

## RESERVES POLICY

### Description of the CSPA and its funding

The CSPA is an Unincorporated Association. It is a membership organisation formed in 1952 to campaign on behalf of, and to represent, civil service pensioners and their partners. Its main source of income is membership subscription, the rates of which are determined by the Annual General Meeting. Subscriptions from members in Scotland and Northern Ireland are sent to the respective Branches, which are autonomous. Other subscriptions are retained in the General Fund, except for £1.20 a year which is transferred into the Campaign Fund. By policy decision of the AGM, the Campaign Fund can only be used for campaigning expenditure.

Members receive a quarterly publication, The Pensioner. Income is received through selling advertising in the magazine, and Scotland and Northern Ireland Branches buy copies for their members.

Quarterly commission payments are received from the Civil Service Insurance Society in respect of travel insurance policies bought by members.

Income is also received through donations, although this is not guaranteed. Occasionally, bequests are received.

Income is received annually from Groups that have been closed for five years. Groups in England and Wales are required to be self-sufficient, but the assets they hold are the property of the CSPA Trustees. In the event of a Group closing, the balance of funds and any other assets are sent to CSPA. Funds are held in a Trust Fund for 5 years and, if the Group does not re-establish itself in that time, the funds are then transferred to the General Fund. This income is small.

### Reserves

The Charity Commission defines reserves as income funds that could be spent but are instead held back for a specific purpose. Although the CSPA is not a charity, it seems reasonable to follow the same approach. The purposes for which we would hold back funds and not spend them can be described as follows:

1. To meet future expenditure on significant investment projects, that could not otherwise be met from general income
2. To provide a financial cushion in the event of an unexpected sudden drop in income

3. To meet contractual commitments in the event of the organisation deciding to wind up.

**Item 1.** This could include technical work on developing the website or membership system, employing temporary staff, or one-off expenditure that is not expected to be repeated. Such expenditure needs to be approved by the EC and the policy is to meet such expenditure from the Alliance's 32-day notice account, which is funded by income from bequests. That account should be held in reserve for any such eventuality.

**Item 2.** In the Risk Register this is regarded as low risk, but having a high impact should it occur. In the event of such an occurrence, we would need sufficient in reserve to ensure the organisation could continue to function for six months. In that time, either steps could be taken to recover the financial situation, or notice could be given to exit contracts and, if necessary, make staff redundant. Six months expenditure is around £521,500, but if CSPA is to be wound up a General Meeting would need to be held. The cost of this should be included so the amount required would be around £547,575. As it would be expected that, before the drop in income, the General and Campaign Funds would have a reasonable balance of about £150,000 the reserve figure for such an eventuality should be £397,575.

**Item 3.** This refers to contractual requirements over and above notice periods. There are a number of contractual commitments for fixed periods of time. These are:

- CRM-UK; membership data (until December 2024)
- Regulatory Solutions; HR (until December 2025)
- Agilico/BNP Paribas; copier (until October 2028)
- Southern Housing; lease of the building (until March 2025)
- Quadient; franking machine (until May 2029)
- Quadient Impress; newsletters (until May 2026)

The precise cost of these commitments will vary and will reduce over time as the contract end dates become closer. If the CSPA wound up on 1 October 2024, the total needed would be in the region of £35,000.

In addition, there would be a payment for dilapidation to the building. This is currently assessed at £2,000, but it is advisable to provide for more than this as costs could rise. A figure of £5,000 is included.

Staff would have a statutory right to redundancy payments. As of 1 October 2024 our commitment to redundancy pay would be £29,297. This amount will increase over time, as length of service increases and the cap on weekly pay is increased.

The total under item 3 is £69,297.

In the event of the Alliance needing to be wound up, in order to sustain six months operation from that point plus meet other contractual commitments (items 2 & 3 above) a reserve figure of about £466,872 is needed.

According to the last submitted Group Accounts, there is approximately £58,000 in Group funds that should become available if the CSPA is wound up. However, we do not know what

outstanding commitments Groups may have and how easily those accounts can be closed and funds transferred. In the circumstances, in assessing our reserves no account should be taken of Group funds.

The CSPA would need to retain their accountants to assist in winding up, calculating final Corporation Tax and VAT payments and producing a final set of accounts with a balance to be disposed of. No cost has been put on this, as there is no telling how short or long this process would be.

### **Level of reserves**

1. In addition to funds in the General Fund and Campaign Fund, the Alliance should have a reserve to meet future expenditure on investment projects. This reserve is held in a 32-day notice account and, as at 1<sup>st</sup> March 2024, this stood at £172,380. Bequests are paid into this account. No further payments are required at the current time.
2. To cover six months operating costs, on-going contractual commitments, and statutory redundancy costs, a reserve of at least **£466,872** should be held in liquid assets. As at 1<sup>st</sup> March 2024, the Business Instant Access account has assets of £381,244 that are available immediately and the valuation of abrdn investments (available in three business days) was £424,213. The total in reserves is **£805,457**.

### **Review**

There is sufficient held in reserves to meet the objectives of this policy. The policy will be monitored by the National Treasurer and annually by the Finance Committee. It should be reviewed again in three years, in 2027.

**This policy was updated and agreed by the Executive Council at its meeting on 17 April 2024.**