

Reserves and Investment Policy



Introduction

Responsibility for the management of St Martin's Church is shared between the Parochial Church Council (PCC) and the Rector. The church is a registered charity, with the charity number 1130720.

The PCC has a range of funds that it administers:

General fund – This fund is an unrestricted fund, and as such may be spent on anything within the aims and objectives of the PCC.

Designated funds – these are sums of money from unrestricted funds that have been set aside by the PCC for specific purposes. They remain unrestricted funds, since PCC has the power to reverse its decision and "undesignate" them, returning the sums held to the general fund. Currently, the PCC does not have any designated funds.

Restricted funds – these are sums given for a specific purpose and may legally only be spent on that purpose. This might be money raised for a short-term project, or money provided for specific items. Currently the PCC has a range of restricted funds:

Name of fund	Main purpose of fund	Main sources of income
ABC fund	Support of the adult, baby, child group	Subscriptions and fundraising
Bells fund	Restoration and maintenance of the bells	Donations, grants and fees
Choir fund	Purchase of music and robes for the choir	Subscriptions by the choir
Church hall fund	This fund comprises the church hall complex	Past donations
Church reordering	Finance the reordering of St Martin's Church	Donations, grants and fundraising
Families work	Finance families and youth work at St Martin's Church	Grant from the Diocese of Truro
Mission fund	Finance mission activities by St Martin's Church	Single donation and associated gift aid
Organ fund	The refurbishment and repair of the Lewis pipe organ	Single donation and associated gift aid
Solar panels fund	Installation of solar panels on St Martin's Church	Donations and fundraising
Youth club	Support of the youth club	Donations and fundraising

The Mission Fund may only be used for mission activities as defined by the "Five Marks of Mission" set out by the Archbishops of the Anglican Communion. The PCC has agreed that the fund may be used for up to 50% of the cost of any particular mission activity.

Endowment funds – these are sums where the capital cannot be spent, only the income generated. The PCC has the Lanseaton fund, which is an endowment fund. The fund arose from the sale of the farm and land at Lanseaton and Lanchard. The income from this fund may only be used for ecclesiastical purposes. The capital in this fund is required to be vested in the Diocesan Board of Finance as custodian trustee, but the PCC receives and controls the expenditure of the

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income, provided always that it is restricted to ecclesiastical purposes. The Lanseaton fund is a permanent endowment fund. It can never be converted to income available to the PCC.

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Reserves are defined as that part of the PCC's income that is freely available. This would include any designated funds held by the PCC but excludes the PCC's restricted and endowment funds and income which can only be realised by selling fixed assets held for PCC's use.

General fund: The PCC does not intend to build up large reserves. To minimise the risk of being unable to meet all its financial obligations as they fall due, including full payment of the Mission & Ministry Fund (MMF) and meeting its employment costs, the PCC is aiming to hold sufficient liquid general fund resources to meet 6 months' running costs.

Restricted funds: The PCC does not plan to hold significant restricted funds and the PCC will seek to use the restricted funds to support the general activities of the church, within the restrictions placed on those funds. Where special needs arise, the PCC will instigate fundraising activities and appeals to meet that need.

However, the PCC is aware of the Statistics for Mission published by the Research and Statistics Department of the Archbishops' Council, and the trend towards ageing church congregations and falling church attendances. The PCC will use its restricted funds to help provide some longer term financial security whilst the underlying trend is addressed locally and nationally.

Endowment fund: The PCC benefits from the Lanseaton endowment fund, which was created by the sale of property. The income from the fund can only be used for 'ecclesiastical purposes'. In the past, the PCC has been able to use this to help finance major projects, such as repairs to the roof and the bells. Where such projects are foreseeable the PCC may designate the income from this fund to be used for those projects. Otherwise, the PCC will seek to use the income to support the general activities of the church, within the restrictions placed on the fund.

Investment policy

The PCC, as the board of trustees for the charity, is responsible for the management of the church's funds.

Members of the PCC have a duty to act at all times in what they reasonably consider represents the best interests of the church's charitable objectives.

In doing so, the members of the PCC must also exercise reasonable skill and care. Individual trustees 'must exercise such care and skill as is reasonable in the circumstances, having regard in particular... to any special knowledge or experience that he or she has or holds himself or herself out as having...'

Risk v reward

The return on investments varies with the risk. At one end, money sat in a current account should be safe¹, but earns virtually no income. At the time of approving this policy, deposit accounts are paying less than 0.5% interest on deposits.

The stock market is the most volatile investment, and whilst the long-term trend is invariably positive, it can be subject to significant falls in value, which can take many years to recover. As such, the stock market should be considered a long-term investment, and would not normally be appropriate for monies raised for an imminent project.

¹ The Financial Services Compensation Scheme protects cash in UK banks up to £85,000.

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When deciding on where to hold its cash and reserves the PCC needs to consider:

- the timing of when the sums held will be needed; and
- whether sufficient funds are held elsewhere to cover the expenditure, within the restrictions placed on the funds, should an amount invested in the stock market fall in value.

In other words, if a sum of money is invested on the market, and the value subsequently falls, can the PCC afford to wait for the market to regain its value, which could take many years? Alternatively, can it afford to suffer the loss if it has to sell those investments?

There is a balance to be struck here. If the PCC is too risk averse, it will be forgoing increased investment income, and could miss out on significant investment gains. This could limit the PCC's ability to fulfil its aims and objectives. Conversely, if the PCC takes too much risk, it risks losing significant capital sums if the money invested is needed in the short term and the market falls.

The PCC does not have the expertise, or the time required, to invest directly on the stock market. Therefore, the PCC will use external fund managers where it is seeking to investment monies not required in the short term. CCLA is a fund that provides ethical investments for Churches, Charities and Local Authorities, and has specific investment funds for the Church of England. The PCC uses these funds where appropriate.

So, the PCC uses three avenues for its money:

- HSBC current account – this is a free charity account, and is used for money that will be needed in the short term;
- CBF Church of England Deposit Fund² – which pays above the deposit accounts of High Street banks, and is used for money that will be needed in the short to medium term; and
- CBF Church of England Investment Fund³ - which is a balanced portfolio of overseas and UK equities, infrastructure assets, cash and government bonds, property and private equity and other assets. It is used for money that will be needed in the longer term.

The PCC Treasurer will make recommendations to the PCC about how much should be held in each of these accounts, but the ultimate decision of how much to invest and where will be taken by the PCC.

That said, the PCC delegates the power to the Treasurer to transfer surplus monies held in the HSBC current account, which earns no income, into the CBF Church of England Deposit Fund, and back again as required.

This policy was adopted by the PCC on 18 September 2018.

² <https://www.ccla.co.uk/investment-solutions/fund/the-cbf-church-of-england-deposit-fund>

³ <https://www.ccla.co.uk/investment-solutions/fund/the-cbf-church-of-england-investment-fund>