1. **Context, Purpose and Risk Management**

The Charity Commission’s guidance document; *CC19 Charity Reserves; building resilience*, sets out that it expects trustees to decide, publish, implement and monitor their charity’s reserves policy so that they can comply with their legal duties to:

- act in the interests of their charity and its beneficiaries
- protect and safeguard the assets of their charity
- act with reasonable care and skill
- ensure their charity is accountable

Reserves help a charity operate effectively and Trustees should keep their Reserves Policy and the level of reserves held under review.

This Reserves Policy was first created in December 2019 and has been updated annually since then, always with the above in mind and is continually developed in consideration of BSBI’s Strategy 2021-2024 (“BSBI’s Strategy”, “The Strategy”) where BSBI’s Vision is set out; a world where wild plants thrive and are valued. This is our ‘big picture’ of the world that we would like to see, one in which there is understanding and appreciation of wild plants and the need for their habitats to thrive at a time of rapid biodiversity loss and climate change. We share this vision with others.
BSBI’s purpose is to advance the understanding and appreciation of wild plants and support their conservation in Britain and Ireland. This purpose is underpinned by three strategic goals and their priorities and key activities.

BSBI’s Strategy also sets out (at 1.3) Decision Making Criteria (DMC) below to screen all existing work and any new case for a centrally funded/resourced project or investment, to ensure everything both fits with the strategy and ensures long-term resilience.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fit with Purpose</td>
<td>The activity is within our scope, delivers to one of our goals and contributes to our vision. It fits within our strategy map</td>
</tr>
<tr>
<td>Financially viable</td>
<td>The activity is financially viable and planned sufficiently far in advance to be budgeted. If there is no budget, the task is important enough that we should seek funds/ partners/ use reserves to achieve it and make it viable</td>
</tr>
<tr>
<td>There is a partnership opportunity</td>
<td>There is an opportunity to work with others and they are willing to do so</td>
</tr>
<tr>
<td>We have the time and capacity to manage and govern</td>
<td>We are able to give the activity the time and attention it needs or are able to find funding to buy-in capacity or expertise. Volunteers are given the steer and support they need, as required</td>
</tr>
<tr>
<td>We have the capability and know-how</td>
<td>We have the capability and expertise in house or can buy it in or work with others to bring it in. This could include using training opportunities</td>
</tr>
<tr>
<td>Opportunity</td>
<td>The activity will offer useful leads or future opportunities, and safeguard BSBI’s established position within botany</td>
</tr>
<tr>
<td>Risks are understood</td>
<td>The risks to the activity are understood, especially the risk to brand / reputation / integrity – we have a huge scientific reputation to maintain</td>
</tr>
<tr>
<td>We can evaluate our contribution</td>
<td>We can evaluate our activity and demonstrate added value: that we have made a difference. We will get due credit for our contribution and be able to flag up our achievements.</td>
</tr>
</tbody>
</table>

By considering these DMC’s, where the financial viability of existing & new work is assessed, BSBI seeks to ensure its overall financial sustainability and resilience.

The focus in the first two years of the Strategy has been on continuing to build resilience, strengthening foundations and ensuring BSBI is working towards a position where it has a small and sustainable annual surplus. Some of the early timescales were stretched, due to the Pandemic, and other factors, however BSBI has now made good progress in building its foundations and resilience. So, by 2024 / 2025, Trustees believe BSBI’s foundations will be firm and secure and it will be ready to focus on growth. In fact, growth has already been achieved in several areas; more on that later.

This Reserves Policy is an important part of the Strategy pathway described above and of good governance and financial management.
Moreover, BSBI’s Reserves Policy helps in several ways, to:

➢ Define Reserves & understand what are BSBI’s Reserves
➢ Understand the impact of risk on Reserves – re income, expenditure & the wider environment
➢ Describe why Reserves of a particular level are deemed to be needed
➢ Help manage resources and plan ahead, including balancing the needs of current and future beneficiaries
➢ Help demonstrate to donors, funders, grant making bodies and beneficiaries (stakeholders) and build confidence the Board manages BSBI’s money well and is attentive to financial sustainability and resilience.
➢ Help stakeholders understand funding gaps and how they can help fill them. This understanding is particularly important because it helps to optimise the success of fundraising bids, which in turn further diversify BSBI’s income and reduce risk.

