

St Andrew's investment policy and practice

The Charities Acts and Charity Commission guidance requires us to have a policy covering the investment of our financial assets and to keep it under review. The Management Committee asked Peter Campbell Smith, Nigel Dickinson, Nigel Macdonald and Alan Walls to conduct a review and make recommendations.

Funds

St Andrew's financial assets are held in a number of funds. Under charity accounting practice these funds are classed as **endowment funds** where the money was donated with the proviso that the capital be kept intact and the interest used for the benefit of the charity, **restricted funds** where the donors of the funds stipulated restrictions (temporary or permanent) as to the use of the funds, or **unrestricted funds** given for the general purposes of the charity. The trustees may also create **designated funds**, which are unrestricted funds set aside for a special purpose; the trustees may at their discretion move funds into or out of designated funds.

The current funds and their approximate values at the end of 2014 are as follows:

- Accommodation Fund (restricted) - £32k
- Benevolent Fund (restricted) - £4k
- Charitable Fund (restricted) - £10k
- Chapel and Garden Fund (restricted) - zero
- Choir Fund (restricted) - £600
- Church Property Endowment Fund (endowment) - £113k
- General Purposes Fund - £81k *
- House Property Fund (restricted) - £170k
- Mission Fund (restricted) - £3k in deficit
- New Horizons Fund (restricted) - £193k **
- Special Purposes Fund (unrestricted) - £98k
- Tennis Club Legal Fees Fund - £800 in deficit

* In addition this fund was owed around £20k from HMRC for Gift Aid on 2014 donations.

** £125k from this fund was loaned to the trustees of the Tennis Club land, to be repaid when the land is eventually sold (ie the amount held by the church is around £68k).

A brief description of the origin and purpose of each fund is given in the annex to this paper.

Property development funds

The review group recommends that the Accommodation Fund, House Property Fund and New Horizons Fund be amalgamated to form a Church Property Fund, with a purpose of financing major redevelopment of the church buildings. The restrictions on the first two of these funds (see annex) were temporary and in the view of the review group can now be lifted. The purpose of the New Horizons Fund is the same as the proposed new fund and while the restrictions on it are also temporary, they cannot yet be lifted. The new fund will therefore be reported in the charity's Statement of Financial Affairs as comprising both restricted and unrestricted funds.

Other funds

The review group recommends that the Chapel and Garden Fund be wound up as its purpose has now been fulfilled.

It recommends that the balance in the Benevolent Fund should be promptly disbursed as required by Charity Commission guidance, and that the balance in the Charitable Fund should be disbursed as far as is practicable.

It recommends that transfers should be made from the General Purposes Fund to the Mission Fund and Tennis Club Legal Fees Fund to eliminate their deficits.

Holdings of funds

The present investment policy has remained unchanged for over 15 years. When it was adopted, bank deposits were paying significant rates of interest and the balance of risk and return versus other investments resulted in a decision to hold all the funds in bank deposits.

The funds listed above are therefore currently held as follows:

- Barclays Bank accounts - £465k
- CAF Bank - £131k¹ (CAF is the Charities Aid Foundation)

None of these accounts now yields more than 0.5% interest.

Proposed policy

The review group proposes that the funds listed above be divided into three groups and the policy applicable to each be as follows.

A: Long-term funds, to be invested where we receive a good rate of income, accepting that there may be some fluctuation in the capital value:

Church Property Endowment Fund

B: Medium-term funds, to be invested where we receive a good rate of income, accepting that there may be some fluctuation in the capital value, but bearing in mind that we may need to withdraw capital a rolling three years hence.

Church Property Fund

C: Short-term funds to which access is required on a regular basis and capital loss is not acceptable:

General Purposes Fund
Special Purposes Fund
All the rest

¹ The total of these does not quite equal the total value of funds due to a number of reasons which are not material to this paper.

Implementation of the policy

The review group recommends:

- That the CAF account be closed.
- That an account be opened with either ICICI Bank (offering 1.5% interest) or National Counties Building Society (offering 1.4% interest), the decision between these to be made by the Treasurer based on convenience.
- That an account be opened with CCLA's Investment Fund.

CCLA is a fund manager serving charities including the Church of England and offers a number of Common Investment Funds which are approved by the Charity Commission for investment of charitable funds. Their Investment Fund has £1.2bn invested in it and an excellent record since its establishment in 1963.

The group recommends:

- That the funds in group A and B above be invested in CCLA's Investment Fund.
- That income from the CCLA units purchased for group A funds be paid into the General Purposes Fund, and income from group B funds be reinvested with CCLA.
- That the Management Committee be given discretion to sell units in group A should the need arise within the Charity Commission's guidance on 'total return', which provides that the capital value of the units may not be reduced by such a sale to less than the amount initially invested.
- That £85k of the funds in group C above be placed in an account with ICICI bank or NCBS.
- That the remainder of the funds in group C be left with Barclays.
- That the Treasurer be authorised to move funds between Barclays and ICICI Bank or NCBS as he sees fit in order to manage the church's cash flow, with the proviso that the balance with ICICI/NCBS does not materially exceed the limit covered by the UK Deposit Protection Scheme, currently £85k.

The group further recommends:

- That the policy and its implementation should be reviewed and if necessary revised annually.

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Annex

Accommodation Fund: This was given with a view to purchasing a property to house a youth worker. The restriction provides that we can use it for other purposes if we no longer foresee the need for that.

Benevolent Fund: This is accumulated income from the separate St Andrew's Benevolent Fund registered charity, which ought to be disbursed. The Benevolent Fund charity's capital is invested in CCLA Investment Fund units.

Chapel and Garden Fund: This fund received the donations used to upgrade the chapel and garden area. That project is complete, the funds have been spent and the fund can be closed.

Charitable Fund: This is the income from the retiring collections and is destined for charities chosen by the congregation.

Choir Fund: This is historic income from fees for weddings paid to the choir and is available to be spent on music etc.

Church Property Endowment Fund: This is permanent endowment which derives from an appeal to the congregation in the 1960s. The purpose is to generate income to be used for the upkeep of the church buildings, although with increasing costs and decreasing rates of interest it contributes only a small fraction of those costs.

House Property Fund: This was money raised for the part purchase and maintenance of the house bought for the Revd and Mrs Alastair Dykes, and now holds our share of the value of the house when it was sold. The original restriction allows us to use the money for other purposes if the original need is past, as it now is.

Mission Fund: This is the fund from which we support four missionaries. It receives income from specific donations, from the Charitable Fund and the balance to meet our commitments is made up by transfer from the General Purposes Fund.

New Horizons Fund: This is money donated for redevelopment of the church buildings. The name of the fund reflects an earlier redevelopment plan. The funds are restricted to this use until a date in the 2020s, after which they are unrestricted.

Special Purposes Fund: This is our main reserves fund. The income comes mainly from legacies and one-off gifts and the funds are used for major projects, most recently the renewal of the church guttering and of the church heating. It also funds any deficit in the General Purposes Fund if it ends the year in deficit.

Tennis Club Legal Fees Fund: This fund covers legal fees in connection with the Tennis Club land.

General Purposes Fund: This is the fund that receives regular income from congregational giving, hall lettings and so on, and from which our regular expenditure is made.