

BMC Reserves Policy October 2021

The BMC exists to represent the interests of climbers, hillwalkers and mountaineers and to inspire all generations. It is the duty of the Board of Directors to act in the best interests of the organisation and its members.

The reserves policy which sets out the level of reserves that the BMC needs to hold is an important part of financial management, risk management and forward planning. Failure to do this may result in reserves levels which are either:

- too high, tying up resources unnecessarily. Holding excessive reserves may limit the services and benefits the BMC can provide to the membership and limit step change
- too low, increasing the BMC's risk exposure in the event of financial difficulties or opportunities

This policy establishes a level that is right for the BMC and clearly explains why holding these reserves is necessary.

Use of Reserves

BMC Reserves are freely available to spend on any purpose, not set aside for any specific purpose. They represent balance sheet funds that increase when income exceeds expenditure in any year.

Reserves do not equate to surplus cash in the bank at any time which is likely to be higher depending on cashflow.

It is expected that the BMC will continue to back its reserves with a mixture of cash and assets against which loans could be raised in extreme circumstances. **The minimum level of reserves - £500,000 - will always be held in cash.**

The BMC agree that reserves may be used for several reasons:

- to provide ongoing services during a temporary shortfall of income
- to address an unexpected liability e.g. insurance claim
- for unplanned or opportunistic investment
- for new services or growth where reserves exceed maximum policy levels

The list is not exhaustive, but it is important that Members know why their money is being held and how it may be used.

Level of Reserves

The agreed level of reserves to mitigate against budget shortfalls or unforeseen events is a minimum of £500,000 and a maximum of £1.5m to be held as general, unallocated reserves on the balance sheet

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