



Farningham Village Hall

Reserves Policy

v2 of 25.09.23

Scope

This policy defines what is meant by reserves, and sets out the reasons why Farningham Village Hall should maintain reserves.

It discusses the level of reserves to be held, and when the level should be reviewed.

What are reserves?

Charity accounting has the concept of “funds”, of which there are two primary classes:-

- Funds that are unrestricted in their use, which can be spent for any charitable purposes of a charity decided upon by the Village Hall trustees
- Funds that are restricted in use, which can only be lawfully used for a specific charitable purpose. This would be a grant or funds raised for a specific purpose (e.g. new heating installation)

Reserves are “that part of a charity’s unrestricted funds that is freely available to spend on any of the charity’s purposes”, in other words money that is not required to meet the charity’s anticipated running costs. Reserves can strengthen a charity’s resilience against, for example, drops in income or the demands of a new project.

The Level of Reserves

This policy sets reserves at a level which ensures that Farningham Village Hall’s core activity could continue during a period of unforeseen difficulty.

- The Village Hall should always have sufficient money in the current account to meet daily needs. In practice, the balance in this account varies from about £2,000 to £8,000 according to current commitments and the position in the contract booking invoicing cycle.

- The majority of the reserves, however, are held in a deposit account (100 days notice). In the post COVID environment where there is still uncertainty about the future, and several user groups have been lost, the amount held is in the region of two years expenditure, currently about £40,000. This sum of money is to cover major repairs, the further loss of any large user groups and closure due to the pandemic returning.

Reviewing the Policy

The Management Committee agree an annual budget plan that is reviewed and updated at periodic meetings. The calculation of the required level of reserves is an integral part of this process, and any changes will be reflected in this policy.