Wigan Borough Healthwatch CIC Financial Reserves Policy

Policy detailing the amount of reserves that will be maintained to enable Wigan Borough Healthwatch CIC to meet its obligations in terms of outstanding pay, statutory redundancy payments and any other liabilities in respect of contracted services and leased premises

**Contents**

Document Version Control ………………………………………………………………………….. 1

Purpose ……………………………………………………………………………………………………….. 2

Minimum Reserves and purpose …………………………………………………………………. 2

Redundancy …………………………………………………………………………………………………. 2

Reasonable cash flow …………………………………………………………………………………… 3

Reporting ……………………………………………………………………………………………………… 3

|  |
| --- |
| Document Version Control |
| Version | 1.0 |
| Version Date | 16th March 2021 |
| Author | Karen Parker |
| Approved by | HWWL Board |
| Effective date | 29th March 2021 |
| Review date | 16th March 2023 |

**Purpose**

Wigan Borough Healthwatch CIC is committed to following good practice in all financial matters. This policy sets out the amount of reserves that will be maintained to enable the organisation to meet its obligations in terms of outstanding pay, statutory redundancy payments and any other liabilities in respect of contracted services and leased premises (restricted funds). It will also cover the use and access to reserve funds, minimum value setting and monitoring/reporting. The reserves level will be reviewed annually by the Board of Directors.

**Minimum reserves and purpose**

Following accepted good practice that organisations maintain a minimum of three months’ operating costs to cover financial liabilities, in addition to the balance of contracts liable for the remainder of their duration. This would mean the reserves required to cover this would consist of: Three months operational costs. This will include (but is not limited to):

* Staff wages
* Staff pension contributions and any other contractual employment expenses
* Running costs(including expenses and supplies where relevant)

The balance of contracts still to run that we could be liable for include:

* Subscriptions
* Payments to third parties for work delivered
* Leases/hire purchase fees
* Property rent and service charges
* Redundancy costs

**Redundancy**

Employees get:

• 1.5 weeks’ pay for each year of employment after their 41st birthday

• a week’s pay for each year of employment after their 22nd birthday

• half a week’s pay for each year of employment up to their 22nd birthday

Length of service is capped at 20 years and weekly pay is capped at £538. The maximum amount of statutory redundancy pay is £16,140.

**Reasonable cash flow**

The organisation needs to maintain sufficient non-committed funds to enable the undisrupted functioning of Wigan Borough Healthwatch CIC.

This should be enough to cover reasonably forecast expenses that may occur in the ongoing business. These should be budgeted for and not to come directly from reserves.

Petty cash, employee expense re-imbursement, equipment and supply purchases etc would be examples of the use of budgeted funds and not reserves.

However, reserve funds can be used for extraordinary expenses that may arise, or on purchases or commitments that are agreed upon by the board in advance. This may include technology investment, recruitment, consultant fees, training or other expenses deemed reasonable for the use of reserve funds which fit within the agreed remit of the organisation.

**Reporting**

Reporting of the status of the reserves will be made in the organisation’s Annual Report. In addition to this, changes to the funds available and use or allocation of reserves will need to be brought to the board and documented. Ultimate responsibility for this will lay with the Treasurer.

Additional reporting will be in the audited accounts submitted annually to Companies House.