CC14 – refreshed investment guidance for charities

The Charity Commission for England and Wales has published a refreshed version of its guidance on investing charity money (CC14).
What has changed – and do you need to act?

Trustees will want to be aware of its publication but the law on charity investment and how to access professional expertise hasn't changed, so most will find that it does not necessitate a revamp of their approach or policy. However you should refer to it when next reviewing your investment policy (something you ought to be doing regularly anyway) or if you are setting out a policy for the first time.

The updated guidance is shorter and, most people will find, clearer than its predecessor. It begins by reminding trustees that their principal duty is to further their charity's purposes and reassures us that when it comes to investments, this will mean different things to different organisations. Among other things CC14 confirms that many boards will want to think not just about financial risk and return objectives, but about how else the investment assets are being used to advance the charity's purposes. This might be, for example, through action by their fund managers to drive real-world change on issues that matter to the organisation such as climate change, inequality or mental health.

The guidance also recognises that trustees may exercise their own judgment on whether and how to restrict investment in any particular type of business if they feel that it either contradicts their mission or would put their organisation's reputation at risk. It notes that trustees may also choose to integrate environmental, social and governance issues into their investment strategy to either boost returns or protect their reputation.

When it comes to selecting investment assets or managing a portfolio, most charities will not have enough in-house expertise to do this themselves and if you're going to have your own portfolio you will need to take professional advice – or much more commonly, delegate day-to-day decision making to a professional firm.

The guidance notes that another way to access professional management is to invest in a collective scheme such as a specialist fund available only to charities, which allows you to combine your assets with those of other investors. You still need to be satisfied that the fund meets your charity's needs, so it's important to understand the fund's investment policy and objectives and how these align with your own policy. Fund information is readily available so it should be straightforward to compare different funds in the market and how they have performed.

If you are taking advice about selecting a portfolio manager or a pooled fund, or on any other aspect of your investment policy, you need to consider the advice objectively and do what is best for your charity. You therefore need to think about any potential conflicts of interest that affect an adviser. This could be an issue, for example, if they are recommending that you use their own funds or services, without being able to demonstrate why those will serve your purposes better than others.