REDWOOD RESEARCH REPORT

How **smarter saving** can strengthen the **UK charity sector**

Executive summary

The UK charity sector is a vital pillar of society, protecting the vulnerable and driving innovation across communities. Yet, its financial resilience is under intense strain. Rising costs, unstable funding streams and mounting service demands have created an environment where survival, let alone growth, is a constant challenge.

Despite this, charities collectively hold billions in reserves; assets that, if managed strategically, could substantially strengthen their financial stability and long-term impact. Smarter saving strategies, from optimising interest rates to creating structured reserves policies, represent one of the most straightforward, low-risk ways to boost resilience.

This report explores the realities facing UK charities, the untapped opportunities within their savings and how ethical specialist business banks focused on deposits, like Redwood Bank, can help the sector unlock its potential. It draws on exclusive Redwood research and national data to show why smarter saving should be at the heart of every charity's financial strategy.

Redwood Bank completed an online survey with a total of 413 UK charities with annual incomes between £50,000 and £10 million.

Key results

- **69 per cent** of charities hold over £50,000 in savings, with almost half (**46 per cent**) holding more than £100,000. When current accounts are included, **84 per cent** hold more than £50,000 and **68.5 per cent** hold over £100,000.
- **80 per cent** reported rising day-to-day costs
- **73 per cent** said they struggle to secure stable donations and funding
- **62 per cent** have seen the value of donations decrease
- **49 per cent** lack confidence in their long-term financial stability
- **81 per cent** of charities review their savings at least annually, many still do not seek alternatives that could improve returns.
- **44 per cent** do not hold a savings account with a second provider, choosing instead to keep their money in a current account, with over a third of these charities citing lack of awareness of the options available.
- **85 per cent** valued competitive interest rates when choosing a savings account
- **72 per cent** stated they valued accessibility and withdrawal terms, **60 per cent** bank reputation, **56 per cent** digital ease and **51 per cent** ethical or social values.

INTRODUCTION

Resilience matters more than ever

The role of charities in the UK

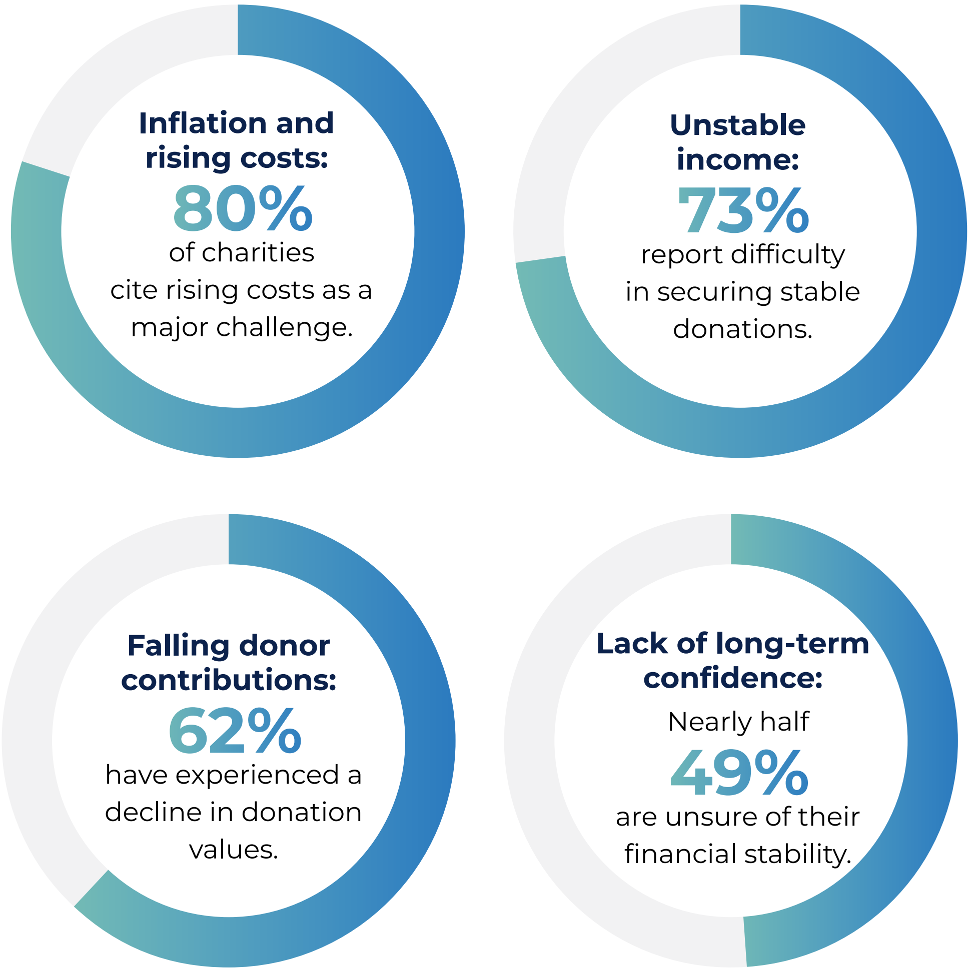
The UK's 207,000 registered charities[1] employ almost 1.3 million people[2], engage more than a quarter of the population as volunteers[3] and contribute around £20 billion to GDP each year[4]. From small community organisations to world-renowned non-governmental organisations, their collective reach underpins social cohesion and economic wellbeing.

