RESERVES POLICY: AMENDMENT

Prepared by: JRM
Date: 13th February 2021
For 24th February Board meeting

Background and context

Our reserves policy was updated in December 2019 in consideration of points raised by the independent examiner as to the policy's clarity. This was deemed satisfactory to complete the annual accounts last year.

This year's accounts, however, show an excess in the reserves we're holding and the examiner has raised further questions. To ensure absolute clarity, it is proposed that the reserves policy includes the following additions, shown in bold type below:
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.

'Free' reserves are held to mitigate risks against loss of income or unforeseen adverse events which could mean we need extra flexibility temporarily or longer-term to meet increased demand for services and/or redeploy staff; they might also be used for cash-flow in the event that we expect to receive funds but there is a shortfall between existing and imminent resources. The level of 'free' reserves that the charity will hold at any one time will be limited to 3 months future budgeted expenditure.

Designated reserves are held against reasonably anticipated risks in the forthcoming year such as service closure and the liabilities arising from that; or, in respect of a legacy, to fulfil covenants or expectations attached to the legacy.

Once a year the Board will consider the level of **designated** 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 in February / March, and agreed as part of the budget setting for the next financial year.**