**Group Reserves Policy**

July 2021

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## Purpose and Scope

Free Reserves are that part of a charity’s unrestricted funds that is freely available to spend on any of its charitable purposes. However, some or all the unrestricted funds of a charity may not be readily available for spending. This is because spending those funds may adversely impact on the charity’s ability to deliver its aims. Trustees must be able to justify the level of reserves held and explain how reserves are used to manage uncertainty. They must also explain when reserves are to be spent and how it will fund future activity.

The purpose of this policy is to give assurance to all stakeholders that the finances of the charity are actively managed, and its activities are sustainable.

## Summary of Financial Management

**Group Structure**

CPL Group consists of Crescent Purchasing Limited trading as Crescent Purchasing Consortium, a company limited by guarantee and a registered charity (No. 1130461). The charity has two wholly owned subsidiaries Tenet Education Services and Tenet Procurement Services which are not registered charities and who gift aid all surpluses back to the charity.

**Budget setting**

The financial year end for CPL Group is 31st July.

The Board of Trustees approve a 5-year budget each June for the Group incorporating the charity and its subsidiaries.

**Financial Management**

The Finance team continually monitor income and expenditure against budget and produce monthly management accounts with detailed commentary of performance for review by the Group Leadership Team (GLT). These are made available to the Trustees who meet three times a year for formal review.

## Risk and resilience

**Risk**

CPL Group operates a detailed risk register which is regularly reviewed by the GLT. Thresholds have been put into place should income levels drop which will trigger appropriate responses to enable business continuity.

**Resilience**

CPL Group have wholly owned assets consisting predominately of computer equipment. The Group’s main asset is its cash with enough cash reserves to fund almost one full year of budgeted expenditure.

This resilience was tested during the Global pandemic and the national lockdown of 2020 where the charity was able to secure jobs and operate remotely despite a severe drop in income.

**Operating cashflow**

CPL Group have no loan facilities in place and no long-term creditors. Effective cash management ensures manageable trade debtor balances with all trade and other creditors being paid within their terms.

## Reserve levels

**There is no legal or specific rule which states the level of reserves that a charity can hold though the levels should be justified.**

The reserve levels held by CPL Group are calculated after taking into consideration:

* operating costs needed to continue trading for x months
* tangible fixed assets used to carry out the charity’s activities
* programme-related investments in the furtherance of the charity’s purposes
* designated funds set aside to meet essential future spending
* other commitments that have not been provided for as a liability in the accounts

Appendix A details the calculation of the held reserves in line with the 2021/22 5-year budget plan.

**Change from previous years**

CPL Group have previously maintained a policy of holding a minimum reserve balance to cover six months operating costs.

The recent lockdowns caused by the global pandemic and the significant loss of income as a result have raised the question of whether six months cover is enough. The Board of Trustees have therefore approved the increase of this cover to one year. This will be phased so that cover for 2021/22 will be nine months increasing to twelve months cover the following year.

This will not only allow the Group to retain as many jobs as possible during any similar crisis but also provide a sound base for the subsequent recovery.

## Investment of reserves

CPL Group has high levels of cash which is invested in line with the Treasury Management policy to maximise additional funds.

The current 5-year budget details investment in the steady, organic growth of the business over the period. There are currently no plans for acquisition or merger.

The Free Reserves Sub-Committee chaired by the Group Finance Manager is responsible for managing the reinvestment of all excess reserves back into the sector through grant funding or the provision of additional free or subsidised services.

The current designated reserves relate to prior year excess reserves set aside for additional charitable activities as stated in the financial statements.

## Reporting and communication of policy

Reserve levels will be reported as part of the monthly management accounts.

In accordance with the Charities SORP a statement of the reserves policy will be included in the Annual Report.

This policy will also be made available on the CPL Group website.

## Review of Policy

This policy will be reviewed annually by the Board of Trustees in conjunction with the approval of the 5-year budget.

# **APPENDIX A – Charity Reserves Calculation 2021/22**