



The United Reformed Church (Northern Province) Trust Limited

Reserves Policies – Guidance for Local Churches

Principle

The Northern Synod expects every local church to have a reserves policy.

What is a reserves policy?

A reserves policy sets out the target level of funds that a local church requires to function over a specified period.

Why does your church need a reserves policy?

- It is actually a useful management tool, which can help the church with its financial planning and fundraising (for example, launching a giving campaign, where reserves are likely to fall below the target level)
- Larger churches, that are registered with the Charity Commission, are required to include a statement of the charity's reserves in filing their annual report under the Statement of Recommended Practice for accounting by charities (the SORP)
- The Trust will wish to consider it if you apply for any grants or loans (and will discount required reserves when assessing the ability of your church to fund work without help from the Trust before deciding whether to offer grants or loans)
- The Synod expects it

Guidance

Detailed authoritative guidance on reserves can be found in Charity Commission booklet *CC19 Charity Reserves: Building Resilience*:

www.gov.uk/government/publications/charities-and-reserves-cc19

A brief summary is given at: www.gov.uk/guidance/charity-financial-reserves

There is also basic advice in the Association of Church Accountants & Treasurers' (ACAT) Handbook.

As the regulator of charities in England and Wales, the commission expects trustees to decide, publish, implement and monitor their charity's reserves policy so that they can comply with their legal duties to:

- *act in the interests of their charity and its beneficiaries*
- *protect and safeguard the assets of their charity*
- *act with reasonable care and skill*
- *ensure their charity is accountable*

In practice, this means that trustees should:

- *develop a reserves policy that:*
 - *fully justifies and clearly explains keeping or not keeping reserves*
 - *identifies and plans for the maintenance of essential services for beneficiaries*
 - *reflects the risks of unplanned closure associated with the charity's business model, spending commitments, potential liabilities and financial forecasts*
 - *helps to address the risks of unplanned closure on their beneficiaries (in particular, vulnerable beneficiaries), staff and volunteers*
- *publish the reserves policy (even if not required to by law) and ensure it is tailored to the charity's circumstances – it should not be just a standard form of wording. It should explain to funders, beneficiaries, the public and the commission exactly what reserves are kept (or not kept) for and when they are to be used*

extract from CC19

Checklist for designing an appropriate reserves policy for your church

- Consider the required reserves needed to cover ordinary expenditure and keep the church running over a period of 6 months, such as:
 - Ministry & Mission
 - Repayment of loans and conditional grants
 - Contractual commitments (photocopier hire, utilities, equipment servicing)
 - Payment of notice and redundancy for any employees
- Include consideration of different scenarios (temporary closure of the building, permanent closure as a church, unexpected loss of income)
- Large churches or those with listed or significant buildings may also wish to consider contingency funding for major repairs

Annual routine

It is recommended that you review your policy annually to see if there are any changes. Please send a copy to Synod Office with your annual accounts and (if you are a registered charity) your trustees' annual report.

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APH/JAB/WIB/AA