T02: Investment of Trust Funds

Your church may have one or more trust funds that are looked after jointly with the Diocese. These trusts can arise from money left in a will, the sale of a building, or some other reason.

The **Parochial Church Councils (Powers) Measure 1956** sets out that if a PCC has funds which are to be kept on a permanent basis, then the funds must be held by the Diocese. In the case of most trusts, responsibility for the funds is as follows:

- The Diocesan Trustees (Oxford) Limited/ODBF is the **custodian trustee** of the funds and is responsible for holding the assets and ensuring their safekeeping.
- The PCC (or the incumbent and churchwardens) are **managing trustees** of the fund and are responsible for managing and maintaining the funds, including making decisions about where the funds are invested, and distributing assets to beneficiaries.

The role of the Diocese is to act on the PCC's (or vicar and churchwardens') lawful instructions (even where the Diocese might itself have taken a different view of the matter).

Charity Commission guidance

PCCs are free to choose where to invest, however there are a number of factors which should be taken into account. Charity Commission guidance document CC14 sets out the duties of trustees, and the principles that trustees should abide by when deciding how to invest. PCC members should read and understand this document before making any decisions.

Investing charity money: guidance for trustees (CC14) - GOV.UK

Factors that managing trustees need to consider or balance:

Governing document

Managing trustees should refer to the governing document for the fund and take into account any particular rules about how you may or must invest.

PCC purpose and objectives

A PCC should have in mind the purposes of the charity when selecting suitable investment schemes. Many PCCs invest in CCLA schemes due to their stated aim of having portfolios aligned with the Church of England's objectives, values, and beliefs. However, there is no "approved list" of investments, and it is up to the PCC to do the research and invest as they see fit. Where a PCC identifies that an investment could conflict with the charity's purposes or harm its reputation, the trustees should weigh up the extent of the conflict and balance the potential risks and benefits of any approach taken.

Income and capital growth

Investment returns can occur as:

- Income (dividends and interest) – which benefits the beneficiaries of the fund at the current time
- Capital growth (increase in share price) – which helps ensure that the fund is of value to its beneficiaries into the future

When assessing an investment's performance, trustees should consider both these factors.

Practical considerations

Some schemes may not be very aware of charities and how they work or may not be willing to accept an unincorporated charity as an investor. Situations such as the initial set-up or informing the investment scheme provider of a change of trustees, can be problematic or prolonged if the investment scheme does not recognise the structure of the entity that wishes to hold the shares. This can sometimes lead to a delay in dividend payments.

Some investments are more geared to charities, which does help to keep things running smoothly.

Other considerations

The Charity Commission guidance additionally sets out what the trustees need to consider in terms of:

- Seeking advice
- Diversifying investments
- Identifying and managing risk

Many investment schemes already have a range of investment strategies to manage risk and ensure a balance of investments.

Instructing ODBF on a change of investment

If you, as managing trustees of a fund, wish to change the way that the funds are invested you should submit the following to ODBF:

- a brief written statement of the reasons for the proposed investment
- a statement that the trustees have read and understood Charity Commission guidance document CC14
- a statement that the trustees have taken advice from someone experienced in investment matters, or setting out the reasons that the trustees have for not taking advice
- a copy of the minutes of the meeting at which the trustees passed the resolution to change the way that the funds are invested, signed by two trustees