

St Albans Mencap

Charity number: 210073

stalbansmencap.org.uk

Reserves Policy

St Albans Mencap is committed to managing its financial resources prudently so that it can continue to deliver its charitable purposes, meet its obligations, and respond effectively to future opportunities and risks.

Document control:

Version:	Date approved:	By:	Review due:
1.0	September 2026	David Keen; Peter Seymour; Nick Latham	March 2027

Summary of changes:

Version:	Changes:
1.0	Updates - drafted September 2026

Purpose and scope

This policy sets out the Trustees' approach to holding and reviewing reserves. It applies to unrestricted funds available to support the charity's ongoing activities and should be read alongside the charity's budget, risk register, investment approach and annual accounts.

Scope of this policy

This policy applies to the charity and, where relevant, to its wholly owned trading subsidiary. The Trustees recognise the importance of maintaining sufficient unrestricted reserves to safeguard the long-term sustainability of the group, manage financial risk, and ensure continuity of services for beneficiaries.

The purpose of reserves is to:

- Protect the charity against unexpected reductions in income.
- Meet unforeseen expenditure and financial risks.
- Provide working capital for the operation of both the charity and its trading subsidiary.
- Enable the orderly management of any significant change in activities.
- Support the charity's ability to respond to new opportunities that further its charitable objectives.

Considerations

In setting the target level of reserves, the Trustees have considered:

- The consolidated expenditure of the charity and its subsidiary.
- The subsidiary's policy of transferring surpluses to the parent charity and relying on the parent charity to fund any deficits.
- The charity's exposure to fluctuations in trading income, donations and grants.
- Cash flow requirements across the group.
- The fact that a significant proportion of the charity's net assets is represented by property and is therefore not readily available to meet short-term operational costs.

Target level of reserves

For the purposes of this policy, free reserves means unrestricted funds that are readily available to meet general operating costs, excluding fixed assets, designated funds and any funds that are not immediately available for general use.

Restricted funds are excluded from the reserves calculation because they must be used in accordance with the terms under which they were received. The Trustees may also designate unrestricted funds for particular purposes, but such designations will be reviewed regularly to ensure they remain appropriate and do not obscure the charity's underlying free reserves position.

The Trustees have determined that free reserves equivalent to between three and six months of consolidated expenditure, excluding temporary staff employment costs, provide an appropriate level of financial resilience.

Based on current consolidated expenditure, this range equates to a target of £50,000–£100,000 in liquid free reserves.

This level has been established to ensure the charity can:

- cover core payroll, contractual notice periods, and unavoidable commitments in the event of an orderly restructuring or wind-down;
- bridge an operational disruption or delay of up to three months across major grant and trading receipts without interrupting front-line beneficiary services.

Monitoring

The Trustees are responsible for approving this policy and for ensuring that reserve levels remain appropriate in light of the charity's activities, risks and financial position. The policy will be reviewed at least annually and whenever there is a material change in the charity's activities, income profile, expenditure commitments or risk environment.

The Trustees will monitor reserves throughout the year and review this policy annually as part of the budgeting and risk management process. If reserves fall below the target level, the Trustees will agree an appropriate plan for rebuilding them. If reserves significantly exceed the target level, the Trustees will consider whether surplus funds should be applied to further the charity's charitable objectives.

When assessing financial resilience, the Trustees distinguish between total unrestricted funds and funds immediately available as working capital, and monitor cash reserves separately from property and other fixed assets.