

Cullingworth Village Hall Management Committee Ltd

RESERVES POLICY

1. Statement

The Policy supports the running of Cullingworth Village Hall. The policy is reviewed following any significant change in financial circumstances and as a minimum annually.

Income reserves are described by the Charity Commission as the resources the charity has or can make available to spend for any or all of the charity's purposes, once it has met its commitment and covered other planned expenditure.

There are two types of reserves

- i) **Unrestricted reserves**, which are held to offset risks, and
- ii) **Restricted reserves**, which are raised or held for *specific* future purposes;

There may be occasions when an administrative act *designates* unrestricted funds for a particular project or use.

2. The reasons for reserves

The Charity Commission's "Charities' Reserves" Policy, CC19 and "Statement of Accounting Practice – Accounting and Reporting by Charities (SORP 2000)", requires a Reserves Policy to be included in the "Trustees Report and Annual Accounts" for each year end.

The following are considered when planning for the level of reserves:

Unrestricted reserves for cash flow and emergencies:

A reserve of a minimum £15,000 (or equivalent to at least 6 months budgeted annual expenditure) and a maximum £50,000 (or equivalent to 24 months of budgeted annual expenditure) will be maintained to cover any negative cash flow and emergencies (e.g. boiler/heating breakdown or damage to flooring/equipment). If accessed, efforts should be immediately put in place to restore the balance to the minimum amount.

Planned ongoing and annual maintenance expenditure will be included in the Annual Budget and detailed in the Annual Maintenance Plan. This ensures the facility is maintained in good condition for the benefit of all hall users and to meet the conditions of the Insurance Policy and Premises Licence.

Review date: March 2022

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Restricted Reserves for assets and special projects:

Grants received for specific purposes will be evidenced in a Restricted Reserve “pot” within the accounting structure and used solely for the purpose designated. These range from the purchase of new/replacement assets to the hosting of events and garden projects.

Designated Reserves:

Funds in excess of restricted and unrestricted reserves detailed above are for –

- The settlement of the final invoice for the building of the Village Hall.
- Short-term small projects deemed necessary by the Management Committee to further improve the Village Hall facilities (e.g. cycle parking and repair).
- The creation of a Large Replacement Fund to cover the long-term maintenance/replacement programme. The new build has cost approximately £1m and within 10-25 years may require extensive work (e.g. a new roof).

Reasons why we need reserves

Resources are vital to support the hall’s ability to operate and to the long-term viability of the hall and to its ability to achieve its aims and objectives. They are also vital to enable the hall to meet its legal and contractual liabilities should the organisation have to close.

The Management Committee understand the principles behind the Reserves, setting out appropriate levels of reserves based upon risk assessment, which is based on factors which impact upon the hall.

Designated Reserves will continue to be built as a contingency to safeguard the on-going development and management of the hall and to meet the long term replacement of the new building.

The Treasurer and Management Committee are responsible for keeping the policy up to date and it shall be reviewed annually or upon significant change in financial circumstances. The value of funds held in the Unrestricted Reserves and the Large Replacement Fund shall be reviewed at least once a year following the preparation of the audited accounts.

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