

Risk Register - Foreshore Trust (FST)

	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
1	FT	Corporate Governance non – compliance with articles of association or Charity Commission rules scheme dated 13.01.2011 Charity Law	Medium / High	<ul style="list-style-type: none"> - Failure to deliver on priorities (reputational and financial) - Financial – legal challenge and costs of that - Suspension of Charity 	- Chief Legal Officer	<ul style="list-style-type: none"> - Protector attendance at Charity Committee meetings and provision of relevant paper work. - Providing legal advice as appropriate - Training for Charity Committee members
2	FT	<p>Charity Committee administration</p> <p>Statutory publication deadlines missed for agendas and the Forward Plan and meetings have to be cancelled delaying key decisions.</p> <p>Officers/Services miss deadlines for reports.</p>	Low / Medium	<ul style="list-style-type: none"> - Legal - Leaves HBC open to challenge, for example if Planning applications are delayed or budget deadlines missed. - Financial – costs of legal challenges. - Reputational. 	- Policy and Partnerships Manager	<ul style="list-style-type: none"> - Professionally trained staff - Officers frequently chased and reminded about report deadlines. - Professional advice - Forward Plan on ModGov
3	FT	<p>Income</p> <p>Loss of Visitors to Hastings e.g. Major Pollution incident, water quality, major disaster elsewhere in Hastings.</p>	Medium / High	<ul style="list-style-type: none"> - Budget deficit - Loss of 6 months income would equate to around £700,000 	<p>Assistant Director – Financial Services and Revenues</p> <p>- Chief Accountant</p>	<ul style="list-style-type: none"> - Ensure regular budget monitoring reports distributed followed up by meetings - Report variances to Charity Committee so any budget deficits can be addressed - Report variances at each meeting - Maintain adequate Reserves

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4	FT	Maintain Buildings and Infrastructure - Need for a long term repair and renewal programme	Low / Medium	- Build-up of urgent and costly repairs (Planned maintenance reduces costs)	- Assistant Director Regeneration & Culture - Assistant Director – Financial Services and Revenues - Principal Building Surveyor - Estates Manager	- Production, maintenance and regular review of repair and Renewal programme – based on regular inspection of assets. - Ensure compliance of lease Obligations - Maintain and accumulate sufficient funds to finance agreed programme
5	FT	Unforeseen operational expenditure	Medium / High	- Reputation damage - Unable to meet commitments - Legal liabilities	- Assistant Director Regeneration & Culture	- Maintain adequate Reserves
6	FT	Treasury Management - Cash flow - Loss of money/fraud/theft - Reduction of investment Interest - Cost of borrowing	Low / Medium Low / High Low / Low Low / Low	- Trust balances of (cash) £1.42m	Assistant Director – Financial Services and Revenues	- Use of External Advisers – Capita Asset Services - Ensure staff are well trained - Insurance cover in place for potential fraud and dishonesty and theft - Insurance cover in place for loss of Money - Maintain adequate Reserves
7	FT	Cash collection contract - Firm collapses - Theft by company	Low / Low Low / Low	- Loss of money (up to £200k)	Assistant Director – Financial Services and Revenues	- Continue daily monitoring of cash banked - Regular communication with supplier if the contract is not complied with Insurance. (A new cash Collection company was employed from February 2018)
8	FT	Uninsured properties / risks	Low / Medium	- Properties not insured - Loss of money in the event of uninsured loss	Assistant Director – Financial Services and Revenues	- Ensure thorough renewals process each year - Make sure we liaise with estates/building services to ensure all properties are properly insured.

