



Registered Charity No. 701555

## Reserves Policy

## Preamble

This reserves policy sets out the purpose, level, and use of reserves held by the charity, in line with Charity Commission guidance and the duty of the Management Committee acting in their capacity as charity trustees to manage the charity's resources responsibly.

The objectives of this policy are to:

- ensure the charity can meet all its financial obligations as they fall due;
- protect the charity from financial shocks or unexpected loss of income;
- minimise exposure to financial risk and debt;
- support prudent decision-making by the Management Committee;
- reduce as far as possible the likelihood of circumstances in which trustees could face personal financial liability.

This policy reflects the charity's small-scale, predictable activities and its intention to operate without incurring debt or obligations beyond the charity's capacity.

## Definitions

For the purposes of this policy:

- **Reserves** are that part of the charity's unrestricted funds that are freely available to spend on any of the charity's objects after deducting:
  - fixed assets held for use by the charity;
  - designated funds set aside for specific planned future spending; and
  - any other funds that cannot be readily applied for general purposes.
- **Unrestricted funds** are income funds that are not subject to donor-imposed restrictions and are available for the general purposes of the charity.

## 3. Risk Profile of the Charity

In setting this policy, the trustees have considered that the charity:

- does not borrow money;
- does not employ staff;
- does not offer guarantees or make significant grants;
- undertakes activities on a production-by-production basis;
- funds its activities primarily from ticket income and occasional grants or fundraising;
- has limited and predictable expenditure.

## Existing Leases and Commitments

The charity holds informal licence to occupy a small storage barn situated at the rear of 2 Bull Ring, Horncastle, for a nominal 'peppercorn' rent. This arrangement supports the charity's day-to-day

operations, carries no material financial risk or long-term commitment, does not create meaningful exposure to debt, and is considered proportionate and appropriate to the charity's activities.

Nothing in this policy is intended to prevent the charity from entering into routine, short-term operational contracts in the ordinary course of its activities (including utilities, insurance, licensing, and statutory charges), provided these can be met from existing unrestricted funds and reserves.

### **Target Reserve Level**

The Management Committee has set the minimum target level of reserves at:

**£10,000**

This fund is a contingency in the event of a sudden reduction in income, in order to protect the future operation of the organisation from the effects of any unforeseen variations in its income and expenditure. It also provides cash flow for any contracts paid in arrears. This figure reflects the charity's absence of significant fixed liabilities, and limited financial commitments beyond normal operations, and predictable income and expenditure profile.

### **Use of Reserves**

Reserves will be used only to:

- meet **unexpected shortfalls** in income (e.g., loss of a major grant, cancellation of a production);
- cover **unforeseen or emergency expenditure** essential to continuing activities;
- ensure sufficient cash flow during periods of **timing differences** between income and expenditure;
- responsibly manage **planned activities** where costs are expected to be recouped through future income, **provided that** the charity holds sufficient unrestricted funds (including reserves) to meet those costs even if the anticipated income is not received.

Reserves will **not** be used to:

- finance speculative or unbudgeted activities;
- underwrite commitments that exceed the charity's available unrestricted funds;
- support activities that create **anticipated future liabilities** that the charity cannot meet within existing funds.

### **Prohibited Activity**

To minimise the risk of personal liability for trustees, the charity shall only enter into financial commitments where the full cost can be met from existing unrestricted funds and reserves, as set out in this policy.

Accordingly, the charity must not:

- a) Enter into loans, overdrafts, or credit facilities of any kind;
- b) Enter into any additional long-term or material lease, contract, agreement or guarantee that cannot be met from existing funds;

- c) Enter into contractual obligations creating liabilities that cannot be met from existing unrestricted funds and reserves;
- d) Materially alter the terms of any existing lease without explicit trustee approval and a documented financial risk assessment.

### **Decision Making**

The Management Committee may only approve expenditure or commitments where:

- sufficient unrestricted funds are already held;
- the commitment does not reduce reserves below the target level, unless explicitly approved by the Management Committee, with recorded reasons;
- the commitment does not create liabilities extending beyond the charity's foreseeable means.

Any proposal to depart from this policy must be approved by the Management Committee acting in their capacity as charity trustees and, where appropriate, referred to the membership at a Business or General meeting with full disclosure of risks.

### **Review and Monitoring**

The Management Committee must:

- Review this policy and the level of reserves to be held at least annually;
- Monitor reserves throughout the year as part of regular financial reporting; and
- Revisit the target level of reserves if there are significant changes to income, expenditure, strategic plans or risk profile.

### **Reporting**

The charity will provide a clear statement at each AGM, and in its Trustees Annual Report when required, explaining:

- The level of reserves held and the rationale for this level;
- Any significant deviations from the policy during the year.

**Date adopted:** 17<sup>th</sup> April 2026

