

MANAGING RESERVES

The parable of the talents teaches us that the resources that have been entrusted to us should be put to good work, rather than be simply buried in the ground. This surely means that money we have beyond our immediate needs and reasonable reserves should be spent on ministry and mission in our local parish and within our diocese, in order to ensure we are growing the church and that it remains vibrant and thriving for the generations to come.

At risk of plagiarising a great quote, what would it profit a man if excess money is left sitting in a bank account whilst the Church around us is unable to grow and expand?

Yet the question may legitimately be asked, how much reserves is it reasonable and prudent to keep? We need to find the right balance of faithfulness without being reckless in the stewardship of money entrusted to us.

How Much?

There is no fixed recommendation as to how much a parish should hold in reserves. Much depends on the nature of the parish and its commitments, such as whether additional premises are rented or staff are employed, and how much time it would take to cease these expenditures should the worst happen.

It is reasonable to have a sum set aside for emergency maintenance items that would not be covered by the parish insurance policy, and for what might be needed for the next round of quinquennial repairs. This latter sum would be expected to increase year on year for 5 years then drop back down after the money has been spent on any work that became necessary, before increasing again during the next 5 year period.

In addition to this, a good rule of thumb might be to look at annual expenditure for the last year and divide by 12 to get average monthly expenditure. Holding less than 3 months' worth of average monthly expenditure would be regarded as a red flag, whereas to hold over a year's worth might be deemed beyond reasonable requirements. General Charity Commission Guidance can be found [here](#).

When deciding how much reserves to hold, it is also useful to look at the data from your last parish [Giving Review](#), to understand any specific vulnerabilities such as whether 80% of your monthly income is coming from just 2 or 3 donors, and considering the action that is being taken to address any issues such as this that have been highlighted.

Restricted and Unrestricted Reserves

Restricted funds are those that have been given for a specific purpose, for example a legacy left to upgrade a kitchen space or donations made to a special fundraising appeal in aid of a roof repair.

Where parishes are already in receipt of money given to them for a specific purpose this money may be held in their bank account and classed as 'restricted' funds. This means the money can only legally be spent on the purpose for which it was originally given.

Attempting to use restricted funds for other purposes is a complicated legal process and not always successful, normally requiring specific permission from the original donor(s) or their descendants and authorisation from the Charity Commission.

For this reason, unless there are very specific one-off projects expected to be completed within the next 5 years, parishes are advised to avoid encouraging people to restrict use of their gifts in this way. Priorities change over time, and a parish can be left with large sums of money which can only be used for something it no longer wants to do, whilst there are insufficient funds to pay for new urgent priorities or indeed day to day running costs.

Funds can also be 'designated.' This is when unrestricted funds are earmarked or 'designated' for a specific purpose by the PCC acting in their capacity as trustees.

This then appears essentially as a note in the accounts to say that money has been earmarked for a specific purpose, which explains why the parish is holding that sum of money without spending it at the current time. The PCC do have the ability to revisit church priorities and spend designated money on something else should that become desirable or necessary.

Restricted funds have to be listed separately in year end accounts, whereas as designated funds are included within the unrestricted totals but a note can be added to say how much of the unrestricted balance is designated and for what purpose.

Where a parish is not holding sufficient restricted funds for quinquennial repairs and emergency maintenance items, it would be reasonable to designate some of its money for these purposes.

The National Church

The perception may exist that the Church of England at national level is itself holding on to excessive reserves. In some cases, this may even be a barrier to parishes being willing to contribute a realistic parish share to fund diocesan wide ministry, because it is believed the church already holds sufficient money.

In fact, the National Church is not a single legal institution but is a group of seven National Church Institutions (NCIs)¹ which together operate under the guidance and direction of the General Synod. Each of these NCIs are governed by their own specific legal framework which includes restrictions on what the money they hold is for and how it can be spent.

Whilst the Church Commissioners do indeed hold considerable sum of moneys, this is entrusted to them to invest and then fund much of the other national and local church activities from their investment returns. There are significant legal restrictions on how the money they hold can be spent. Even if the Church Commissioners were legally permitted to cash in their investments and distribute all of the proceeds, it would then mean that much of our activity could not be funded in future.

In view of the significant and prolonged cost of living crisis, in recent years the Church Commissioners have actually been paying out more than the total of their investment returns and thereby reducing the total capital held.

Further Reading

For more detailed guidance on managing reserves, in particular for developing a policy on reserve levels and deciding where reserves will be invested, we strongly recommend visiting [Parish Resources - Managing Reserves](#)

¹ The 7 NCIs are: The Archbishops' Council, The Church Commissioners, The Church of England Central Services, The Church of England Pensions Board, Lambeth Palace, Bishopthorpe Palace and National Society for Promoting Religious Education.