



Corporate Policy Number 25	Date Last Updated: January 2025 Date for Next Review: January 2027 Director Responsible: A Turner / TM Sidaway
Financial Reserves	

SUMMARY

The GLIAS Board has developed a Reserves Policy as required by the Charities Commission that identifies an appropriate level of financial reserves that safeguards the operation of the Society in current circumstances. At present, reserves held are substantially higher than deemed necessary, so a plan is being developed that will responsibly reduce the level of reserves in a way that aligns with the Society's charitable purposes. The reduction will be made over a number of years in a controlled and gradual way that benefits the Society, its members and the Industrial Archaeology movement.

BACKGROUND

This policy is written to satisfy the Charity Commission's requirement that "trustees decide, publish, implement and monitor their charity's reserves policy so that they can comply with their legal duties".

It has been written with guidance from:

Charity Commission:

<https://www.gov.uk/government/publications/charities-and-reserves-cc19/charities-and-reserves#sA1>

Small Charity Support:

<https://www.smallcharitysupport.uk/images/DownLoads/PoliciesPDFs/Reserves.pdf>

QUANTIFICATION

Small Charity Support suggests 5 different reasons why a charity holds reserves:

1. **Contingency:** unexpected expenditure in the event of an emergency.
2. **Cash-flow:** situations where a bill has to be paid before the money to cover it has been received.

3. **Commitment:** a commitment to occasional significant expenditure which cannot be covered by the annual income.
4. **Conservation:** funds which the trustees cannot spend immediately without compromising their legal responsibilities to ensure that their charity's resources are used necessarily, reasonably and incidentally in fulfilment of their charitable objects.
5. **Closure:** provision against the charity becoming financially unsustainable and needing to be wound up.

Each of these reasons is considered with respect to GLIAS, followed by a discussion on the appropriate overall level of reserves.

It is concluded that reserves are currently higher than strictly required, and a plan is included to reduce the level of reserves in a controlled and moderate way that benefits the Society, its members and the Industrial Archaeology movement in a way that aligns with the Society's charitable purposes.

NOTE: The Calvocoressi Fund is accounted as Restricted Funds and is therefore outside consideration of reserves (*Small Charity Support*, page 4). At times GLIAS may hold funds for SERIAC which are also restricted.

1. Contingency

The Society's principal activities are currently:

- a) Publication of a Newsletter 6 times a year
- b) Publication of a Journal approximately once a year
- c) Maintenance of a website to promote interest in London's industrial heritage and service members.
- d) A programme of 5 lectures annually, open to the public
- e) A programme of 4 or 5 walks each summer
- f) A "special event" once a year, historically a pub evening
- g) Advice on London's industrial heritage, including consultation on Planning Applications
- h) Development and maintenance of a database of industrial heritage sites in London
- i) Support for research, potentially extending into education, relating to London's industrial heritage, primarily through the administration of the Calvocoressi Fund.
- j) Arranging occasional visits

The bulk of the Society's financial outgoings from Unrestricted funds currently fund items a and b above: publication and distribution of the Newsletter and Journal. All activities are heavily reliant upon the knowledge, enthusiasm and time of active members.

Principal risks are recorded in the Risk Register in Appendix 1

It is unlikely that more than one of these hazards would materialise at the same time, particularly as the higher costed hazards are of medium / very low likelihood.

Therefore, allow a reserve of £4,000 against Contingency

2. Cashflow

The majority of income is received around the start of the financial year, whereas expenditure is incurred in discrete amounts throughout the year. Some expenditure early in the year could however become due before sufficient income is received and accumulated costs over the financial year could exceed estimates.

An unexpected drop in membership numbers could affect income and necessitate use of reserves if activities are not to be reduced. It is unlikely that membership would drop dramatically in a short period of time, but even if it dropped by 33%, the difference between income and expenditure would only fall by just over £1000 per year. See Appendix 2 for analysis.

If expenditure is predicted to exceed income long term, the preference is to increase subscriptions in order to increase income rather than reduce expenditure on activities. Any increase in subscription could however take more than a year to take effect.

Therefore, allow a minimum reserve of £1000 against Cashflow

3. Commitment

Expenditure is planned and regular; the Society has no foreseeable major expenses nor foreseeable projects that require reserves to be built up over two or more years in order to finance them.

Therefore, allow no reserve against Commitment

4. Conservation

The Society expects no foreseeable large donations; it has no cancelled major projects nor any expectation of other large incomes.

