



## **ILPA Reserves Policy**

**Approved by the Executive Committee on 11 May 2010**

ILPA does not currently have charitable status and is thus not bound by charity guidance as to the level of reserves. As a company limited by guarantee not having a shareholding capital it is for the directors of the company (the Executive Committee) to agree a prudent level of reserves.

In setting this policy the EC takes account of the following factors:

- Staff contracts: maximum period of notice for any staff contract is three months. LPA has long-serving staff and this affects the maximum amount of statutory redundancy payable (the maximum statutory redundancy pay is 1 ½ weeks pay for each complete year of employment – age affects whether a person receives the maximum)
- Commitments. ILPA's current lease expires in September 2012 and there is no break clause between now and then so departing early may involve incurring expenses. ILPA leases equipment such as franking machines and pays for annual services such as website hosting. ILPA is also liable to pay tax on profits that it makes.

In the light of the above, the policy is that ILPA will ensure that at any given time it maintains at least six months running costs as reserves. Reserves are unrestricted, uncommitted funds, unencumbered by any debts or liabilities. Six months running costs is calculated on the basis of projected expenditure, with no allowance made for projected income, adjusted in the light of actual expenditure where this exceeds projected expenditure.

It shall be the responsibility of the Treasurer to draw to the attention of the Executive Committee in the monthly Treasurer's report any questions over whether ILPA is operating in accordance with this reserves policy and any risk that proposed or planned expenditure may bring reserves below six month's running costs.

The effect on reserves will be considered annually by the Executive Committee when drawing up the budget for the forthcoming year and the reserves policy reviewed at that time. The Executive Committee will take into account this reserves policy when considering any new expenditure or development of ILPA's work.