

# Pioneering Care Partnership (PCP) Reserves Procedure



## Aim

The aim of this procedure is to assist the Finance and Investment Sub Committee effectively undertake an annual assessment of the organisations reserves position and effectively monitor the use of the organisations unrestricted reserves to enable recommendations to be made to PCP's Board of Trustees.

## Principles

- a. Trustees recognise the need to secure PCP's viability beyond the immediate future.
- b. PCP aims to be able to provide reliable services over the longer term and robust consideration of reserves is essential.
- c. Reserves are held to enable PCP to both absorb setbacks and to take advantage of change and opportunity.
- d. Trustees aim to adhere to best practice advice in respect of reserves and how the holding of reserves should be justified through the development and agreement of a reserves policy, procedure and calculation process.
- e. PCP's Reserves are held in line with the organisations values of Openness, Honesty, Integrity and Accountability.

## Procedure

### 1. Core and Centre Operating Costs

- a. The Finance Manager will provide the Finance and Investment Sub Committee with details of the annual and monthly core and centre operating costs at the beginning of each Financial Year, to enable the initial reserves calculation to be made.
- b. Quarterly the Finance Manager will assess the Core and Centre operating costs and provide a forecast to the Finance and Investment Sub Committee.
- c. Any changes affecting the reserves calculation will be applied and a draft updated reserves position taken to the Board for discussion and approval.

### 2. Restricted funds

- a. The Finance Manager will provide the Finance and Investment Sub Committee details of all restricted funds at the beginning of each Financial Year.
- b. Restricted Funds will also be noted in the Financial Statements Narrative (Audited Accounts),
- c. Restricted funds will be deducted reserves amount as part of the calculation, See Appendix 1.

### 3. Designated Funds – budget utilisation

- a. The Finance Manager will provide the Finance and Investment Sub Committee with details of any budgeted utilisation of funds at the beginning of each Financial Year.
- b. Budgeted utilisation of funds will be deducted from reserves amount as part of the calculation, See Appendix 1.

- c. Quarterly the Finance Manager will assess the budget utilisation and provide a forecast to the Finance and Investment Sub Committee.
- d. Any changes affecting the reserves calculation will be applied and a draft updated reserves position taken to the Board for discussion and approval.

#### **4. Designated Funds – other**

- a. The Finance Manager will provide the Finance and Investment Sub Committee with details of any suggested designated funds at the beginning of each Financial Year.
- b. Once agreed designated funds will be deducted reserves amount as part of the calculation, See Appendix 1.
- c. Quarterly the Finance Manager will assess the designated funds position and provide a forecast to the Finance and Investment Sub Committee.
- d. Any changes affecting the reserves calculation will be applied and a draft updated reserves position taken to the Board for discussion and approval.

#### **5. Reserves level**

- a. PCP will aim to maintain reserves of 6 months Core and Centre Operating Costs.
- b. The maximum reserves PCP will hold in 2017-18 is 14 months Core and Centre Operating Costs (*based on NCVO sector average 2011*).
- c. Where the reserves position exceeds this level the Finance and Investment Sub Committee will make recommendation to the Board to either:
  - Amend the reserves level due to change of circumstances
  - Maintain the current levels
- d. The Board will then identify if resources are freely available to spend.
- e. If resources are available to further PCP's charitable aims Business Development and Finance and Investment Sub Committees will jointly be tasked with developing ideas, assessing feasibility and making recommendations to the Board.

#### **6. Reporting**

- a. Details of the reserves calculation will be included in the Chief Executive Board Report in May each year.
- b. Subsequently it will only be included in the Chief Executives Board report should the reserves position change.

### **Monitoring and Review**

PCP regards the ongoing review of its reserves level, target and policy as part of the routine financial management of the organisation. The monitoring of the level of reserves held will be carried out during the course of the year as part of the normal quarterly monitoring and budgetary reporting processes.

This Procedure will be reviewed by Finance and Investment Sub Committee. A full formal review will also take place every 3 years by a lead Senior Manager.

**August 2017**

## Procedure document tracking

Action	Date(s)
Draft to Finance & Investment Sub Committee	16 <sup>th</sup> August 2017 (draft 1) 18 <sup>th</sup> August 2017 (draft 2)
Draft to Board:	21 <sup>st</sup> August 2017 (draft 2)
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SMT Lead for Review	A Murphy