Charities are not only delivery partners for government and funders; they are also innovators. They often pioneer responses to unmet needs, shaping services from mental health support to environmental protection. Their strength, however, depends on financial resilience.

1 England and Wales: https://www.gov.uk/government/publications/charity-commission-annual-report-and-accounts-2024-to-2025/charity-commission-annual-report-and-accounts-2024-to-2025#:~:text=At%2031%20March%202025%2C%20there,%2D24:%20%C2%A394bn). Scotland: https://www.gov.scot/policies/third-sector/charities/. Northern Ireland:
2 https://www.policybee.co.uk/blog/uk-charity-statistics#:~:text=Village%20halls%2C%20youth%20clubs%2C%20and,and%20Northern%20Ireland%20at%202%25
3 https://www.ncvo.org.uk/news-and-insights/news-index/uk-civil-society-almanac-2024/volunteering/#:~:text=Need%20to%20know,have%20volunteered%20at%20least%20once
4 https://lordslibrary.parliament.uk/voluntary-and-community-sector-contribution-to-society/#:~:text=The%20voluntary%20sector%20contributed%20%C2%A3,Impact'%2C%2012%20October%202023)

The emerging perfect storm

Redwood Bank's survey of 413 UK charities has found that recent years have created a "perfect storm" of pressures for the sector:



Source: Redwood Bank survey of 413 UK charities online survey 2025.

These challenges are borne out in national data. In 2025, the Samaritans announced plans to close around half of its UK branches[5], while other household-name organisations are cutting staff and closing shops[6].

Why smarter saving matters

Charities are under pressure to demonstrate both impact and stewardship. While reserves are often seen as dormant funds, they are, in reality, a strategic lever for survival. With nearly £75.6 billion held in reserves across the sector[7], even modest improvements in return can release hundreds of millions annually back into frontline services.

[5] https://www.theguardian.com/society/2025/jul/25/samaritans-closures-brutal-reality-financial-crisis-uk-charities
[6] https://www.express.co.uk/news/uk/2049482/store-closures-uk-charities-2025-damning-report
[7] https://www.mondaq.com/uk/charities-non-profits/1671952/charity-commission-publishes-annual-return-2023-analysis-report#:~:text=Charity%20reserves%20have%20stayed%20broadly,Staff%20and%20volunteers

Financial squeeze and sector pressures

Operational pressures

Charities across the UK are facing increased bills for energy, rent, insurance and wages. These rising costs coincide with unprecedented demand for services, particularly in health, social care and welfare.

Small charities, which make up the majority of the sector, are especially vulnerable. Many operate on thin margins, relying heavily on volunteers and single income streams.

Declining retail income

Charity shops have long been a reliable income source. However, footfall challenges on the high street, the increased cost of operations (utilities, rent, National Insurance and wages) and the growth of online second-hand platforms have disrupted this model with outlets closing or being scaled back.

Volunteer pressures

Volunteer numbers have not returned to pre-pandemic levels. The National Council for Voluntary Organisations Road Ahead 2025 report[8] notes that many charities are struggling to recruit and retain volunteers, adding to the pressure on stretched staff teams.