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9	FT	Business Continuity	Low / High	<ul style="list-style-type: none"> - Loss of Income, - Payments not made, - Treasury Management – financial loss 	<ul style="list-style-type: none"> - Assistant Director – Financial Services and Revenues - Chief Accountant 	<ul style="list-style-type: none"> - Robust HBC financial systems - HBC business continuity planning
10	FT	Loss of key staff	Medium / High	<ul style="list-style-type: none"> - Stress - Errors / omissions - Financial loss - Incorrect advice 	<ul style="list-style-type: none"> - Chief Accountant - Assistant Director - Financial Services and Revenues - Chief Legal Officer - Executive Manager People and Organisational Development 	<ul style="list-style-type: none"> - Keep staff motivated - Ensure knowledge is shared - Terms and Conditions
11	FT	Changes in Financial legislation – Financial accounts compliance with Charity SORP	Low / Medium	<ul style="list-style-type: none"> - Failure to produce accounts - Qualified by auditor - Staff time - Staff costs - Reputation undermined 	<ul style="list-style-type: none"> Assistant Director – Financial Services and Revenues Chief Accountant 	<ul style="list-style-type: none"> - Work with Manningtons experienced firm - Regular liaison with HBC external auditors (BDO/ Grant Thornton in future) and also Foreshore Trust auditors (Manningtons) - Train staff
12	FT	Budget settings - No decisions - Late decisions - No processes	Low / High	<ul style="list-style-type: none"> - Poor Financial management 	<ul style="list-style-type: none"> - Assistant Director – Financial Services and Revenues - Chief Accountant 	<ul style="list-style-type: none"> - Ensure regular budget monitoring reports distributed. - Report variance reporting through performance review - Provide appropriate financial advice to members and officers - Consider whole life costing of decisions/ projects - Consider Revenue Implications of new projects

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13	FT	External suppliers - Bankruptcy, Administration	Medium / Medium	- Depends which contract	- Chief Accountant	- Financial health checks on contracts
14	FT	Unsafe structures leading to Public Liability Claims e.g. injury on trust land	Medium / Medium	- Financial Loss - Reputation	- Assistant Director Regeneration & Culture	- Regular evidenced inspections carried out. - Proactive works maintenance programme carried out
15	FT	Changes in legislation – Charity Law	Low / Medium	- Reputation undermined - Financial penalty	- Chief Legal Officer	- Professionally trained legal staff
16	FT	Brexit	High / Medium	Economic downturn (permanent or temporary) - Loss of Parking Income - Inflationary pressures - Grant reductions – EU funding will reduce.	Assistant Director – Financial Services and Revenues Assistant Director Regeneration & Culture	Uncertainty in the run up to Brexit, and the final form, timing of transition period or any further votes will lead to a period of uncertainty. This in itself may provide an economic downturn which may be temporary or longer term depending upon the deal reached – and acceptance or otherwise. A reason to maintain reserves and consider carefully future repair and maintenance obligations before determining further significant use of reserves.
17	FT	Conflict of Interest with HBC	Medium / High	- Reputational - Suspicion	- Chief Legal Officer - Assistant Director – Financial Services and Revenues	- Professional advice - Protector

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18	FT	Annual Return and/or Annual Accounts not completed on time	Low / Medium	- Reputational	- Chief Legal Officer - Assistant Director – Financial Services and Revenues	- Prioritised - Diarised



Reserves Policy (Charity Commission Guidance)

1. Introduction

In determining the policy in Appendix 6 of this report due recognition has been taken of the Charity Commission guidance on this area (Charities and Reserves (CC19), June 2010 and updated in January 2016). This guidance is written for trustees of all types of charities, whether they are companies, trusts or associations. It explains what is meant by the term reserves, the trustees' responsibility to consider whether their charity needs reserves, and what to bear in mind when developing a policy on reserves.

2. Common Terminology

To understand the rules surrounding the establishment and use of reserves there is a need to understand the terminology used in accounting for charities.

Designated funds are part of the unrestricted funds which trustees have earmarked for a particular project or use, without restricting or committing the funds legally. The designation may be cancelled by the trustees if they later decide that the charity should not proceed or continue with the use or project for which the funds were designated.

Income and income funds means all incoming resources that become available to a charity and that the trustees are legally required to spend in furtherance of its charitable purposes within a reasonable time of receipt. Income funds may be unrestricted or restricted to a particular purpose of the charity.

Programme related or social investment is not 'investment' in the conventional sense of a financial investment. Conventional investments involve the acquisition of an asset with the sole aim of financial return which will be applied to the charity's objects. Programme related or social investments, by contrast, are made directly in pursuit of the organisation's charitable purposes. Although they can generate some financial return, the primary motivation for making them is not financial but the actual furtherance of the charity's objects.

Restricted funds: Restricted funds are funds subject to specific trusts, which may be declared by the donor(s) or with their authority (eg in a public appeal) or created through legal process, but still within the wider objects of the charity. Restricted funds may be restricted income funds, which are spent at the discretion of the trustees in furtherance of some particular aspect(s) of the objects of the charity, or they may be endowment funds, where the assets are required to be invested, or retained for actual use, rather than spent.

Risk is used in this guidance to describe the uncertainty surrounding events and their outcomes that may have a significant financial impact. Risk may either enhance or inhibit any area of a charity's operations.

