

CAAT reserves and provisions policy November 2015

Budgeted Reserves

The purpose of this fund is to mitigate the affects of unplanned events or 'crisis'.

Situations where CAAT might draw on its reserves fund are:

- staff redundancies;
- legal costs (for example: employment tribunal against CAAT, as opposed to action CAAT may instigate);
- having to break its office lease agreement;
- having to wind up the organisation;
- a fire, flood or burglary;
- a costly breach of IT security.

The most expensive of these is having to wind up the organisation, which is currently estimated to cost approximately £185,000. It is not CAAT's intention for reserves to be able to cover each situation above, but to take their cost into consideration when deciding what level it should be set at.

Staff have decided that CAAT's reserves should aim to be about 25% of annual gross expenditure, which is the same as 3 months running costs. At the end of 2015 this would be **£125,000**. CAAT currently has £80,000 in its reserves fund. However, rather than inject £45,000 into reserves in one go to bring it up to £125,000 staff are proposing to add £15,000 at the end of this year and the same amount each year until it reaches 25% of gross expenditure by the end of 2018.

Budgeted Provisions

This fund aims to cover operational unknowns that do not constitute a 'crisis'. We see these as 'unplanned running costs'.

Situations where CAAT might draw on its provisions fund are:

- having to moving office;
- needing to end equipment contracts early;
- a member of staff off sick;
- staff maternity, paternity, adoption, shared parental leave, carers or compassionate leave;
- general repairs and maintenance.

Staff have decided that CAAT's provisions should be calculated on the basis of a 'risk assessment' and is contingent on changes to staffing policies.

	total cost	likelihood of happening	risk assessment cost
<u>Having to move office</u> Includes solicitors costs, moving and setting up costs and purchasing new office furniture.	£18,000	10%. Our current lease doesn't run out until 2018, so unlikely to move next year.	£1,800
<u>Breaking equipment contracts</u> Photocopier or franking machine, etc	up to £6,000	5%. This will only happen if CAAT is forced to downsize.	£300
<u>Member of staff off sick</u> CAAT has insurance to cover employee's long-term illness after 6months. If CAAT decides to replace a full-time employee while off sick, then the initial 6 months salary cover, plus recruitment would need to be funded.	£18,000	20%. It seems unlikely this scenario will happen, especially replacing someone immediately, but there is a possibility.	£3,600
<u>Maternity, Paternity, Adoption, Parental Leave, Carer's or Compassionate leave</u> - f/t member of staff on maternity leave for 12 months - f/t member of staff on paternity leave for xx weeks - f/t member of staff on adoption leave for 12 months - f/t member of staff on shared parental leave for max. period - f/t member of staff on carers leave for max. period - f/t member of staff on compassionate leave for max. period	? ? ? ? ? £3,000 £2,000	Most of these polices are currently being rewritten, but we estimate CAAT will need to fund approximately one of them per year. Also, CAAT is more likely to replace a member of staff with the policies with longer leave.	£12,000

<u>General repairs and maintenance</u> New boiler, fixing heating, improving security, etc	up to £8,000	10%. We'll probably have to dip into this most years.	£800
<u>TOTAL</u>			£18,500

CAAT currently has just under £8,000 in its provisions fund, but in the past this fund has only intended to cover repairs and maintenance. In order to cover the new list of operational unknowns staff are proposing to add £5,000 at the end of this year and the approximately same amount at the end of 2016, until it reaches £18,500.

When will CAAT's reserve policy next be reviewed?

CAAT will review its reserves and provisions annually, towards the end of the year when budgets are set by staff. CAAT will next review its reserves in November 2016.