



ARMS Financial Reserves Policy

POLICY	
Last Amended	
Board Endorsement	23 August 2017
Proposed Review Date	August 2018
Related Documents	

1.0 DEFINITIONS

For the purposes of this Policy, the following definitions apply:

‘Financial Reserves’ means the funds held in cash and liquid investment accounts.

The ‘Board-Designated Reserve’ represents the amount the ARMS Board have approved to hold as its minimum reserve. It represents a component of the ‘financial reserves’.

The ‘Operating Reserve’ represents the difference between the ‘Financial Reserve’ and ‘Board-Designated Reserve’.

The ‘Society’ means ARMS.

2.0 PURPOSE OF POLICY

The *ARMS Strategic Plan 2016-2018* states that the mission of the Society is dedication “to the professional development of research managers and administrators; the promotion of the profession of research management; and the enhancement of the research enterprise”. The strategic plan also highlights, as a strategic priority, the importance of ensuring ARMS sustainability via a strong financial base that is invested in our members and that “an appropriate level of resources will be made available to ensure delivery of our Strategic Plan.”

The purpose of the Financial Reserves Policy is to ensure the stability of the mission, programs, employment, and ongoing operations of the Society. This policy sets out the treatment and approval processes for both Operating and Board-Designated Reserves.

The Board-Designated Reserve (BDR) is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The BDR may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as revenue-generating program development. The BDR is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of ARMS for reserves to be held above the minimum level (as approved by the ARMS Board at any given point in time) and, where utilised for approved purposes, to be replenished within a reasonably short period of time.

The Financial Reserves Policy will be implemented in concert with the other governance and financial policies of ARMS and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

The Operating Reserve is intended to provide a source of funds for operational and strategic expenditure as outlined in the ARMS budget and managed in line with ARMS delegated financial authority.

3.0 CALCULATION OF BOARD DESIGNATED RESERVE

On an annual basis as part of the budget process, the ARMS Board will approve both the Financial Reserve and the Board-Designated Reserve.

The amount to be determined as the Board-Designated Reserve will be established in an amount sufficient to maintain ongoing operations and contractual obligations for a period of no less than 12 months.

The calculation of operating costs includes recurring salaries and benefits plus occupancy costs, office, travel, program, and ongoing professional services. Amortisation, and other non-cash expenses are not included in the calculation. The amount will be calculated and approved by the Board each year as part of the annual budget, and included in the regular financial reports as a note to the Financial Statements.

4.0 USE OF RESERVES

Operating Reserves shall be utilised in accordance with the ARMS annual budget and managed in line with ARMS delegated financial authority.

Use of the Board-Designated Reserves requires two steps:

1. **Identification of appropriate use of reserve funds.** The Chief Operating Officer will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. This step requires analysis of the reason for the shortfall, the availability of any other sources of funds before using reserves, and evaluation of the time period that the funds will be required and replenished.
2. **Authority to use operating reserves.** The Chief Operating Officer, in consultation with the Treasurer, will submit a request to use reserves to the ARMS Board. The request will include the analysis and determination of the use of funds and plans for replenishment. The Society's goal is to replenish the funds used within 12 months to restore the reserves to above the target minimum amount. If the use of reserves will take longer than 12 months to replenish, the request will be scrutinized more carefully. The ARMS Board will approve or modify the request and authorise use of the funds.

5.0 INVESTMENT OF RESERVES

Board-Designated Reserves must be invested in either a cash equivalent or investment capable of being released within a period of 1 month.

The investment of reserves must:

- Be invested with an accredited investment firm.
- Seek to make a return to ARMS whilst providing adequate risk minimisation on loss of funds.
- Be reviewed regularly by the Governance, Finance and Audit Committee for recommendations to the ARMS Board.

6.0 REPORTING OF RESERVES

The value and use of the reserve funds will be reported as part of the Financial Statements presented to the ARMS Board. The value of the Financial Reserve be reflected in the ARMS Balance Sheet as the value of funds held in cash and liquid investment accounts, whilst the value of the Board-Designated Reserve will be reported as a note in the Financial Statements.

The Chief Operating Officer is responsible for ensuring that reserves are maintained and used only as described in this Policy. Upon approval for the use of reserve funds, the Chief Operating Officer will maintain records of the use of funds and plan for replenishment. The Chief Operating Officer will provide regular reports to the ARMS Board of progress to restore the funds to the target minimum amount.

Version Control

Version	Date of Approval	Date for Review	Circulation	Document Owner
Final 1.0	23 August 2017	August 2018	All Members	ARMS Board