



# ELY CATHEDRAL

## Reserves policy

### Background

In setting this policy, we have had regard to the Charity Commission's guidance on reserves published in June 2023.

Our constitution envisages that we will exist in perpetuity. We therefore set our reserves policy with regard to the short-, medium- and long-term needs of the Cathedral and the outlook for our finances generally. We work closely with the Trustees of Ely Cathedral Trust (a connected charity, controlled by the Cathedral Chapter for financial reporting purposes) to ensure alignment of their approach with ours.

In this policy 'the Group' means Ely Cathedral, Ely Cathedral Enterprises Ltd, and Ely Cathedral Trust, taken together.

### Aims

Guidance requires us to plan (among other things) for the continuity of service to beneficiaries, the risk of unplanned closure, and the risk of unplanned closure having an impact on beneficiaries, staff and volunteers. The law relating to the cathedrals of the Church of England, however, requires us to exist and fulfil our purposes in perpetuity. Our reserves policy reflects, therefore, an approach aimed at ensuring - to the maximum reasonable degree - that our reserves policy supports our continuing existence for the public benefit.

Our policy has three aims:

- (a) **short term:** to hold enough **cash balances** across the Group to meet the day-to-day operational cash needs of the Group
- (b) **medium term:** to hold sufficient **unrestricted free reserves** across the Group to address identified risks we face
- (c) **long term:** to hold appropriate **total funds** in Ely Cathedral Trust (which exercises stewardship over the majority of our financial investments) to fund the ministry of the Cathedral that cannot otherwise be secured by the Cathedral alone.

#### a) **Short term: cash balances**

We aim to hold cash balances across the Group that are (a) equivalent to two months' worth of planned operating costs excluding depreciation, or (b) equivalent to three months' worth of planned payroll and payroll taxes (whichever is higher). This is so that essential costs such as staff, suppliers, VAT and employment taxes can be met without the need to liquidate assets from our investment portfolio. Cash reserves also help us to meet project costs which must sometimes be settled in advance of receiving grant funding. We aim to stay within 25% of the target.

Our target for short term reserves in the form of cash balances is between £365,000 and £610,000, with a central target of £485,000.

## **b) Medium term: unrestricted free reserves**

We aim to hold unrestricted free reserves across the Group which are appropriate to the risks that we have identified. Unrestricted free reserves are calculated as unrestricted reserves, *excluding* fixed assets and investments in the form of real property, and *excluding* any designated funds. The level of unrestricted free reserves gives a fair indication of resources quickly available to the Cathedral if needed.

The principal relevant risks for the Cathedral include:

- (i) becoming unable for any reason to generate income from our own resources for a period of time and
- (ii) needing at short notice to undertake major unforeseen repairs to any of the grade-I listed buildings under our care.

Given these risks, the target level of unrestricted free reserves is £5.4m.

## **c) Long term: total funds held by Ely Cathedral Trust**

Ely Cathedral Trust makes a portfolio of annual grants available to Ely Cathedral, funded partly from in-year donations received and mainly from the total return on invested assets. The portfolio of grants is set each year in consultation with the Cathedral.

Ely Cathedral Trust generally expects to make recurring grants funded (a) from a return of around 3-4% of the value of its total funds, and (b) income from in-year routine donations received by the Trust. The Trustees consider this to be a sustainable level in the long term. When Trustees judge it to be appropriate, they also make additional project-related grants to the Cathedral.

In 2024 grants totalling £733,000 were made to Ely Cathedral and grants totalling £688,000 are budgeted in 2025.

We consider that we must prepare for a future in which the Cathedral may become less able to rely on certain income streams. The value of recurring (non-project) grants from Ely Cathedral Trust may need to increase from the current level of around £600,000 to an annual level of £850,000 in the long term. This will require the level of total funds held by Ely Cathedral Trust to increase to between £17m and £21.3m based on a sustainable return of inflation plus 3-4%.

The Trust plans to increase the level of total funds over the next several years by (a) moderating the level of grants given to the Cathedral in the short term, (b) exercising careful stewardship of financial windfalls, (c) continuing to achieve a total return on invested funds in excess of the level required to fund the portfolio of annual grants and (d) fundraising.

This approach has enabled the Trust to grow the value of total funds from £7.9m in 2018 to £11.9m in 2024. On this trajectory, we estimate reaching the target range for total funds at some point soon after 2030.

## **Review**

We review the reserves policy periodically, in liaison with Ely Cathedral Trust. We explain in our published annual report and financial statements the degree to which we are meeting our reserves policy and – if not – the steps we are taking to achieve that.

## **Monitoring & reporting**

The Finance Committee and the Cathedral Chapter monitor:

- (a) the short-term position by regularly receiving reports of forecast group cash balances compared to the target range for at least 12 months ahead.
- (b) the medium-term position by periodically (at least annually) reviewing the unrestricted free reserves position across the group and comparing this to the target.
- (c) the long-term position by reviewing with the Trustees of Ely Cathedral Trust their progress in meeting their own aims to grow the total funds under their stewardship to the targeted level.

The Cathedral Chapter, on the advice of the Finance Committee, monitors and reviews the appropriateness of the aims of this policy periodically.

**Approved by Chapter**

19 May 2025