Introduction

There are many myths about what funders want to see in charity accounts, particularly in relation to reserves. However, most grant-makers will take a rational view and assess each case on its merits. This means that charities do need to explain their position well, regardless of whether they have high or low reserves.

Source: “Beyond Reserves: What do Grant Makers Want?” by Acevo, CFG, Institute of Fundraising, Sayer Vincent

It goes without saying that different grant making bodies have different criteria to be met before an award is made; some more narrowly defined than others. BSBI will do its best to meet different criteria however we must accept that in practice, it is not always possible.

This Reserves Policy uses the risk identification approach, which is based on an understanding of the income streams and their risk profile, the degree of commitment to expenditure and the overall risk environment in which the charity operates.

This document now sets out BSBI’s Reserves Policy.

2. BSBI’s Reserves

BSBI currently holds five (LY: five) individual funds; two unrestricted, three restricted.

Reserves are defined as:

“Reserves are that part of a charity’s unrestricted funds that is freely available to spend on any of the charity’s purposes.” Source: CC19 Charity Reserves; building resilience
Two Unrestricted Funds:

1. The **General Fund**: (£804k at 31 March 2022) This is the most important of BSBI’s five funds. Its purpose is explained in the Notes to BSBI’s Statutory Accounts as: “...to provide working capital for the continuation of BSBI’s charitable activities and to act as a buffer against fluctuations in income.”

   The General Fund fits the CC19 definition of Reserves above so is included in BSBI’s Reserves

2. The **Strategic Development Fund / Reserve (SDR)**: (£179k at 31 March 2022). This fund was created by the Board in March 2021 with an original designated amount of £100k and a further £150k has been added since. Its purpose is explained in BSBI’s Annual Report & Accounts as: “...to fund the one-off or short-medium term costs of delivering the Strategic Plan; building financial resilience more quickly and effectively than might otherwise be possible.”

   For example, BSBI’s Budget approved in March 2023 allows for £82k to be met from the SDR, most of which is the salaries & other costs of the Countries Support Manager (CSM) and the Data Support Officer (DSO), both of which roles have been added to the staffing structure specifically to support delivery of BSBI’s strategic aims. **So, the SDR is not “freely available” and does not therefore fit the CC19 definition of Reserves above so is not included in BSBI’s Reserves.**

   NB. This is confirmed by CC19 which explains: “The items that should be excluded from Reserves are: ... Designated funds set aside to meet essential future spending, such as funding a project that could not be met from future income”

Three Restricted Funds:

These funds (£5k at 31 March 2022) are not BSBI’s Reserves for the purpose of this Policy because there are only specific, restricted, purposes to which they can be put. They are described here for context & completeness only.

1. The **Presidents’ Awards Fund** provides for an annual award for outstanding contributions to botany. (£400pa in 2018-2022, £300pa in 2023-2027)

2. The **Welsh Flora Fund** is normally for small ad hoc grants towards botanical publications relating to North Wales. In 2022/23, £750; the North Wales proportion of the Atlas 2020 book / project launch costs, are met from this Fund.

3. The **Scottish Officer Fund** received income of £20,000 in 2022/23 (2022 £16kpa) restricted to meet expenditure relating to the post of the Scotland Officer. This fund continued to be fully expended during the year.
3. **BSBI Income & Risks**

BSBI receives circa £0.6Mpa (per 2023/24 Budget) income, currently from ten categories:

- Membership Subscriptions
- Donations
- Legacies
- Gift Aid
- Grants
- Projects & Contracts
- Botanical Education (Note 1)
- Botanical Publications
- Royalties (Note 2)
- Investment Income

The % of total income generated by the top five categories (based on the 2023/24 Budget) is illustrated below:

![BSBI Income Categories Graph]

Since this Policy’s last iteration, BSBI has further diversified its income & now has these sources:

**Note 1) Identiplant and FISC** botanical education & training; £47k income budget 2023/24 and expected to grow over time

**Note 2) Royalties** from Princeton University Press on the sale of Atlas 2020 books; £23k income budget 2023/24, income expected to taper down over time.

