

## **Reserves Policy**

**For the purposes of this document, Salisbury Area Young Musicians (SAYM) includes Friends of Salisbury Area Young Musicians (FSAYM) and FSAYM Ltd except where specifically stated**

FSAYM exists to provide musical and educational opportunities for young people in the Salisbury area. It mainly achieves this by providing a wide range of musical activities and performing groups led by professional musicians and music teachers. It encourages wider access and participation through outreach activities to local primary schools. Subscription levels are held low, and further rebates are offered to avoid cost being a bar to participation wherever possible.

### **1 Rationale for holding Reserves**

SAYM holds reserves in order to:

- Have sufficient working capital for its normal operations (e.g. to pay bills even if revenue is received late)
- Provide against the risks of losing any important funding streams, to give time to replace them, or to manage costs appropriately
- Guard against unexpected cost increases
- Mitigate the impact (however unlikely) of unplanned closure of FSAYM

### **2 Financial commitments and risks**

FSAYM budgets approximately £100k per annum to provide its core services (2019 figures – rounded for simplicity and clarity). Spending is split broadly as follows:

<b>Spending type</b>	<b>Proportion</b>
Leaders and assistants for ensemble groups	40%
Hire of venues	25%
Management of SAYM	20%
Other, including cost of concerts	15%

Having risk-assessed these spending commitments the Trustees believe that the Reserves should always provide for a full year of staff SLA costs (Ensembles and management).

Revenues are split broadly as follows (again 2019 and rounded for clarity):

<b>Revenue source</b>	<b>Proportion</b>	<b>Comments</b>
Subscriptions	50%	Numbers have stayed stable / modest growth over past three years
Grant from Wiltshire Music Connect	20%	Now renewed annually
Gift Aid on subscriptions	10%	Received significantly in arrears
Concert revenue and other fundraising	10%	

The Trustees consider subscription and Gift Aid income to be relatively stable and dependable.

Although FSAYM enjoys a good relationship with Wiltshire Music Connect, the fact that the grant is renewed annually for only 12 months at a time poses a significant risk. The Trustees therefore consider that Reserves should be set with possible loss of this grant in mind. Reserves should cover two years of this revenue.

FSAYM intends to grow its other fundraising activities in order to mitigate this risk further, and to preserve flexibility to continue to offer meaningful subscription rebates to families who might otherwise not be able to participate in SAYM activities. Some concrete steps towards this have been taken in 2018 and 2019.

### **3 Restricted funds**

Certain funds received from Wiltshire Music Connect are restricted in their usage. These restrictions limit usage essentially to FSAYM's core activities and hence the Trustees do not consider that they have an additional impact on the reserves policy.

#### **4 Current Reserves Levels**

Based on prudent financial management and the generosity of donors over many years, FSAYM has reserves of over £100,000 as at April 2019. Reserve levels were set cautiously when FSAYM was set up in 2016, because of a number of major uncertainties at that time.

With the benefit of these significant reserves, FSAYM has operated at a planned deficit in 2018 and 2019.

#### **5 Target level of Reserves**

Based on their assessment of cost commitments and revenue risks, the Trustees consider Reserves should cover any of:

- a. A full year of the staff SLA costs of FSAYM; or
- b. The loss of the Wiltshire Music Connect grant for two years; or
- c. Three years' worth of annual budget deficits.

In practice c. above means that annual budgets will be set ensuring that deficits are always covered at least three times by Reserves held at the time.

For 2019-20 target Reserves will therefore be approximately £60,000.

#### **6 Monitoring and review of the Policy**

This policy will be monitored by FSAYM Ltd and reviewed annually by the Trustees.

This policy last reviewed on:

1 July 2019