

Reserves Policy

The Trustees of Improving Lives keep the reserves under regular review at each Board Meeting. They have set a target of Unrestricted Funds to fall within a range of three – six months of total expenditure. Given forecasted expenditure for the current financial year¹, this would give a figure of **£107,400 - £214,850**. The basis, for which there is a range as opposed to a figure, is explained below.

Developing Existing and New Services

Capacity to deliver Improving Lives' services requires investment, sometimes at the expense of keeping reserves at the top of the six month bracket.

Diminishing Availability of Charitable Grants

Given the strength of the Improving Lives Team and challenges with recruitments, it is important that the organisation is able to sustain service delivery, sometimes beyond the completion of grants.

Uncertainty in Renewing Grants

It is often the case that the organisation is not informed whether some grants will be renewed until the previous year's grant has come to an end, or after this. What's more, there is often a delay between projects starting and the funding being finalised and received, so we need to be able to fund our work in the interim period. With recruitment a particular challenge at present, it is important to be able to begin recruitment and payment, without the funding having been paid.

Consideration of the adequacy of current reserve levels

At the end of February 2022, unrestricted free reserves were 194,216, equivalent to 6.17 months' expenditure (2021: £118,126 – 4.69 months) which put reserves at the top of the bracket of our Unrestricted Reserves target.

In considering the adequacy of the current free reserves level, we have also taken account of the fact that restricted funding made up 81% of the charity's annual income over the last three years and therefore the level of restricted reserves and secured income for the forthcoming year is a mitigating factor in assessing whether our unrestricted reserves are at an acceptable level. Longer term reliance on restricted funding support may be more tenuous and therefore the unrestricted reserves target of three to six months remains in place and the commitment to rebuild the unrestricted reserves in line with this policy will be prioritised by the Board and the executive team.

¹ Figure Taken from Budget on 29/07/2022 when policy written

Improving Lives acknowledge that reaching the upper bracket target set out in the policy is particularly challenging when the charity is growing as the monetary amount required keeps increasing annually. However this is the reason a range of between three and months has been employed. Positioning at the top of the bracket will be achievable in the next few years for the reasons below:

- Fundraising strategy: netting ongoing Small Grants, Greater Corporate Donations and Service Income.

There is a strong system of securing Unrestricted Small Grants and Improving Lives have a greater presence from a Corporate Fundraising standpoint. The Unrestricted Income repeatedly outstrips the budget forecast.

- Greater opportunities for sustainable statutory funding: Improving Lives' model and value fit with the Mental Health Transformation which Nottinghamshire Healthcare NHS Foundation Trust is undertaking. Improving Lives is in an even stronger position following its successful pilot with NHNFT.
- A diverse funding portfolio of Large Grants, Statutory Funding and Unrestricted Income means that reserves can be built up to the top of the six month bracket again.