

# Reserves Policy

## Purpose

This policy defines how Needingworth Village Hall Trust will manage its financial reserves

Signed: (On behalf of the Trust) Debbie Williams and Ian Madden

Position: Chair, Treasurer

Date adopted and signed: confirmed in monthly committee meeting on the 20<sup>th</sup> November 2024.

This document will be reviewed bi-annually or when changes occur which may impact the policy e.g. change in definition as in statute.

The next review is due on the 21<sup>st</sup> November 2027

## Policy statement

Needingworth Village Hall Trust needs reserves to:

- Meet contractual liabilities should the organisation have to close. This includes redundancy pay, amounts due to creditors and commitments under leases.
- To meet unexpected costs such as emergency repairs, staff cover re: illness, maternity leave, parental leave, and legal costs defending the charity's interest.
- To replace equipment as it wears out.
- Ensure that the charity can continue and provide a community facility as set out in the charity's aims and objectives. Within this context to minimise recruitment, staff training, staff induction and marketing costs by avoiding the need for redundancies caused by financial crisis.
- Meet legal obligations. From time-to-time funding has certain restrictions which means that, by law, it must be held in a restricted reserve until it is spent in line with the funding agreement.

## Income

Needingworth Village Hall's main income is from hiring and fundraising.

Needingworth Village Hall plans its fundraising in advance, having a yearly view of the cash flow.

## Analysis of Regular Income

Hirings	Amount/Month	Risk of losing hirer
Village clubs	£1500	Low

## Target level of reserves

Needingworth Village Hall aims to have reserves in the bank of 28% of current expenditure.

## Costs of dissolution

If Needingworth Village Hall Trust were to dissolve, the charity would incur several winding up costs:

Cost type	Estimated amount
Redundancy costs (if appropriate)	£150
Audit costs	£300
Contracts or service agreements	£200
Notice period to staff (if appropriate)	£150
Creditors (as per balance sheet 31 December 2022)	£1,500
Cost incurred to call a public meeting	£NIL
<b>Total</b>	<b>£2,300<sup>i</sup></b>

## Assuming an ongoing organisation

There are a number of events that could occur during a year that are generally not budgeted for and would be typically funded from reserves.

Event	Reserve amount
Sickness <sup>ii</sup>	£300
Other types of leave requiring cover: maternity leave, parental leave, adoption leave, etc.	£150
Unexpected	£5000
Provision to cover unexpected loss of a regular funder	£3000
<b>Total</b>	<b>£8450<sup>iii</sup></b>

It is assumed that most capital purchases will be funded from specific grants for capital purchases.

## Establishing and maintaining a prudent level of reserves

In the event of reserves dipping below the target 28%, we will aim to restore the reserves to at least 28% of expenditure over the next four years. This could be achieved by increased fundraising, increasing earned income or reducing expenditure.

## Monitoring and reviewing of reserves policy.

The trustees will consider current costs of closure and examine the level of reserves each year when setting the following year's budget.

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- <sup>i</sup> This represents 6% of the current year's forecast expenditure of £40,500
  - <sup>ii</sup> The probability of staff being sick for their maximum entitlement in one year is very low so this reserve has been reduced by 90%
  - <sup>iii</sup> This represents 21% of the current year's forecast expenditure of £40,500.