

Reserves Guidance for LPCs

Background

We have previously advised LPCs of the need to have sufficient reserves to meet the financial commitments of the committee, including a guide of up to 50% of the next year's expenditure should be in reserves at 31st March each year.

The new guidance aims to be more flexible, setting out the principles used by Community Pharmacy England and encouraging each LPC to self-determine what are reasonable reserves and proactively manage by formally reviewing the position, monitoring and making adjustments where necessary.

Principles

1. CPE's Resource Development and Finance subcommittee regularly reviews CPE's reserves policy.
2. CPE has a structured approach to reserve setting.
3. CPE considers that reserves are required for three discrete purposes:
 - a. To fund emergency or important projects
 - b. To maintain the operation of the organisation in the short term
 - c. To cover closedown costs
4. A target level is identified based on developing a range of options for these three purposes.
5. Actual reserves are identified from the statutory financial accounts.
6. Actual reserves are compared to target and a plan is put in place to make adjustments as necessary.
7. For example, an LPC may determine:
 - a. Target reserves are in the range £xx-£xx
 - b. Actual liquid reserves are £xx
 - c. Adjustment/no adjustment* was appropriate given the current circumstances, and the considering the risks of triggering need for reserves. (*delete as appropriate).



Background for LPCs

1. LPCs should determine what are reasonable reserves and proactively manage by formally reviewing the position, monitoring and making adjustments where necessary, such as:

Element	Basis minimum	£	Basis maximum	£	Notes
Unexpected spend					
Short-term running costs					
Close down costs e.g redundancy and professional advice/fees					
Totals					

2. LPCs interested in exploring moving to monthly levy payments to Community Pharmacy England, should contact our Finance Team by email: finance.team@cpe.org.uk
3. If the level of reserves is too high then the LPC should consider adjusting the amount of levy collected until the reserves are back to normal. If the level of reserves is too low then the LPC may need to consider the following measures: (a) overall approach to reserves (b) review the levy income (b) review the LPC expenditure (c) consider sustainability and LPC size, structure, (d) if necessary, consider a levy increase
4. The model constitution on rules gives LPCs the authority to **acquire any freehold or leasehold property for the purpose of carrying out any of its functions, however it doesn't enable risks to be taken with other capital investment.**