Strategic reserves as buffers

In this environment, reserves become more than financial padding. They are a lifeline, allowing charities to weather income volatility, respond to sudden spikes in demand and reassure trustees, donors and regulators that the organisation is financially well-governed.

[8] https://www.ncvo.org.uk/news-and-insights/news-index/the-road-ahead-2025/

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The role of reserves – strategy, accountability and flexibility

What reserves really mean

A reserves policy is more than a number on a balance sheet. It is a governance framework that sets out:

- how much should be held
- why it is held
- how it should be used
- when it should be replenished

Regulators across the UK expect charities to be transparent about their reserves.

- **In England and Wales**, this guidance comes from the Charity Commission for England and Wales (CCEW), which requires policies to be explained in annual reports.
- **In Scotland,** the Office of the Scottish Charity Regulator (OSCR) sets equivalent expectations through its accounting and reporting framework.
- **In Northern Ireland**, the Charity Commission for Northern Ireland (CCNI) provides guidance on reserves and reporting obligations.

Done well, a reserves policy communicates prudence and foresight to stakeholders, including trustees, donors, regulators and beneficiaries.

It demonstrates that the charity is prepared for uncertainty while ensuring that funds are still directed towards its mission.

Risks of under- or over-reserving

- Too little in reserves: leaves charities exposed to shocks, risking closure or disruption to vital services.
- Too much in reserves: can raise concerns among donors and beneficiaries that money is sitting idle rather than being put to work for the cause.

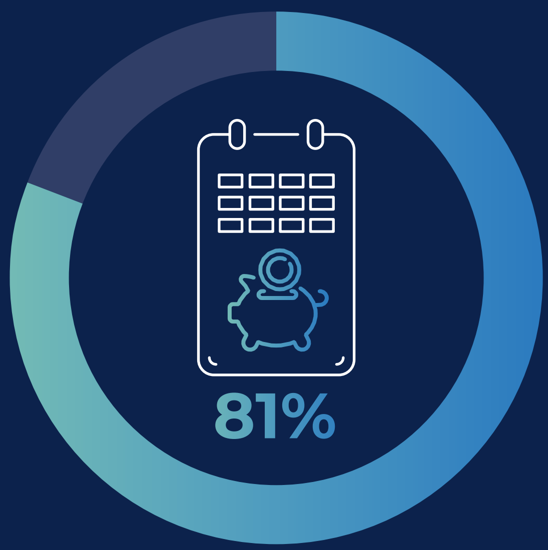
The art lies in balancing liquidity, security and return, making every pound work harder while keeping funds accessible.

Funders' expectations

Many grant-making bodies now scrutinise reserves policies closely. Demonstrating prudent reserves management can improve funding applications, as it signals that the organisation is both resilient and impact-focused.

Frequency of review

Redwood's survey found that 81 per cent of charities review their savings annually, and nearly half do so every six months. This shows the sector is financially engaged and willing to act when better solutions are available.



of charities **review their savings annually**

Optimising reserves – smarter saving in action

Low-hanging financial gains

For many charities, cash reserves are treated cautiously. Funds are often parked in current accounts or basic savings accounts that generate little or no meaningful return[9]. While this ensures liquidity, it represents a missed opportunity.

Leaving large sums in non-interest bearing accounts is not just a missed opportunity, it actively erodes value. With inflation averaging above 3 per cent in recent years, a charity holding £100,000 in cash could lose more than £3,000 in real terms annually if those funds are not invested or placed in interest-bearing accounts.

Evidence suggests that a significant proportion of charitable reserves remain under-used. Broadstone's analysis of Charity Commission data[10] found that around £31 billion – equivalent to 13 per cent of assets held by larger UK charities – is sitting in cash, likely in accounts paying minimal interest.

More broadly, Bank of England data shows that £276 billion was held in UK bank accounts paying no interest as of late 2024[11].

[9] https://www.ccla.co.uk/insights/spring-action-rethink-your-cash-assets-today
[10] https://www.ccla.co.uk/insights/there-could-be-over-ps30-billion-charitable-funds-which-may-not-be-earning-best-rates
[11] https://www.ft.com/content/78e93590-2f73-4602-86aa-2fbce4c84ad2

For an individual organisation, the effect is tangible. A charity with £500,000 in reserves currently earning 0.5 per cent interest could see just £2,500 a year in return. Moving even half of this into a notice or fixed account paying 4% could increase annual income by £10,000, funds that could directly support frontline projects, staff costs or community services.

