



For better
mental health

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Investment policy

1. Introduction

This policy is written in the light of the Charity Commissioners' guidance "Investment of Charitable Funds: Basic Principles" (CC14, December 2004) which states: "We strongly recommend that charity trustees decide on an investment policy for their charity, record it clearly in writing, and keep it under review". (para 30).

At paragraph 9 the guidance states; "The term "investment" is not defined in statute. Instead the courts have interpreted the phrase. Whilst not exhaustive, some common examples of investments include: shares in companies; land rented or leased out by the charity to tenants; interest-bearing loans by the charity, for example, government bonds, company loan stock, deposits at banks and building societies; and units in collective investment schemes, such as unit trusts, open-ended investment companies or common investment funds."

The investment policy should address the following considerations (para 31):

1. the need for enough resources for the charity to carry out its present and future activities effectively;
2. the level of acceptable risk and how to manage it; and
3. the charity's stance on ethical investment, if any.

2. Social, Environmental and Ethical Concerns

i. It is a condition of our affiliation to National Mind that Sheffield Mind cannot accept money from or hold shares in companies manufacturing pharmaceuticals, lest this should compromise our position on the uses of medication.

ii. The Trustees of Sheffield Mind are committed to socially responsible investment, meaning investments where social, environmental and ethical concerns are recognised. While it is impractical for the Trustees to know precisely which companies its funds are being invested in it is reasonable for them to ensure that the organisations they invest with (banks, pension companies) are themselves committed to SRI.

3. Sheffield Mind's Investments

The current (2008) global financial unrest has seen some international banks become insolvent while others have been partially taken into public ownership. Issues of investment in sub prime mortgages and failed Icelandic banks have (in part) led to bank runs. Low investor confidence in financial institutions has led to massive selling by shareholders.

In light of this the Trustees of Sheffield Mind are committed to cautious and reasonably diversified investments. Charity specific banks (Unity Trust, CAF, the Cooperative Bank) match this criteria because they have very few shareholders (no risk of stock market speculation) and themselves



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have cautious investment policies. Incidentally, they typically offer more competitive savings rates than high street banks.

Financial Services Compensation Scheme (FSCS)

Guidance on the Charity Commission web site

(<http://www.charitycommission.gov.uk/news/fincomp.asp>) states that although the FSCS does not specifically mention charities it does appear that charities are covered by the Scheme to the same extent as other organisations and individuals. It does list a number of important exceptions to this but none of these apply to Sheffield Mind Ltd. The rules of the FSCS are set by the Financial Services Authority (FSA). Currently, the first £50,000 invested in an FSA authorised bank or building society is protected under the Scheme. If investments are held with more than one FSA authorised institution then the first £50,000 held with each is protected under the Scheme. From a financial risk perspective there is then a clear advantage to spreading investments across different FSA authorised financial institutions.

As of 1st December 2008 Sheffield Mind's investments (£258,000) were all held in a reserve account with Unity Trust Bank. In November 2008 the finance sub group agreed to a proposal to switch from Unity Trust bank to CAF Bank. CAF Bank offers an excellent risk profile as follows:

1. Its only shareholder is the Charities Aid Foundation so its shares aren't being traded on any exchanges.
2. It has no exposure to sub prime mortgages.
3. It has no exposure to Icelandic banks.

Incidentally,

1. It is offering much better rates (even on a current a/c) than Co-op, Unity Trust or any of the high street names.
2. It matches our commitment to socially responsible investment.

CAF Bank offer a higher rate restricted access account that is provided by Birmingham Midshires (part of HBOS). The finance sub group agreed we should put some reserves in this account to spread our financial risk. It will spread our risk because both accounts, although offered by CAF Bank, are seen as separate for the purposes of the Financial Services Compensation Scheme (see above).

4. Sheffield Mind's Needs

The Trustees' reserves policy as published in the annual report details Sheffield Mind's various financial needs. These include:

1. The need to have reserves to cover future fluctuations in income;
2. To cover the cost of the winding up of some or all of our services;
3. Good practice guidance about charitable reserves;
4. The need to make provision for our staff in terms of redundancy, if this should arise;
5. The need to cover future possible liabilities.



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The minimum cash reserves should amount to 26 weeks salary costs for the organisation as a whole. This sum equates to £xxx and is included in designated funds as the contingency reserve, together with an amount set aside to cover the potential cost of the South Yorkshire Pension Authority pension scheme. The amount shall be reviewed annually to ensure that this minimum requirement is adhered to.

5. Reviewing the Investment Policy

This policy will be reviewed biannually by the finance subgroup.

Investment decisions need the approval of the finance subgroup which may in turn elect to escalate specific decisions to a meeting of the Trustees.

This policy was last reviewed and agreed by the trustees on 3rd March 2009.