Also, BSBI looks set to be awarded a **significant long term (5 year) grant from DAERA**. This was not budgeted in 2023/24 because of uncertainty whether the bid would succeed. This source now looks set to deliver ~£85k income in Year 1, increasing in years 2-4.
Using the Risk Identification Approach to setting BSBI’s Reserves Policy, these income categories and the trends, risks and the stability / variability of each are considered below:

<table>
<thead>
<tr>
<th>Category</th>
<th>Trends &amp; Risks</th>
<th>Stable or Variable?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership subscriptions</td>
<td>Growth sustained @ 8-10%pa for the last 3 years. Members typically stay members for a long time (~90% retention rate). Steps continue to be taken to attract a younger/ more diverse membership (eg. through increased social media engagement.) Membership was positively impacted by Covid-19 and that growth is helped by BSBI’s digital evolution (eg. Paperless membership).</td>
<td>Stable</td>
</tr>
<tr>
<td>Donations</td>
<td>BSBI is grateful to all organisations &amp; members giving donations. Income has historically been unpredictable however, through Atlas and other fundraising, the FM has made this category more stable. Current high UK inflation and the higher interest rates that have been implemented to stem demand are making the fundraising environment challenging however the medium-long term outlook is positive, especially as the BSBI Science Strategy is developed and fundable projects are identified post Atlas.</td>
<td>Variable (short term) Stable (medium-long term)</td>
</tr>
<tr>
<td>Legacies</td>
<td>Legacy income is a development objective; it is difficult to predict, cannot easily be influenced and is highly variable.</td>
<td>Variable</td>
</tr>
<tr>
<td>Gift Aid</td>
<td>Members are encouraged to make Gift Aid declarations and this is an automatic stage in new member onboarding. Income is at an all-time high, is stable &amp; rising.</td>
<td>Stable</td>
</tr>
<tr>
<td>Grants</td>
<td>A very important income category which can experience lumpy changes. The annual allocation of public sector grants can cause uncertainty; 12 months being the norm although some longer terms are now being awarded (eg. NPWS TAPP three-year grant and DAERA five-year grant). Negotiation periods can be long and slow which adds uncertainty (eg. Natural England annual MoA). With ongoing BSBI efforts, however, negotiation periods are shortening</td>
<td>Variable moving to Stable</td>
</tr>
<tr>
<td>Projects &amp; Contracts</td>
<td>Another hugely important and increasing income category = currently 20-25% of total income. Like grants, can experience lumpy changes. BSBI works is strengthening partnerships with organisations and continues to look to engage with an increasingly wide variety of stakeholders.</td>
<td>Stable</td>
</tr>
<tr>
<td>Botanical Education, meetings, conferences &amp; courses</td>
<td>A very important range of income generating charitable activities. Historically difficult to deliver surplus income from events although in recent years losses have lessened as organisers engage with</td>
<td>Stable</td>
</tr>
</tbody>
</table>
guidance from the Finance Manager. Most events are now break-even / small surplus on direct costs. Activities were inevitably reduced by Covid-19 in 2020-22 however they have now returned to a normal stable level, generated from a combination of F2F and digital events. Outlook positive.

<table>
<thead>
<tr>
<th>Botanical Publications</th>
<th>Income represents sales through Summerfield; a stable category of income, albeit not particularly growing over time and there is a risk of longer-term decline (mitigating measures such as e-books are being researched). Also, BSBI typically launches 1-2 books pa with a pre-publication offer; these sales are more profitable. Demand for some books is low because they cater for niche interests. Board now approves publications based on Strategic Decision-Making Criteria. Normally stable</th>
<th>Stable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royalties</td>
<td>See notes above</td>
<td>Stable</td>
</tr>
<tr>
<td>Investment income</td>
<td>Is derived from a managed discretionary portfolio, overseen by Finance Committee &amp; Board. Income normally stable, albeit gradually reducing as the portfolio is drawn down.</td>
<td>Stable</td>
</tr>
</tbody>
</table>

When this Policy was last reviewed in Spring 2022, BSBI’s income was felt to be relatively stable / low risk. Since then:

- Income has grown (Total income >£0.5M for the first time)
- New income categories have arisen (Royalties)
- Income categories have diversified (DAERA, Identiplant, FISC)
- Income commitments have become longer term (DAERA, NPWS TAPP)

**Conclusion:** These achievements mean that income has become relatively more stable and lower risk and this increasing robustness gives comfort that Reserves can be set at a level lower than if income was variable / higher risk.

