



KEYNSHAM MUSIC FESTIVAL ASSOCIATION LTD RESERVES POLICY

1. Introduction

Since becoming a limited company Keynsham Music Festival has always held money in reserve although the amount held has not been monitored against a target. On successfully obtaining charitable status the need for a formal policy on reserves is more essential so that potential donors can see the financial stability of the charitable company and understand the reasoning behind the policy. The major financial risk is a very wet festival (and particularly on the Sunday) when there would be little income from public donations and bills would still need to be paid. A second successive wet festival would be extremely difficult to manage. Other significant risks are local authority grants that are significant proportion of the festival's income and the increasing scope of the festival with its associated costs.

2. Background

Keynsham Music Festival is an annual event held in July and its accounting year finishes at the opposite end of the year on 31st December. By far, the largest amount of income is received before the festival and most expenditure occurs during or shortly afterwards. By the end of the year the funds held have stabilised so a clear picture of actual reserves compared to those planned is evident. This provides important information for the planning of the next year's festival.

3. Financial risks

It may seem obvious but the financial risks are either that income is insufficient to meet the charity's needs or the expenditure is too high.

Insufficient income:

Approximately 25% of the charity's income is via a grant from Keynsham Town Council. The council initiated the festival in 1997 and has been a keen supporter ever since. The bond between the two organisations is strengthened by the charity trustees including four Town Councillors, and a written agreement between the charity and the council that is renewed every year. It is not thought that the annual grant is likely to be removed and it is understood by both organisations that, if this happened, the festival would be struck a severe blow.

Grants from B&NES Council have also been an important source of income (approximately 9% of the total) but that is no longer on offer from April 2017. Sufficient advance notice of the cut in funding means that the impact of the shortfall was planned for.

Sponsorship is another major method of securing income. Local businesses have been extremely supportive of the festival and understand how it is funded. Sponsorship varies significantly from year to year, often according to how well each sponsor's business is succeeding. 17% of 2016's income came from this source.

Another principal method of fundraising is by donations by the public, and particularly those who attend the Sunday festival. This amounts to approximately 13% of total income. Although the festival takes place at a time when good weather is more likely, this cannot be guaranteed, and a particularly wet festival would reduce income by a significant amount.

Concessions paid by traders (including the bars) to sell their goods amounts to 23% of the charity's income. This is paid for in advance so does not pose a big risk to the charity if bad weather hits the festival.

Ticket sales, advertisements and other sales provide 13% of the charity's income. Ticketed events take place during weekday evenings, some of which are indoors and less affected by the weather, but those that take place under canvas would result in reduced audiences.

High expenditure:

Expenditure has been well managed since the festival was launched and the trustees keep a close eye on the impact of new initiatives (such as the expansion of the Saturday aspect of the festival) and unplanned expenses. The amount spent on infrastructure, such as the purchase of gazebos is determined at the end of the year when the finances have settled and most bills paid.

In general terms expenditure is easier to manage from year to year than income, which is subject to a number of varying factors.

4. The policy

The minimum amount that the charity plans to hold in its reserves at the end of the year is 30% of the expenditure of the previous festival. It is thought that this is sufficient to manage the impact of a wet festival including the possible knock-on effect of traders not wishing to return the following year. A second successive wet festival would severely impact the charity's ability to continue on the present basis and the company will plan to increase its reserves to 50% in the longer term.

If the amount exceeds this sum it can be used to increase the quality of the next festival or add to the number of events put on. Should it fall below this sum, planning of the next festival can focus on raising additional funds to make up the deficit whilst still putting on an excellent festival, or reducing the scope of the festival to reduce costs.

Note that all the charity's funds are unrestricted.

This policy will next be reviewed by 1st January 2019.