

# **Carbrooke Village Hall Reserves Policy**

## **INTRODUCTION:**

One of the key legal obligations on all charities is to spend income received on charitable objects within a reasonable period of time unless there is a good reason not to. This means the Committee needs to be clear about why it considers it necessary to hold funds in reserve.

Reserves are that part of a charity's unrestricted funds that is freely available to spend on any of the charity's purposes.

Our charity exists to provide a village hall for the inhabitants of Carbrooke and the neighbourhood without distinction of sex or of political, religious or other opinions and, in particular, for meetings, lectures and classes and for other forms of recreation and leisure-time occupation with the object of improving the conditions of life of the said inhabitants.

To do this we need to maintain and run the facilities. This requires us

- to maintain the facilities for the long term, and
- to service them day-to-day.

The commitment is therefore both long-term (building maintenance and refurbishment) and short-term (e.g. electricity and water, insurance and cleaning), whilst income is almost exclusively short-term and potentially volatile.

## **RESERVES POLICY**

1. The Trustees have resolved to maintain a minimum level of reserves to enable normal operating costs to be covered for up to a year assuming no income is generated during this time.
2. The minimum reserve level to be held will be reviewed at least annually by the committee. The Trustees must agree any change from the previous minimum level, having considered any changes in the operating profile of the Charity of which they are aware. Such agreement should be formally recorded.
3. The reserves will be held in cash in a separate bank account from that used for day to day receipts and payments. The balance on this account should be equal to or greater than the approved minimum reserve level (subject to 4 below).
4. Any expenditure of reserves must be approved by a majority of Trustees and an explanation for doing so recorded. Should there be an appreciable risk that the Charity will exhaust its reserves, the Chair will call an EGM immediately.
5. The approved minimum reserve level will be calculated by taking the average expenditure of the village hall over the previous seven years. This will not include expenditure on hall improvements funded separately by grants but will include hall repairs. (See Appendix 1)

6. There must be no restriction on the disbursement of funds held in reserves, i.e. they must be constitutionally and legally available to cover any type of expense.
7. In the event of the reserves dipping below the target we will aim to restore the reserves to 100% of expenditure over the next 2 years. This could be achieved by increasing fundraising, increasing earned income or reducing expenditure.
8. The Trustees will consider current costs and examine the level of reserves each year.

## **APPENDIX 1**

Annual Expenditure:

2018 £12930

2019 £ 7497 (excluding major building renovation work of £72590 paid for by grants)

2020 £13958

2021 £7814

2022 £10459

2023 £18329

**Average £11831**