**St George’s Singers; 2014/15 Annual Report & Accounts-Reserves Statement**

We have recently made an ‘adequacy of Reserves’ statement in our Annual Report (to the Charities Commission) but their “Charities and Reserves” (CC19) publication requires a formal Policy and annual statement of actual v. Policy reserve level calculation.

After considering the general advice within CC19, I believed that the 2014/15 year-end choir free reserves (£22.5k) and 2015/16 year-end budgeted reserves (£21.4k) were at prudent levels relative to the £42k annual choir expenditure. These reserve levels have been particularly boosted within the past 3-4 years by successful income generation strategies.

During our year-end discussions, however, Steven Bluck, FCA [our independent examiner throughout my time as Hon. Treasurer and a Group FD with registered charity responsibility] was asked for his advice about appropriate reserve levels. His consequent letter to Andrea/ SGS committee includes the following, based on legal advice to his employer:-

“...a reasonable range of reserves was between a minimum of 3 months annual expenditure and a maximum of a year’s expenditure........ .....Looking at the choir’s accounts, annual expenditure is c 40k, and reserves c £20k. My view is that this is the right level, and that the choir should seek to maintain this level, at around six months expenditure and this should be the basis of the choir’s reserve strategy. Obviously it is for the choir’s committee to consider and adopt such a strategy and I would recommend it does this in the near future”

Reflecting the Charity Commission CC19 directive (and Steven’s expert advice) your committee have approved my proposal to adopt the following Reserves Policy:-

1. The choir should aim for **normal** free reserves (i.e. mainly bank/ investment account balances) of approx. **six months’** average expenditure, broadly £20k, when a normal programme of concerts/other events is planned.
2. The choir should aim for **minimum** free reserves of approx. **three months’** average expenditure, broadly £10k. If reserves fall to this level then ‘remedial’ actions e.g. fundraising activities/ special events, subscription rate increases would be considered by the committee.
3. The choir should aim for **enhanced** free reserves of approx. **nine months’** average expenditure, broadly £30k, when there is a planned concert or event whose financial risk profile substantially exceeds normal concerts or events.
4. The assessment of reserves v. planned financial commitment adequacy will be considered at committee meetings on at least a 6-monthly basis.

The **advantages** of the above Policy are:-

1. It provides evidence to the Charity Commission that we recognise the legal requirement to have such a Policy and that the choir is adopting a prudent i.e. sound governance approach to risk management and thereby avoiding a ‘Kids Company’ type unplanned insolvency situation due to insufficient reserves.
2. It demonstrates that the committee/ Trustees have taken appropriate external expert professional advice and acted promptly in accordance with the recommendations.
3. It provides a ‘cushion’ for the choir to put on concerts which will be financially challenging and generally involve high fixed cost / contractual commitments long before any ticket income is received. For example, the Buxtehude/Bach concert could be included in the concert programme despite having a budgeted £5k+ deficit. Although the final deficit was well under £4k, until the final ticket sales surge there were concerns that the deficit could substantially exceed budget. Clearly such substantial deficits can only be managed within substantial reserve levels.
4. Even for ‘normal’ concerts, there is a ‘cushion’ against the risks of declining audience numbers/ inability to raise ticket prices as increasing local event competition and increasingly difficult economic circumstances prevail; compounding which most of our costs are fixed well before performance date and many, especially venue costs, are increasing more rapidly than inflation.
5. It provides a ‘cushion’ against any unforeseen (and unforeseeable) non-concert financial issues, with HMRC gift aid reclaim being a major source of choir income and only a small proportion (c30% i.e. Members’ subscriptions) of our income being relatively predictable.
6. The proposed Policy reflects the various levels of risk inherent in the choir’s programme, by quantifying the free reserve level ‘triggers’ at which the choir would redouble fundraising etc. efforts either to rectify a fall in reserves or boost normal reserves in preparation for an exceptionally risky future planned commitment e.g. a Bridgewater Hall concert.
7. It provides reassurance to Trustees who, in certain situations, could be personally liable for the financial consequences of choir failure to meet commitments.
8. The requirement for regular 6-monthly committee reserve assessments should ensure that any changes in reserve movements are managed in a controlled manner.

I therefore request, on behalf of the committee/Trustees, that Members at AGM approve the above Reserves Policy as part of the choir’s Annual Report to be submitted to the Charity Commission following the AGM.

John Slater, Hon. Treasurer, 10 October 2015