Quick wins for trustees

- **Ask:** "What rate of return are we getting on our cash right now?"
- **Compare** with publicly available charity savings tables
- **Consider** whether a portion of funds could be reallocated without affecting liquidity

The power of tiered reserves

A smarter saving strategy often means structuring reserves across different timeframes:

OPERATING RESERVES (SHORT-TERM LIQUIDITY)
funds available immediately, usually held in current accounts or instant-access accounts, to cover day-to-day costs or emergencies.

PROJECT RESERVES (MEDIUM-TERM GOALS)
funds earmarked for planned initiatives, which can be placed in notice or short-term fixed accounts with higher yields.

STRATEGIC RESERVES (LONG-TERM RESILIENCE)
funds set aside for organisational stability or future investment, suitable for longer-term fixed accounts with stronger returns.

This tiered approach allows charities to balance accessibility with income generation, ensuring liquidity is never compromised while maximising returns on funds not needed immediately.

Tools and tactics for smarter saving

- Fixed-term deposits – lock funds for defined periods (for example, 12-24 months) and achieve a fixed return for that period.
- Notice accounts – allow access to funds with advance notice, offering more flexibility than fixed-term accounts. Notice periods can vary, such as 35 days, 95 days or longer. They normally offer higher interest rates than easy access accounts in return for the notice commitment.
- Easy access accounts - funds are available without notice, offering maximum flexibility and convenience. Their greater flexibility means interest rates are often lower than notice and fixed term accounts.
- Hybrid and bonus accounts - some accounts offer access to funds without notice but place a limit on the maximum number of withdrawals allowed. Other accounts offer an additional bonus interest rate over a fixed period of time.
- Diversification across providers – reducing reliance on a single bank, enhances risk management and access to competitive interest rates.

Despite these options, Redwood's survey shows that 44 per cent of charities do not hold a savings account separately from their main bank and over a third of those said it was simply due to lack of awareness.

This education gap highlights the importance of banks providing clear, jargon-free guidance.

Illustrative example

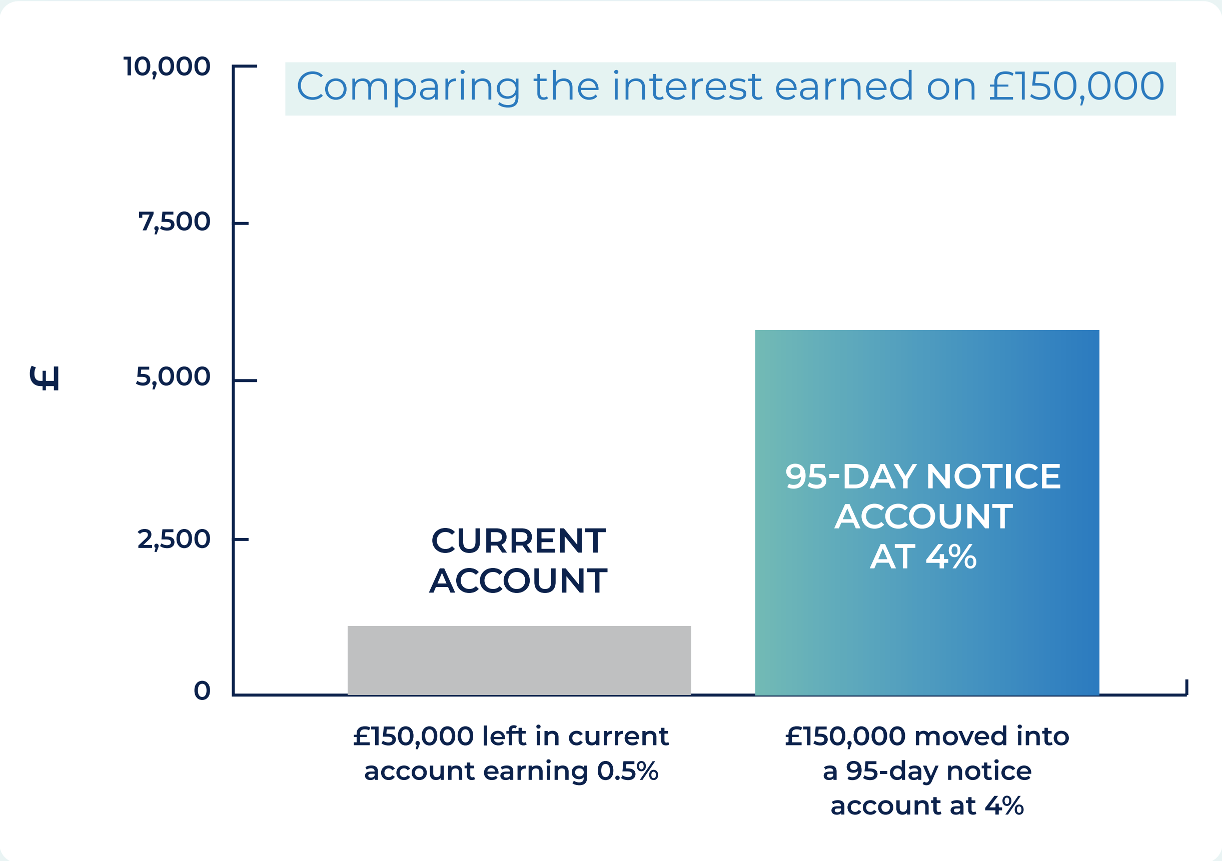
Charity A holds £250,000 in a current account earning 0.5 per cent. By moving £150,000 into a 95-day notice account at 4% while keeping £100,000 instantly accessible in their current account paying 0.5%, they could generate an extra £5,250 annually, the equivalent of funding a part-time staff member or a small community project.