Unrestricted funds (including designated funds): Unrestricted income funds are income or income funds which can be spent at the discretion of the trustees in furtherance of any of the charity's objects. If part of an unrestricted income fund is earmarked for a

particular project it may be designated as a separate fund, but the designation has an administrative purpose only, and does not legally restrict the trustees' discretion to spend the fund.

3. Understanding reserves and the need for a reserves policy

What are reserves?

Reserves are that part of a charity's unrestricted funds that is freely available to spend on any of the charity's purposes. This definition excludes restricted income funds and endowment funds, although holding such funds may influence a charity's reserves policy. Reserves will also normally exclude tangible fixed assets such as land, buildings and other assets held for the charity's use. It also excludes amounts designated for essential future spending.

Reserves also exclude funds which have particular restrictions on how they can be used. Trustees should consider for what purpose restricted funds are held and how they are being used in order to identify those resources that are freely available to spend.

Unrestricted funds

The starting point for calculating the amount of reserves held will normally be the amount of unrestricted funds held by a charity. However, part of the unrestricted funds of a charity may not always be readily available for spending. For example:

- **Tangible fixed assets**

The Charities SORP specifically allows funds held as tangible fixed assets for charity use to be excluded from reserves - this recognises that certain assets will be used operationally and their disposal may adversely impact on a charity's ability to deliver its aims.

- **Programme-related investments**

Where a charity makes programme-related investments solely to further its charitable purposes, then such investments can be excluded from reserves.

- **Designated funds**

Where unrestricted funds are earmarked or designated for essential future spending, for example, to fund a project that could not be met from future income alone they can be excluded from reserves - in such cases the reserves policy should explain the nature and amount of the designation and when the funds set aside are likely to be spent; it is never acceptable to set up designations simply to reduce the stated level of reserves.

Restricted funds

Restricted funds fall outside the definition of reserves, but the nature and amount of such funds may impact on a charity's reserves policy. Where significant amounts are

held as restricted funds the nature of the restriction should be considered, as such funds may reduce the need for reserves in particular areas of the charity's work. These factors and their potential impact on the reserves policy are explained in Annex 2 of the charity commission's guidance.

Reserves held by subsidiaries

A charity may carry out activities through one or more trading subsidiaries and, in such cases, group or consolidated accounts may be required. Group accounts show the activities and resources of the charity and its subsidiaries. Where group accounts are prepared, the annual report will provide a narrative of the group's activities. In particular, the amount of reserves stated must take account of the net assets of subsidiaries.

Why is a reserves policy important?

A reserves policy explains to existing and potential funders, donors, beneficiaries and other stakeholders why a charity is holding a particular amount of reserves. A good reserves policy gives confidence to stakeholders that the charity's finances are being properly managed and will also provide an indicator of future funding needs and its overall resilience.

The Charities SORP requires a statement of a charity's reserves policy within its annual report. In addition, if a charity operates without a reserves policy, the regulations require this fact to be stated in the annual report.

In more detail

Deciding the level of reserves that a charity needs to hold is an important part of financial management and forward financial planning. Failure to do this may result in reserves levels which are either:

- higher than necessary and may tie up money unnecessarily. Holding excessive reserves can unnecessarily limit the amount spent on charitable activities and the potential benefits a charity can provide
- too low, increasing the risk to the charity's ability to carry on its activities in future in the event of financial difficulties, and increasing the risks of unplanned and unmanaged closure and insolvency

All charities need to develop a policy on reserves which establishes a level of reserves that is right for the charity and clearly explains to its stakeholders why holding these reserves is necessary.

A reserves policy provides essential accountability to funders, donors and other stakeholders. A good reserves policy will explain how reserves are used to manage uncertainty and, if reserves are held to fund future purchases or activities, it will explain how and when the reserves will be spent. A reserves policy provides assurance that the finances of the charity are actively managed and its activities are sustainable.

In particular, a reserves policy will:

- give confidence to funders by demonstrating good stewardship and active financial management
- demonstrate the charity's resilience and capacity to manage unforeseen financial difficulties to beneficiaries, funders and the public
- give voluntary funders, such as grant-makers, an understanding of why funding is needed to undertake a particular project or activity
- give assurance to lenders and creditors that the charity can meet its financial commitments
- manage the risk to a charity's reputation from holding substantial unspent funds at the year-end without explanation

Developing a reserves policy is also an important part of the internal financial management of a charity. Developing a reserves policy is likely to:

- assist in strategic planning, for example considering how new projects or activities will be funded
- inform the budget process, for example is it a balanced budget or do reserves need to be drawn down or built up?
- inform the budget and risk management process by identifying any uncertainty in future income streams

The commission recommends that charities develop their reserves policy and their planning at the same time, recognising that strategic and financial planning informs the development of reserves policies and vice versa. For example, the budgets will identify peaks or troughs in cash flow and the reserves policy will need to ensure the troughs in funding can be met from reserves held.

