



Food Foundation Reserves Policy

Background

Food Foundation CIO 'FF' (registered Charity Number 1187611) was registered 28th January 2020 by way of conversion of Food Foundation CIC (registered company number 09162855). The conversion took place during its financial year ending 31st August. This policy will be reviewed and updated annually by the Trustees.

Introduction

The Trustees of FF need to consider the levels of reserves the charity should hold. They recognise holding excessive reserves unnecessarily can unnecessarily limit the amount spent on its charitable activities and the benefits it can provide; likewise, if reserves are too low, it increases the risk of its ability to carry on its activities in the future in the event of any financial difficulties, increasing the risks of unplanned and unmanaged closure and/or insolvency.

FF has a simple organisational structure with no long term financial commitments. Its headcount for year ending August 2021 was 17 and represented approximately 82% of the operational costs. The remaining 18% predominantly relates to professional fees, office services and depreciation. FF operates from a serviced office environment with a short term commitment. It has minimal tangible assets all relating to IT equipment. At the close of its financial year ending August 2021, £5,864 tangible assets were held.

Funding

FF outlines several initiatives that it wishes to dedicate itself to, assisting its mission to achieve its overall vision of a sustainable food system which delivers health and well-being for all. The vast majority of its funding contributes directly towards these initiatives and is restricted funds, across a range of funders. Where any related funding agreements do not specify or are unclear or ambiguous, the funding is deemed restricted income to that initiative. Funding receipt timelines vary between funders dependent on agreement, some are in advance, others in arrears. FF also offers consultancy services on an adhoc basis that typically fit within its vision, payment for which is received in arrears. This income stream is adhoc and along with a small amount of unrestricted funding, makes up approximately 10% of its overall income and is deemed unrestricted income.

From time to time, FF receives unsolicited donations and/or legacy payments. This income is treated as unrestricted (unless otherwise advised within legacy).

Reserves Strategy

Reserves are needed to ensure the stability of FF's mission, meeting its financial obligations as and when they become due. Requirements are predominantly to assist with the peaks and troughs of

cashflow; any unforeseen operational costs such as resource cover for long term sickness; to allow time to organise alternative funding should a funder(s) withdraw their funding for any reason; to be able to react to an unplanned opportunity; and for any unplanned organisational closure event in a clean and appropriate manner.

Reserves will be funded with surplus unrestricted operating funds. The trustees aim to maintain free reserves in unrestricted funds at a level which equates to approximately three months or 25% of operational cost expenditure plus potential statutory redundancy liabilities.

Reserves Position

As at the close of our financial year ending August 2021, FF held capital reserves of £565,900, of which £273,408 was restricted and committed across various projects throughout our financial year ending August 2022; and £292,492 was unrestricted which is also inclusive of accrued entitled and probable income. £91,996 of this has been designated for use across the organisation cost base throughout our financial year ending August 2022, and a further £66,667 designated for use across the organisation cost base for our financial year ending August 2023. This leaves us with available unrestricted reserves of £133,829 of which £5,865 relates to tangible assets. *NB. All figures quoted are subject to audit approval.*

FF forecast to further increase unrestricted reserves by circa £40,000 by the end of its financial year ending August 2022.

Unrestricted Reserves Target

Based on a forecast cost base for financial year ending August 2022:

Annual operational costs of £876,000 x 25% = £219,000 + £25,000 rounded up liability allowance = £245,000 (rounded to the nearest 5,000)

As FF achieved charity status during its financial year ending August 2020, the trustees recognise that any reserves will take an amount of time to build, and wish to target achieving a full reserve balance over a 3-5 year period, being no later than our financial year ending August 2024.

Reserves Accounting Treatment

The reserve fund will be recorded within FF's financial records as 'Reserves' and will be maintained within FF's general bank account.

Reserves Investment

There are no immediate plans to consider investment of any reserves until they reach a material level where it would be beneficial for FF to do so.

Reserves Usage

Identification - The Executive Director will oversee and identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. This step requires analysis of the reason for the shortfall, the availability of any other sources of funds before using reserves, and evaluation of the time period that the funds will be required and replenished.

Authority

Authority for the use of operating reserves is held by the Board of Trustees.

Reserves and Policy Review

The reserves position is reviewed regularly on a monthly basis by the Executive Director supported by the Audit, Risk and Compliance Committee and reported and further reviewed by the trustees on a quarterly basis. Should there be any material impact to the reserves position between the trustees' reviews it will be raised accordingly to the trustees as an adhoc item and consideration given to whether an update to the policy is needed before the policy's formal annual review.

The reserves policy and level of reserve requirement is reviewed regularly and as a minimum, on an annual basis at each year end.

Communication

This policy is available within our website - <https://foodfoundation.org.uk/>

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