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Sheffield Mind Ltd

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Financial risk management policy

Responsible person: Paul Harrington
Responsible group: Finance sub group
Review period: Annually

Purpose of this policy

The purpose of this is policy is to make explicit financial risks that have been identified as applicable to Sheffield Mind and to make clear how these risks are managed.

Other relevant policies

This policy should be read in conjunction with the Investment policy and Reserves policy which can both be viewed on the server in the policies folder.

The risks

1. Loss of core funding

The finance sub group has identified this as a key financial risk. In the treasurer's report at the 2007/08 AGM (November 2008) it was made clear that the organisation needed to diversify its income sources. Currently, the majority of funding is from the Primary Care Trust and the City Council. The organisation expects some form of competitive tendering for service delivery to come into force in the coming years. Sheffield Mind has and continues to take steps to mitigate this risk:

1. Through membership of a consortium with other service providers which could collectively bid for tenders; and
2. Through working towards an externally validated quality standard to ensure it has the necessary qualifications to bid for tenders (aiming for QMiM level 2 which is validated by the Charity Commission).

Despite these efforts diversifying income sources is still important and necessary. To this end Sheffield Mind is developing a fundraising and income strategy which it plans to have in place by 31 July 2009. A series of externally facilitated half-day sessions are scheduled that will involve as many stakeholders as possible.

A new paid position is being created for a Volunteer Co-ordinator. It is anticipated that this person will recruit volunteers to specifically help develop existing and new forms of fundraising such as membership, corporate sponsorship, legacies and payroll giving.

2. Pension liabilities

Sheffield Mind currently has liabilities in excess of £146,000 with the South Yorkshire Pension Authority (SYPA). This is a final salary scheme that the organisation was encouraged to join many years ago when fund performance was excellent. Sheffield Mind's membership of the scheme is underwritten by Sheffield City Council. Legal advice has been taken and Sheffield Mind's only option has been to stop admitting new members to the scheme. The cost of closing the scheme for existing members (there are 2) would be prohibitively expensive though. The situation regarding pension liabilities is kept under constant review.

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3. Financial risk and 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 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.

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.

CAF Bank offers 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. Financial claims by employees or service users
While this is seen as a very low risk its potential effects are mitigated against through having employer's liability and public liability insurance.