

POLICY AND PROCEDURE



SoLO
Life
Opportunities

38 Walnut Close
Chelmsley Wood
Birmingham
B37 7US

Charity No. 1102297
England Company No.
5025939

Reserves

Category: financial

Introduction

This policy follows the guidance given by the Charity Commission in their document Charities and Reserves CC19. Reserves are held to help the charity operate more effectively thereby enabling the company to provide reliable services over the longer term.

Definition of Reserves

Reserves are that part of a charity's unrestricted income funds that is freely available to spend on any of the charity's purposes.

This definition excludes restricted income funds. Reserves will also normally exclude amounts designated for essential future spending.

Policy Statement

SoLO Life Opportunities holds reserves to fund:

- Shortfalls in income, when income does not reach expected levels
- Unexpected expenditure
- Working capital

A helpful way to view reserves is to see them as the funds which the charity will use 'to buy some time' in the event of such a change in circumstances.

Risks of income shortfall include

- SoLO Life Opportunities is currently funded by a number of providers including
 - Solihull Metropolitan Borough Council,
 - Solihull Clinical Commissioning Group,
 - Various grant making bodies and trusts
 - Service user contributions, notably the PA Service, [Evolve](#) and the Daylight Projects.
 - Donations from companies and individuals. These donations may be in cash, goods or services or by the giving of time by our volunteers and trustees.
- Whilst this range of funders creates a high level of administration it does provide some security in so far as at any point in time some funders are likely to be in place.
- Some funders repeat their funding each year and the trustees are of the view that this pattern is likely to continue. An assessment of the risk that a funder will not renew funding is made in the attached statement.

Risks of unexpected expenditure include

- Staff costs arising through illness, maternity leave, paternity leave or a substantial award at an employment tribunal
- Redundancy payments in the event of the loss of a contract resulting in a restructuring of the charity. Certain staff might transfer to a new provider under TUPE but others might not.
- Significant unexpected repairs to the minibus or, to a lesser extent, to office equipment.
- Contractual liabilities such as commitments under property leases should the charity undergo significant restructuring or closure.
- Significant unexpected repairs to the premises at Walnut Close.

Risks of working capital requirements include

- Any new contracts where funding might be paid in arrears e.g. European Social Fund grants which can be paid 12 months in arrears

Establishing and maintaining a prudent level of reserves.

- The Charity Commission does not offer advice on the level of reserves to be held. The trustees of SoLO Life Opportunities must set a target based on the particular circumstances applicable at the time and being mindful of the policies and risks set out above.
- As part of the budget process, the trustees will quantify both a prudent target level of reserves to be held by the charity and the budget level of reserves.
- The current financial situation for SoLO Life Opportunities is potentially volatile given the following assumptions:
 - Adult Contracts are under review, in light of the personalisation of social care budgets enabling the end user to purchase directly. The SMBC commissioners have indicated that the review will be carried out during 2016/2017 and contracts will be rolled over during that period with no uplift, for twelve months. There is a high risk that this contract will reduce as people are assessed for individual budgets which will impact in this financial year.
 - Children's Contracts have been renewed for three years.

Actions to be taken to ensure that SoLO maintains a prudent level of reserves

- In the event of reserves dipping below the target SoLO Life Opportunities will aim to restore the reserves to the target level over the following four years. This could be achieved by increased fund raising, increasing earned income or reducing expenditure.
- If reserves exceed the target level, the trustees will review the likely expenditure over the following two years and invest in additional activity if deemed to be prudent. Other actions could include a reduction in time allocated to fundraising and less concentration on earned income activities.
- If the trustees decide to invest in an expansion programme, due attention will be paid to identifying funding that would sustain the expansion, should the reserves have been brought below the target level.

Monitoring and Review of the reserves policy

The trustees will review the reserves policy, if necessary, during the normal financial review at monthly board meetings should the financial report highlight any concerns regarding cash flow. Otherwise, it will review the reserves policy annually in conjunction with budget setting.