**Kingston Village Hall**

**Reserves Policy**

1. **Context**

1.1 Our charitable objective is to maintain the fabric and contents of the hall for the benefit of the community. Given the need to maintain a long-life asset, capital expenditure needs for the hall can be significant in amount and irregularly occurring over time, with periods of relatively low expenditure balanced over the long term with relatively high expenditure items. Therefore,Kingston Village Hall needs reserves.

1.2 The requirement for reserves is further emphasised by the risk that generous grant aid the hall has received in the past cannot be relied upon to recur in the future as it is likely to become less available over time, given other demands on public funding. Therefore, the Reserve Fund must provide for a high level of self-sufficiency.

1.3 The following are some specific items that can reasonably be expected to occur in the future and should be considered when considering the quantum of reserves:

* For upkeep of the exterior and interior paintwork and other items, and to meet unexpected costs such as emergency repairs.
* To replace equipment and building fabric as it wears out. Representative examples of items with significant capital expense are the roof (1977) of the main hall and the boiler. Other items with a limited life are the outside tarmac, fencing and flooring in the small hall.
* Generally to ensure that the Kingston Village Hall Management Committee charity can continue and provide a community facility as set out in the charity’s aims and objectives.

1.3 From time-to-time funding may have 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. As such, reserves and funding are distinct with funding in general failing to comprise an effective substitute for reserves.

**2.0 Income**

2.1 Kingston Village Hall’s main income is from hiring and fundraising, plus investment returns of the reserve fund. Reserve fund investment is only invested in fixed interest, fixed term securities such as savings accounts with no significant risk of capital loss under normal circumstances.

2.2 Kingston Village Hall generally plans its fund raising in advance having a yearly view of the cash flow.

**3.0 Analysis of Regular Income**

3.1 Kingston Village Hall’s main income is from hiring and fundraising.

**Regular Hirer Amount Per Risk of losing organization**

General hall hire £500 Year Low (primarily local resident usage)

Fundraising £1200 Year Low (regular events)

Interest income £500 Year Low (regular events)

Monthly pub £500 Year Low (regular events)

**4.0 A prudent level of reserves required, to cover both maintenance/temporary closure shocks; and additionally: reasonably foreseen capital expenditure.**

4.1 The total expected level of *c*. £2,500 per annum is currently sufficient for normal operating costs of the Hall, but reserves need to cover: maintenance; temporary closure cost/income shocks; and additionally capital expenditure that is reasonably likely to occur in the future.

4.2 For **maintenance** expenditure reserves, and to cover the risks of unexpected short-term shocks to income, such as an outbreak of infectious disease requiring a temporary closure of the economy, Kingston Village Hall currently aims to hold reserves of approximately 18-24 months’ worth of expenditure (*c*. £5,000).

4.3 For **capital** expenditure reserves, Kingston Village Hall aims to hold reserves of between £10-15,000 under normal circumstances, but it may fluctuate depending on reasonably envisaged future capital expenditure within a cap of £50,000 (in the scenario of a very significant expenditure item envisaged, for example a roof replacement).

4.4 Were Kingston Village Hall to dissolve, the charity would incur a number of winding up costs. The primary cost is closing the accounts/audit to the satisfaction of the Charity Commission and the Trustees. Although this activity is currently provided gratis, it is prudent to budget a small amount to cover future scenarios.

Costs of dissolution:

Audit costs: £0-100 (est.)

Advisor costs: £100 (est.)

4.4 This represents <5% of the current year’s forecast expenditure.

4.5Assuming an ongoing organization**,** 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.

4.6 The above figures are subject to change depending on the general economic environment at any particular time, in particular ongoing inflation, by Committee agreement.

4.7 Notwithstanding the above need to hold reserves, it is hoped that most capital purchases will be funded from specific grants for capital purchases, with efforts to secure such grants to be made accordingly. Should a significant reserve shortfall or excess become apparent, the appropriate action would be discussed and agreed by the committee.

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

5.1 In the event of reserves dipping below the target, Kingston Village Hall Management Committee will aim to restore the reserves to the levels above over the next four years. This could be achieved by increased fund raising, increasing earned income, or reducing expenditure. Reserves will be first built up to cover maintenance/unexpected shutdown costs; then following this, reserves to cover capital expenditure will be progressively rebuilt.

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

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

6.2 This reserves policy will be reviewed every two years. Next review: March 2026

Two Trustees to sign

Patricia Draper

Paul Wright

Dated: 01/03/2024

Patricia Draper (Trustee)