seventeen thousand).
- Restricted Reserve to be not less than £80,000.00 (Pounds Sterling eighty thousand).

These proposals to be approved by AGM (1) and recorded in the minutes prior to implementation.

Note

1. See para 4.5 regarding arrangements for initial implementation.