Therefore, allow no reserve against Conservation

5. Closure

If the Society were to close, it is expected that there would be sufficient, willing Trustees to arrange winding down and appropriate disposal of any remaining funds. It may require assistance or advice from a solicitor – say, £2,000.

Therefore, allow a reserve of £2,500 against Closure

Discussion

Only three of the five reasons above require a reserve, and it is unlikely that all will crystallise at the same time. Consequently, it is considered sufficient to maintain a reserve equal to the sum of the first two individual sums listed.

Therefore, allow a minimum TOTAL RESERVE of £5,000

PLAN TO REDUCE THE CURRENT RESERVES

The GLIAS General fund stood at £23,800 in the 2023/4 annual accounts (not including the Calvocoressi Fund). It therefore exceeds the required reserve by £19,800.

The Board have proposed the following options to reduce the reserve:

- a) Essay competition – needs organisation, moderating
- b) Publication of past walks*
- c) Transfer to Calvocoressi Fund
- d) Fund wider projects: “supporting industrial heritage in London”
- e) A period of reduced subscriptions (or no increases to counter rising costs) *
- f) Reprint of articles from the Newsletter archive*
- g) Contribution to Yorkshire Archaeological Society for use of their database.
(Not currently possible)
- h) Subsidised film evening or other events for members and the public*
- i) Marketing initiatives to increase membership*

* Options b, e, f, h and i are preferred, to be actively pursued

THIS SECTION WILL BE DEVELOPED INTO A FIRM PLAN DURING 2025

APPENDIX 1: Risk Register

	Hazard	Notes	Implication for reserves	Likelihood in the next 5 years
1	Membership numbers fall	• The trend has been downward for a number of years • However, the continuing trend is likely to be gradual with an ability to manage the impact • The scale and breadth of activities can be reduced if necessary to mitigate costs per member in the short or longer term. (eg Reduce Newsletters to 3pa). More likely, subscriptions would be increased to compensate. • There is an opportunity to slow or reduce the trend with an active recruitment drive	None See the analysis in Appendix 2	Very high
2	The current pro bono arrangement for the lecture room is withdrawn	• It is assumed that a room would cost c.£400 per lecture x5 • Two years' hire cost should be allowed to give time to take control action	£4,000	Medium
3	Insufficient number of trustees to allow a quorum	• This would prevent the continued operation of the Society • Reserves for closure are allowed elsewhere	Allowed elsewhere	Medium
4	The current pro bono arrangement for a Registered Office is withdrawn / rules change	• Commercial provision would cost say £100pa • A year's provision cost should be allowed to give time to take control action	£100	Medium High
5	Financial or legal changes require professional advice	Allow £2,500	£2,500	Very Low
6	Lose charitable status	• Lose Gift Aid	£900pa	Low

7	Uninsured claims	• Hard to identify any possible such claim	-	Very Low
8	Lose ability to deliver specific activities	• From loss of knowledgeable, experienced, willing individuals • This would make the Society less appealing to members, leading to reduced numbers. • Hopefully, new individuals would step in to mitigate the impact • If not, there would be no immediate need for funds	None	High
9	Loss on arranging events including SERIAC	• For SERIAC, if loss is greater than available restricted funds	£1000	low
10	Unexpected increase in members requesting printed copy of publications	• Very unlikely, but assume 20 extra members request printed copies	£250	Very low

Note: In the above, control action is taken as increasing subscriptions and/or reducing activities

APPENDIX 2: Cost implication of a potentially reducing membership

An analysis of costs from the 2023/4 annual accounts:

Fixed Costs (£)		Costs predominantly variable against membership numbers (£)	
AGM	50	Newsletter production	1,415
Insurance	319	Newsletter distribution	1,124
Lectures	275	Journal production	655
Zoom licence	156	Journal distribution / postage	627
Miscellaneous	208	Postage / administration	63
SUB TOTAL	1008	SUB TOTAL	3,884
	777	Say 20% of these costs are not variable. ← Transfer to fixed	-777
TOTAL	1785	TOTAL	3,107

Cost sensitivity of membership numbers:

Scenario	Fixed costs	Variable costs	Total costs	Cost per head
Current: 300 members	1785	3107	4892	£16.31
200 members	1785	2071	3856	£19.28
100members	1785	1035	2820	£28.20

In the membership year to March 2024, average income over all membership categories, including subscriptions, additional donations and a Gift Aid claim, was about £17.50 per member. Membership is currently £14 for individuals. An increase up to £20 would not be considered unreasonable.