



Policy on financial reserves

The Charity Commission states that: *“It is important for charities to have a policy explaining their approach to reserves. There is no single level or even a range of reserves that is right for all charities. Any target set by trustees for the level of reserves to be held, or decision that there is no need for reserves, should reflect the particular circumstances of the individual charity and be explained in the policy.”*

DSO policy is to hold sufficient reserves so that we could meet our obligations either if we had a period with reduced income or the orchestra had to be wound up at short notice. The main risk we face is that income from members' subs and concert ticket sales is not sufficient to cover the costs of rehearsals and putting on three concerts a year.

Costs

Our budget for the year is currently about £16,300. This is divided roughly 50/50 between the cost of concerts and the costs of rehearsals. The main costs include the cost of venue hire, payment of conductor and leader and payment of soloists and additional players, as well as music hire. These costs are likely to increase annually as the cost of venues increases, as well as the amount the orchestra pays to the conductor and leader. For the purposes of planning it seems not unreasonable to assume annual costs of £16,500. Our costs are inflexible in the short term. In the longer term, they could be adjusted by choice of repertoire and possibly of concert venue. We are unlikely to find a cheaper rehearsal space.

Income

Our income depends on the number of members paying subs and the income from ticket sales. With current membership (about 60 members, of whom 12 pay the reduced rate) subs bring in about £11,000 per year. This is, however, higher than in some recent years, as membership has increased. For example, in 2015-16 the total was £9,200, and in 2014-15 it was £7,420 (although the rate then was £60 per term), with membership of about 45. We also receive money from Gift Aid, dependent on membership. In 2016-17 we received £2,000 in Gift Aid, whereas in 2014-15 the figure was £1,465.

Takings from concerts have ranged from £2,400 in December 2017 to a low of £678 in June 2016. In 2016-17 they averaged £1,780 per concert.

Risks

Taking the worst-case scenario, if income from subs were down to £8,000 (assuming membership of 45), Gift Aid down to £1,500, and ticket sales from concerts reduced to £3,000, we would be faced with a loss of £4,000. If we had to cancel a concert at short notice, with the result that there was no revenue but we still had to pay for the venue, soloists and extra players, the loss could increase by a further £1,000 to £5,000.

In the longer term, membership and concert audiences can be influenced by publicity and choice of programme. Some costs could also be reduced by performing pieces which are cheaper to hire and require fewer extra players, although savings from less ambitious programmes could result in our attracting fewer players and therefore reduced income from subs. It would be prudent to have sufficient reserves to allow time for adjustments to our budget to be made. Two years would seem to be a reasonable period. The conclusion from this is therefore that the orchestra should ideally have reserves of between £8,000 and £10,000. Our current reserves are just over £7,000. Our budget for this year does not allow for a surplus of income over expenditure which would increase our reserves, but it is possible, if current membership and concert ticket sales are maintained, that we will be able to add slightly to our reserves this year. It is suggested that next year's budget should also aim to balance expenditure and income, but with fairly cautious estimates of costs and income so as to allow for the possibility of a small increase in reserves.

Summary of worst case costs and income per year

Expenditure		Worst case income	
		Subs	£8,000
		Gift Aid	£1,500
		Ticket sales	£2,000
	£16,500	Total	£11,500
Possible loss	£5,000		

Historical level of reserves

Year	Income - expenditure £	Reserves £
2011-12	1,052	159
2012-13	2,486	2,645
2013-14	928	3,573

2014-15	411	3,985
2015-16	735	4,720
2016-17	2,405	7,125

DSO committee

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