

The Church of Scotland

Accounts Guidance Notes

Reserves Policy

The Trustees' report each year should contain a statement of the congregation's **Reserves Policy**.

This should state the level of reserves which it is the trustees' policy to hold and also the level of reserves actually held. Where these two amounts differ the policy note should also give an indication of the steps which are being taken to rectify the situation.

There are two main reasons for the requirement to have a reserves policy:

- To show that the charity has sufficient reserves to continue to meet its obligations
- To show that excess reserves are not being held (and the funds are therefore not being used for the reasons for which they were given)

It is therefore **not** appropriate to state that the congregation has **no reserves policy** or that the congregation has **no reserves** as neither of these statements meets the above requirements.

The level of reserves which a congregation decides is appropriate will vary from congregation and there is no ideal or recommended level. The policy level may be described in terms of a number of month's expenditure but again this will vary from congregation to congregation. If for example, a congregation had a policy of holding reserves amounting to six months expenditure but then decided to employ one or more members of staff it would possibly

be appropriate to increase the level of reserves in order to be sure of being able to meet the increased commitment in the future (and so the six months expenditure may for example increase to nine months).

It may also be appropriate to have an additional amount in reserve in order to meet unforeseen but necessary building repairs or because a significant sum (possibly a legacy) was received immediately prior to the year end.

An example of a Reserves Policy would be:

It is the Trustees' policy to hold reserves of approximately six months expenditure including designated funds. At the year end the Church held unrestricted funds of £65,000 of which £25,000 had been designated for fabric fund.. The remaining balance of £40,000 represents about nine months expenditure but the trustees anticipate that the level will revert to six months following the purchase of computer equipment planned for the early part of 2010.

As with all examples it is impossible to cover every possible situation and this should therefore be amended as appropriate.

Further advice on all aspects of congregational accounts can be obtained from the Church offices (amcdowall@cofscotland.org.uk)