

# Reserve Management

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**How do our reserves look?**

**How do you want them to look?**



# Factors -

Understand where you are now

Align the reserves strategy with the strategic plan

Consider both internal and external factors

Legal and Regulatory Compliance

Financial Analysis

Monitor cash flow

Budgeting - Scenario analysis

Monitoring and Reporting

# Understanding your reserves

## RESERVES

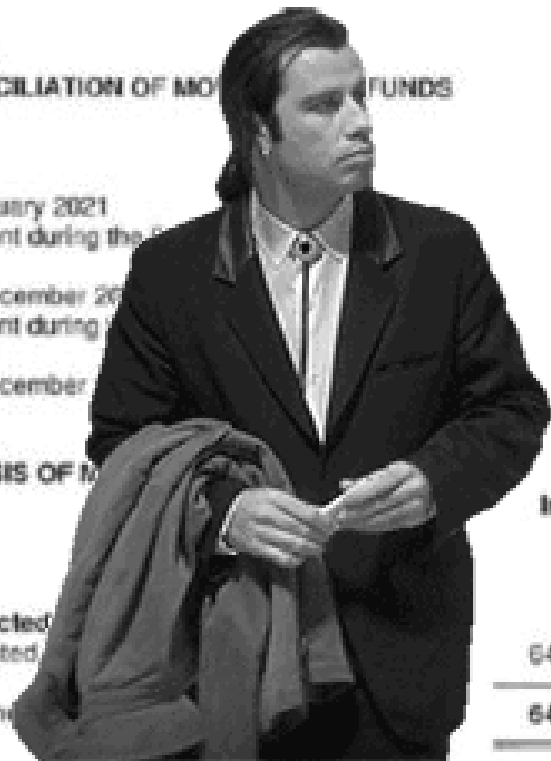
	2022 €
January 2022	639,332
less/(Deficit) for the financial year	5,728
December 2022	<u>645,060</u>

## RECONCILIATION OF MOVEMENTS IN UNRESTRICTED FUNDS

	Unrestricted Funds €
January 2021	664,650
movement during the period	(25,318)
December 2021	639,332
movement during the period	5,728
December 2022	<u>645,060</u>

## ANALYSIS OF MOVEMENTS

	Income €	Expenditure €	Transfers between funds €
Unrestricted funds	644,533	638,805	-
Restricted funds	<u>644,533</u>	<u>638,805</u>	<u>-</u>



# Understanding your reserves

- Push Pull - utilising reserves vs building cushion
  - Do you have surfeit of reserves?



- Or are you trying to build a reserve?

# Understanding your reserves

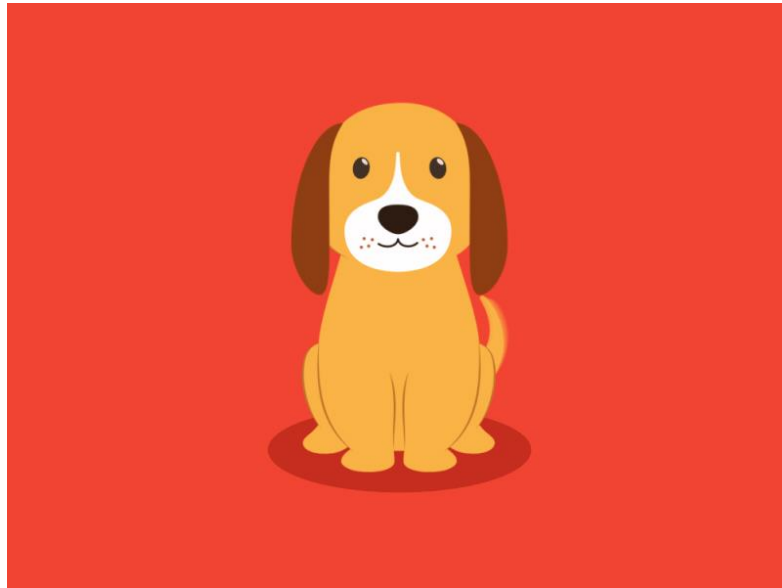
- Historical Use it or Lose it
  - Difficult environment to build reserves
- Funders expect you to spend the grant but want you to be solvent and prudent!
- Are you allowed hold reserves? CIB funded entities have vouched budgets and no requirement for reserves. Would CIB provide funding for resolution.
- Circular 13-2014 allows for funders to recall surplus funding and reserves

# Consider internal factors

- What are the internal factors determining reserve requirements:
  - Strategic plan - are we in growth or consolidation?
  - Reliance on one core funder?
  - Is multiannual funding an option?
  - Are staffing levels sustainable do we need to fund recruitment?
  - Any planned capital investment?

