



RCN RESERVES POLICY

Version 2.0

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1 POLICY STATEMENT

- 1.0 The RCN has developed a reserves policy which sets out the range in which it should hold net reserves.
- 1.1 The RCN believes a significant level of reserves is required to ensure it can remain financially secure to withstand internal or external crisis and pressures allowing its staff and elected representatives the flexibility to act positively in times of crisis and to adapt and continue to provide support and services to members and other stakeholders.
- 1.2 The RCN has adopted the principle of self-funding any investment required in its structures and services as and when required ensuring it has the capacity and flexibility necessary and not being reliant on other means of financing which can be restrictive and costly.
- 1.3 Whilst a level of reserves is required the RCN adopts the principle that reserves and assets, whether financial investments, buildings or other assets should contribute to the long-term financial health of the RCN.
- 1.4 This policy:
- sets out the general principle for the holding of reserves and the calculation for general reserves
 - the overall parameters for the composition of reserves
 - general minimum and maximum threshold for reserves
 - identifies the process for monitoring reserves and action required
- 1.5 This policy will be reviewed annually and updated:
- for changes to baseline figures where significant variation has occurred
 - for relevance, the internal and external position may have changed
 - any changes to financial and investment strategy

2 SCOPE OF POLICY

- 2.0 This policy applies to the RCN only. Other RCN Group entities should have their own reserves policy appropriate to their regulatory format, business model and operational needs.

3 PRINCIPLES / REASON FOR RESERVES

- 3.0 RCN reserves are typically made up of a combination of fixed assets such as buildings and high value equipment, financial investment assets held in managed portfolios or similar and fixed term deposits and cash at the bank.
- 3.1 For the purposes of the reserves policy, we exclude fixed assets, as these

are not easily transferred into liquid assets, such as cash.

- 3.2 RCN Council will from time to time earmark a portion of the reserves for specific purposes. Currently two earmarked funds are in place, the Industrial Action Fund and the Building Fund.
- 3.3 The level of reserves outlined in this policy refers to those reserves deemed general liquid reserves, that is they can be converted quickly and easily into cash or equivalent and not held for any specific purpose.
- 3.4 Therefore, for the purposes of this policy RCN General reserves are calculated as follows:
- Total RCN reserves
less
 - Fixed Assets
less
 - Earmarked reserves
equals
 - Total General Reserves
- 3.5 The minimum level of general reserves is currently based on the following assumptions:
- Indemnity provision (based on previous year end position)
 - Six months operating expenditure
 - Margin for any fluctuation in market value of investment portfolio
 - Consideration that financial assets are required to generate investment income

Taking these factors into consideration the current range of reserves of between £90m and £120m remain appropriate. However, the current socio-economic will be carefully monitored to ensure that the RCN is ready to take any necessary action that is required to maintain its financial viability.

- 3.6 Reserves, whether held in financial investment assets, short-term deposits or cash should be used to generate income where appropriate to ensure the real value of the monetary asset do not diminish over time. To this end the RCN investment portfolio objective is to:
- Preserve the capital value over the longer term (minimum 3 years).
 - To provide an appropriate level of funding each year to help keep membership affordable and self-fund investment in infrastructure and services.

4 PARAMETERS FOR COMPOSITION OF RESERVES

- 4.0 The composition of reserves is important to ensure a balance between readily available cash or cash equivalent so that there is easy access with minimum costs should a withdrawal from reserves be required quickly.
- 4.1 Cash reserves should be maintained at a minimum of one month's membership subscriptions.
- 4.2 The investment portfolio should ideally be held at a minimum of £90m (over a period of any 12 consecutive months) to maintain annual investment income of a minimum of 2.0%.
- 4.3 Consideration will be given to holding a level of relatively easy access investment assets should an unexpected need arise. This will be balanced with the level of return achieved and any fee charged for early access.

5 RESERVES THRESHOLDS

- 5.0 It is recognised that given most RCN reserves are currently in investments (equities, fixed interest, and other investment assets) significant variations in value are likely in the short to medium term. To avoid rash decisions some flexibility or range in the overall value of net reserves is required.
- 5.1 It is also acknowledged that planned expenditure on new or key activities for example the development of the Institute of Excellence and the Activism Academy will mean a static level of reserves is not possible.
- 5.2 To provide flexibility but also to ensure financial sustainability a reserves range is used. It is expected reserves should not be outside of the higher or lower threshold for a consistent period.
- 5.3 The current RCN reserves range is between £90m and £120m. This level will be reviewed but not necessarily changed as part of the annual budget process.

6 MONITORING / ACTION

- 6.0 The net reserves position and any likely call on reserves for the following year will be reviewed and assessed as part of the annual budget process, ultimately approved by Council each November / December. A key aspect of this review will be to determine whether the current reserves range remains appropriate or whether the thresholds need to be increased or reduced.
- 6.1 During the year a Statement of Financial position (Balance sheet) is included in the monthly management accounts which are reviewed by the Executive Team and Council.
- 6.2 The balance sheet reports the net reserves position at the balance

sheet date which will include both the cash and market value of the investment portfolio at that date.

- 6.3 The monthly management accounts also include the Statement of Comprehensive Income which includes operational income and expenditure, as well as other items such as investment income and investment gains and losses. Actuals are compared to the most recent forecast position and the annual budget position.
- 6.4 If it becomes apparent an in-year review of reserves is required, this will be undertaken by the Executive Team, Finance & investment Committee and Council as appropriate.

7. IMPACT ASSESSMENTS

An equality impact assessment of this policy is not required as the policy does not impact any specific group.

A data protection impact assessment is not required as the policy does not involve the processing or holding of any personal data.

8. POLICY REVIEW

The Chief Financial Officer is responsible for monitoring and reviewing this policy, for ensuring changes are presented to relevant parties for approval.

APPENDIX 1: DOCUMENT AND VERSION CONTROL SUMMARIES

Document control summary

Title	RCN reserves policy
Status	Review
Version no.	2.0
Date	October 2024
Approved by	Council on 27 November 2024
Circulated to	RCN Intranet, RCN Website
Next review date	October 2027

Version control summary

Version	Date	By	Summary
1.0	June 2022	Vanessa Woods (Head of Finance)	<ul style="list-style-type: none"> Policy documented, initially set out in appendix D of 2022 financial plans paper (Nov 2021)
2.0	October 2024	Vanessa Woods (Head of Finance)	<ul style="list-style-type: none"> Scope of policy to impact general reserves only