



St Andrew's Church, Oxshott - PCC Policy Document

Reserves Policy

Custodian	Version Number	Date Approved by PCC	Issue Date	Review Date
Carl Jackson	5	March 2023	March 2023	March 2024

Introduction

This policy relates to level of funds required to be set aside as reserves by the Parochial Church Council (PCC) of St Andrew's Church ('St Andrew's' or 'the Church').

Background

Charity law requires any income received by a charity to be spent within a reasonable period of receipt. PCC members, as trustees of the charity, should be able to justify the holding of income as reserves:

- Reserves are that part of a charity's unrestricted income funds that is freely available to spend.
- Where the trustees have a reserves policy, it must be set out in their annual report; if the trustees have not set a reserves policy, this should be stated in the annual report.
- A good reserves policy takes into account the charity's financial circumstances and other relevant factors. It is good practice to monitor the level of reserves held throughout the year, and to keep the policy under review to ensure it meets a charity's changing needs and circumstances.

Considerations in setting a reserves policy

In accordance with Charity Commission guidance:

- Trustees need to understand any restrictions on the use of the charity's funds they hold.
- Budgets and future plans need to be considered, in particular any uncertainty over future income or the risk of unexpected calls on the charity's funds. In looking at future plans, projects or other spending needs might be identified that cannot be met from the income of a single year's budget alone. The identification of these factors might point to a need for reserves.
- Having identified why reserves might be needed, trustees then need to think about how much might be required and how much is currently held as reserves. The decision made on these matters and the quantification of the amounts that need to be set aside forms a charity's reserves policy.

Specific considerations identified for St Andrew's, and the level of reserves deemed necessary as at 31/12/2022 are:

- The key risk to our income of a loss of one or several major donors during the current financial year or inability to achieve the budgeted 'Other Gifts', for which a reserve of £40k should be provided.
- The trustees' requirement to be able to respond to important/urgent mission partner requests, for which a reserve of £10k should be provided.
- The trustees would like to protect the financial strength of the church against unforeseen expenditure or liabilities and a reserve of £30k is suggested.
- The trustees' desire to fund the potential 2023 budget deficit, for which a reserve of £35k is considered prudent.

General statement of policy

The PCC's reserves policy is to hold sufficient free reserves (designated as short term reserves) to ensure the protection of St Andrew's core activities and any special projects; as above, the target for free unrestricted reserves has been set as circa £115k.

Additional points agreed are:

- The PCC will review this reserves policy as the plans for the next phase of the Building Project are developed, together with any other building requirements, and consider the initiatives required to reach the new reserves target.
- Any reserves held in excess of the targeted free unrestricted reserves may, at the discretion of the PCC, be designated as long term reserves and invested in accordance with the Investment Policy (*see separate policy document*).
- The balances on the unrestricted and restricted development funds are expected to be utilised in the medium term as the plans for the building project come to fruition.
- A general policy is that legacies not specified for other purposes are allocated to the Unrestricted Development Fund.

Organisation and responsibilities

1. The PCC is responsible for agreeing the policy, and monitoring its overall effectiveness.
2. The Hon Treasurer of the PCC, Carl Jackson, has day-to-day responsibility for managing the reserves in accordance with the agreed policies.
3. The Hon Treasurer, as 'custodian' of the policy, is also expected to bring the attention of the PCC to any necessary changes to it that may arise (for example practical improvements, changes in legislation, changes in commitments, etc.) and to seek renewal of the policy on the due date.

Further information

- The Charity Commission's full guidance on reserves, *Charity reserves: building resilience*, published 29 January 2016, at: www.gov.uk/government/publications/charities-and-reserves-cc19/charities-and-reserves#introduction

Policy agreement

This policy was adopted by the PCC at its meeting on 14 March 2023.

(signed) N A Steven (Lay Chair PCC)

(The original signed document is retained as part of the formal PCC minutes.)

Policy monitoring

1. The PCC is responsible for monitoring the overall effectiveness of this policy.
2. This policy will be reviewed every year, or more frequently if required in line with any changes in commitments or legislative changes, etc. This review will be carried out by the Treasurer and the PCC.