# Consider external factors

- Does your core funder set the tone for what's allowed?
  - Is the tail wagging the dog but is that ok?



- Are there changes in the sector affecting your potential funding?  
Social, environmental or economic?



# Legal and Regulatory Compliance

- Company must be solvent and operating as a going concern
  - From audit perspective how can we to assurance from a 'break-even' entity that it is a going concern?
- Do your funders or regulators give any prescriptive guidance on reserves or liquidity levels?

## Going Concern Decisions



# Scenario Analysis

- ▶ Plenty CLG - significant unrestricted reserves
- ▶ No Room to Manoeuvre CLG - Restricted>Unrestricted
- ▶ Heavy Assets CLG - Large reserves
- ▶ No Sorp no Bread CLG - Hard to distinguish reserve position

# Financial Analysis - Plenty CLG

## 16. FUNDS 16.1 RECONCILIATION OF MOVEMENT IN FUNDS

	Unrestricted Funds €	Restricted Funds €	Total Funds €
At 1 January 2021	730,223	-	730,223
Movement during the financial year	95,755	13,080	108,835
At 31 December 2021	825,978	13,080	839,058
Movement during the financial year	-	(14,560)	(14,560)
At 31 December 2022	825,978	(1,480)	824,498

## 16.2 ANALYSIS OF MOVEMENTS ON FUNDS

	Balance 1 January 2022 €	Income €	Expenditure €	Transfers between funds €	Balance 31 December 2022 €
<b>Restricted funds</b>					
Restricted	13,080	1,856,669	1,871,229	-	(1,480)
<b>Unrestricted funds</b>					
Unrestricted General	825,978	1,900	1,900	-	825,978
<b>Total funds</b>	839,058	1,858,569	1,873,129	-	824,498

# Financial Analysis - No Room to Manoeuvre CLG

## 15. FUNDS

### 15.1 RECONCILIATION OF MOVEMENT IN FUNDS

	Unrestricted Funds €	Restricted Funds €	Total Funds €
At 1 January 2021	54,910	193,226	248,136
Movement during the financial year	12,103	18,736	30,839
At 31 December 2021	67,013	211,962	278,975
Movement during the financial year	8,566	25,796	34,362
At 31 December 2022	<b>75,579</b>	<b>237,758</b>	<b>313,337</b>

### 15.2 ANALYSIS OF MOVEMENTS ON FUNDS

	Balance 1 January 2022 €	Income €	Expenditure €	Transfers between funds €	Balance 31 December 2022 €
<b>Restricted funds</b>					
Restricted	211,962	1,932,332	1,906,536	-	237,758
<b>Unrestricted funds</b>					
Unrestricted General	67,013	25,145	16,579	-	75,579
<b>Total funds</b>	<b>278,975</b>	<b>1,957,477</b>	<b>1,923,115</b>	<b>-</b>	<b>313,337</b>

# Financial Analysis - Heavy Assets CLG

<b>Funds</b>		
<b>Endowment funds</b>		<u>3,525,000</u>
<b>Income funds:</b>	16	
Restricted trust funds		<u>1,373,992</u>
General fund (unrestricted)		<u>(914,142)</u>
<b>Total funds</b>	17	<u><u>3,984,850</u></u>

## 17.2 ANALYSIS OF MOVEMENTS ON FUNDS

	Balance 1 January 2022 €	Income €	Expenditure €	Transfers between funds €	Gains and losses €	Other movements €	Balance 31 December 2022 €
<b>Endowment funds</b>							
Expendable Endowment Fund	3,525,000	-	-	-	-	-	3,525,000
<b>Restricted funds</b>							
Restricted	(489,190)	3,276,579	3,324,818	-	805,478	48,824	316,873
Capital Reserve	1,057,119	-	-	-	-	-	1,057,119
	<u>567,929</u>	<u>3,276,579</u>	<u>3,324,818</u>	<u>-</u>	<u>805,478</u>	<u>48,824</u>	<u>1,373,992</u>
<b>Unrestricted funds</b>							
Unrestricted General	(952,174)	137,881	99,849	-	-	-	(914,142)
<b>Total funds</b>	<u><u>3,140,755</u></u>	<u><u>3,414,460</u></u>	<u><u>3,424,667</u></u>	<u><u>-</u></u>	<u><u>805,478</u></u>	<u><u>48,824</u></u>	<u><u>3,984,850</u></u>

