

The Tennyson d'Eyncourt Memorial Hall is an unincorporated association and a registered charity. The Charity should always have a positive bank balance. Should the Charity ever get into debt then the Management Committee will take necessary and appropriate action.

In accordance with the Governance Document the Management Committee has overall responsibility to apply any income for the benefit of the Hall, the Village Green and the services that these facilities enable for the local community.

The Treasurer has responsibility for providing an annual statement of the Hall's financial position and for providing updated information at committee meetings.

Investments

Management of the Hall requires both short-term implementation and longer-term planning.

Unless otherwise decided by the Committee:

- All the Trust's investments will be via United Kingdom (UK) Bank or UK Building Society accounts;
- The Trust's liquid assets (i.e. surplus cash) that are required for immediate access will be kept in a UK bank or UK building society charity account, which may be interest bearing;
- Any other liquid assets will be kept in a UK bank or UK building society deposit account which pays interest.

If significant liquid assets accrue but will not be required in the next three to five years, the Treasurer may recommend a longer term investment. Any such recommendation would require the approval of the Management Committee. No investment will be made which puts the assets of the Charity at risk.

Reserves

Reserves:

Any part of the income of the Hall that is freely available to spend in furtherance of the charity's purposes, after it has met all its operational and maintenance commitments and covered all planned (designated) project expenditure, constitute its reserves. Permanent endowments or restricted funds are not part of the reserves.

The Minimum Level of Reserves:

In establishing an agreed level of reserves, the Management Committee has considered these risks and their magnitude:

- significant unforeseen expenditure that cannot be delayed;
- significant unforeseen loss of income which cannot be replaced in the short term.

These risks are mitigated by the assessment of the Management Committee that:

- The building is generally in good condition. However, there are significant areas that could potentially require unexpected repair. These include the roof, the heating system and flooring;
- Our income is relatively robust and predictable and not overly dependent on one or two large users. However, the unexpected loss of a few of the larger users would result in a loss of income that could be difficult to replace in the short term;

The agreed level of reserves is designed to ensure that enough short term funds would be available in all but extreme circumstances.

Taking these factors into account, the current minimum level of reserves that we intend to maintain is £25,000 comprising:

- Unforeseen major repairs £20,000
- Loss of income from user groups £5,000

Maintaining the Agreed Level:

The charity finances are reviewed regularly, usually as part of each committee meeting. The aim of the committee each year is to cover operational costs through hire of the facilities and fund raising activities. At the time of agreeing this document, hire charges are significantly cheaper than other local halls. These charges will be reviewed periodically – and at least annually - to maintain the required operational surplus.

Reviewing this policy:

The Management Committee will review this policy, and in particular the minimum level of reserves, periodically and at least biennially. Factors to be considered will include:

- project priorities;
- cost inflation;
- risk of significant unexpected repairs as the building ages;
- forecasts of future income;
- potential competition from other local venues.

Draft produced 15th May 2024 for consideration by the Village Hall Committee

Guidance from Gov.uk

Reserves are that part of a charity's unrestricted funds that is freely available to spend on any of the charity's purposes. The starting point for calculating the amount of reserves held is therefore the amount of unrestricted funds held by a charity. However, some or all of the unrestricted funds of a charity may not be readily available for spending. This is because spending those funds may adversely impact on the charity's ability to deliver its aims. The items that should be excluded from reserves are:

- *tangible fixed assets used to carry out the charity's activities, such as land and buildings*
- *social investments*
- *designated funds set aside to meet essential future spending, such as funding a project that could not be met from future income*
- *commitments that have not been provided for as a liability in the accounts*

Charity trustees have a general legal duty to spend income within a reasonable time of receipt. Trustees may spend this income to fund charitable activities, in acquiring assets to use in the charity's work, and in meeting the day to day running costs of the charity. To hold income in reserve rather than spending it, trustees rely on an explicit or implicit power to hold reserves and they must use that power in the charity's best interests.

Deciding on a reserves policy:

Does your charity need to keep reserves?

The basis of a good reserves policy is thinking through exactly why you might need to hold back some funds as reserves. In a small charity, with a simple structure and uncomplicated activities, the reasons might include:

- a) The risk of an unforeseen emergency or other unexpected need for funds, eg an unexpected large bill or finding 'seed-funding' for an urgent project*
- b) Covering unforeseen day-to-day operational costs, eg employing temporary staff to cover a long-term sick absence*
- c) A source of income, eg a grant, not being renewed. Funds might be needed to give the trustees time to take action if income falls below expectations*
- d) Planned commitments, or designations, that cannot be met by future income alone, eg plans for a major asset purchase or to a significant project that requires the charity to provide 'matched funding'*
- e) The need to fund short-term deficits in a cash budget, eg money may need to be spent before a funding grant is received*

How much do you need in reserve?

The reserves level may be a target amount or a target range. For example, for each reason set out in question 1:

- a) An amount might be needed to meet an unforeseen emergency or other unexpected need - consider risks and how much might be needed for such contingencies; this will involve judgment of events that may occur and their likelihood*
- b) Look at your expenditure budget - do you need a small contingency fund to meet unforeseen operational costs?*
- c) Uncertainty over future income might mean having reserves equivalent to a number of weeks of income equivalent to a range of £x to £y, to allow time to develop new sources of income or to cut-back on related expenditure*
- d) A planned spending commitment which cannot be met from future income would imply a need for a specific sum to be set aside - often this amount will be included within designations in accounts*
- e) An amount might be needed to cover 'troughs' in the cash budget - review budgets to ascertain how much might be needed*

In summary, the financial risks you identify should influence the amount of reserves you target to hold and be explained in your reserves policy.

Question 3. Have you got any funds in reserve at the end of the year?

The final step is to compare what you might need in reserve with what you actually hold. You should:

- *calculate the amount of any reserves according to the definition of reserves given in [section 3.1](#) of the guidance*
- *state the amount of reserves held and compare with the target amount or target range set for reserves*
- *explain any shortfall or excess in reserves against target set*
- *explain any action being taken or planned to bring reserves into line with your target*

Where the difference is small, no action may be needed.

Information about the reserves policy and the level of reserves held must be included in the trustees' annual report.

Example:

A sum equivalent to one year's regular expenses (electricity, cleaners wages, water, insurance) should always be kept in the account to meet ongoing expenses. If the Treasurer perceives that the funds in the account are likely to fall below this level the Committee must be informed immediately, unless prior approval has been given by the said Committee.