

Reserves Policy

Policy Name:	Reserves
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Summary	This is a policy about Reserves that sets out how much MIN needs to hold and why. It is designed to help MIN operate effectively.
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Approved By	Heather Chapman on behalf of the Board of Trustees
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1.0 Introduction and Disclosure

Mums In Need (MIN), needs to secure its viability beyond the immediate future. To be able to provide reliable services over the longer term, it must be able to absorb setbacks and to take advantage of change and opportunity. MIN accounts for this by putting aside, when possible, some of its current unrestricted income as a reserve against future uncertainties.

MIN's decision to hold reserves is subject to scrutiny or comment in the public arena. Documentation, in the form of a Reserves Policy, provides the public and existing or potential funders with a clear explanation of the nature and purpose of any reserves held. In this way, it can demonstrate publicly to donors/funders the reasons to retain a particular level of income as a reserve.

MIN's Annual Report will state the level of reserves on the last day of the financial year and the future needs, opportunities, contingencies and risks relevant to the level of reserves.

1.1 Definition of Reserves

The term “reserves” is applied to that part of its income that is freely available for its general purposes. Reserves are the resources the organisation has or can make available to spend for any or all of its purposes once it has met its commitments and covered its other planned expenditure. Reserves only include unrestricted funds i.e. money that can be spent on anything which furthers the objectives of MIN. Money from restricted funds can only be included in free reserves if the funder has given written permission for this to happen.

This definition excludes unspent money from restricted grants, i.e. where a funder has specified what the money must be spent on and the trustees or committee members do not have the power to spend the money on anything else. In terms of Charity Commission/SORP guidance it also excludes the following:

- Permanent endowment/capital
- Expendable endowment/capital
- Restricted income funds
- Designated income funds
- Income funds which could only be realised by disposing of fixed assets held for charity use.

Although there are no legal restrictions on the use of designated income funds or expendable endowment as reserves this is generally not recommended by the Charity Commission. If part of an unrestricted fund is ear-marked for a particular project it will be designated as a separate fund. This designation will be recorded in the minutes of a board meeting as will any subsequent re-designation. Any transfer between funds and allocations to or from designated funds as well as the reasons for setting up a fund will be explained in the minutes also.

2.0 Purpose of Reserves

MIN must have sufficient resources in order to enter into commitments through the agreement to deliver services, the employment of staff, the rental of premises, the purchase of goods or services etc. Even in the most stable of environments there will remain an element of uncertainty as to the absolute timing of each individual transaction and also the possibility that unforeseen expenses or liabilities will emerge.

By holding reserves MIN is able to:

- absorb set-backs and to take advantage of change and opportunity;
- demonstrate that it has thought through how it might secure its viability beyond the immediate future and provide reliable services over the longer term;
- demonstrate to potential funders that it is effectively managing its resources and has given consideration to its long-term plans and viability.

3.0 Impact on Funding

MIN requires a minimum level of reserves to fund its working capital requirements and provide funding for contingencies identified in its management statement. The existence of reserves demonstrates proper governance in ensuring that MIN can meet its liabilities. Following Charity Commission guidance to funders, any future accreditation scheme for MIN may require evidence of a reserves policy as a prerequisite for accreditation.

4.0 Rationale for Level of Reserves

MIN's level of activity is dependent on the resources it has available. It operates on the basis of core activity, (its minimum services) and project-funded activity (additional services). If MIN should need to wind up its activity, the Trustees recommend **a three month period** to ensure it meets its responsibilities to service users, (Mins) volunteers, workers and supporters. Currently there are no liabilities in respect of:

- redundancy costs;
- defined benefit pension;
- expiry of leases on property and office equipment.

Reserves will be monitored against the Policy on a quarterly basis through the Board of Trustees' meetings. Notes will be kept to inform the yearly review. A yearly review at the end of each accounting period will be carried out of MINs reserves. At this point, future income will be discussed and the reserves policy amended accordingly, and included in the Trustee's Annual Report.

5.0 Monitoring and Review of Reserves Policy

MIN's Reserve Policy will be reviewed and updated at the end of each financial year to take account of any change in circumstance. The total reserves to be held will need to increase year on year based on a yearly increase in income and diversification of sources. This amount will be informed by an analysis of:

- forecasts for levels of income in future years, taking into account the reliability of each source of income and the prospects for opening up new sources;
- forecasts for expenditure in future years on the basis of planned activity;
- analysis of any future needs, opportunities, contingencies or risks that MIN has demonstrated they would not be able to meet out of routine income;
- assessment, on the best evidence reasonably available, of the likelihood of each of those liabilities arising and the potential consequences for MIN of not being able to meet them; and,
- a general assessment of the financial position.

5.1 Reserves Agreement

The Trustees have set a Reserves Policy which requires that:

- reserves are built at a level which ensures that 3 months of MIN's core activity could continue during a period of unforeseen difficulty.
- reserves are built at a level to allow for a positive cashflow.
- reserves are maintained in a readily available form.
- for the current year 2025/26 this is estimated to be £54000..

END OF POLICY