3.3 How should a reserves policy be developed?

There is no single method or approach to setting a reserves policy. The approach adopted will vary with the size, complexity of activities, legal structure and the nature of funds received and held by a charity. However, for all charities, setting a reserves policy will involve:

- consideration of the nature of the funds received and held by the charity - are the funds unrestricted or restricted income? Is an endowment an expendable endowment or permanent endowment? Understanding the nature of the funds allows trustees to identify unrestricted funds which can be spent on any purposes of the charity
- larger charities are likely to have a formal risk management process but all charities need to think about uncertainties they may face in the future; they should therefore consider the need to hold some reserves to meet an unexpected call on funds or opportunities that may present themselves

- larger charities are likely to have strategic and operational plans - but all charities need to think about their future budgets and future projects or spending plans that cannot be met from the income of a single year
- trustees choosing to adopt a 'zero level' reserves policy must say in their annual return that they have adopted such a policy and should explain why; such a policy can create heightened financial risk from the possibility of unforeseen expenditure, sudden closure, trustee liability, a shortfall in income or an inability to control costs, unless the trustees have a workable alternative to holding reserves for addressing these risks

By working through these steps the trustees will be well placed to identify why reserves might need to be held and to decide the amount of reserves needed to operate effectively.

Once a reserves policy is set, it should not be regarded as a static policy. The circumstances of a charity or the environment in which it operates will change with time and trustees should review their policy at least annually as part of a charity's planning processes. The amount held in reserves should also be monitored during the course of the year as part of a charity's budgetary processes.

Annex 1 of the guidance sets an approach to setting a reserves policy that can be used by smaller charities which do not hold significant amounts of endowed funds, property or operate a defined benefit pension scheme or carry out activities through trading subsidiaries.

Annex 2 of the guidance sets out an 'integrated approach' for larger charities with more complex activities and structures. An integrated approach to setting a reserves policy means the development of the development of a reserves policy at the same time as doing strategic, operational, and budgetary planning.

3.4 What level or range of reserves is required?

Short answer

There is no single level, or even a range of, reserves that is right for all charities. Any target set by trustees for the level of reserves to be held should reflect the particular circumstances of the individual charity. To do this, trustees need to know why the charity should hold reserves and, having identified those needs, the trustees should consider how much should be held to meet them.

In more detail

The charity's target level of reserves can be expressed as a target figure or a target range and should be informed by:

- its forecasts for levels of income for the current and future years, taking into account the reliability of each source of income and the prospects for developing new income sources

- its forecasts for expenditure for the current and future years on the basis of planned activity
- its analysis of any future needs, opportunities, commitments or risks, where future income alone is likely to fall short of the amount of the anticipated costs
- its assessment, on the best evidence reasonably available, of the likelihood of a shortfall arising which means that reserves are necessary, and the potential consequences for the charity of not being able to make up the shortfall
- if the reserves policy is set at zero or a low level, its strategy for an orderly closure in the event of an unplanned shutdown and insolvency and particularly where there are vulnerable beneficiaries, the care of its beneficiaries

Trustees who hold (or do not hold) reserves without attempting to relate their need for reserves to factors such as these will have difficulty in satisfactorily explaining why they hold (or do not hold) the amount of reserves that they do.

3.5 What steps should trustees take to maintain and monitor reserves at the target level?

Short answer

Reserves are held to help the charity operate effectively. Trustees should keep their reserves policy and the level of reserves held under review. Trustees should also monitor the level of reserves held throughout the year. In this way trustees will be aware of the buildup of excess reserves or of reserves being unexpectedly or rapidly depleted.

In more detail

Having set the reserves level or range in which it is desirable to operate, trustees should monitor the reserves actually held to establish the reason for any significant difference with the target level set. If reserves during the year are below target or exceed target, the trustees should consider whether this is due to a short-term situation or a longer-term issue. Action may be needed to replenish or spend reserves.

