

# Clapton Football Club Limited

## RESERVES POLICY

Clapton Football Club Limited is in the fortunate position of having reserves to maintain the Club's future sustainability. These are divided into two parts

- **A Sustainability Fund** that is invested to generate additional annual income for the club and is also available for one-time, non-recurring expenses that will build the Club's long-term capacity, such as investment in infrastructure or expansion.
- **The Operating Reserve Fund** that maintains an adequate level of unrestricted net assets to support the club's day-to-day operations in the event of unforeseen shortfalls.

### Sustainability Fund

The purpose of the Sustainability Fund is a designated fund set aside by the decision of the Members to generate investment income for the club and is also available for one-time, non-recurring expenses to build the Club's long-term capacity.

#### Investment of the Sustainability Fund

The Finance Committee is responsible for investing, on behalf of Members, the funds available within the Sustainability Fund with banks, building societies, credit unions or other investments, using the following criteria:

- The Sustainability Fund is invested in one, two or three year savings or bonds designed to generate extra income for the club's annual operational budget.
- All investments are covered by the Financial Services Compensation Scheme.
- No single investment must exceed the compensation limits set by the Financial Conduct Authority and the Prudential Regulation Authority, currently £85,000.
- All investments must comply with the Club's Socially Responsible Investment Policy.
- All investments are made following a proper assessment of diminishing risks to the Club's future sustainability.

The Finance Committee may, from time to time, suggest to Members that a specific source of revenue is set aside for the Sustainability Fund. Examples may include one-time gifts or bequests, special grants, or special appeals.

Any final decision on adding to the Sustainability Fund lies with a vote of the Members.

## **Expenditure from the Sustainability Fund**

All decisions about expenditure related to the Sustainability Fund are made by a vote of Members, through a proposal to a Members' meeting or online poll.

The expectation is that the Club's committees will work on and present these proposals in advance of their presentation to Members.

This is not an exhaustive list but one-time, non-recurring expenses to build the Club's long-term capacity could mean financial support for activities that include:

- Developing the Club's distinct identity
- Expanding the number of teams within the Club
- Developing new sporting activities operating under the Club's name
- Building more effective volunteering
- Develop relationships with local colleges and centres of education
- Strengthening Member participation, including the Club's international links
- Expanding access for Members with disabilities
- Improving engagement with local communities
- Improving the promotion and experience of match day fixtures

The Sustainability Fund is not intended to eliminate any short-term budget gap, but instead for medium to long-term investment in infrastructure or expansion.

## **Operating Reserve Fund**

The purpose of this Operating Reserve Fund is as the designated fund set aside by the decision of the Members to support the club's day-to-day operations in the event of unforeseen shortfalls.

Operating reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. The Club intends for the operating reserves to be used and replenished within a reasonable period of time.

The Operating Reserve Fund operates in conjunction with the other financial policies of the Club and is intended to support the goals and strategies contained in those related policies and in strategic and operational plans.

### **Definitions and goals**

The minimum amount designated as operating reserve is an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The operating reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes.

The target minimum Operating Reserve Fund is equal to 12 months of average recurring operating costs. Currently (June 2019), this is calculated as follows:

<i>Average recurring match day costs:</i> Costs for match officials, food, laundry, security, match balls and sundries	£5,780
<i>Average recurring board and membership costs</i> Members' meetings venue costs, membership cards, badges	£2,250
<i>Average recurring men's first team costs</i> Physio costs and supplies	£2550
Annual ground hire costs	£11,615
<i>Average recurring communications costs</i> Printing programmes	£4,500
<i>Average recurring finance costs</i> VAT and accounting costs, filing software	£1,820
<b>TOTAL</b>	<b>£34,295</b>

In addition to calculating the actual operating reserve at the fiscal year-end, the operating reserve fund target minimum will be calculated each year after approval of the annual budget. These reserves will be reported by the Finance Committee to Members and included in the regular financial reports.

### **Accounting for operating reserves**

The Operating Reserve Fund will appear in the accounting system and financial statements as the "Designated Operating Reserve". The Operating Reserve Fund is funded and available in cash or cash equivalents. The Finance Committee will maintain operating reserves in a separate bank account or investment fund.

### **Funding of operating reserves**

The Operating Reserve Fund will be funded with surplus unrestricted operating funds.

The Finance Committee may, from time to time, suggest to Members that a specific source of revenue is set aside for operating reserves. Examples may include one-time gifts or bequests, special grants, or special appeals.

The Finance Committee will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this policy.

Determination of need requires analysis of the sufficiency of the current level of operating reserve funds, the availability of any other sources of funds before using reserves, and evaluation of the time period for which the funds will be required and replenished.

### **Authority to use operating reserves**

The Finance Committee will submit a request to use operating reserves to Members. The request will include the analysis and determination of the use of funds and plans for replenishment.

The club's goal is to replenish the funds used within six months to restore the Operating Reserve Fund to the target minimum amount.

If the use of operating reserves will take longer than six months to replenish, the request will require additional scrutiny by the Club Board, which has a duty under the Club Rules of “ensuring the Club operates with financial responsibility, enabling the Club to be run for the long term interest of the community”. The Finance Committee may need to modify the request to authorise any transfer from the Operating Reserve Fund before this is submitted to Members for a decision.

## **Reporting and monitoring**

The Club Board has overall responsibility for ensuring that both the Sustainability Fund and the Operating Reserve Fund are maintained and used only as described in this policy.

Upon approval of the use of the Operating Reserve Fund, the Treasurer will maintain records of the use of funds and plan for replenishment and provide regular reports every six months to the Finance Committee and the Club Board of progress to restore the fund to the target minimum amount.

The Finance Committee will annually discuss what additional risk factors the club might consider for its future sustainability, the impact of budgeting on operating reserve levels, and any requirements with funders for the FA.

## **Relationship to other policies**

The Club Board shall, in collaboration with the Finance Committee, maintain the following Member-approved policies, which may contain provisions that affect the creation, sufficiency, and management of its reserves:

- Socially Responsible Investment Policy
- Risk Management related policies and tools to diminish risk, including Contingency or Disaster Preparedness Plan
- Policies related to Operating and Capital Budgeting

## **Review of policy**

The Finance Committee is established to ensure the financial health and integrity of Clapton Football Club Limited and to recommend financial policies, strategies, and budgets that support the mission, values and strategic plan of the club. It will, therefore, need to review this policy every two years at minimum, or sooner if warranted by internal or external events or changes and recommend changes to the Club Board and ultimately to the Members for final discussion and approval.

This policy, if revised, must be distributed to all members of the Club Board and to any advisors that might need a copy. It must also appear as a link on the Transparency page of the Club’s website.