**Lucilla Dramatic Society (LDS)**

**Registered Charity 700241**

**Policy: Reserves**

**FINAL 140324**

**Person Responsible: Hon Treasurer**

**Brief Summary of the Charity's Policy on Reserves**

**LDS aims to maintain a sufficient reserve to manage day to day fluctuations in cash flow, to provide a contingency for unexpected payments, and to provide sufficient capital for any agreed spending towards the aims of the Society within the relevant quarter or financial year. All this must be in line with the legal obligations on the Trustees.**

**Guidance**

LDS takes note of the relevant guidance for UK charities (Section 3.1 of the Charity Commission’s guidance document CC19, Charity Reserves, Building Resilience) which defines Reserves as:

“that part of a charity’s unrestricted funds that is freely available to spend on any of

the charity’s purposes. This definition excludes restricted income funds and endowment funds.”

LDS recognises that the Trustees have a legal obligation to ensure that all their charity’s funds are used necessarily, reasonably and incidentally for its charitable purposes for the public benefit.

LDS will declare in the Annual Trustee’s Report any restricted funds or endowment funding, and account for their use.

**Components of LDS Reserves**

LDS sees reserves as any money set aside from the usual cycle of income and expenditure to finance

1. **Contingency**: unexpected, required expenditure

For example, the upkeep of the House and responsibilities as Landlords may necessitate unexpected expenditure in excess of the designated budget for Fabric. Money may be held for this purpose.

1. **Cash-flow**: where the forecasted expenditure exceeds the forecasted income

For example, the cycle of income and expenditure is uneven within the financial year. Money may be held for this purpose.

c) **Commitments**: a commitment to occasional significant expenditure which cannot be covered by

the annual income

For example, LDS needs to ensure its building and facilities are fit for its charitable purpose and comply with relevant legislation. To this end it may be necessary to undertake capital projects (new facilities or upgrade of existing facilities) over a longer period, where the total cost is greater than the annual income of the Society, or where match funding is sought from a third party.

LDS will designate an annual budget for necessary repairs to the property it owns, but recognises that, in addition, other long term projects which may support the ability of the Society to fulfil its charitable object are desirable and will need appropriate funding.

Money may be held for this purpose.

d) **Conservation**: funds which the trustees cannot spend immediately without compromising their

legal responsibilities to ensure that their charity’s resources are used necessarily, reasonably and

incidentally in fulfilment of their charitable objects

On occasion in the annual financial cycle, funds may be more than that which can be reasonably and lawfully spent to achieve the principal object of the Charity, which is the promotion of performing arts in the community of Sefton. Trustees may take reasonable time to consider the options, and associated risks, for using any unexpected surplus and to create and pilot-test new activities to further the charity’s objects. Trustees may review fundraising activities to allow the charity to run at a deficit until the surplus funds have been used up. The Trustees will steward the Society’s resources responsibly, even during periods of unexpected surpluses. Money may be held for this purpose.

e) **Closure**: the charity becomes financially unsustainable and must be wound up.

LDS recognises that in the regrettable event that the Society must be wound up, there will be legal and other associated costs such as the payment of suppliers. The Society would expect to hold at funds to continue for at least 6 months while the Society is wound up. Money may be held for this purpose.

**Risk Analysis, budgeting and financial reporting**

The Hon Treasurer will produce quarterly forecasts of income and expenditure for the General Committee. The Hon Treasurer and the Chairman will produce an Annual Report for publication at the AGM.

The Hon Treasurer and the Chairman will conduct a quarterly Risk Analysis of factors which affect the financial viability of the Society and inform the Committee of any material effect on the Reserves.

The Committee may decide to hold some reserves in a separate Business Savings Account.

***Risk Register***

Financial risks to be considered by the Hon Treasurer and Chairman quarterly and any material risks recorded and reported to Committee. Any action to be noted in the minutes of the Committee meeting.

Reserves held at the end of the financial year to be reported to the AGM with amounts and reasons.