

The Village Hall

MILBORNE ST ANDREW DT11 0JX

www.milbornestandrew.org.uk/villagehall

Registered Charity No. 1176828 (Formerly 301153)



Policy for the Maintenance of Financial Reserves

This Policy is based on Charity Commission Guidance
Charity Reserves: building resilience (CC19) June 2023

1. Trustees have a legal duty to:
 - a. Act in the Charity's best interests
 - b. Manage resources responsibly
 - c. Act with reasonable care and skill
 - d. Protect and safeguard the assets of the charity

2. Reserves consist of:
 - a. Tangible fixed assets such as our land and buildings
 - b. Money set aside for planned specific projects (*restricted funds*).
 - c. Money set aside for dealing with unplanned events that could prevent the charity from carrying out its day-to-day activities (*unrestricted funds*).

3. Why hold funds in reserve?
 - a. Money held in reserve as "*restricted funds*" will vary year on year as funds for a particular project are accumulated through fund-raising and/or grants and then finally spent to achieve the project's aim. They will be designated as such in the accounts.
 - b. The amount held as "*unrestricted funds*" is based on our judgement of the risks of events which might affect our ability to continue to function. Such risks could include a sudden loss in income caused by the loss of a significant regular client or an unplanned major expense such as a roof repair or a catastrophic failure of our heating system. Such risks have been described and evaluated in our Business Risk Assessment.
 - c. Retaining excessive *unrestricted funds* could suggest a lack of focus of the Trustees in pursuing the aims of our Trust. Similarly, having inadequate *unrestricted funds* in place would be irresponsible / negligent.

4. How much should be held in unrestricted funds?
 - a. At present (October 2023) our annual income from hirers of the hall plus various fund-raising activities (bar, café, films etc) exceeds our necessary expenditure and we have retained the surplus in unrestricted funds. The current balance could be judged as excessive since funds are not being used for the benefit of the community.
 - b. The amount held as *unrestricted reserves* should be sufficient to allow the hall's core activities to continue during a period of unforeseen difficulty.
 - c. A minimum of 6 months (50%) of predicted essential annual expenditure and a maximum of 9 months (75%) is seen by the Trustees as a prudent amount to be held as an *unrestricted reserve*. Currently (October 2023) this amounts to maintaining an *unrestricted reserve* of between £6,000 and £9,000.