The trustees' monitoring of reserves should not just be a year-end procedure. How the level of reserves changes during the year can be a good indicator of the underlying financial health of the charity and can be an indicator of potential problems. The level of reserves should be monitored throughout the year as part of the normal monitoring and budgetary reporting processes.

In particular, trustees should:

- identify when reserves are drawn on so that they understand the reasons and can consider the corrective action, if any, that needs to be taken
- identify when reserve levels rise significantly above target so that they understand the reasons and can consider the corrective action, if any, that

needs to be taken

- where the reserves level is below target, consider whether this is due to short-term circumstance or longer term reasons which might trigger a broader review of finances and reserves
- regard the ongoing review of the reserves target, the reserves level and the reserves policy as part of managing the charity
- ensure that the reserves policy continues to be relevant as the charity develops or changes its strategy and activities
- review the statement on reserves in the trustees' annual report where there have been significant changes in the reserves policy or level of reserves held

Charities with very low or no reserves which face financial difficulty should read the commission's guidance "Managing a charity's finances: planning, managing difficulties and insolvency (CC12)".

4. Explaining reserves in the annual report

4.1 Explaining the charity's reserves policy in its annual report

The Charities SORP requires all charities preparing accruals-based accounts, other than those charities following a more specialist SORP, to set out their reserves policy in their annual report. The regulations also require a charity that does not have a reserves policy to state this fact in their annual report.

The Charities SORP requires trustees to include in their annual report:

- a statement of their policy on reserves
- the level of reserves held and an explanation of why they are held
- where material funds have been designated, the amount and the purpose of the designation should be explained
- where designated funds are set aside for future expenditure, the likely timing of that expenditure

These requirements of the Charities SORP are given legal force by the Regulations, which also require a statement in the event of a charity not having a reserves policy.

4.2 The charity has no reserves or has excess reserves

Whatever the trustees' policy is, beneficiaries, funders and the commission as regulator should be able to see how it has been justified.

No or insufficient reserves

In some cases, a charity may decide to operate without any reserves. Some trustees budget to spend all the income received each year on the charity's activities. Other

charities may find that the terms of some sources of funding do not allow the funds to be set aside as a reserve.

Having no reserves can create financial risk from the possibility of unforeseen expenditure, a shortfall in income or an inability to control costs. Trustees choosing to adopt a 'zero level' reserves policy should consider the financial and other risks inherent in such a policy and must explain their policy in the trustees' annual report.

Trustees should base their reserves policy on the risks that a charity and its beneficiaries might face and how to manage them. A charity's reserves policy should justify why it doesn't keep any reserves or how it is managing insufficient reserves. Whatever the trustees' policy is, beneficiaries, funders and the commission as regulator should be able to see how it has been justified.

Some charities will be able to justify holding a certain level of reserves but will be unable to build up reserves to that level, or perhaps to any level at all. Many recently established charities in particular, will be in that position. While the commission accepts that some charities will simply not have had the resources to establish a reserve, the commission still expects such charities to have a reserves policy.

Where a charity hasn't got the reserves it thinks it needs, it is exposed to greater risk and the commission expects the trustees to be addressing this actively by, for example, planning how to:

- implement their reserves policy
- raise the necessary funds
- diversify their funding base
- mitigate the risks that might arise if the charity has to close suddenly

Where a charity's reserves appear to be too high

A charity's level of reserves or unspent funds can appear to donors, beneficiaries or the commission to be too high and this is generally for two reasons:

First, because the trustees have not explained fully the reasons why they are keeping reserves. If this is the case, they should review their policy and ensure that it fully justifies why funds are being kept in reserve. If, for example, a charity is using a standard form of reserves policy wording, it is not likely that it will tell the charity's story or explain why the charity has the level of unspent income that it does.

Second, because they are having difficulty in using their funds. A charity with excess reserves or unspent funds should consider whether they could be effectively spent on the charity's purposes. If a charity has more resources than it needs to fulfil all of its purposes then the trustees must consider whether the purposes of the charity should be amended to enable the charity to operate more effectively.

Questions to be asked when setting the Policy

Question 1. Why might you need reserves for the charity to be effective?

