THE CHURCH OF ENGLAND
Diocese of St Edmundsbury and Ipswich

PCC Reserves Policy

1 Introduction

The core object of a PCC is to co-operate with the incumbent in fostering the whole mission of the church pastoral, evangelical, social and ecumenical. How money is utilised in fostering this mission is an important area for PCCs to reflect upon, including policies on reserves. All PCCs, whatever their size, are expected to have a reserves policy. This enables the PCC to demonstrate they are acting in the best interests of their own PCC and - as part of the wider Diocesan family – in the best interests of the DBF and other PCCs, on whose financial health every PCC is inextricably reliant. Most significantly as followers of Jesus, it is to be expected that any reserves policy takes account of Jesus' teaching – for example there is no mandate for a Church Council to stockpile resources above a level commensurate with its objects, and indeed Jesus' *Parable of the Talents (cf. Matthew 25:14-30)* and the parable of the Rich Fool (Luke 13.13-21) reinforce trustees' obligations to use funds. Having said this Jesus also counsels wise planning and stewardship, as when he points out the danger of endeavouring to build a tower without calculating the cost, or of setting out for war without appreciating the odds (Luke 14. 28-33). In all of this there is an implicit tension in Jesus' teaching between giving away and retaining for longer- term purposes (Dallas Willard on Wesley). It is to be hoped that these different dimensions will be taken into account in a PCC's discussion of and realisation of a reserves policy.

A brief review of PCC accounts in this diocese indicates that many PCCs do not yet report on their reserves policy. It is not possible therefore to determine the extent to which PCCs have engaged with the need to have a reserve policy, or whether that policy is appropriate for that PCC.

The DBF is not a legal regulator of this matter in respect of PCCs, but with great effort being taken at diocesan administration level to engage in reform and renewal of the diocese and its structures by optimising all of our resources to maximum effect, it is vital that PCCs feel able to contribute to this process, by reviewing their use of assets and reserves, and be able to demonstrate that contribution, by publishing their reserve policy.

This short document does not encompass all the processes needed to produce, implement and monitor a reserves policy, that is already adequately covered in the resources mentioned below. This paper is aimed at raising awareness in parishes of the importance of a parish reserves policy as part of the contribution to enable a flourishing future for all parishes.

2 Regulatory Background

As part of the PCC's legal responsibility to act in the best interests of the PCC and those it serves, to protect the assets of the PCC and to demonstrate it has acted with reasonable care and skill, the Charity Commission expects all charities – including PCCs – to decide, publish, implement and monitor their reserve policies. (Charity Commission Guidance CC19).

Reserves are that part of the PCC's unrestricted funds that are freely available to spend on any of the PCC's purposes. It excludes restricted income funds and endowment funds and (for those who accrual account) assets such as land and buildings held for the PCC's use.

As well as the guidance provided by the Charity Commission, there is more tailored guidance published on the National Parish Resources website entitled 'A Simple Guide to Parish Reserves Policies'. Both of these documents provide information on developing, implementing and reviewing reserve policies and give examples of the sort of detail to include in the parishes Trustees' Annual Report.

There are example policies included in this guidance, although each parish will have their individual requirements, and the example in the Appendix contains the level of detail expected for each PCC.

3 Some Theological Implications of a PCC Reserves Policy

a. … *all things come from you, and of your own have we given you. (1 Chron 29:14b*)
   These familiar words from make it clear that God is the owner of all things, and that both individuals and Church Councils are trustees seeking to manage that which the Creator has entrusted to us.
b. We are followers of Jesus Christ, and we seek to enter into his thinking about wealth and its place in our life and actions both individually and corporately.
   - Continually looking to see if it is producing the fruit of the Spirit and the signs of the Kingdom.
   - Having a sense of gratitude to God for the resources entrusted to us.
   - Applying wisdom in being good stewards of all resources.
   - Deepening a sense of trust in God's ability to provide for our needs rather than depending upon our own sense of financial security.
   - Sustaining a spirit of mutual care and the sharing of resources with one another.
   - Being faithful in using our resources in ways that release new possibilities and care for those who minister on our behalf.
c. The annual budget is a matter of faith, because spending plans are agreed in the expectation that the Lord will provide through his faithful servants.

