



### **Policy on Capital Costs and Running (Operating) Costs**

The following represents past and current practice for Wealden Sailability in determining what is considered to be Running Costs and what is considered to be Capital Costs.

**Definition:**

**Capital costs** are fixed, one-time expenses incurred on the purchase of land, buildings, construction, and equipment used in the production of goods or in the rendering of services. Put simply, it is the total cost needed to bring a project to a commercially operable status. Whether a particular cost is capital or not depends on many factors such as accounting, tax laws, and materiality.

**Policy:**

Wealden Sailability meets Capital Costs through Donations and Fundraising. Costs should be met from Capital whenever reasonably possible.

**Definition:**

**Operating costs** are the expenses which are related to the operation of a business, or to the operation of a device, component, item of equipment or facility. They are the cost of resources used by an organization *just to maintain its existence*.

**Policy:**

Wealden Sailability meets Running Costs through charges to clients. Charges to clients should be kept as low as is reasonably possible.

The following represents those costs currently determined to constitute Running Costs.

**Running Costs:**

- Requisite Licences, such as AALA.
- Club Membership fees
- Club Boat Fees
- Use of Club Equipment such as Power Boats and proportional associated costs.
- Essential Training. That is training without which the charities aims, as set out in the [Trust Deed](#), could not be met.
- Insurance Premiums
- Branding (This is not an essential running cost and might be met within fundraising)
- Chandlery and Spares, sufficient to maintain adequate continued operation of the fleet.
- Postage
- Stationary
- Annual RYA Sailability Conference. (Not essential, but conducive to maintaining links and improving performance).

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- Web Site Domain Rental (Not essential, but helps with client awareness and Fund Raising).
- Contingency, being 10% of the total of the above.

The total Running Cost is used to determine the [Strategic Reserve](#) and for calculating Client Charges.

#### **“Self-Funding Costs”**

This applies to such things as events, for example the HANSA(UK)TT event, where a charge is levied on participants such that the total cost of running the event is contained within the summation of the charges to participants. It might also be applied to such other events as the Volunteers’ Dinner. This does not preclude fund raising in aid of such events, should that be appropriate.

#### **Capital Costs.**

All other costs are determined to be Capital Costs and are met from donations or fund raising. This includes such items as replacement sails, major repairs, non-essential training, and costs associated with sailing at other venues. The underlying principle being that charges to clients should be kept as low as is reasonably possible and that costs should be met from Capital whenever reasonably possible.

Agreed at the Trustee meeting on 17<sup>th</sup> February 2014.

**End**

Reviewd by DM/ST 25.01.2018-No Changes

Reviewed BY DM/ST 05.04.19-No Changes

