



Mind in Croydon Limited

RESERVES POLICY

1. INTRODUCTION

This policy is written in the light of the Charity Commissioners' guidance "Charities' Reserves" (CC19, March 2008) which states: *"To justify their holding of reserves, trustees should have a reserves policy based on a realistic assessment of their reserves needs."* (para 40).

"reserves' (unless otherwise indicated) to describe that part of a charity's income funds that is freely available. 'Reserves' are therefore the resources the charity has or can make available to spend for any or all of the charity's purposes once it has met its commitments and covered its other planned expenditure." (para 17).

"More specifically SORP 2000 defines reserves as income which becomes available to the charity and is to be spent at the trustees' discretion in furtherance of any of the charity's objects (sometimes referred to as 'general purpose' income); but which is not yet spent, committed or designated (ie is 'free'). This definition of reserves therefore normally excludes permanent endowment; expendable endowment; restricted funds; any part of unrestricted funds not readily available for spending, specifically: income funds which could only be realised by disposing of fixed assets held for charity use and programme related investments." (para 18)

The reserves policy should cover as a minimum:

- the reason why the charity needs reserves;
- what level (or range) of reserves the trustees believe the charity needs;
- what steps the charity is going to take to establish or maintain reserves at the agreed level (or range); and
- arrangements for monitoring and reviewing the policy. (CC19, para 43).

2. FIXED ASSETS FUNDS

2.1 As at 31st March 2011 Mind in Croydon's fixed assets funds were:

Fixed assets held for charity use	£762,932
Investment fixed assets held for income to support charitable activities	£311,927

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 earns on its investments is a crucial part of its funding for its central costs. Currently, this amounts to **£14,567** per annum.

3.2 Planning for contingencies

- 3.2.1 **Upkeep of premises:** Mind owns four freehold properties each of which is nearly 100 years old. Mind 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 has decided that, in the event of the organisation having to be wound up, it would need to have six month's running costs (**£663,536**) in reserves to allow for a proper running down.
- 3.2.3 **Redundancy:** Mind 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 **£344,759** (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 2011 Mind in Croydon's average monthly expenditure was **£110,589** this includes an average monthly salary bill of around **£84,825**.

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 **£663,536**).

5. ESTABLISHING AND MAINTAINING RESERVES AT THE AGREED LEVEL

- 5.1 Mind has agreed to aim for a reserves figure of **£663,536**. Currently, (as at 31st March 2011) it has free reserves of **£481,908** (unrestricted funds £1,244,840 minus tangible assets £762,932).
- 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 **£181,628**. Mind 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

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

This policy was last reviewed and agreed by the trustees in June 2011