

# HCC Financial Reserves Policy



## Introduction

1. This policy aims to inform all trustees, employees and members of Huntingdonshire Community Church (HCC) of the church's policy regarding financial reserves. It is intended particularly to provide accountability to funders, donors and other stakeholders, to provide assurance that the finances of the charity are actively managed and that its activities are sustainable.
2. Reserves are that part of a charity's unrestricted funds that are readily available to meet unforeseen expenditures, shortfalls in income, or other financial risks. This definition excludes restricted funds, although holding such funds may influence the reserves policy. Reserves exclude tangible fixed assets held for the charity's use and amounts designated for essential future spending.
3. Deciding the level of reserves that the charity needs to hold is an important part of financial management and forward financial planning. Reserves levels that are higher than necessary may tie up money unnecessarily. Holding excessive reserves can unnecessarily limit the amount spent on charitable activities, reducing the potential impact upon beneficiaries. However, if reserves are too low then the charity's solvency and its future activities can be put at risk.

## Scope

4. This policy covers the reserves of the charity in their entirety as defined above.
5. This policy is based on the requirements of charity law, the Charities SORP and good practice. Charity law requires any income received by a charity to be spent within a reasonable period of receipt. Trustees should be able to justify the holding of income as reserves.
6. This policy is also set out in the trustees' annual report. The level of reserves takes into account the charity's financial circumstances and other relevant factors, and is kept under review to ensure it meets a charity's changing needs and circumstances.

## Policy Statement

7. The Trustees of HCC have established a policy whereby reserves should be retained sufficient to cover 3 months' regular operating costs, ie payment of salaries plus an amount to cover closure charges on services such as utilities. This is to cover debts arising in the unlikely event that all income to the church ceases.