

Why have a reserves policy?

Our Reserves Policy enables us to:

- Demonstrate good stewardship and active financial management
- Maintain financial resilience and the capacity to manage unforeseen financial difficulties
- Have a better understanding of what money we have available
- Recognise spending commitments
- Provide a buffer against unforeseen expenditure
- Help grant-makers understand why funding is needed to undertake a particular project
- Show the Charities Commission that we are making appropriate use of the funds entrusted to us

Reserves should not be too high or too low:

- Holding excessive reserves can unnecessarily limit the amount spent on charitable activities and the potential benefits a charity can provide
- Holding insufficient reserves may curtail what we do, and increases the chance of financial difficulties in the future

What to consider

- The normal pattern of expenditure in the Area Meeting (AM)
- Any special expenditure likely or possible in the foreseeable future
- Any future commitments on spending
- Any possible reduction in income
- The overall position of the AM in the first instance, and then consider what to do if reserves appear to be above or below the requirement in each Local Meeting (LM).
- From time to time, a larger sum might need to be held for a period. This could occur upon receipt of a significant legacy from a Friend, for example, or following the sale of a meeting house no longer suited to our purposes. It may take time for the area meeting to discern the best use of such a sum.

When to look

The Financial Team of the Area Meeting, and Trustees should consider the adequacy of Reserves annually, once the Annual accounts have been prepared.

If circumstances were particularly unusual, they should review the position again during the year.

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Identifying reserves held

Follow the example in Table 1 (see page 3) to identify the overall reserves held across the AM, and the designated split between each LM and AM.

Confirm that this agrees with the Unrestricted Net Current Asset Figure in the Annual Accounts.

Identifying reserves required

Repeat the above for the last 3 years, and calculate average annual expenditure, so as to even out any anomalies.

Then follow the example in Table 2 (see page 4) to identify the reserves figure ideally required:

- 9 months Expenditure seems prudent as a basic requirement: i.e. 75% of the average of the last 3 years expenditure
- Remove BYM Allocation, as this is only passed on if received for that purpose
- Quinquennial Surveys may be due
- 'Planned commitment' is promised expenditure, such as funding the Youth Development worker.
- Add a provision for any unforeseen emergency: For example an unexpected building repair. Although allocated to different properties, Trustees would call on reserves from all LMs, should the need arise.
- Uncertain Income (most significantly, income from Meeting House lettings)

Actions following calculations

Finally, compare the Reserves Requirement with the Reserves held, and consider whether they are reasonable.

Consider whether there is an imbalance that requires addressing within the AM as a whole, and request LM transfers as needed.

Consider the threat posed by under-provision of the Reserve, and consider fundraising strategies to address the deficit.

Consider the appropriate use of any excess held, for example an additional donation to central work, or other expenditure to fulfil our charitable purposes.

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Tables

Table 1 Annual Reserves	AM Gen- eral Fund	Bath LM (inc Burial Ground)	Bradford on Avon LM	Chip- penham LM	Devizes LM	Frome LM	Trow- bridge LM	TOTAL
Reserves 1.1.20 per QB	10,642.08	28,216.97	33,990.20	3,087.03	33,992.21	11,157.96	1,084.21	£122,171
Income 2020	28,340	18,802	30,749	5,258	19,677	6,820	3,266	£112,911
Expenditure 2020	-£29,985	-£23,454	-£28,866	-£4,146	-£14,779	-£6,372	-£3,007	-£110,608
Transfers 2020	£13,000	-£10,000				-£3,000		£0
Restricted fund interest	-£108							-£108
Surplus / Deficit 2020	£11,247	-£14,652	£1,882	£1,112	£4,898	-£2,552	£259	£2,195
Reserves at 31.1.21	£21,889	£13,565	£35,873	£4,199	£38,891	£8,606	£1,343	£124,365
Note of BYM Funds		9,735.31	10,631.83	3,385.01	3,000.01	4,444.78	2,105.03	£33,302
Per QB Accounts	21888.91	13564.93	35872.63	4199.2	38890.63	8605.83	1343.05	£124,365
DIFF	£0	£0	£0	£0	£0	£0	£0	

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POLICY ON FINANCIAL RESERVES

Guidelines for identifying proper sums and taking appropriate action

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Table 2 Reserves Requirement	AM General Fund	Bath LM (inc Burial Ground)	Bradford on Avon LM	Chip- penham LM	Devizes LM	Frome LM	Trow- bridge LM	Total re- quired
9 months Expenditure	21,680	24,160	22,439	2,439	13,523	5,093	2,186	91,520
Remove 9m BYM Allocation		(6,871)	(7,286)	(1,717)	(2,114)	(3,171)	(1,330)	(22,489)
Quinquennial Survey					5,000			5,000
YD Planned commitment 2022/3/4	302	8,458	4,833	302	4,833	302	302	19,333
Unforeseen emergency		5,000	15,000		15,000			35,000
Uncertain income								0
Totals	21,982	30,748	34,986	1,024	36,243	2,225	1,158	128,365
Actual Reserves 31.12.20	21,889	13,565	35,873	4,199	38,891	8,606	1,343	124,365
Final Reserves Excess/ Deficit 31.12.20	(93)	(17,183)	887	3,175	2,648	6,381	185	(3,999)

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Date	Change	Authors
18/10/23	Added unusual large credit consideration	Sally Harris

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