# Financial Analysis - No Sorp No Bread CLG

	Notes	2022 €
<b>Fixed Assets</b>		
Tangible assets	9	<u>735,899</u>
<b>Current Assets</b>		
Debtors	10	20,448
Cash at bank and in hand		<u>107,492</u>
		<u>127,940</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(99,497)</u>
<b>Net Current Assets</b>		<u>28,443</u>
<b>Total Assets less Current Liabilities</b>		<u>764,342</u>
<b>Creditors:</b> amounts falling due after more than one year	12	<u>(174,119)</u>
<b>Net Assets</b>		<u><u>590,223</u></u>
<b>Reserves</b>		
Retained earnings		<u>590,223</u>
<b>Members' Funds</b>		<u><u>590,223</u></u>

# Financial Analysis - No Sorp No Bread CLG

## 9. Tangible assets

	Long leasehold property €	Fixtures, fittings and equipment €	Total  €
<b>Cost</b>			
At 1 January 2022	586,107	501,763	1,087,870
Additions	36,853	178,281	215,134
	<hr/>	<hr/>	<hr/>
At 31 December 2022	622,960	680,044	1,303,004
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 January 2022	245,991	171,696	417,687
Charge for the financial year	30,589	118,829	149,418
	<hr/>	<hr/>	<hr/>
At 31 December 2022	276,580	290,525	567,105
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2022	<b>346,380</b>	<b>389,519</b>	<b>735,899</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2021	340,116	330,067	670,183
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What is the minimum reserve required?





# What is the minimum reserve required?

- ▶ Is there a requirement for a wind down reserve or would any cessation scenario be funded?
- ▶ Do you work with vulnerable service users?
  - ▶ Could you wind up in 3 months? 6 months?
- ▶ Estimated running costs to wind up (3/6 months)
  - ▶ 3 months of service user engagement - full salary
  - ▶ + 3 months wind up - Only SMT salaries
- ▶ Redundancy at statutory minimum level
- ▶ Office rent (3/6 months)
- ▶ Estimate overheads
- ▶ Consultants assist with wind up - HR & Accounting
  
- ▶ Will your funder provide for resolution costs? Is there a provision in the SLA?

# What is the minimum reserve required?

- ▶ Redundancies - calculate and revise annually €120,000
- ▶ Payroll - 3 months for all staff €48,000
- ▶ Payroll - 6 months for SMT €73,000
- ▶ Office rent (6 months) €7,500
- ▶ Administration overheads €22,442
- ▶ Consultants - HR & Acc €30,000
- ▶ Total **€300,942**

# Budgeting - Scenario analysis

## - Plenty CLG

### 16.2 ANALYSIS OF MOVEMENTS ON FUNDS

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- Minimum reserve requirement €300,942
- Unrestricted reserve 31-12-2022 €825,978
- Reserve “Buffer” €525,036



# Budgeting - Scenario analysis

## - No Room to Manoeuvre CLG

### 15.2 ANALYSIS OF MOVEMENTS ON FUNDS

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- Minimum reserve requirement €300,942
- Total Reserves €313,337 - looks ok?
  
- Unrestricted reserve 31-12-2022 €75,579
- Reserve “deficit” **-€225,363**





# Budgets and Forecasting

# Budgets and Forecasting

- ▶ Reserve management is intrinsic to strategic planning
  - ▶ Do you need to build a reserve, or can you utilize a reserve?
    - ▶ No Room to Maneuver CLG - will be under pressure to return to solvency despite funder requirement to continue project implementation
    - ▶ Agency theory, start pushing costs to window dress reserves
- ▶ Are you holding significant public funds?
  - ▶ Plenty CLG strategically budgeting -€150k deficit for 3 years to trade back to reserve level
  - ▶ Need to ensure the year 4 budget has factored in the cost growth in the period
- ▶ Link your reserve movements in your management accounts.
  - ▶ Is there a defined risk level for reserves?
  - ▶ In previous example how much of the buffer will the board accept before business continuity plan is required?





# TAKEAWAYS



# THE RESERVE DEFENCE FORCE



Reserves to  
be taken  
seriously



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# Reserve Management

- ▶ Understand your organizations reserves
- ▶ Define what reserves your organization needs
  - ▶ Revise annually (Redundancy payments increase annually etc.)
  - ▶ Measure reserve movement in management accounts and model impact in budgets
- ▶ Set a minimum reserve level
  - ▶ Track to risk
  - ▶ Define risk event
- ▶ Link reserves to strategy and budgets
- ▶ *Understand, measure, track, report.*



QUESTIONS?