

# **Reserves Policy 2016**

## **Compliance with legislation**

The Charity Commission expects trustees to decide, publish, implement and monitor their charity's reserves policy so that they can comply with their legal duties to:

- Act in the interests of their charity and its beneficiaries
- Protect and safeguard the assets of their charity
- Act with reasonable care and skill
- Ensure their charity is accountable

In practice, this means that trustees should develop a reserves policy that:

- fully justifies and clearly explains keeping or not keeping reserves
- Identifies and plans for the maintenance of essential services for beneficiaries
- Reflects the risks of unplanned closure associated with the charity's business model, spending commitments, potential liabilities and financial forecasts
- Helps to address the risks of unplanned closure on their beneficiaries (in particular, vulnerable beneficiaries), staff and volunteers
- Publish the reserves policy (even if not required to by law) and ensure it is tailored to the charity's circumstances – it should not be just a standard form of wording. It should explain to funders, beneficiaries, the public and the commission exactly what reserves are kept (or not kept) for and when they are to be used
- Make sure that their reserves policy is put in place and operated
- Regularly monitor and review the effectiveness of the policy in the light of the changing funding and financial climate and other risks

## **Background of Cantate Youth Choir's Reserves**

Cantate Youth Choir ("the Choir") has a history of building large reserves, but these have been reduced dramatically over the last few years largely due to the following:

- Falling choir numbers have meant that in recent times costs have exceeded subscription income
- A significant proportion of the Choir's reserves were earmarked for a replacement van. This was purchased in 2014
- In order to grow the numbers a concerted marketing effort was agreed upon. This involved advertising in school based publications across Herts and Essex along with a new website

## **Policy**

The Trustees of the Choir have analysed the risks and opportunities and have drawn up a reserves policy that reflects them.

Significant costs savings have been made in recent years. These have included the relocation of the Choir's town centre offices to premises to free office space donated by a sponsor and the redundancy of our full time general manager. These measures should ensure that Cantate is able to break even and even start rebuilding reserves. However, the trustees also believe that there should be some prudence in the reserves figure at the current time and have included a figure of £12,000 that would allow the charity to continue for one year with losses of £1,000 a month, allowing further restructuring if necessary in a reasonable timeframe with the choir still functioning.

A van is integral to the smooth operation of the Choir at concerts and it needs to be reliable. We managed to secure an excellent deal for the new van in 2014 but we might not be so lucky in the future. It would be prudent to replace the van every 5 to 7 years and this could cost £14,000. It is felt that a provision of £3,000 is prudent at this time, to be grown in subsequent years.

We are responsible for circa 90 students under the age of 18. It is important that the Choir holds funds for emergency situations that might not be immediately covered by our insurance and allow the continuity of our service. This might include relocation expenses, legal costs or even crisis management. A figure of £3,000 has been included in our reserves to cover such eventualities. It is vital that the Choir's aim that no student should be excluded from singing in a world class choir for purely financial reasons is maintained. Our bursary fund recognises this and £4,000 is retained for this purpose.

Our target reserve figure is therefore £22,000.

Reviewed by Committee – March 2017

Next review – March 2018