

St Michael and All Angels Church, Colehill

Reserves Policy

Why have a Reserves Policy?

The principles of accountability and transparency make it important that the members of a PCC are aware of the 'free reserves' for which they are responsible.

It is good stewardship to ensure these reserves are used to gain maximum benefit for the parish as a whole in its pursuit of the whole mission of their church. The idea of simply keeping some money for a 'rainy day' is no longer adequate as a policy.

Determining the level of reserves necessary to meet both the current and future needs of the church, will take thought and prayer. The time spent in devising such a policy is likely to be dependent on the level of reserves the PCC holds rather than the size of the congregation or where the church happens to be located. The importance of taking care of reserves applies equally to the small rural parish as well as the large suburban one.

The PCC should be clear it is their policy, and own it as such, and note that an annual review will be required to take into account any change in circumstances that may occur.

Charity Commission guidance on accounting and reporting by charities (SORP) requires all PCCs using accruals accounting, and states that it is good practice for all PCCs to include a brief statement of their reserves policy in their Annual Report.

The full guide can be found here.

<https://www.parishresources.org.uk/wp-content/uploads/parishreserves.pdf>

What exactly are reserves?

The term 'reserves' has a variety of technical and ordinary meanings, depending on the context in which it is used. The term 'reserves' in this document (unless otherwise indicated) is used to describe that part of a PCC's income fund that is freely available for its general purposes. 'Reserves' are therefore the resources the PCC has available to spend for the church's purposes once it has met its commitments and covered its other planned expenditure.

What funds should be included?

St Michael's Church funds comprise:

1. **General Fund**, which is regarded as unrestricted, i.e. expenditure from this fund can be spent entirely at the discretion of the PCC
2. **Restricted Funds**. These comprise monies which have been given for a specific purpose. Such funds would stand and remain separate from any other funds.
3. **Designated Funds**. These represent monies which have either been set up to:
 - a. Set aside by the PCC to be held with a particular purpose in mind.
 - b. Set up for analysis and reporting purposes but which but which could be incorporated in to the General Fund

Proposed Reserves Policy

Based on the Guide to Parish Reserves, and to some of the examples quoted, the following policy is proposed.

General Fund	To hold at 31 December a reserve equivalent to one quarter of the "Total Expenditure" of the fund in that year. The Total Expenditure shall exclude the value of specific fund transfers, grants or legacies (over £1000) applied against expenditure in that year.
Centre Operations	To hold at 31 December a reserve equivalent to one quarter of the total lettings income for that year
General Reserve	To hold at 31 December a reserve of £5,000 against unforeseen maintenance requirements or priority work required by the Quinquennial Report.
Restricted Funds	Given the nature of these funds, the total balance at any one time must be retained for the purpose for which it was given, subject to any amendments which may be arranged with the Charity Commission.

Reserves Policy - Reserves as at 31 December 2024

Fund	Type	Total Balance	Reserves		Totals	
			Required	Free		
General	Unr	33,128	25,022	8,106	100,087	3 months expenditure
Organ & Projection System	Asset	16,498	11,400	5,098		
		49,626	36,422	13,204		
Centre Operations	Des.	19,653	6,194	13,459	24,777	3 months of income
Community Café	Des.	1,517	-	1,517		
General Reserve	Des.	7,000	5,000	2,000		PCC Assessed
Flowers	Des.	248	-	248		
Discretionary	Des.	153	-	153		
Legacies	Des.	4,685	-	4,685		
Cherubs	Des.	142	-	142		
Choir	Des.	266	-	266		
		33,664	11,194	22,470		
Charities	Res.	376	376	-		
Reordering	Res.	-	-	-		
Pipe Organ	Res.	2,602	2,602	-		
Peacehaven	Res.	-	-	-		
Assigned Fees	Res.	-	-	-		
		2,978	2,978	-		
		86,268	50,594	35,674		