

FOUR OAKS BAPTIST CHURCH

RESERVES POLICY

JANUARY 2026

1. Purpose of Reserves

Four Oaks Baptist Church holds financial reserves to ensure the ongoing stability and sustainability of the church's ministry and operations. Reserves enable the church to continue functioning in the event of unexpected expenditure, fluctuations in income, or unforeseen circumstances, while allowing time for trustees to take appropriate corrective action.

In line with Charity Commission guidance, reserves are defined as the unrestricted funds that are freely available to spend on the church's charitable purposes, excluding restricted funds, designated funds, and tangible fixed assets.

2. Reasons for Holding Reserves

The trustees consider it prudent to hold reserves in order to:

- Manage short-term reductions in income (e.g. changes in giving or room hire income)
- Meet unavoidable committed costs, particularly staff salaries, pensions, and utility costs
- Respond to unplanned or urgent expenditure, including building repairs not covered by insurance
- Ensure an orderly adjustment of activities should financial pressures arise

3. Assessment of Financial Risk

The trustees have reviewed the church's income and expenditure profile and note that:

- Income is derived from a mix of regular giving, occasional donations, and room hire, providing reasonable diversity but some variability.
- A significant proportion of expenditure relates to staffing, pensions, and building-related costs, which cannot be reduced immediately without notice or adjustment periods.
- Energy costs and maintenance represent areas of potential volatility.

The trustees therefore believe that holding reserves equivalent to a defined number of months' expenditure is an appropriate and proportionate approach, in line with Baptist Union guidance.

4. Calculation of Running Costs

Based on the **Profit and Loss account for the 10 months ended 31 October 2025**, total administrative expenditure was:

- **£69,479.49 over 10 months**
- Average monthly expenditure: **£6,947.95**

This calculation is derived directly from the church's financial report for 2025.

Using this average monthly cost, the trustees have identified the following reserve benchmarks:

Reserve Period Calculation Target Reserve

3 months £6,947.95 × 3 **£20,844**

6 months £6,947.95 × 6 **£41,688**

(Values rounded to the nearest pound.)

5. Reserves Policy

The church will aim to hold reserves equivalent to **three months of average running costs**, currently estimated at **£20,800**.

This level is considered sufficient to manage short-term income disruption while allowing trustees time to take corrective action.

6. Current Position and Future Action

The trustees will compare the level of free, unrestricted reserves held at the year end against the chosen policy benchmark and will:

- Develop a plan to build reserves gradually if reserves fall below the policy level, or
- Consider appropriate use of surplus reserves in furtherance of the church's mission if reserves materially exceed the policy level.

The trustees recognise that building reserves must be balanced against the church's calling to use its resources to further God's mission and work in the community.

7. Monitoring and Review

This reserves policy will be:

- Reviewed annually by the trustees
- Reassessed sooner if there is a significant change in income, expenditure, staffing, or property commitments
- Reported alongside the annual accounts, including an explanation of any variance from the policy