



# Investing Your Reserves

a short guide for PCCs

[www.parishresources.org.uk](http://www.parishresources.org.uk)

This guide provides a simple guide to questions PCCs should consider when reviewing their reserves, and how and where these are invested. All PCCs have some reserves - whether it's the cash in the bank, deposits, investments or even owned property.

This guide does NOT make any specific recommendations to PCCs as to where and how their reserves should be invested. Rather it seeks to raise awareness of the options open to PCC members as trustees, and to give some examples to illustrate the differences between the various options. Nor does this guide help PCCs to identify the appropriate level of reserves - there is another guide available to do this :

[www.parishresources.org.uk/reserves](http://www.parishresources.org.uk/reserves)

**The first questions PCC members need to ask are: To what proportion of our reserves do we need quick access? Where is the best place to put this?**

## ① Short term cash and deposits

Many of the **current accounts** operated by charities and churches no longer pay any interest on balances. This is usually a trade-off by the bank to compensate for making lower charges on the account. PCCs should consider reviewing the competitiveness of their current account with regard to efficiency, interest and charges from time to time.

A slightly higher rate of interest can be gained from **deposit accounts**, but with the recent reduction in Bank of England base rates, many of these accounts are currently paying 0.2% or 0.3%. However, the funds can be instantly accessed. Most banks offer these accounts as does the banking arm of the Charities Aid Foundation, CAFBank.

For many churches, the CBF **Church of England (formerly CBF) Deposit Fund**, operated by CCLA ([www.ccla.co.uk](http://www.ccla.co.uk)), has been a good way of gaining increased interest whilst maintaining immediate access to funds and keeping risks low. This currently has just over £1 billion invested in it, sourced from across the whole of the Church of England. Over the past five years the fund has achieved an average return of 4.8% a year, but due to the drop in interest rates, this now pays 0.5% per annum. Put another way, the £1 billion invested across the Church of England will return just £5 million a year.

## ② Notice or fixed-term deposits

One way to increase the rate of interest is for trustees to give up some 'liquidity' or speed of access to their money, by putting some of the cash reserves into a notice or fixed-term account.

There are a number of providers of notice kinds of account, including Building Societies and Kingdom Bank. Kingdom Bank operate 32-day and 60-day notice

accounts. Funds deposited at the time of writing would gain 1.5% gross interest on the 60-day account. ([www.kingdombank.co.uk](http://www.kingdombank.co.uk))

A fixed duration account is another alternative, where, for example, CAFBank, ([www.cafonline.org](http://www.cafonline.org)) through Birmingham Midshires (the 'Deposit Taker'), offer 1.0% for money tied up for a year, and 1.5% for money invested for a fixed eighteen-month period.

The return on fixed-term accounts is known in advance, either in absolute terms, or relative to the Bank of England base rate. Whilst the interest rate on the notice account may change, trustees will know this in advance.

**The key question for PCCs in considering notice accounts and fixed-term deposits, is whether PCCs feel that the extra interest they will earn is sufficient to compensate them for the restrictions in accessing their funds in an emergency. (usually loss of interest.)**

Current and deposit accounts are usually covered under the Financial Services Compensation Scheme (FSCS), which guarantees deposits up to £50,000 with any provider that runs into difficulties. You should check who is the 'Deposit Taker' providing the account since the £50,000 covered under the scheme is a maximum amount for any individual deposit taker, irrespective of how many different accounts were held. Charity Commission guidance is that PCCs would be covered under the scheme unless their balance sheet assets were in excess of £3.26 million. The CCLA deposit fund is not covered under the FSCS as it is a pooled fund, but the deposits are spread across a wide range of accounts to manage risk, allowing it to have a very secure AAA credit rating.

### ③ **Longer Term Investments**

A third alternative is to consider putting money into longer-term investments. These do not provide the same day-to-day stability of value as cash deposits but they can provide an income flow that is higher, more stable and in some cases, give growth in the capital invested. There is a wide range of long-term funds available from a range of alternative providers, each with different characteristics and so each suited to different needs. PCCs are not restricted in which funds they can select, but those wishing to invest ethically might wish to consider the CCLA range of funds ([www.ccla.co.uk](http://www.ccla.co.uk)) or funds from Ecclesiastical ([www.ecclesiastical.com](http://www.ecclesiastical.com)). Guidance from the Church of England's Ethical Investment Advisory Group can be found at ([www.cofe.anglican.org/info/ethical/](http://www.cofe.anglican.org/info/ethical/) )

It is important for a PCC to be clear what they need their longer-term investments to achieve, whether that is a higher income, income growth for the future or a rise over time in capital values. This process might involve seeking advice or guidance to help their deliberations. PCCs should note that CCLA provides a free service that is available without obligation to all PCCs.

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