

# The Burford Singers – Financial Reserves Policy

References:

- a. Charities Commission guidance CC19, September 2018
- b. The Burford Singers Constitution

## 1. Reason for having a policy

As stated in Section 5.2 of Reference [a]: charity trustees have a general legal duty to spend income within a reasonable time of receipt. Trustees may spend this income to fund charitable activities, in acquiring assets to use in the charity's work, and in meeting the day to day running costs of the charity. To hold income in reserve rather than spending it, the Trustees of the Burford Singers rely on an implicit power to hold reserves and they must use that power in the charity's best interests (see section 16.1 of Reference [b]).

A reserves policy explains to existing and potential funders, donors, beneficiaries and other stakeholders why a charity is holding a particular amount of reserves. The reserves policy gives confidence to stakeholders that the charity's finances are being properly managed and will also provide an indicator of future funding needs and overall financial resilience.

## 2. Calculating the amount to keep in reserve

In assessing the amount of reserve, the Committee will take into account:

- forecasts for levels of income in future years, bearing in mind the reliability of each source of income and the prospects for opening up new sources
- forecasts for expenditure in future years on the basis of planned activity
- analysis of any future needs, opportunities, contingencies or risk – the effects of which are not likely to be able to be met out of income if and when they arise; and
- assessment, on the best evidence reasonably available, of the likelihood of each of those needs arising and the potential consequences for the choir of not being able to meet them.

## 3. Rationale – Maintaining Public Concerts

As stated in Reference [b], the choir's main charitable purpose is to advance, promote, improve, develop and maintain public education in and appreciation of the art and science of music. Its principal means of fulfilling this purpose is by the performance of public concerts. In order to maintain high musical standards the choir generally performs its concerts with professional soloists and orchestra.

Therefore, each concert involves considerable expense, only part of which can normally be recovered through revenues from ticket sales. In addition, the cost of concert venues varies but represents an additional item of expense.

Arrangements for concerts have to be made many months in advance. The choir, therefore, undertakes commitments that involve substantial expenditure, whereas the income from ticket sales is only received in the weeks leading up to a concert. In addition, the quantity of ticket sales is volatile and there is no guarantee that actual sales will match those estimated when drawing up a season's budget.

Since concert expenses normally exceed ticket revenues, often by a considerable amount, the deficit is met from members' subscriptions and fundraising. Members' subscriptions are fixed at the beginning of each season and there is little scope for increasing subscriptions if one or more concerts incur heavier losses than expected. The choir cannot rely on fundraising to meet an unexpected deficit and it would be irresponsible to do so.

Accordingly, there is a risk, in any season, that one or more concerts might incur a much larger loss than anticipated in the budget. If the choir suffered substantial losses on one concert it might still be committed to the remaining concert(s) in that season, since the costs arising from cancellation might exceed the expected loss if the concert goes ahead.

The Trustees, therefore, consider it prudent that the choir should seek to maintain a reserve that is substantial enough to cover the costs of at least two concerts, and preferably the cost for a whole season, in order to guarantee the quality of service.

#### **4. Rationale – Future Projects and Capital Expenditure**

The committee will review, at least every two years, its forward plans for:

- a. any significant capital expenditure which may be required to allow the choir to continue its work
- b. 'special' projects, for example large scale events to be performed with another choir or in a larger venue than usual; and
- c. 'special' commissions, for example of new music or other works.

The committee will use its collective judgement to decide whether such expenditure can be met out of existing reserves, or whether additional fundraising activities may be required.

Where a fundraising activity has exceeded the target, or where forecast cost is less than planned, the committee will use its discretion as to whether the surplus may continue to be reserved for additional projects, or retained to maintain its programme of public concerts.

#### **5. Rationale – Investing Reserves**

As stated in the Reference, when significant resources are held in reserves from year to year, the trustees should consider whether some or all the reserves can be invested to obtain a financial return for the charity. In making the investment decision, the trustees will consider when the reserves might be needed (liquidity of the investment) and the acceptable level of investment risk.

#### **6. Statement of Current Reserves**

A statement of the level of reserves held for (a) maintaining current services and (b) future projects and capital expenditure will be given either in the annual finance report or in an appendix to this policy.

Adopted by the Committee on 16 January 2019.

Signed: \_\_\_\_\_ (Peter Moran, Chairman)