



## **The Black Horse Community Group Limited (the “Society”) Reserves and Distribution Policy**

### **1. Purpose**

A reserves policy helps the Management Committee to justify holding appropriate levels of financial reserves to protect against future uncertainties.

The Society is required to maintain adequate financial reserves to meet its needs. The purpose of this policy is to set out how the Society will determine and review the level of financial reserves.

The Financial Conduct Authority and the Society’s Rules require the Society to have regard to the level of reserves needed for meeting estimated future expenditure. There is no specific minimum level of reserves that the Society should hold and it is the responsibility of the Management Committee to ensure that it considers what the appropriate level of reserves is at any specific time. Reserves may change as necessary given financial circumstances.

### **2. Types of reserves**

Reserves can be categorised as earmarked or general. Reserves will not be held to fund ongoing expenditure as this would be unsustainable as, at some point, the reserves would be exhausted.

- Earmarked reserves can be held for several reasons such as to plan and finance a particular project and pay for planned replacements or repairs
- Earmarked reserves can include insurance reserve to enable the Society to meet the excesses of claims not covered by insurance
- Earmarked reserves can be held to cover possible payouts in the case of member deaths
- Other earmarked reserves may be set up from time to time to meet known or predicted liabilities
- General reserves are funds which do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cashflows or in case of unexpected events or emergencies
- A general reserves level can be set each year and if consumed one year can be replenished by a reallocation of funds.

### **3. Setting reserves**

Earmarked reserves will be established on a ‘needs’ basis in line with anticipated requirements for any given time period.

General reserves will be set and maintained each year to ensure sufficient working balances to cover the key risks the Society faces.

Reserves will be set by considering the following:

- Cashflow (and forecasts)
- A review of existing funds
- A review of earmarked and general reserves
- A review of future income streams
- A review of likely expenditure based on future plans
- A review of past operational and other trends
- The likely effects of changes on the membership
- A review of the major risks facing the Society
- A review of the Members register and impact of possible share withdrawals or deaths
- An analysis of future needs and risk with the potential consequences if there are not sufficient funds (referring to the Risk Register and SWOT analysis).

- An earmarked reserve will be set each year to fund share withdrawals
- Earmarked reserves that are used to meet a specific liability or completed project do not need to be replenished as they will have served their purpose
- If, in extreme circumstances, general reserves are exhausted due to major unforeseen spending pressures within a particular financial year, the Society will draw down from its earmarked reserves to provide short term resources
- The minimum level of general reserves is six months of the annual revenue expenditure (i.e. total expenditure less any expenditure from earmarked reserves).

#### **4. Timing for Setting Reserve levels**

The level of financial reserves held by the Society will be set and agreed by the Management Committee during the year end accounting procedures and when setting the budget for the next financial year.

#### **5. Share Interest Payments**

The Society may, but is under no obligation to, pay interest to holders of shares as compensation for the use of such funds, subject to the following:

- Any payment of share interest must be from trading profits and is at the discretion of the Management Committee with the long term interest of the Society
- The Management Committee will take account of the need to maintain prudent reserves
- The Management Committee shall determine the rate of interest to be paid in any year and this decision must be approved by resolution of the Members at the Annual Members Meeting
- The agreed rate shall not exceed 5% or 2% above the base rate of the Bank of England whichever is the greater
- The Management Committee may decide that interest shall not be paid in relation to holdings of shares below a minimal level.

#### **6. Share Interest Donation**

The share application form allows members to indicate if they wish to donate share interest to the Society.

Any member can decide to donate their annual interest to the Society by notifying the Secretary at any time in writing.

#### **7. Review**

Adopted 27 March 2024. This policy will be reviewed regularly, at least every two years.

This policy was approved by the Management Committee on 27 March 2024