



ROYAL FREE MUSIC SOCIETY CHOIR RESERVES POLICY 19th JUNE 2020

1. Introduction – Choir income: sources and forecast future levels

Most of the choir's income is received through membership subs which are paid either termly or annually. Membership numbers fluctuate per term and per year. (Choir numbers have averaged 45 to 57 over the past year (2019-2020).) Some income is received through personal donations and from the choir's patrons (currently four). The choir puts on 3 concerts per year for which it sells tickets. However, income from ticket sales does not normally cover all concert costs.

The choir income and expenditure are budgeted annually by the Treasurer and reviewed termly by the Finance Sub-Committee and the full Committee. The annual accounts are presented to members at the AGM each Spring, normally in February.

The only assets the choir owns of any significant value are the funds in its bank accounts.

2. Why do we need reserves?

The RFMS needs reserves:

- to ensure financial continuity in case of a marked drop in income
- to maintain a positive cash flow
- to enable the choir to plan for future projects which might require additional spending

Reserves are needed because we have to commit to most of each term's costs before receiving all of the term's revenue; in particular, concert-related revenue (e.g. ticket sales, programme advertisements) comes at the end of the term.

At the same time, RFMS members can reasonably expect the Committee to raise funds (in terms of subs) at a rate commensurate with the immediate costs of running the choir and not to accrue excessive surplus funds in the bank account.

3. The level of reserves the choir needs

As the choir has minimal contractual commitments at present – with only Music Director and Accompanist engaged on 3 months' notice – there is no need to hold a very high level of reserves. The choir's risk assessment has not found any other risks that could create a financial liability not covered by its insurance.

We have defined our reserves as the funds which the choir needs to cover all its budgeted expenditure for a term (third of the year), including one concert. These costs comprise:

- payments to the Music Director and Accompanist for rehearsals
- any rehearsal space costs
- fees to professionals (conductor, musicians and singers) for one concert
- other concert costs for one concert (venue, flyers, refreshments).

At this time (June 2020), a third of the choir's annual budgeted expenditure is £6,000. The Committee has agreed to maintain an additional £1,000 to make a total sum of at least £7,000 as a level of reserves. (NB See point 4 – recommendation to alert if balance of funds reaches £10,000)

4. What happens if the level of reserves falls below the figure agreed?

Bearing in mind that the majority of subs income is received at the start of the summer term (which is the start of the choir year and when annual payments can be made) and that funds diminish throughout the year (principally because concerts are loss-making), the bank balance/cash surplus will vary throughout the year. Therefore, once subs have been collected near the start of the summer term, there should be substantially greater funds available than at the start of the spring term (third of three terms).

It is the responsibility of the Treasurer and the Finance Sub-Committee to scrutinise the bank balance and to alert the Committee in good time, should they find funds diminishing at a more significant rate than usual or than budgeted.

If the choir finds itself with reserves close to or below £7,000 (or below any figure decided upon in the future), it could choose to:

- reduce expenditure in the following term below the previously budgeted figure – eg by not holding a concert
- intensify fundraising activities
- increase subscriptions

Fundraising activities could include applications for grants, such as those from which the choir has benefited in the past.

However:

- Deciding not to hold a concert in order to keep down costs may affect membership numbers and therefore income from subs
- Funding applications to official bodies can take a long time to process and there is no guarantee of a successful outcome
- It may prove hard to raise subs once the choir year has started

Therefore, it is recommended that the Committee be alerted if the bank balance drops to £10,000.

5. What happens to any cash balance above the agreed level of reserves?

Subject to any expenditure not jeopardising the proper functioning of the choir over the ensuing 12-month period and to it being in line with the RFMS Constitution, the cash balance above the agreed level of reserves can be put to use in two ways, in consultation with choir members:

- enhancing the choir's main musical activities and
- promoting additional activities to widen participation in choral singing

6. Implementing the policy:

- The Committee will review the choir's level of reserves (and reasons for fall or rise in funds) on an annual basis in time to set the budget for the following year (during Autumn term) and agree appropriate actions
- The Committee will decide whether to spend any surplus funds and how much is affordable
- The Committee will then consult with choir members to decide on the appropriate area(s) for spending the agreed amount from the choir's surplus funds. Members may make proposals for use of excess funds at any time, but decisions to spend the money will only be made after the annual review.
- (See addendum for possible ideas)



Addendum:

Ideas for the possible use of choir funds:

(NB This is not an exhaustive list, but it gives an indication of the kind of projects we might consider funding.)

- The Committee should invite proposals from the Music Sub-Committee and/or from any choir member.
- The choir's main activities could be enhanced by spending more on instrumental or vocal support for some concerts.
- Open sessions could be offered to widen participation from within the hospital or beyond. Any sessions would be offered as taster sessions for membership of the choir.
- To promote wider participation in choral singing, the choir could sponsor someone from a low-income/non-musical background to join by covering their fees and music for a term.
- The opportunity to offer something to hospital patients could be explored.
- The choir could commission a new choral work for the choir to perform.

(NB Any additional sessions would need paid-for professional musical support as well as participation by choir members.)