   (B) Money is a (Gospel) means of changing things for the better and relieving the needs of others. For individual Christians and Church Councils, it can never be an end in and of itself. *(cf. 2 Corinthians 8:13-15 also 2 Corinthians 9:1 & 9-15)*

(C) The biblical pattern of discipleship is based upon dependence on God's provision; not building up sufficient resources to make trust in God a theoretical nicety, for our desire for security can undermine our practice of the Kingdom value. *(cf. Matthew 6:31-33)*

The young boy who brought five loaves and two small fish (John 6:9) found that his offering enabled Jesus to satisfy the needs of many people. The early church had the confidence to act boldly and with generosity, resulting in new resources being found to sustain church growth and programmes of practical caring and compassion.

d. As a Church Council considers its accumulated resources, they should be used prudently and more effectively in practical ways, which support the whole Mission of the Church. Rather than accruing greater and greater reserves for the proverbial rainy day, Church Councils should consider initiating programmes for the resourcing of capital projects, for example, church growth, ministry, world mission, and local based development projects. In time, they may yield a greater return than were those funds to be invested.

e. PCC members as trustees have a duty to ensure that they get a good return on the investment of their reserves. This should be considered from both a financial and an ethical viewpoint. The Church of England's Ethical Investment Advisory Group produces policy statements which may be of help to parishes. Their resources can be accessed through the Church of England website.

f. If a parish has generated surpluses, either from good investment returns, or from a sudden windfall, it would not be unreasonable to use the surpluses to create a "Mission Opportunity Fund" to provide a cushion in years of poor Stock Market performance and to fund capital expenditure.

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Resources on reserves:
A Simple Guide to Parish Reserves Policies – available on the National Parish Resources website at: http://www.parishresources.org.uk/wp-content/uploads/parishreserves.pdf
Charity Commission Guidance on Reserves CC19 – available at:
https://www.gov.uk/government/publications/charities-and-reserves-cc19/charities-and-reserves

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Appendix Example PCC Reserves Policy

Our General Fund (unrestricted)

The church needs funds in reserve as working capital to cover normal running costs. Maintenance on church buildings, Centenary Share contributions and other costs require fundraising efforts and money is regularly spent in advance of being raised.

To cover this, it is PCC policy to try to maintain a balance on free reserves (net current assets) which equates not more than three months' unrestricted payments. It is held to smooth out fluctuations in cash flow and to meet emergencies. It is advised that arrears on supplier payments including payment of the parish share (i.e. debt management) should be kept at no more than arrears of 30 days. This is to ensure that PCCs do not run down reserves whilst simultaneously running up debt. As stated in the Annual Report of the PCC under aims and purposes the PCC has the responsibility of cooperating with the incumbent, in promoting in the ecclesiastical parish the whole mission of the Church, pastoral, evangelistic, social and ecumenical. Therefore, retaining any free reserves above the amount noted above, while failing to meet the obligation to contribute through Centenary Share, to the cost of the incumbent and the support services of the Diocese for the promotion of the work of the church in the parish, would be in breach of their responsibilities as Trustees.

The PCC may from time to time designate funds for a particular project or aim of the PCC as outlined above. These funds still form part of the unrestricted funds for the purposes of calculating the reserves balance, and may be used for the payment of share if no other funds are available. *(see para under 3.1 cc19 'where unrestricted funds are earmarked or designated for essential future spending for example ……they can be excluded from reserves – in such cases the reserves policy should explain the nature and amount of the designation and when the funds set aside are likely to be spent; it is never acceptable to set up designations simply to reduce the stated level of reserves.')-* However, if and only if a donor has specified that funds donated are given for a particular purpose, or if a fund raising event has been held and represented as being for one specific project only, these funds must be shown separately in the assets of the church as restricted, and cannot be used as part of the unrestricted funds. The PCC will aim to agree with donors what any balance of donated funds can be used for once the stated aim of the fund has been achieved.

Where an amount of expenditure can be met from either designated or general funds because of its nature i.e. church buildings insurance it is agreed as best practice to use the appropriate designated fund before the general funds. Prior year adjustments can also be made in respect of such costs to retain the cash flow of the general funds.

Our Development Fund (Restricted)

We maintain a Development Fund for any planned major refurbishment or improvement of our buildings, funds donated where given for a particular purpose and any other major projects that may arise from time to time. These funds will be reported separately and not used in calculation of our available reserves.