

OPERATING RESERVES POLICY

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Drafted by	AARE Executive Office Manager	Date Approved	February 2024
Responsible person	AARE Treasurer	Review Date	February 2025

The Executive Committee of the Australian Association for Research in Education (AARE) is committed to ensuring that the reserves that it holds provide a sustainable cushion for the planned and unplanned future needs of the Association.

Purpose

The purpose of this policy is to provide a framework for AARE to manage the reserves it holds in a responsible and sustainable manner for the benefit of members.

Policy

AARE holds an operating reserve for the following reasons:

- To provide an internal source of funds to enable the Association to manage unanticipated financial matters such as unbudgeted increases in expenses, unanticipated or uninsured losses.
- To provide a source of funds to be used for one-off, non-recurring expenses that will build long-term capacity and sustainability of the Association.

Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap.

Operating Reserve Fund

The Operating Reserve Fund is defined as a designated fund set aside by action of the Executive Committee. The minimum amount designated as Operating Reserve will be maintained in an amount sufficient to sustain ongoing operations and programs for a set period of time.

The target Operating Reserve Fund is equal to two full years of average operating costs, noting that the minimum reserve to be held is one year operating costs (AARE By-Law 3). The calculation of average yearly operating costs includes all recurring, predictable expenses such as contracted salaries and benefits, occupancy, office, travel, program, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation. The calculation of average annual expenses also excludes one-time purchases or strategic initiatives.

The amount of the Operating Reserve Fund target minimum will be reviewed and adjusted annually in response to internal and external changes, calculated each year after approval of the annual budget, reported to the executive and included in the regular financial reports.

It is the intention of the Executive that Operating Reserves be used and replenished within a reasonably short period of time. The Operating Reserve Policy will be implemented in concert with the other governance and financial policies and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

Accounting for Reserves

The Operating Reserve Fund will be available in cash or cash equivalent funds. Operating Reserves will be commingled with the general cash and investment accounts of the organisation. The Operating Reserve Fund will be identified by the Treasurer in the Annual Report.

Use of the Operating Reserve Fund will require the following steps:

1. The Executive 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 expense (i.e. unbudgeted increase in expenses, unanticipated or uninsured losses, one-off, non-recurring expense that will be build long-term capacity and sustainability of the Association);
 - the reason for any shortfall if applicable;
 - 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. Members of the Executive Management Team (EMT) and/or relevant Portfolio Leaders will submit a request to use Operating Reserves to the Executive. The request will include the analysis and determination of the use of funds and plans for replenishment. The organisation's goal is to replenish the funds used within twelve months to restore the Operating Reserve Fund to the target minimum amount. If the use of Operating Reserves will take longer than 12 months to replenish, the request will be scrutinized more carefully. The Executive will approve or modify the request and authorise the use of the funds.

Responsibilities

The Treasurer is responsible for ensuring that the Operating Reserve Fund is maintained and used only as described in this Policy.

Upon approval for the use of Operating Reserve funds, the Treasurer will ensure that record is maintained of the use of funds and plan for replenishment.

The Treasurer will provide regular reports to the Executive of progress to restore the Fund to the target minimum amount.

Relationship to other Policies

AARE shall develop and maintain Executive approved financial policies, which may contain provisions that affect the creation, sufficiency, and management of the Operating Reserve Fund.

- Risk Management Register and Policy
- Financial Delegations Policy

Review of Policy

This Policy will be reviewed every alternative year, at minimum, by the Executive, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended to the Executive by the Treasurer and/or the EMT.

AUTHORISATION



23 February 2024

Professor Michele Simons

Treasurer, Australian Association for Research in Education