

Reserves Policy

A Partnership with Africa (APA) - Reserves Policy

Introduction

In accordance with best practice as recommended by the Charities Regulator in Ireland, the Board of Directors of A Partnership with Africa (APA), has developed this reserves policy for the organisation.

The purpose of the policy is to ensure transparency and clarity for all stakeholders about what APA reserves are, how they are accumulated, how and when they are spent and how adherence to this policy is monitored by the Board to ensure compliance.

What are reserves?

Reserves are made up of funds that are available for expenditure in a future period.

In the APA balance sheet reserves are clearly split between restricted and unrestricted reserves.

Restricted reserves are funds that must be used for a specific purpose or project.

Unrestricted reserves are funds that are available for expenditure at the discretion of the Board in furtherance of any of APA objectives. This policy is concerned with the management and oversight of APA unrestricted reserves.

The APA reserves are maintained in a separate bank account designated for that purpose. Transfers from this reserve fund account will only be made with the approval of the majority of the Board of Directors.

Why APA holds unrestricted reserves?

The Board is responsible to ensure that APA has adequate funds on hand to ensure the long-term viability of the organisation and to maintain the smooth operation of APA. To allow for an unexpected shortfall in revenue or an unexpected increase in expenditure the Board has decided that APA should maintain a certain level of unrestricted reserves.

In determining the appropriate level of reserves to maintain the following are considered:

- Strategic and financial plans and budgets
- Sources of income and how it is generated – donations, charity shops and public fund raising.
- Recurring expenditure
- Contractual obligations eg. direct project cost, staff, rents, insurance
- Nonrecurring expenditure
- Unplanned expenditure
- Risks and external events putting pressure on APA

The nature of holding reserves is not a static position and the above issues will be considered annually by the Board when reviewing the level of reserves being maintained.

Target level of reserves:

The Board has currently set the target level of unrestricted reserves at one year of APA budgeted committed, recurring unrestricted expenditure (approx. minimum level of €150,000 in 2021)

Recurring expenditure is considered to be all expenditure that is incurred annually by APA in the project activities.

Nonrecurring expenditure is considered to be expenditure that is incurred in any given financial year that is not expected to recur annually, eg investment in infrastructure (computers, web) The APA budget template facilitates differentiation between recurring and non-recurring expenditure.

Free reserves

As part of its annual financial planning APA can calculate its “free” reserves at the end of the financial period. Free reserves are those unrestricted reserves that exceed the target level of one year budgeted, recurring and committed expenditure. Designated reserves are part of its review of the level of reserves, the Board will consider annually whether to specifically designate some of the free reserves to be spent on a specific project, or otherwise earmark some of the reserves to cover possible but unplanned expenditure.

In the event of designated reserves not being expended in a financial year the Board can redesignate these reserves at the end of the financial year.

Principles

The principles underlying this policy are:-

- APA will manage its finances so as to ensure that the level of year end reserves is adequate to meet one year budgeted, recurring and committed expenditure.
- APA will not build up excessive reserves but if they have arisen, we will plan to reduce them over a limited period of time, as agreed by the Board.
- APA will only use unrestricted reserves to deal with a sudden unexpected drop in its core income or necessary increased expenditure not included in its budget.
- APA reserves will always be used for the furtherance of APA strategy and objectives.
- APA Board may on occasion approve the use of unrestricted reserves to fund cash flow eg. Due to a delay in a grant payment.
- APA will identify non-recurring expenditure as part of its annual budgeting procedures and determine if any of this non-recurring expenditure should be funded from reserves.

Monitoring this policy

The APA Internal Audit, Finance and Risk Committee (“IAFRC”) will review the level of unrestricted reserves at its quarterly meetings and report to the Board on whether the target for unrestricted reserves is being met. The IAFRC will also monitor the spending of any designated reserves in each financial year. Reserves are then reported annually in the APA Directors’ Report and Annual Report. Members are asked to approve these, as well as APA Annual Budget at the respective Board Meeting. This policy, as with all APA Policies is posted on our website so it is fully accessible to all stakeholders.