Beyond the numbers

Smarter saving is not just about squeezing the most from cash reserves. It is about building resilience:

- Protecting against funding shortfalls
- Demonstrating stewardship to donors and regulators
- Reducing stress for leadership teams by embedding financial security

When framed in this way, savings become not just an effective buffer but a strategic tool for growth and stability.



This is an illustrative example only.

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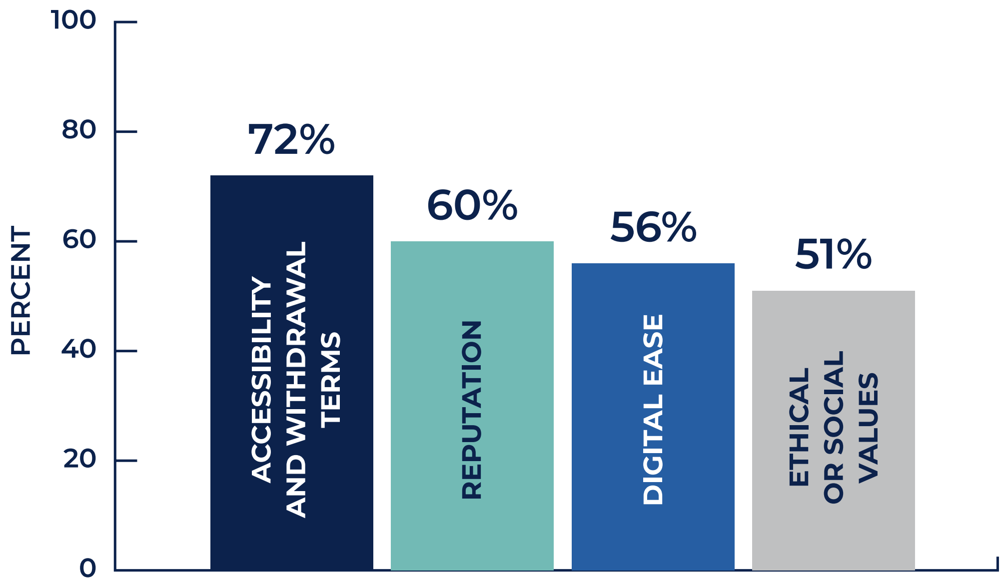
What charities need
from their banking partners

Values that align with purpose

When it comes to choosing a financial partner, charities care about more than interest rates alone. Redwood's research found that alongside financial returns, the most important factors are:



Source: Redwood Bank survey of 413 UK charities online survey 2025.

This underlines that charities want banks who share their values, act with transparency and make everyday interactions straightforward.

