# Reserves Policy

### 1. Working capital to cover the normal cash flow within a balanced budget

Most of our expenditure streams are evenly distributed, with stipends, salaries and pensions being the main items. Repair spend does fluctuate during the year but not significantly to impact this category. There are long/medium term trends in MMF receipts, with a significant number of contributors (>200) but no single monthly payment is sufficiently large to merit specific provision, so the month-by-month variation is limited. Most of the cash flow working capital is needed within one month covering the timing differences between regular incomings and outgoings.

We recommend that 2 times average MMF monthly receipts should be held in this category. (2026: say £550k)

### 2. Bridging loans for parsonage houses being replaced

Despite having every intention to seek a sale before a purchase, this does not often happen, so a reserve is needed to finance purchases before sales are made. Receipts from permanent disposals are not included in this calculation as they are, in the first instance, additions to specific funds. It is thought that between 2 and 3 transactions may be outstanding at any point.

We recommend that 2 times average parsonage cost should be held in this category. (2026: say £1.3m)

### 3. Provision for covering an unexpected deficit

Within any one year, the reserves should include sufficient at the start of the year to cover any unexpected deficit. (2026: £500k)

### 4. Working capital for parsonage and Board houses regular maintenance and repair

The company has a policy of regular maintenance and repair such that its buildings are kept in a continual state of sound repair. The budget includes a figure to continue the regular maintenance but if the level of spend is higher than budgeted then provision is made to finance further spend for unexpected works. The net zero 2030 agenda is also being considered when works are carried out, but these are funded from funds released from the Total Returns mechanism so do not need to be considered in this category. (2026: £250k)

### 5. Future unplanned developments

The Diocese continues to work towards a sustainable future. There are no plans for staff posts, or other costs, other than those included in the budget however it would be prudent to make provision to finance unbudgeted, unexpected development costs. (2026: say £100k)

### 6. Loans to PCC's

The Diocese is approached from time to time by PCCs wishing to undertake projects for which they require a loan to provide the necessary liquidity to enable the project to go ahead. An amount needs to be held to cover this activity. (2026: say £500k)

### 7. Designated Funds

The Bishop's Diocesan Council has designated some of the Unrestricted Funds and they are:

| Designated Fund | Amount £m |
|---|---|
| Board Houses Fund | 15.10 |
| Church House Fund | 0.25 |
| Total | 15.35 |

## 8. Diocesan Pastoral Account (DPA) Benefice Accounts

The Diocese is required to hold the sale proceeds received when a parsonage is sold until such time as approval has been received to release them. (2026: say £3.5m)

In summary, the 2026 budget process needs to work within a Reserves Policy level:

| Note | | General Fund £m | Designated Funds £m | Pastoral Account £m | Total £m |
|---|---|---|---|---|---|
| 1 | Working capital | 0.55 | 0.00 | 0.00 | 0.55 |
| 2 | Bridging loan - replacing parsonages | 0.00 | 0.00 | 1.30 | 1.30 |
| 3 | Unexpected deficit | 0.50 | 0.00 | 0.00 | 0.50 |
| 4 | Parsonage repairs | 0.00 | 0.00 | 0.25 | 0.25 |
| 5 | Future unplanned developments | 0.10 | 0.00 | 0.00 | 0.10 |
| 6 | Loans to PCC's | 0.50 | 0.00 | 0.00 | 0.50 |
| 7 | Designated Funds | 0.00 | 15.35 | 0.00 | 15.35 |
| 8 | DPA Benefice Accounts | 0.00 | 0.00 | 3.50 | 3.50 |
| | **Total** | **1.65** | **15.35** | **5.05** | **22.05** |
| | | | | | |
| | Funds balances at start of 2025 | 1.17 * | 15.52 | 8.42 | 25.11 |

Total Returns are no longer included in the reserves policy as it is only released from the Stipends Capital Account as is needed.

* Work was undertaken in June 2025 to move the purchase of three Board properties purchased in 2024 and 2025 from the General Fund to the Diocesan Pastoral Account, utilizing Section 94 of the Mission & Pastoral Measure 2011. If this had been undertaken at the time of the purchase of one property during 2024 the General Fund balance would have been within the Reserves policy parameters.

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