

St Nicolas Great Bookham

Reserves Policy

In the PCC meeting of 27 July 2008 Graham Aslet stated 'it would be prudent to have a General Reserve equal to three months expenditure'.

It was proposed (and agreed) to keep a General Reserve of £50,000 which was about three months of total expenditure for that year.

Guidance on this issue is incorporated into the document 'The Charities Act 1993 and the PCC – A guide to the 2003 Statement of Recommended Practice (SORP) revisions'. This document states:

'The Report & Accounts should state what the PCC consider to be an appropriate level of free reserves'.

In the practical example in the document the following statement is made:

'It is the PCC policy to maintain a balance on unrestricted funds which equates to approximately six months unrestricted payments to cover emergency situations that may arise from time to time'.

The above statements clearly indicate the intent to maintain a **minimum** balance on the General Fund to cover unforeseen events.

However in our Report & Accounts this has been translated into *'It is the PCC policy that the General Fund should not normally **exceed** three months of normal expenditure'*. This maximum policy is not in accordance with the example in the above mentioned Charities Act guidance or with the wording of the minute of the PCC meeting of 27 July 2008.

Currently the forecast balance on the General Fund at 31 December 2012 is around £35,000 as against yearly expenditure of £167,000 which represents about two and a half months of expenditure. A target of six months expenditure seems rather ambitious at present. However I believe a target of three months expenditure is prudent and realistic.

Permission is therefore sought to modify the wording in the Report & Accounts for the year ending 31 December 2012 to incorporate a minimum target of three months as follows:

'It is the policy of the PCC to aspire to maintain a balance on the general fund which represents a minimum of three months of normal expenditure to cover emergency situations that may arise from time to time'

Treasurer
3 December 2012