

# **FINANCIAL RESERVES POLICY - Towcester Choral Society (TCS)**

## **1. Introduction**

Towcester Choral Society (TCS) believes that retaining an appropriate reserve fund is prudent to support the society's future and to deal with predictable and unexpected events.

This policy explains TCS' approach regarding retaining money from any financial year to meet potential expenses in future years.

## **2. Principles – why reserves are required**

TCS owns various assets which will inevitably degrade over time and for which replacement could not be funded out of normal operating income. Reserves allow the society to replace assets when they are no longer suitable for further use, which could arise at short notice.

TCS arranges concerts and other events which have a financial risk depending on whether audiences / participants are attracted to buy tickets to attend. The society needs to be able to withstand a loss on an event and continue operating.

TCS may need to invest in additional assets or facilities to deliver its purpose for members and / or wider society that cannot be met by current income alone, e.g. a significant asset purchase, or a project for which we are seeking external funding that requires us to provide 'matched funding'.

## **3. Setting the level of reserves**

Periodically the TCS committee should review the risks it sees in its environment. This leads to setting the level of reserves it should hold together with its ability to achieve that level of reserves. The following are intended as guidance but are not definitive or exclusive:

- Review the asset register and consider the condition and likely future life of each asset. Decide how much money should be kept in reserve to repair or replace each asset.
- Consider the events planned for the current and following financial years and review the range of potential financial outcomes, comparing best-case and worst-case situations and what provision should be made to cover any shortfalls.
- Learn from recent activities and whether investing in additional assets or facilities would help TCS achieve its goals. Consider if fundraising would provide funding for this investment or whether TCS needs to make provision to fund some or all of the investment itself.

The outcome of the above may be a specific sum of money, a target financial range, a value related to some other parameter (such as per member, per concert), or conditional on some event / circumstance. The rationale should be clearly recorded to give confidence to members and other funders that TCS is demonstrating good stewardship and can show the charity's capacity to manage unforeseen financial difficulties.

#### **4. Procedure**

It is anticipated that the Treasurer and Chair will make recommendations about the level of reserves which will be tabled for agreement by the committee at one of their meetings.

The value of the reserves will be kept under review by the committee and can be varied at their discretion by a later committee decision.

The reserves can be spent at any time by decision of the committee and on any type of expense, whether to cover operating costs or to purchase an asset or facility.

The level of the reserves should be reviewed at least annually and will be reported at the AGM together with the rationale for their level.