Introduction

This policy is based on guidance and requirements in the Charity Commission's "Charities' Reserves" Policy, CC19 and "Statement of Accounting Practice – Accounting and Reporting by Charities (SORP 2026)". The policy applies to the 2026-27 reporting period and will be reviewed at the end of that period, or if there is a significant change in the financial position.

The Charity records and reports its monetary assets in a series of funds. The principles of 'Fund Accounting' are a key feature of accounting for charities. The principles and requirements are detailed in section 2 of SORP 2019. In summary:

- A 'Fund' is a means of recording income and expenses against a specific purpose and is not the same as a bank account; an account will hold monies from many funds.
- Legally, there are two types of Fund:
  - Restricted Funds are used to manage income and assets which have been received with a specific legal purpose for its use. For example, from a donor who has stipulated that their donation is used for a specific project, or for income from an appeal stated for a particular purpose. Restricted Funds can be spent only on their stated purpose.
  - Unrestricted Funds are spent or applied at the discretion of the Needham Village Hall Committee and Trustees to further any of the charity's purposes.
    - The Committee may choose to set aside a part of the unrestricted funds to be used for a particular future purpose. They can set up a 'Designated' fund that remains part of the unrestricted funds of the charity. Such designation is purely administrative and does not restrict the trustees' discretion in how to apply the funds.
    - A specific Designated Fund is the 'Risk Reserves' fund in which the Charity holds 'Reserves' as detailed below. This is done because the hall is old, and income varies according to many internal and external factors. The Trustees need a financial cushion to cope with sudden repairs or temporary loss of income.

Unrestricted Funds

General Working Fund

This fund is that portion of the Unrestricted Funds not allocated to a specific designated purpose.

Designated Funds

For 2026-27 the Management Committee designates part of the Charity's Unrestricted Funds for the Hall's 'Asset Maintenance and Renewal' programme. Other Designated Reserves may be created during the year if required.

'Risk Reserves' Fund

This Reserves fund can be spent at the discretion of the management committee to offset unexpected expenditure required in furtherance of the charity's objects. The level of these reserves is based upon the Operating Risk Register In Annex A and summarised here:

1. Repairs and Replacements – including roof leaks, heating or electrical failure, floor damage, chairs and tables and other equipment.
   Reserve: Enough to cover one major unplanned repair, set at £5,000.
2. Operational and Environment/External Disruption – including uninsured loss of income from temporary closure, or increased costs arising from utility price rises, or competition or external factors such as an economic down-turn.
   Reserve: : 6 months of typical running costs, currently £6,000-£8,000 giving £3,000.
3. Compliance and professional issue – This might include: work to address , fire safety, and other compliance issues; issues arising from unforeseen governance, boundary, or regulatory matters not covered by insurance.
   Reserve: Enough for one incident surveys, remedial work or legal advice, typically in the range £1,000-£,3,000. Reserve set at £2,000.

This gives a total General Unrestricted Reserve of £10,000 for financial year 2026-27.

Restricted Funds

Grants, donations and income may be provided explicitly for specific purposes. These might be funds for the purchase of particular equipment or a specific project. Each specific purpose will be evidenced with its own Restricted Reserve fund within the accounting structure and those monies used solely for the purpose designated. Strict expenditure records against each Restricted fund will be maintained and reported as part of routine and Annual accounts.
At the start of financial year 2026-27:

- 'Village Hall Maintenance' – this Restricted fund is used to manage event income and donations received specifically for maintenance of the Village Hall.
- 'Accessibility Reserves' – this Restricted fund contains grant monies and donations received for the Accessibility project.

Annex A: Needham Village Hall Operating Risk Register

A.1. Repairs and Replacements

Risk	Description	Potential Impact	Financial Implication	Probability	Mitigation
Major building repair – historic fabric	Uninsured Roof leaks, damp ingress, timber decay, masonry issues typical of 150-year-old structures.	Safety issues, repair costs	£5k–£15k	M	Routine inspections; maintain reserve for one significant repair.
Failure of core systems (heating, electrics)	Ageing boilers/systems; 20-year-old extension roof nearing renewal et.al.	H&S concerns, repair costs	£3k–£8k	M	Planned maintenance schedule; reserve for urgent replacement.
Drainage or septic/waste system failure	Old pipework or ground movement.	Hygiene risks, repair costs.	£1k–£5k	U	Periodic jetting/inspection; contingency fund.
Asbestos or fire safety compliance issues	Surveys or remedial works required unexpectedly.	Remediation costs, compliance breaches.	£1k–£4k	U	Regular checks; maintain compliance reserve.
Temporary closure as a result of above risks, health pandemic or other uninsured occurrence.	Loss of hall bookings for a period whilst building / infrastructure issue resolved	Loss of weekly bookings for 1–8 weeks.	£.5k–£3k	M	Reserve to cover income shortfall and essential bills.
Failure / loss of hall equipment not covered by insurance	Wear and tear or uninsured damage to equipment (e.g. tables, chairs, crockery)	Inability to offer facilities required by hirers	£1k-£5k	M	Reserve for uninsured elements

A.2. Operational and Environment/External Disruption

Risk	Description	Potential Impact	Financial Implication	Probability	Mitigation
Loss of a major regular hall user	Income is heavily concentrated in recurring bookings.	Immediate income fall (10–25%).	£1k–£2k	M	Diversify hirers; maintain operational reserve.

Risk	Description	Potential Impact	Financial Implication	Probability	Mitigation
Volunteer shortage or over-reliance on one person	Trustees or volunteers unable to continue; need for paid help.	Increased staffing costs. Reduced income.	£.5k–£2k	H	Succession planning; basic reserve buffer.
Utility price spikes	Electricity/gas costs rise unpredictably.	Running cost pressure.	£.5k–£1k	M	Compare tariffs regularly; small operational contingency.
Public Liability incident	Knock-on effect of a public liability claim, beyond the scope of insurance	Reputation damage causing bookings fall	£1k-£5k	U	Thorough risk assessments and mitigations for all events.
Storm/flood/wind damage not fully insured	Particularly relevant for older buildings with non-standard roofs.	Closure; significant repair works.	£2k–£10k	M	Reserve for uninsured elements; good roof maintenance.
Local economic downturn	Reduced community spending and fundraising.	Lower hire demand.	£1k–£5k	U	Promote range of uses; modest reserve buffer.
Competition from other facilities	Reduced demand in favour of other local halls	Lower hire demand	£1k–£5k	M	Promote facilities, publicity, maintain hall, extend facilities

A.3. Compliance, Legal & Reputational Risks

Risk	Description	Potential Impact	Financial Implication	Probability	Mitigation
Unexpected legal/professional fees	Boundary queries, licence issues, charity compliance.	Unplanned expenditure.	£.5k–£2k	U	Reserve allocated for professional advice.
Insurance excess or uncovered losses	Wear-and-tear exclusions or excess payments.	Direct cost to charity.	£.5k –£2k	M	Keep modest contingency; review insurance cover annually.

Probability: H=Likely to occur, M=could easily occur, U=Unlikely to occur