

**Solihull Action through Advocacy
Report of the Trustees and Directors for the year ended 31 March 2023**

Financial review (continued)

The principal financial risks faced by the Charity are regularly monitored by the Board of Trustees and by its Finance Committee, as well as on a continual basis by the CEO and Management Team. The main risks to which the Trustees feel attention should be drawn are:

- Dependency on a small number of large funding streams: Approximately 74% of income for 2022-23 was derived from contracts with Solihull Metropolitan Borough Council (although this is split across multiple contracts) and this presents some risk in terms of sustainability in the long term. Our main contract (Solihull First Advocacy) has been extended to at least September 2024. Other contracts with SMBC have shorter terms but we have developed a strong and open relationship with commissioners and have consistently delivered a high-quality service. In addition, the Trustees have set income generation targets and fundraising plans to encourage diversification of income streams to help mitigate this risk.
- Failure to achieve income generation targets: As with most similar charities, there is a recurrent risk that the charity will fail to meet its fundraising / income generation targets in any given year. The Trustees have set challenging but achievable targets and progress towards them is monitored regularly by the Board's Finance Committee. In addition, unrestricted funds held in reserves can be deployed to make up for under-performance in fundraising if the Trustees consider that to be prudent and appropriate.

Reserves

The Reserves Policy makes clear the Trustees' rationale for maintaining reserves and the approach that they take in determining the level of reserves to be maintained. This policy has been written having had due regard to Charity Commission guidance CC19. The target level of reserves is formally reviewed annually as part of the process of budget setting (and will be agreed in March each year) and the reserves position is continually reviewed throughout the year.

Having undertaken a thorough review of the reliability of the Charity's future income streams, its levels of committed expenditure, the cash flow forecast and the risks identified within the organisational risk register (which is reviewed at all Board meetings and monitored continually by the CEO), the Trustees have set a target to maintain unrestricted reserves of £60,000 which they consider to be sufficient to mitigate the risks that have been identified.

In summary, the reasons for which funds are retained as reserves are:


- To ensure the continuity of activity which is a high priority to SAAtA in the event of a significant variation or total loss of funding for that activity.
- To fund unforeseen and unavoidable running costs or capital expenditures that may arise.
- To fund running costs for the short-term in the instance of cash-flow timing problems.

Free reserves at 31st March 2023 are currently in excess of this target at £89,982. This is due to both increased income and cost savings during the year. It is anticipated that some of the balance will be used during 2023-24 and the Trustees will keep the reserves position under review.

This report has been prepared having taken advantage of the small companies exemption in the Companies Act 2006. This report was approved by the Trustees / Directors and signed on their behalf by:



Philip Marshall
Finance Committee



John Roundell
Finance Committee

14 November 2023

Date