



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 became 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 form a 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 20% 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 up to 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.

Other key sources of income are from sponsorship (mainly businesses in and around Keynsham), concessions paid by traders, advertisements, ticket sales, other sales and donations from the public (mostly at weekend events).

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

Up to 2018 the minimum amount that the charity planned to hold in its reserves at the end of the year was 30% of the expenditure of the previous festival. It was thought that this was sufficient to manage the impact of a wet festival including the possible knock-on effect of traders not wishing to return the following year. However, the increasing size of the festival

meant that the amount targeted became unachievable and served little purpose. If the festival came across hard times, perhaps due to a wet festival, the focus in the following year could simply be on a less costly event.

At the start of 2019 the reserves stood at approximately £22,000 which the directors considered to be sufficient. This figure has therefore been set as the policy.

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. It will not be used to plan the budget for a year based on an expected annual loss. 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.

Low interest rates mean that investment of the reserves in cash would produce little income to the charity. However, the purchase of something that can be sold for cash fairly quickly can be considered; a garage to store company property is one possibility.

Note that all the charity's funds are unrestricted.

This policy will next be reviewed by 1st January 2020.