

A Note for Treasurers

Following the collapse of Icelandic banks last week, a number of parishes are asking questions about the security of bank deposits, and this message (from the Financial Policy unit of the Archbishops' Council and Church Commissioners) aims to provide an update on the situation.

We understand that the majority of parish and diocesan deposits are held in the Church of England Deposit Account run by CCLA (formerly known as the CBF Deposit Account). This has over £1 billion of deposits, which is spread amongst about 40 carefully chosen institutions. The Fund is currently AAA rated (triple A) by Fitch, an independent rating agency which reviews the rating weekly. Whilst the funds deposited are not covered by the FSCS compensation scheme, because it is a collective investment fund, both the spread of deposits and the selection process mean that risk is spread. We have been informed that no part of the fund is deposited with any of the Icelandic banks.

We are aware that some parishes, however, have money on deposit at Icelandic banks. The sums are not large in the context of total national Church funds, but obviously the amounts involved are significant to them. The Archbishops' Council is supporting voluntary sector moves led by NCVO and ACEVO to encourage the Government to offer protection to charities which have lost money in this way. In support of this, we would be very keen to hear if you know of any of your parishes who are affected. The Charity Commission is also requesting details of any charities affected by the failure of the Icelandic banks, which can be emailed to them at: enquiries@charitycommission.gsi.gov.uk.

The information provided by the FSCS about its compensation scheme does not specifically mention charities. However, the Charity Commission has issued guidance that charities should be covered by the Scheme to the same extent (ie up to £50,000) as other organisations and individuals. Virtually all parishes would be covered by this, as the most relevant exceptions for any organisation seeking to claim under the guarantee scheme are that it exceeds two or more of the following limits: (i) it employs more than 50 people, and/or (ii) it has income of more than £6.5 million per year, and/or (iii) it has net assets of more than £3.26 million. The Charity Commission guidance can be found on: <http://www.charity-commission.gov.uk/news/fincomp.asp>. Whilst the Charity Commission website also states a lower £1.4 million balance sheet limit that applies to the FSCS guarantee scheme for unincorporated associations, s.3 of the Parochial Church Councils (Powers) Measure 1956 provides that "every council shall be a body corporate", which means that they are statutory corporations, with the result that the higher limits relevant to companies should apply to PCCs.

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