

IACP RESERVES POLICY

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1. Purpose

The purpose of the Reserves Policy of IACP Ltd. is to ensure the stability of the programs & training, employment and ongoing operations of the association, and to allow it to fulfil its mission statement.

The **Designated Reserve** is intended to provide an internal source of funds for situations such as a sudden and large increase in expenses, unanticipated loss of revenue, or any expenditure associated with unplanned closure of the organisation.

Designated Reserves are not intended to replace a permanent loss of funds or to eliminate any current year budget gaps. It is the intention of IACP for Designated Reserves to be held on secure deposit and to be used for the purpose(s) as described above.

A second **Designated Reserve** has been set up to specifically provide for large items of expenditure of strategic importance, and these will be decided at Board level on an annual basis at the time of budget approval.

The Reserves Policy will be implemented in tandem with the other governance and financial policies of IACP and is intended to support the goals and strategies contained in these policies and in the current IACP Strategic Plan.

2. Definitions and Goals

The **Designated Reserve 1 Fund** is defined as a designated fund set aside by action of the Board of Directors. The minimum amount to be designated will be established in an amount sufficient to maintain ongoing operations and the work of the association for a set period of time. The Designated Reserve serves a dynamic role and will be reviewed and adjusted by the Board in response to internal and external changes.

The target minimum Designated Reserve Fund is equal to seven months of average operating costs (approximately €750K). The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries, pensions and other benefits, rent/rates, office costs, travel expenses, operational and other regular costs. The calculation of average monthly expenses may also include some smaller, one-off, capital purchases. Depreciation and other non-discretionary expenses are not included in the calculation.

The amount of the minimum Designated Reserve Fund target will be calculated each year during the approval of the annual budget, reported, by the Finance Manager, to the Finance & Risk Management sub-committee and to the Board of Directors, and included in the regular financial reports.

The second **Designated Reserve** will serve to provide funding for large or one-off expenditure on specific projects. These projects may change from year to year and it is at the discretion of the Board of Directors as to what projects are implemented and the amount of funding provided for them.

It is expected that an amount of €450,000, over 3 years, would be sufficient to be held for this purpose, although this can be reviewed up or down annually, depending on circumstances.

3. Duties of the Trustees

In publishing and holding this Reserves Policy, the Directors of IACP hold themselves to:

- Act in the interests of the association and its beneficiaries
- Protect and safeguard the assets of the association
- Act with reasonable care and skill in their function as a director

The directors of IACP have the ultimate responsibility in deciding the level of reserves to be held by the association, and the reasoning for holding these reserves. They will also review these levels during the year, through management accounts at monthly Board meetings, and at the time of setting the annual budget.

4. Accounting for Reserves

The Reserve Funds will be recorded in the financial records as “(General) Unrestricted Reserves”, “Designated Operating Reserve 1” and “Designated Operating Reserve 2”. The Fund will be available in cash or cash equivalents, or as financial assets. As the above reserve funds are part of the Unrestricted Funds of the association, they will be co-mingled with the general cash and investment accounts of the organization. These Reserves are part of the Association’s unrestricted income fund that is freely available to spend on any of IACP’s purposes.

Restricted Reserve funds form a small percentage of the overall funds of the association (4.6% in 2019/2020 audited financial statements).

5. Funding of Reserves

The General Reserve and Designated Reserve Funds will be funded through surplus unrestricted operating income. The Board of Directors may from time to time direct that a specific source of revenue be set aside for Designated Reserves. Examples may include one-time gifts or bequests, special grants, or special appeals.

6. Use of Reserves

Use of the Operating Reserves requires three steps:

1. Identification of appropriate use of reserve funds.

The CEO and staff of IACP 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 shortfall, 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. Authority to use operating reserves.

The CEO and/or the Treasurer of the Board of Directors will submit a request to use Designated Reserves to the Finance & Risk Management sub-committee of the Board of Directors. The request will include the analysis and determination of the use of funds and plans for replenishment. The association's goal is to replenish the funds used within twelve months to restore the Designated Reserve Fund to the target minimum amount. If the use of Designated Reserves will take longer than 12 months to replenish, the request will be scrutinized more carefully. The F&RM sub-committee will make a recommendation to approve or modify the request to the Board of Directors.

3. Reporting and monitoring.

The CEO and the Board of Directors are responsible for ensuring that the Reserve Funds are maintained and used only as described in this Policy. Upon approval for the use of Reserve funds, the CEO and Finance Manager will maintain records of the use of funds and plan for replenishment. They will provide regular reports to the F&RM Committee/Board of Directors of progress to restore the Fund to the target minimum amount, if required.

Use of the General Reserve will require the same procedures as Designated Reserves.

7. Relationship to Other Policies

IACP shall maintain the following board-approved policies, which may contain provisions that affect the creation, sufficiency, and management of the Reserve Funds.

- Financial Policy
- Procurement Policy
- Business Continuity Plan
- Risk Register

8. Review of Policy

This Policy will be reviewed every two years, at minimum, by the F&RM sub-committee, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the F&RM sub-committee to the Board of Directors.

The next review is due by 08 / 09 / 2018.

Reviewed 31/07/2018 by Fin. Mgr.

1st Draft compiled by Finance Manager 16/08/2017.

Approved by Board 8th September 2017.

Due to be reviewed by 08/09/2019.

Approved by Board 6th November 2020.

Review done 03/07/2023 - ***Approved by Board 28th July 2023***