

Volunteer Cornwall Investment Policy 2020

Introduction

It is important that Volunteer Cornwall's reserves are reviewed on a regular basis and that they are invested in such a way as to maximise returns, minimise risk and contribute to our Climate and Ecological Emergency Declaration and Plan.

Volunteer Cornwall owns its Head Office. This strengthens the long term reserves, and also enables it to have full control of its premises-specific carbon and ecological impacts. This has helped to strengthen the long-term stability of Volunteer Cornwall and cut on-going annual costs such as rent, has allowed all staff based in Truro to be united in one building, and use it as an example of its environmental commitments.

It was also decided to install Photovoltaic panels on the roof of the building to not only allow Volunteer Cornwall to generate its own electricity but also provide another income stream and contribute to the generation of low carbon power.

Due to the uncertain nature of Volunteer Cornwall's sources of income, it is necessary to hold reserves for the following purposes:

- ◆ To ensure the long-term stability of Volunteer Cornwall;
- ◆ To meet the monthly cash-flow requirements;
- ◆ To provide an income to supplement services to the public;
- ◆ To support the liability of Volunteer Cornwall and its directors through contracted lease arrangements;
- ◆ To sustain the organisation and pay its employees over a reasonable period of time should income be substantially reduced;
- ◆ Property Fund to manage the upkeep, maintenance and depreciation of Acorn House;
- ◆ To ensure that there are adequate funds to meet Volunteer Cornwall's statutory obligations for redundancy payments.

The purchase of a building has reduced the cash reserves available for investment.

The Directors consider that the security of the organisation's reserves is of paramount importance.

Considerations

In accordance with Volunteer Cornwall's Memorandum and Articles of Association, the Directors have the power to "expend the funds of the Charity in such a manner as they shall consider most beneficial for the achievement of the objects of the charity, and to invest in the name of the Charity such part of the funds as they may see fit, and to direct the sale or

transposition of any such investments and to expend the proceeds of any such sale in furtherance of the objects of the Charity”.

In formulating this policy the following considerations have been borne in mind:

- ◆ The Directors should adopt investment policies that are prudent and cautious, and which recognise Volunteer Cornwall’s needs, which may change quickly in the light of changing financial or economic considerations.
- ◆ The policy should address the needs of the charity throughout its anticipated existence, including any possible changes to activities.
- ◆ Directors have a legal duty to avoid speculative forms of investment and to seek the most appropriate financial return at low risk.
- ◆ Since Volunteer Cornwall is exempt from direct taxes, investments from which the income is taxed or for which tax is not recoverable should be avoided.
- ◆ In determining whether to invest in short-term or in long-term investments, consideration has been given to whether Volunteer Cornwall has any requirements to spend specific amounts on specific dates and for specific purposes.
- ◆ Ethical investments need to be based on the interests of Volunteer Cornwall (e.g. best return at low risk) not on the personal views of the Directors on the relevant moral issues of such investments.
- ◆ Under the policy, investments should be reviewed regularly, particularly in the light of changing operational circumstances.
- ◆ In reviewing investments, there is an obligation on Directors to take proper advice. In certain circumstances a Director can give this advice.
- ◆ Given our Declaration of Climate and Ecological Emergency, and consequent Plan Volunteer Cornwall can also use its investment policy and decisions to encourage other VCS organisations to ensure their investments contribute to climate, ecological and social solutions rather than contribute to the problems they are set up to counter.

Investment Options

Property

A property suitable for Volunteer Cornwall’s use has been purchased, reducing the amount of cash reserves available for investment.

The Stock Market

This too has been considered during previous reviews but discarded on the basis of volatility and risk. Certainly, investments in stock and shares can bear fruit in terms of both revenue and capital gains, but they do not meet the Directors’ legal duty to avoid speculative or risky terms of investment. Further more, investments must be very carefully monitored to avoid inadvertent contribution to the causes of climate and ecological emergency, which would be counter to our Declaration and Plan.

Banks and Other Fixed Term Deposit Accounts

Because Volunteer Cornwall operates against a background of uncertainty, particularly with regard to ongoing income sources, some of the reserves need to be invested on a "liquid" or "instant access" basis. Certain sources of income, e.g. some projects are already showing a downturn as well as being subject to "timing differences" and so reserves have been drawn on to subsidise the day-to-day operations of Volunteer Cornwall. There is now also little advantage to be gained (interest rate wise) from placing surplus funds in long term investments.

Government Bonds (Gilts)

Government Bonds are simply IOUs issued by the government to raise money to cover expenditure that isn't covered by their tax revenues. In effect you are lending the government money. Issued in £100 units, they represent a promise to pay the holder a set level of interest (coupon) during the lifetime of the bond and to repay the nominal capital value when the gilt matures. These government bonds are known as Gilts (or gilt-edged securities) and are considered safe investments as the government is unlikely to go bust or default on the interest payments.

Investment Option Selected

Due to the current uncertainty in the financial markets and the limited cash reserves available for investment the Directors have agreed that the security of Volunteer Cornwall's investments is the highest priority and that cash reserves should, if there are sufficient funds, be spread across a range of UK based banks, and that £300,000 should always be maintained in an instant access account. All investments will be scrutinised by the Trustees and SM Team for undesirable social and environmental impacts which would run counter to the charity's expressed objectives, and its Climate and Ecological Emergency Declaration and Plan.

Review of Investments

The Directors will review this policy on an annual basis, or sooner if economic and/or environmental circumstances dictate, in line with Volunteer Cornwall's ongoing long-term plans and development. This review is to ensure that Volunteer Cornwall maximises the safe returns available to it on such monies whilst contributing to its climate and ecological commitments

Signed:



Date: 23 July 2020

Ian Jones
Chief Executive
On behalf of Volunteer Cornwall

Review Date: 04/24

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