

Title: Reserves Policy

Agenda Item: 9c

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Date: 11 December 2019

Purpose of the paper

To revise and update the section on reserves within the Finance Policy

Background

The independent examiner for Healthy Minds queried our use of reserves during the accounts approval process. Consequently we have now reviewed and revised our policy in order to address her concerns.

Relevant information

Healthy Minds Trustees exercise their power to hold income in reserves, in accordance with our constitution, which states:

the Charity has the following powers in order to further the Objects ... To set aside income as a reserve against future expenditure but only in accordance with a written policy about reserves [4(1)(k)]

and in line with Charities Commission guidance CC19 (5.2):

Some charities have a power to hold reserves in their governing document – all others can rely on powers implicit in the law. Trustees can use these powers where they are satisfied that to do so is in the best interests of the charity: their charity’s reserves policy should reflect their reasoning.

Our policy is that, where possible, project budgets will include a proportionate contribution to reserves; this is stated in budgets submitted in funding applications and in subsequent reports to funders. When the purpose for which grants received has been discharged, any small residual balances may be transferred into reserves, with funders’ agreement (implicit or explicit) as grants are finalised or signed-off on acceptance of a final grant report, which includes a detailed breakdown of expenditure showing the contribution to reserves.

Once a year the Board will consider the level of reserves that it is prudent for the organisation to hold. Consideration will be given to redundancy liabilities, lease agreements, cash flow requirements significant factors and key risks that should be taken into account if the organisation were to close. A designated reserve account should be set up to clearly identify such funds. This will be reviewed annually before the AGM, and agreed as part of the budget setting for the next financial year.

Next steps

The Healthy Minds Finance policy will be updated to reflect this revised reserves policy.

Recommendation

The Board is asked to approve and adopt these revisions to the Finance policy.