4. **BSBI Expenditure & Risks**

Continuing with the Risk Identification Approach, this section considers BSBI’s expenditure levels, trends and overall stability / variability. We also consider at a macro level the Board’s ability to control expenditure; if expenditure is capable of being curtailed adequately, at minimal exit cost and on a timely basis if required, this gives a sense of comfort that Reserves can be set a lower level than if this is not possible.
The table below shows BSBI’s Operating Income, Expenditure and Deficit (before Investment Gains & Losses) on its Unrestricted Fund for the year ended March in each of these 7 years:

<table>
<thead>
<tr>
<th>Year</th>
<th>Income £k</th>
<th>Expenditure £k</th>
<th>Operating Deficit £k</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>518</td>
<td>(541)</td>
<td>(23)</td>
</tr>
<tr>
<td>2022</td>
<td>443</td>
<td>(484)</td>
<td>(41)</td>
</tr>
<tr>
<td>2021</td>
<td>366</td>
<td>(386)</td>
<td>(20)</td>
</tr>
<tr>
<td>2020</td>
<td>420</td>
<td>(445)</td>
<td>(25)</td>
</tr>
<tr>
<td>2019</td>
<td>430</td>
<td>(463)</td>
<td>(33)</td>
</tr>
<tr>
<td>2018</td>
<td>386</td>
<td>(447)</td>
<td>(61)</td>
</tr>
<tr>
<td>2017</td>
<td>345</td>
<td>(491)</td>
<td>(146)</td>
</tr>
</tbody>
</table>

*Forecast YE 31.03.23

BSBI’s 2023/24 expenditure budget is £651k (total = £733k less £82k met by the SDR) so an increase on previous years, much of which results from staffing & other changes made in order to deliver the Strategy. The average over the whole period is £0.5Mpa.

Typically, two thirds of Expenditure have been & still are Salary costs. BSBI currently has 12 (LY: 10) employees with a contractual salary-commitments of ~£0.4Mpa. Trustees consider that staffing levels are consistent with the needs of good governance, supporting BSBI’s activities and meeting its charitable objectives. In the unlikely event that BSBI’s activities had to be totally curtailed and all employment contracts terminated, the one-off cost would now be circa £50k (based on £35k calculations supplied to Board in April 2020).

As well as to employees, there are financial commitments to others at any given time; to landlords, to recipients of training grants awarded, to suppliers and others. All of these commitments are in the normal course of business, none are onerous and are terminable within reasonable timescales at a one-off cost not expected to exceed £10k.

**Conclusion:** Overall, BSBI’s expenditure is capable of being curtailed adequately, at minimal exit cost and on a timely basis if required, so is low risk. This gives comfort that Reserves are unlikely to be used in an uncontrolled, unpredictable way and therefore can be set a level lower than if expenditure did not fit this profile.

5. **The Wider Environment and Risk Register**

As a small charity, it is difficult, if not impossible (and would be prohibitively expensive) to have contingency plans in place to deal with the risks associated with all unforeseen events. For example, staff work remotely, responsibilities are often restricted to single individuals, with little opportunity to share knowledge or have back-up plans for sickness or other absences.

Appropriate insurance is of course in place and everyone is encouraged to follow BSBI policies setting out good working practices. Risk assessments and other measures are in place to guide activities, and contingency plans are put in place where possible so as not to place unacceptable (if unlikely) financial burdens on BSBI.

BSBI grant and contract income is often short-term (12-18 months) and this poses a financial risk where it funds staff engaged on permanent employment contracts. These risks are
mitigated where possible – eg. The CSM employment contract is short-term, to mirror the Strategy implementation period.

