



The Parish of
St Mary the Virgin
STANWELL
&
St Matthew
ASHFORD



Reserves and Investment Policy

Introduction

The Parochial Church Council (PCC) and the Rector share responsibility for managing the parish. The church is a registered charity, with charity number 1203323.

The PCC administers a range of funds:

- **General Fund** – This fund is unrestricted and may be spent on anything within the PCC's aims and objectives. The PCC aims to use the General Fund prudently, ensuring it can meet its financial obligations and support its mission. The General Fund is reviewed regularly to ensure sufficient resources are held for day-to-day activities, with any surplus beyond six months' running costs being considered for other investments or designated funds.
- **Designated Funds** – These are sums of money from unrestricted funds that the PCC has set aside for specific purposes. They remain unrestricted funds since the 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 but may create them as needed to support specific projects.
- **Restricted Funds** – These are sums given for a specific purpose and may legally only be spent on that purpose. They might be money raised for a short-term project or money provided for specific items. The PCC intends to use restricted funds to support specific activities and projects of the church, and will seek to ensure funds are used efficiently. Where special needs arise, the PCC will instigate fundraising activities and appeals to meet those needs. The PCC does not plan to hold significant restricted funds unless required for a specific purpose. The restricted funds currently held by the PCC include:

Name of Fund	Main Purpose	Main Sources of Income
Bells Fund	Restoration and maintenance of the bells	Donations, grants, and fees
Choir Fund	Purchase of music and robes for the choir	Donations, grants, and fees
Organs Fund	Restoration and maintenance of the organs	Donations and grants
Sacristy Fund	Provide sacristy items	Donations and grants
Church Hall Fund	Hall Maintenance	Percentage of Hall income
St Mary's Building Fund	Maintenance of St Mary's	Donations and grants

Name of Fund	Main Purpose	Main Sources of Income
St Matthew's Building Fund	Maintenance of St Matthew's	Donations and grants
Cell of Our Lady of Walsingham	Pilgrimage	Donations

- **Endowment Funds** – These are sums where the capital cannot be spent, only the income generated. The PCC holds the St Mary's Building Fund as an endowment fund, held by the CCLA. This fund arose from the amalgamation and drawing down of smaller charities. The income from this fund may only be used for the maintenance of St Mary's. The PCC monitors the performance of this fund annually and ensures that it is used exclusively for its intended purpose.

Reserves Policy

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 the 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 payment of the Common Fund and meeting its employment costs, the PCC is aiming to hold sufficient liquid general fund resources to meet six months' running costs. These costs will be reviewed annually to ensure that the reserves held are adequate for any short-term liabilities.
- **Restricted Funds:** The PCC does not plan to hold significant restricted funds unless a specific purpose arises. Restricted funds will be used 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 those needs. The PCC will ensure that restricted funds are used efficiently and within the guidelines of the restrictions.
- **Endowment Fund:** The PCC benefits from the St Mary's Building endowment fund, which was created by the amalgamation of smaller charities. The income from this fund is used solely for the maintenance of St Mary's.

The PCC will review its reserves policy annually to ensure it aligns with current needs and financial health. Any changes to the reserves targets will be discussed and agreed upon by the PCC.

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 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...'

The PCC aims to balance risk and reward when managing its funds. The return on investments varies with the risk. At one end, money in a current account should be safe, but it earns virtually no income. At the time this policy was approved, deposit accounts were paying less than 0.5% interest.

The stock market, at the other end, is the most volatile investment. While 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.

Risk v Reward Considerations

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 in 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 in the stock market. Therefore, the PCC will use external fund managers where it is seeking to invest 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 as appropriate.

Investment and Cash Management

The PCC uses the following avenues for managing its money:

- **Five current accounts** – These are free charity accounts and are used for money that will be needed in the short term: St Mary's, St Matthew's 1, St Matthew's 2, Hall, and St Mary's and St Matthew's.
- **One deposit account in the Coop** – For funds needed in the short term.
- **CBF Church of England Deposit Funds** – Five in total, which pay into the above deposit accounts of high street banks and are used for money that will be needed in the short to medium term.

The PCC Treasurer will make recommendations to the PCC about how much should be held in each of these accounts. However, the PCC will ultimately decide how much to invest and where. The PCC delegates the power to the Treasurer to transfer surplus monies held in the current accounts, which earn no income, into the CBF Church of England Deposit Funds and back again as required.

Monitoring and Reporting

The PCC will review the performance of its investments and reserves annually. The Treasurer will provide regular reports to the PCC on the status of funds, and the PCC will ensure that all financial activities align with its charitable objectives. The performance of the CCLA investments will be monitored, and if needed, the investment strategy will be reviewed to ensure that it aligns with the parish's financial goals.

Sign-Off and Renewal

This policy was agreed and adopted by the Parochial Church Council (PCC) on [Date]. The policy will be reviewed biennially to ensure it remains up to date and in line with best practices and current legal requirements. The next review is scheduled for [Date of Next Review].

Signed:

Parish Priest: _____

Date: _____

Churchwarden: _____

Date: _____