

DoorstepArts.co.uk

OPERATING RESERVES POLICY

I. PURPOSE

This Reserves Policy is to ensure the financial health and integrity of the organization that is Doorstep Arts CIC, a non-profit arts education organisation whose core activity centres on participation in the arts as a key part of working for social justice. As a company, Doorstep Arts believe that all children's voices and stories matter and deserve to be listened to and that all children deserve to be able to access high quality participatory arts and to see (and make) amazing and inspiring work on their own doorsteps.

The purpose of this Operating Reserve Policy for Doorstep Arts CIC is to reduce organisational risk by building and maintaining an adequate level of unrestricted cash reserves to support the organisation's day-to-day operations in the event of unforeseen shortfalls. Operating reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap.

Our core purpose is to benefit Torbay, the community we serve, therefore it is essential for Doorstep Arts hold financial reserves in order to ensure the Company's resilience and maintain a secure financial future. Guidance suggests that a company should hold 3-6 months operating costs in unrestricted reserves. As a small company which was constituted in 2013, the growth of these reserves needs to happen in line with our grassroots structure, size, and at a realistic pace given that we work in an area of high deprivation and limited infrastructure.

II. DEFINITIONS AND GOALS

Restricted funds: funds granted to Doorstep Arts CIC for a specific project or use, i.e. grants, trusts or foundations for an agreed purpose.

Unrestricted funds: income not specifically allocated against particular project funds which can be spent for the benefit of the company's core purpose. The Co-Directors direct and approve how unrestricted funds are spent with approval & oversight from the Advisory Board.

Doorstep Arts aims to build reserves for the following approved purposes:

1. To cover a period of no funding, if fundraising appeals are unsuccessful or less than expected.
2. To cover a short-term shortfall, i.e. where a grant is held until an agreed project is completed.
3. To protect the company in case of unforeseen spending, or an emergency cost.
4. To cover unforeseen operational costs, to protect the company from periods of limited trading.

5. To cover the costs of unplanned closure, including the possibility of restructuring costs

Doorstep Arts has a target unrestricted Operating Reserve Fund currently of £53,625.00 equivalent to three months of recurring operating costs. This was last reviewed on **31 March 2024**, and was calculated on three months average expenditure to ensure ongoing company activities. Current reserves held equate to approximately two months operating costs and it is our goal to increase these operating reserves to a minimum of three months over the course of the next three years. A three month policy is designed to enable Doorstep to operate for a full term of artistic activity – a reasonable period of time aligned to the organisation’s main participatory activity.

III. REVIEW OF POLICY & PLANNED RESERVES FIGURE

Doorstep’s main source of income is through grant funding, primarily from Arts Council England and other trusts and foundations. Earned income currently represents around 30% of annual turnover, and is usually composed primarily of sessional income, schools income, small-scale commissions, consultancy fees, box office revenue, donations and merchandise.

Our budgets are reviewed monthly by Finance Lead Marie Copland and Co-Director Erin Walcon, who maintain a 12 month forecast cash flow at all times. Monthly finance meetings enable detailed and robust oversight of spend, where monthly expenditure on Xero is aligned to that term’s Letters of Agreement and two comparison budgets (forecast and actual) are compared to ensure accuracy. The 12 month forecast cash flow enables us to monitor necessary fundraising and adapt accordingly, to ensure our projects can be delivered or adjustments made if necessary.

The reserves level will be considered during the cash flow planning process, to consider if reserves need to be drawn down or can be built up and they will be monitored quarterly when submitting financial reports to ACE and the Advisory Board. Quarterly updates will be documented.

The Co-Directors and Finance Lead are responsible for ensuring that resources are managed responsibly and that we act in the best interests of the organisation and the community we serve.

The Advisory Board are responsible for oversight – i.e. monitoring and supervising the current and future financial situation of the Company, examining and mitigating associated risks to the organisation. Financial reserves will be examined alongside the Risk Register.

This policy will be reviewed by the Co-Directors, Finance Lead and Advisory Board annually, or sooner if warranted by internal or external events or changes. Changes to the policy will be recommended to the Advisory Board. Every revision on approval will be recorded in writing and redistributed as necessary. Its purpose will ensure the financial health and integrity of the organisation toward its core purpose.

LAST REVIEWED 21st June 2024