Risks posed are recorded on a Risk Register are discussed by the Board at its quarterly board meetings and are addressed wherever possible. Below are the two highest unmitigated risks on the Risk Register to which the Board is currently devoting its attention:

1) **Loss of Data, electronic functions or other important information;** Trustees have identified an operational risk particular to the BSBI Distribution Database (DDb) which holds in excess of 50 million plant distribution records and is a critical BSBI resource.

   **Risk:** A digital & data review was carried out which identified that IT issues such as server failure, a lack of specialist knowledge and resource to manage and maintain the DDb, and / or cyber-attack, exposes BSBI to being unable to carry out core functions and activities if these risks were not to be addressed.

   **Mitigation:** Trustees are addressing the situation by strengthening BSBI’s resources; a Data Support Officer is being recruited and from Summer 2023 will work alongside the existing Database Officer, each with a clear programme of work, including documenting the DDb and developing an emergency recovery plan against which progress can be measured.

   **Potential Financial Impact of Risk on Reserves:** Minimal – Moderate (Up to £50k)

2) **Non-compliance with Irish Charity Registration;** Trustees have identified a legal risk arising from BSBI not being registered with the Charities Regulator in Ireland.

   **Risk:** Non-compliance with Irish Charity legislation which exposes risks or even legal liabilities thought to be around the legitimacy of BSBI’s activities in Ireland under its UK governing documents.

   **Mitigation:** Trustees are addressing the situation and have applied to the Charities Regulator in Ireland for BSBI to become a charity in Ireland. A response is currently awaited.

   **Potential Financial Impact of Risk on Reserves:** Moderate (£25k - £50k)

6. **The “Right” Level of Reserves**

   The Board of Trustees has reflected on all of the above and concludes that £0.5m (LY: £0.5m) – an average of now 9 months’ (LY: 1 year’s) operating expenditure (see section 4) is an adequate and appropriate minimum level of Reserves which will help BSBI achieve a financially sustainable & resilient business model.

   We have shortened the expenditure period from 1 year to 9 months to reflect the reduction in risk conclusion in section 3. ie. This means that, in a crisis situation, BSBI’s income is expected
to reduce less / for a shorter period & would recover earlier than before, so the demand placed on Reserves would therefore be less.

The decision to settle on £0.5M is based on all the forgoing and is supported by this calculation: 2023/24 expenditure budget = £651k x 9 months/12 months = £488k, say £0.5M

It should be stressed, however, that setting the “Right” level of Reserves is not an exact science and the above could legitimately be replaced by a different approach, or simply a judgment call.

Meanwhile, the General Fund is forecast to stand at no less than ~£0.6M at 31 March 2023. Therefore, there is a modest excess above the minimum of £0.5M (a “buffer”) meaning BSBI’s Reserves are actually the equivalent of ~12 months’ expenditure.

A minimum level of £0.5M may seem high however this level affords the Board capacity to respond to - or seek out - opportunities. If opportunities arise to deliver BSBI’s aims even more effectively, the Board will consider designating further funds to the SDR so as to ringfence what it requires for this purpose.

Looking ahead, as income streams are even further diversified and become more robust, BSBI becomes more resilient and risk further reduces, the Board may in time feel it is able to even further reduce the minimum reserves, perhaps to the equivalent of 6 - 9 months’ operating expenditure.

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. Trustees are aware, however, that even if BSBI’s financial position continues to improve, there is likely to be a level below which it would not be sensible to reduce minimum reserves. The position will be monitored and any further reduction below £0.5M is a decision for another day.

**Conclusion:** The Board concludes that, on balance, BSBI has about the right minimum and actual level of Reserves; adequate but not excessive.

7. **Reporting Reserves**

Trustees acknowledge their responsibility to report BSBI’s Reserves Policy in its Annual Report in a way that meets the requirements of the *Charities Statement of Recommended Practice (SORP) (FRS 102)*

8. **Policy Duration & Remit**

i. Once approved, this Policy will remain in effect until further notice.

ii. The Policy will normally be reviewed annually.