

OutdoorLads Reserves Policy

1 Introduction:

This paper sets out OutdoorLads Limited's ("**OutdoorLads**", "**ODL**", the "**Charity**") reserves policy including the responsibilities of the trustees of the Charity (the "**Trustees**").

2 Setting the Stage:

By law, all charities require a level of free cash reserves for a "rainy day".

What are reserves?

¹*Reserves are that part of a charity's unrestricted funds that is freely available to spend on any of the charity's purposes. The starting point for calculating the amount of reserves held is therefore the amount of unrestricted funds held by a charity. However, some or all of the unrestricted funds of a charity may not be readily available for spending. This is because spending those funds may adversely impact on the charity's ability to deliver its aims. The items that should be excluded from reserves are:*

- *tangible fixed assets used to carry out the charity's activities, such as land and buildings*
- *programme-related investments those held solely to further the charity's purposes*
- *designated funds set aside to meet essential future spending, such as funding a project that could not be met from future income*
- *commitments that have not been provided for as a liability in the accounts*

The Trustees' duties:

As the regulator of charities in England and Wales, the Charity Commission expects trustees to decide, publish, implement and monitor their charity's reserves policy so that they can comply with their legal duties to:

1. Act in the interests of their charity and its beneficiaries;
2. Protect and safeguard the assets of their charity;
3. Act with reasonable care and skill; and
4. Ensure their charity is accountable.

The ultimate purpose of reserves is to ensure the survival of ODL. If reserves start to deplete below the target range, the Trustees must take action to reverse the position and they must carefully monitor ODL's solvency. If the viability of ODL is in doubt and insolvency looks likely, the Trustee may need to initiate a process of dissolving the Charity.

Setting OutdoorLads' Reserves Policy

¹ <https://www.gov.uk/government/publications/charities-and-reserves-cc19/charities-and-reserves>



For the avoidance of doubt, such cash reserves cannot include any restricted funds and cannot include cash paid by the members for events which have not yet taken place. Our cash balance will always be in excess of our actual free cash reserves.

OutdoorLads will hold reserves for the following three main scenarios or purposes:

1. To cover the day-to-day running of the Charity while events are severally disrupted.
2. To cover the day-to-day running costs of OutdoorLads while seeing a series of loss-making events and/or decline in membership.
3. To cover the cost of the next material website revamp.

As of the date of this policy, the administration of OutdoorLads costs about £120k-£130k per annum (equivalent to £7,000-9,000 per month). This is split up into the following main areas:

- Staffing costs - £70,000²
- Website and IT running costs £20,000-30,000
- Premises and admin cost - £30,000

3 OutdoorLads' approach to determining our reserve policy.

There are two key drivers in setting this policy:

1. Risks; and
2. Medium-Long term infrastructure investment.

➤ Risks

A 'rainy day' fund should be calculated on a risk-based approach. What are the identifiable risks to the organisation which will have a financial impact and how likely are they to occur? In developing the reserves policy, we identified the key risks to the organisation, the likelihood of them occurring, and what the financial impact could reasonably be expected to be.

It is recommended OutdoorLads develop a risk register which is monitored by the Operation Sub-Group and reported to the board of the Charity.

➤ Medium-Long term infrastructure investment

In 2018, ODL launched its new website. The cost to the Charity of the website was ca. £130,000. The estimated development cost (i.e., actual cost to the developer) was more in the region of £200,000. OutdoorLads' website is built on Drupal 8, which is still a relatively new platform. It is further estimated OutdoorLads' website in its current iteration has a lifespan of up to 7 years before significant investments are required.

4 Assumptions:

We have listed 3 areas which require reserves to be set aside. The first two are risk related scenarios whilst the third is entirely about website investments. However, as such costs can be considerable, they cannot be covered without building up reserves.

Risk Scenario 1: Significant Event(s) -

Under scenario 1, we assume:

² This cost is based on current payscales and doesn't take into consideration future NJC pay scale rises.

- a) ODL is impacted by an event such as a pandemic, extended regional flooding or a severe foot and mouth outbreak.
- b) A limited number of events can still proceed – mostly day events.
- c) Income from Big Events is lost. Estimated £40-£50k of income over a 6 months period.
- d) The situation is resolved within 6 months.
- e) Income from membership fees declines by 20% but recovers after the adverse event or events have passed.
- f) There is no reduction in staff numbers and limited decreases in discretionary spending.
- g) As of the date of this version of the policy, this scenario is likely to result in quarterly losses before depreciation of ca. £15,000. This can be expected to increase over time due to inflation.

Risk Scenario 2: Membership Disengagement -

Under scenario 2, we assume:

- a) The Charity is not looking to make significant levels of profit over the next few years and may aim for near breakeven results. As such, lower membership numbers and/or fall in demand for events could quickly result in a loss.
- b) Once it is clear demand is falling, remedial action is taken immediately. However, as many overnight events require OutdoorLads to pay in advance, it will take some time to decrease the number of paid-for events and reduce the associated losses.
- c) We believe the Charity can adjust to the new circumstances within 6 months.

Medium-Long term infrastructure investment -

We assume:

- a) No need to make major website investments for until 2025.
- b) No need to undertake a complete replacement in the website. OutdoorLads should expect website investments of £10,000-£15,000 per year of use. Such spend could take place on an annual basis with gradual investments and upgrades taking place but is far more likely to take place ca. every seven years. Based on a seven years cycle, this equates to an estimated investment of £60,000-£80,000.

We assume that risk scenarios 1 and 2 can happen at the same time and that this could also coincide with the next significant website upgrade. We see this as a prudent, albeit very conservative, assumption.

5 Reserves:

Based on the above assumptions our policy is to maintain the following reserve levels in aggregate:

- 1. For scenario 1: £30,000-£45,000
- 2. For scenario 2: £5,000-£10,000
- 3. For Medium-Long term infrastructure investment: £60,000-£80,000.

	Lower Range	Upper Range
Risk Scenario 1	£30,000	£45,000
Risk Scenario 2	£5,000	£10,000
Infrastructure ³	£60,000	£80,000
Total	£95,000	£135,000

³ If money is spent on investing in the website gradually over time, the reserves range shall decrease by the amounts spent.



So, our target range for free cash reserves for the period to the end of March 2025 is £95,000-£135,000. During this period the free cash reserves may fluctuate. Clearly, if OutdoorLads faces one or both of the risk scenarios, reserves will decline. However, the Charity may also decide to run at a loss for a short period to fund investments in other areas and this would then see reserves decrease. The latter is acceptable as long as the reserves stay within the approved range.

6 Governance:

The policy shall be reviewed by the board at least every 3 years.

Version Control -

Date version was finalised	Version no.	Main author	Key changes made (list key changes or note that no changes were made)	Date approved by the board
29/11/2021	1	Niels Pedersen	N/A	29/11/2021
	2			
	3			
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