# THE RISING SUN ARTS CENTRE - RESERVES POLICY

Date approved: May 2022
Date reviewed: July 2026. Updated to reflect change in RS staff structure – no paid Centre Manager in post.

**1.0 The Rising Sun Arts Centre needs reserves to:**

1.1 Meet contractual liabilities should the organisation have to close. This includes redundancy pay, amounts due to creditors and commitments under leases.
1.2 To meet unexpected costs like break down of essential office machinery, staff cover re illness, maternity leave, parental leave, and legal costs defending the charities interest.
1.3 To replace equipment as it wears out.
1.4 Ensure that the charity can continue to provide a stable and quality service to those who need them. Within this context to minimise recruitment, staff training, staff induction and marketing costs by avoiding the need for redundancies caused by financial crisis.
1.5 To provide working capital when funding is paid in arrears and place the charity in a position where it could bid for funding which can be paid up to 12 months in arrears.
1.6 From time to time funding has certain restrictions which means that by law it must be held in a restricted reserve until it is spent in line with the funding agreement.

**2.0 FUNDING**

2.1 The Rising Sun is currently funded by a combination of earned and grant income. The earned income derives mainly from bar sales, room hires and door takings.
2.2 Whilst earned income provides us with an independent source of funding, which is not dependent on grant giving, it does mean that the organization can become focused on income which is work intensive and this puts pressure on the organization to deliver a high volume of work to maintain income levels.
2.3 Fundraising is an area which has been identified as a developmental priority and the centre may wish to look at securing greater income from donations.

**3. Responsibilities and Accountability**

3.1 Trustees have overall responsibility for the governance of the organisation.
3.2 Trustees should be able to justify the holding of income as reserves.
3.3 Where the Trustees have a reserves policy, this policy must be set out in the annual report.
3.4 Trustees should keep the reserves policy under review to ensure it meets a charity's changing needs and circumstances. In this way Trustees will be aware of the build-up of excess reserves or of reserves being unexpectedly or rapidly depleted.

**4.0 A PRUDENT LEVEL OF RESERVES**

4.1 The Rising Sun aims to have reserves in the band 15% to 25% of current expenditure. Assuming an average annual expenditure of £70,000 this would mean a reserve held of between £10,500 and £17,500
4.2 Were The Rising Sun Arts Centre to close the organisation would incur a number of winding up costs.

**Costs of closure**
The organization calculates that these costs would be met by reserves at the above percentage of expenditure.

**Assuming an ongoing organisation**
There are a number of events that could occur during a year that are generally not budgeted for and would be typically funded from reserves such as sickness, parental leave, adoption leave, unexpected replacement of machinery, provision to cover unexpected loss of a regular room hire etc.
The organization calculates that these costs would be met by reserves at the above percentage of expenditure.

## 5.0 POTENTIAL FOR SHORT TIME WORKING

5.1 Whilst the trustees have to take a prudent position and allow for redundancy in the event of a financial crisis the charity does have a good relationship with its staff and the options of part-time working and short term lay-offs would also be considered. It should though be noted that where income is related to out puts and the organizations activity a move to part-time working could jeopardise some income streams.

## 6.0 RESTRICTED FUNDS

6.1 Some of the centre’s income is restricted and can only be used for its original and intended purpose and this should be taken into consideration when calculating the amount of reserves held.

## 7.0 ESTABLISHING AND MAINTAINING A PRUDENT LEVEL OF RESERVES.

7.1 In the event of reserves dipping below the target amount, the Rising Sun will aim to restore the reserves to at least 15% of expenditure over the next year. This could be achieved by increased fund raising, increasing earned income or reducing expenditure.

7.2 If reserves exceed 28% of expenditure The Rising Sun will consider the likely expenditure over the next two years and aim of reserves to be less than 25% of turnover by the end of two years. This could be achieved by reducing fund raising, allocating less time staff time to earned income activities, reducing prices, or increasing "free" activities and so increasing expenditure.

## 8.0 MONITORING AND REVIEWING RESERVES POLICY.

8.1 The trustees will consider current costs of closure and examine the level of reserves each year then setting the following years budget.

8.2 This reserves policy will be reviewed every two years.