



WATFORD PHILHARMONIC SOCIETY FINANCIAL RESERVES POLICY

Overview

Watford Philharmonic Society is a registered charity (No 272393) whose mission is to promote the art of music by the study and public performance of choral and orchestral works of the highest quality.

A **Financial Reserves Policy** explains to existing and potential funders, donors, beneficiaries and other stakeholders why a charity is holding a particular amount in reserve. It gives confidence to stakeholders and others that the charity's finances are being properly managed and will also provide an indicator of future funding needs and overall financial resilience.

To hold income in reserve rather than spending it, the trustees of the Society rely on an implicit power to hold reserves and must use that power in the charity's best interests.

Detail

Charity trustees have a general legal duty to spend income within a reasonable time of receipt. Such income may be spent to fund charitable activities; in acquiring assets to use in the charity's work, and in meeting its day to day running costs.

Our main charitable purpose is principally fulfilled by the performance of public concerts, requiring hire of venues, payment of professional staff, soloists and additional orchestral players. Each of these involves significant expense, only part of which can normally be covered through revenue generated from ticket sales.

Arrangements for concerts are made many months in advance. The Society therefore makes commitments involving substantial expenditure, whereas the income from ticket sales is only received in the weeks immediately prior to a concert. 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, 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 introducing a levy should one or more concerts incur heavier losses than expected. Neither can the Society rely on fundraising to meet an unexpected deficit and it would be irresponsible to do so.

Accordingly, there is a risk that in any season, one or more concerts might incur a much larger loss than anticipated in the budget. If the Society were to suffer substantial losses on one concert, it might still be committed to remaining concerts in that season, since the costs arising from cancellation might exceed the expected loss of the concert going ahead. The trustees therefore consider it prudent for the Society to maintain a reserve substantial enough to cover the costs of at least two concerts, and preferably the cost for a whole season, in order to meet its charitable objectives.

Calculating Reserve

In assessing the amount of reserve, the trustees will consider:

- Forecasts for levels of income in future years.
- Forecasts for expenditure in future years.
- Future needs, opportunities, contingencies or risk unlikely to be met out of income.

Planning for future projects

The trustees will review regularly future projects involving:

- Any significant capital expenditure.
- Special events such as large-scale concerts with other choirs or in a larger venue than usual.
- Special commissions, for example of new music.
- Fees for top level soloists.

The trustees will use their collective judgement to decide whether such expenditure can be met from existing reserves, or whether additional fundraising activities may be required.

Should any such fundraising exceed its target, or the forecast cost is less than planned, the trustees will use their discretion as to whether the surplus may continue to be reserved for additional projects or retained to support the regular concert programme.

Investing Reserves

When significant amounts 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, bearing in mind liquidity and acceptable level of risk.

Statement of Current Reserves

A statement of the level of reserves held for (a) maintaining current services and (b) future projects will be included in the annual finance report.

Review

This Policy will be **reviewed annually** by the Society's management committee and adjustments made in accordance with changes in legislation or recommendations. Members of the Society will be advised of any such changes.

Policy originated:	Next review:	Signed off by:
July 2023	July 2024	
	July 2025	

NOTE

This Policy is based on guidelines issued by the Charity Commission available via the following link:

<https://www.gov.uk/government/publications/charities-and-reserves-cc19>

Watford Philharmonic Society maintains an insurance policy to help mitigate costs associated with cancelled concerts or with unforeseen events.