The basis of a good reserves policy is thinking through exactly why you might need to hold back some funds as reserves. In a small charity, with a simple structure and uncomplicated activities, the reasons might include:

- a) The risk of unforeseen emergency or other unexpected need for funds, eg an unexpected large repair bill or finding 'seed-funding' for an urgent project.
- b) Covering unforeseen day-to-day operational costs, e.g. employing temporary staff to cover a long-term sick absence.
- c) A source of income, eg a grant, not being renewed. Funds might be needed to give the trustees time to take action if income falls below expectations.
- d) Planned commitments, or designations, that cannot be met by future income alone, eg plans for a major asset purchase or to a significant project that requires the charity to provide 'matched funding'.
- e) The need to fund short-term deficits in a cash budget, e.g. money may need to be spent before a funding grant is received.

If, after considering the above, you think that reserves are needed please go to question 2. If you conclude that your charity does not need to hold any reserves, then you must explain that in your annual report.

Question 2. How much do you need in reserve?

The reserves level may be a target amount or a target range. For example, for each reason set out in question 1:

- a) An amount might be needed to meet an unforeseen emergency or other unexpected need - consider risks and how much might be needed for such contingencies; this will involve judgement of events that may occur and their likelihood.
- b) Look at your expenditure budget - do you need a small contingency fund to meet unforeseen operational costs?
- c) Uncertainty over future income might mean having reserves equivalent to a number of weeks of income equivalent to a range of £x to £y, to allow time to develop new sources of income or to cut-back on related expenditure.
- d) A planned spending commitment which cannot be met from future income would imply a need for a specific sum to be set aside - often this amount will be included within designations in accounts.
- e) An amount might be needed to cover 'troughs' in the cash budget - review budgets to ascertain how much might be needed.

In summary, the financial risks you identify should influence the amount of reserves you target to hold and be explained in your reserves policy.

Setting a reserves policy is not a task undertaken in isolation. A reserves policy is a product of a charity's strategic planning, budgeting and risk management processes. These processes provide trustees with the information they need to establish exactly why they might need reserves and to help them quantify that need. The steps involved in these processes are interrelated with the outcome of one process informing another. For example, identified financial risks will inform both budgeting and the reserves policy. Setting a reserves policy can be approached in different ways.

- Step 1 - Understanding the nature of charitable funds held;
- Step 2 - Identifying functional assets;
- Step 3 - Understanding the financial impact of risk;
- Step 4 - Reviewing sources of income;
- Step 5 - Impact of future plans and commitments;
- Step 6 - Agreeing a reserves policy.

Foreshore Trust - Reserves Policy

This policy will be reviewed on a regular basis to take account of changes to the future plans of the Trust and perceived risks. Reserves are maintained for a variety of reasons as identified below. Namely:-

a) An amount might be needed to meet an unforeseen emergency or other unexpected need. This amount is arrived at after considering risks and how much might be needed for such contingencies; this involves judgement of events that may occur and their likelihood.

Policy: £100,000 be retained to meet an unforeseen emergency or other unexpected event.

b) Expenditure budget - a small contingency fund to meet unforeseen operational costs

The expenditure budget is some £1,020,000. It is suggested that a 10% contingency (say £100,000) be retained for unexpected and unforeseen operational expenditure.

c) Uncertainty over future income. Most well run organisations retain reserves equivalent to a number of weeks or months of income equivalent to allow time to develop new sources of income or to cut-back on related expenditure.

Potential significant loss of income could result from a downturn in economic activity or an increase in fuel costs resulting in fewer tourists, a major disaster in the area, bad weather, pollution incident, or loss of reputation e.g. bathing water deterioration, etc.

It is recommended that the equivalent of 6 months income be retained to cater for this risk which would amount to around £700,000.

d) Planned spending commitments which cannot be met from future income would imply a need for a specific sum to be set aside - often this amount will be included within designations in the accounts.

Given the predicted surplus for each year there is scope to include some of the recurring planned expenditure within the annual budget. There are higher cost initiatives e.g. resurfacing of car parks, roadways, etc, that will necessitate identification and retention of significant sums within the accounts

e) Cash Flow – organisations require a working balance to cover 'troughs' in the cash budget.

Based on the financial year the cash flow is expected to be positive throughout the year i.e. income generated should exceed expenditure. Where significant one off expenditure is incurred e.g. resurfacing, use of reserves would be used to cover any shortfalls. As such no sum is set aside for this specific purpose – especially given the sums detailed above (a to d).

f) In summary the Reserves to be retained amount to :-

Ref.	Risk Area/ Designated Funds	Amount (£)
a)	Unforeseen emergency/event	£100,000
b)	Unforeseen operational costs/contingency	£100,000
c)	Uncertainty on Income streams	£700,000
	Total	£900,000
Plus	Planned Spending Commitments e.g. R&R	