**RESERVES POLICY**

**LITTLE DOWNHAM VILLAGE HALL**

**1. Policy Statement**

1.1. Little Downham Village Hall needs reserves to:

1.1.1. Meet contractual liabilities should the organisation have to close. This includes redundancy pay, amounts due to creditors and commitments under leases.

1.1.2. To meet unexpected costs such as emergency repairs, staff cover re: illness, maternity leave, parental leave, and legal costs defending the charities interest.

1.1.3. To replace equipment as it wears out.

1.1.4. 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.

1.1.5. 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.

**2. Income**

2.1. Little Downham Village Hall’s main income is from hiring the hall to regular and occasional users, associated services including the bar and fundraising from grants.

2.2. Little Downham Village Hall plans its fundraising in advance having a yearly view of the cash flow.

**3. Analysis of Regular Income**

Regular Hirers £23,000 per annumRisk of losing hirers Medium

**4. Target level of reserves**

4.1. Little Downham Village Hall aims to have reserves in the band 10% to 15% of current expenditure.

**5. Costs of dissolution**

5.1. Were the Charity to dissolve, it would incur a number of winding up costs.

5.1.1. Redundancy costs - nil at present

5.1.2. Notice period to staff - £250

5.1.3. Audit costs £ 1000

5.1.4. Creditors – nil at present

5.1.5. Contracts or service agreements £ 3000

5.1.6. Cost incurred to call a public meeting - £100

5.1.7. Total £4350

**6.** This represents 6% of the current year’s forecast expenditure of £72,000

**7. Assuming an ongoing organisation**

7.1. 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.

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| --- | --- |
| Sickness - The probability of staff being sick for their maximum entitlement in one year is very low | £1,000 |
| Other types of leave requiring cover: maternity leave; parental leave; adoption leave etc. | £1,000 |
| Unexpected repairs | £5,000 |
| Provision to cover unexpected loss of a regular funder | £3,000 |
| **Total** | **£10,000** |

7.2. This represent 13.9% of the current years forecast expenditure of £72,000

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

**8. Establishing and maintaining a prudent level of reserves**

8.1. In the event of reserves dipping below the target 12.5%, we will aim to restore the reserves to at least 12.5% of expenditure over the next four years. This could be achieved by increased fundraising, increasing earned income or reducing expenditure.

**9. Monitoring and reviewing of reserves policy.**

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

9.2. This reserves policy will be reviewed every year.

Revised Policy Approved at the Committee Meeting 26 August 2025