



**MIND IN CROYDON  
RESERVES POLICY**

## **1. INTRODUCTION**

This policy is written in the light of the Charity Commissioners' guidance "Charity Reserves: Building Resilience" (CC19, January 2016) which states: *"All charities need to develop a policy on reserves which establishes a level of reserves that is right for the charity and clearly explains to its stakeholders why holding these reserves is necessary."* (CC19 page 5).

*"Reserves are that part of a charity's unrestricted funds that is freely available to spend on any of the charity's purposes. This definition excludes restricted income funds and endowment funds, although holding such funds may influence a charity's reserves policy. Reserves will also normally exclude tangible fixed assets such as land, buildings and other assets held for the charity's use. It also excludes amounts designated for essential future spending."* (CC19 page 4).

The Charities SORP requires trustees to include in their annual report:

- a statement of their policy on reserves; (CC19 page 9)
- the level of reserves held and an explanation of why they are held; (CC19 page 9)
- where material funds have been designated, the amount and the purpose of the designation should be explained; (CC19 page 9) and
- where designated funds are set aside for future expenditure, the likely timing of that expenditure. (CC19 page 9).

## **2. FIXED ASSETS FUNDS**

2.1 As at 31st March 2018 Mind in Croydon's fixed assets funds were:

|  |          |
|--|----------|
| Fixed assets held for charity use  | £771,508 |
| Investment fixed assets held for income to support charitable activities | £515,000 |

## **3. WHY MIND IN CROYDON NEEDS RESERVES**

### **3.1 Income on funds invested**

Unusually, for a charity of its size and workload, Mind in Croydon receives little core funding. Income that Mind in Croydon earns on its investments is a crucial part of its funding for its central costs. Currently, this amounts to £35,446 per annum.

### **3.2 Planning for contingencies**

- 3.2.1 Upkeep of premises: Mind in Croydon owns five freehold properties. Mind in Croydon has decided it needs to have £100,000 available for emergency repairs and renovations to these properties in order that it could continue the services run from those buildings.
- 3.2.2 Winding up charity: Mind in Croydon has decided that, in the event of the organisation having to be wound up, it would need to have six month's running costs (£760,824) in reserves to allow for a proper running down.
- 3.2.3 Redundancy: Mind in Croydon has decided to keep a sum of £100,000 to cover redundancy.
- 3.2.4 A source of income ceases: Mind in Croydon has decided that it needs to keep £385,395 (the budgeted annual costs of its largest project) in reserves to allow for a year's running costs should the income for that project cease with no notice. One year would be needed to run the project whilst other sources of funding were sought.

#### **4. THE LEVEL (OR RANGE) OF RESERVES THE TRUSTEES BELIEVE MIND IN CROYDON NEEDS**

As at 31st March 2018 Mind in Croydon's average monthly expenditure was £126,804 this includes an average monthly salary bill of around £94,225.

Taking 3.1 and 3.2 (above) into account, Mind in Croydon has decided to aim to keep reserves equivalent to six month's expenditure (a sum of £760,824).

#### **5. ESTABLISHING AND MAINTAINING RESERVES AT THE AGREED LEVEL**

5.1 Mind in Croydon has agreed to aim for a reserves figure of £760,824. Currently, (as at 31st March 2018) it has free reserves of £584,872 (unrestricted funds £1,871,380 minus tangible assets £771,508 minus investment property £515,000).

5.2 The current level of reserves, therefore, is equivalent to less than five month's expenditure.

5.3 The current difference between the ideal level of reserves and actual reserves is £175,952. Mind in Croydon has decided that when the opportunity arises it will add to its reserves until such time as the target figure is achieved.

#### **6. MONITORING AND REVIEWING THE RESERVES POLICY**

This policy will be reviewed annually by the Board of Directors of Mind in Croydon Ltd.

*Reviewed and Updated by the Board of Mind in Croydon – June 2018*