**Wirral and Chester Area Meeting**

**Policy on Reserves**

At a meeting held on 2 June 2003 the Managing Trustees agreed to a policy on Reserves. This was amended on 13 September 2006, and again on 24 September 2008. This was further amended in October 2017 following guidance from staff at Friends House and the Charity Commission, and further revised in January 2018.

The Area Meeting Trustees need to discern how the financial resources of the Area Meeting are to be divided between a reserve for reasonable future need, and spending on our current area and national needs.

The Area Meeting is responsible for all the property and funds of its constituent meetings. The AM Trustees determine with each Local Meeting how the duties delegated to that Local Meeting are to be financed. The AM treasurer will agree with the Local Meeting how the funds are to be received, maintained and reported. Local Meetings, with agreed delegated responsibility from their AM for a specific concern, may raise and retain funds for this concern. Such funds are part of the resources of the AM and are to be included in its annual accounts.

This effectively requires an AM wide policy, with a balance between current and future expense, and between spending within the AM and outside it. And these balances should be based on AM wide discernment.

#### As a registered charity AM must explain in the Annual Report any policy for holding reserves and state the amounts of those reserves and why they are held.

In general, normal day to day running costs of each local meeting are met from income. Each Local meeting should pay its way. Reserves are intended for unforeseen or emergency expenditure and planned commitments that cannot be met from future income alone.

 In particular, provision must be made for:

(a) major projects already agreed by AM and not yet completed.

(b) Known property defects not yet repaired.

(c) Future repairs and maintenance of buildings; a sum of 1% of the insured value of each building should be set aside each year. The target is for 5 years of this amount to be retained in a building reserve fund.

(d) Income uncertainty, if voluntary contributions or room hire income falls what are the financial implications? Staff wages should be covered for at least three months. In addition, other running costs should be covered for 6 months.

(e) Cash flow fluctuations. Are income and expenditure out of step?

These provisions are intended to make the administration of the meetings easier, and not to create an additional burden. The provisions may not be possible every year, but they provide a target to aim for. The reserves are intended to be used when needed, and so when expensive items are paid for the reserves can be run down. On the other hand, when expensive items are expected in the near future the reserves may need to be increased above these guidelines. Any surplus above reserve should be spent over 10 years; any deficit reduced over 5 years.

In Chester where the tenant is responsible for external and structural maintenance the 1% figure would refer to the total value of the assets that the Local Meeting is responsible for and not the whole building.

Since these reserves are held by the separate Local Meetings, rather than by the Area Meeting, the trustees will expect Local Meetings to respond sympathetically to requests for financial assistance from another Local Meeting in the Area Meeting, which has endeavoured to follow this policy, but whose reserves have proved insufficient. This is also in accordance with Charity Commission rules since the Area Meeting, being the registered charity, has overall responsibility for all constituent meetings.

Chester is not responsible for building maintenance but employs a warden team. If room hire income falls for any reason the meeting has legal and moral obligations towards the staff employed. It is suggested that three months’ notice should be given if staff need to be laid off due to insufficient room hire income. Birkenhead and Heswall meeting houses are older and a reserve fund of 5% of the insured value should be retained in the reserves.

Using average actual and estimated data the figures in the table below suggest that Birkenhead LM needs to build up their reserves, Heswall has an appropriate level of reserves and Chester could manage with less reserves but probably it would be wise for Chester to wait until the recent changes in the warden team, and the aftermath of the office explosion, have settled down.



Agreed at AM January 2018