Modern, reliable digital tools

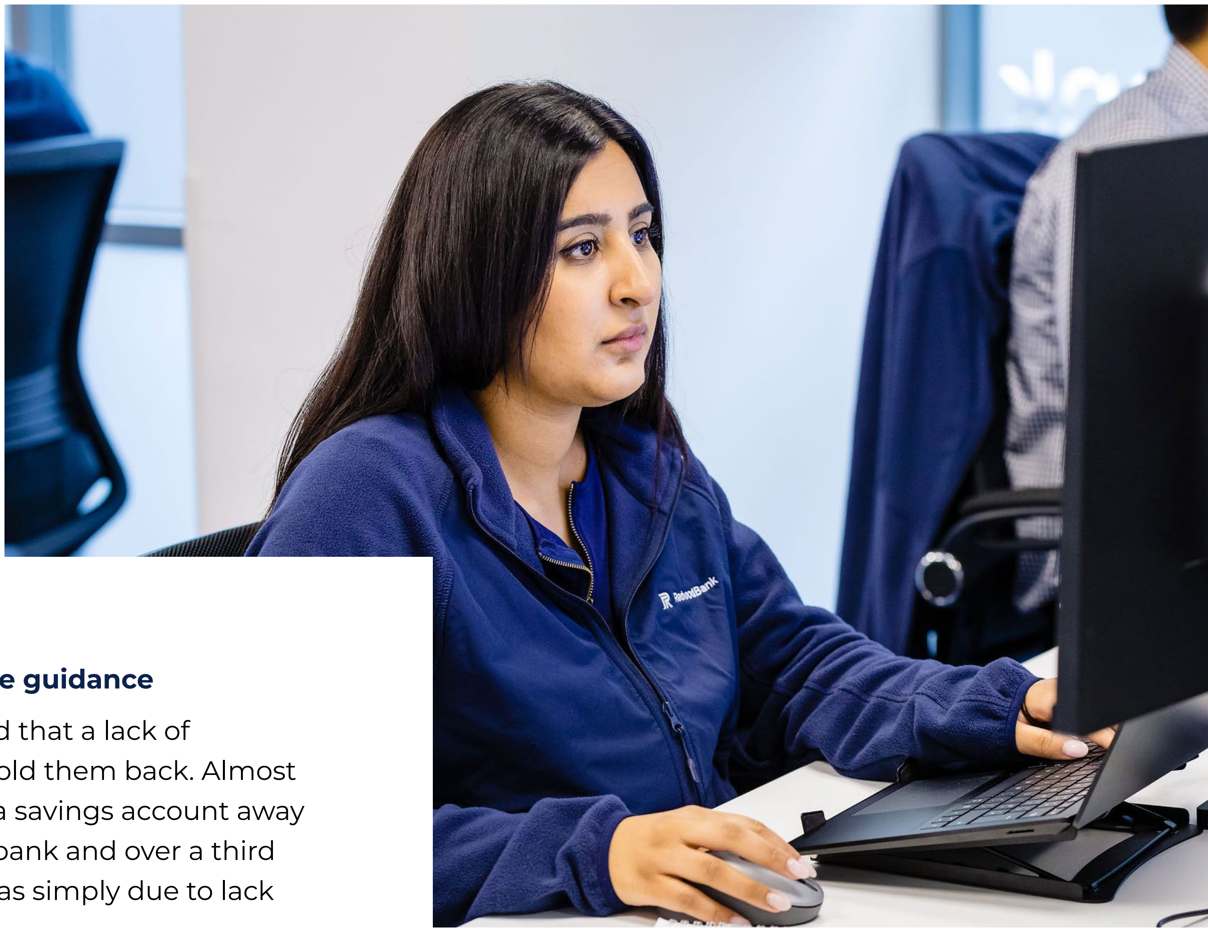
Many charities expressed dissatisfaction with outdated systems and unhelpful customer service from traditional banks. They are looking for providers who can offer:

- secure, user-friendly online banking
- dual signatory functionality
- fast payments

Charities responding to Redwood's survey described frustrations with "clunky systems that don't allow dual signatories" and "customer service teams that don't understand how a charity operates".

Regulators emphasise that strong financial controls include secure digital access. Dual signatory authorisation, timely reporting and clear audit trails are not just conveniences, they are safeguards against mismanagement.

A digital-first approach makes it easier for busy charity teams to manage their reserves efficiently and with confidence.



Clear, jargon-free guidance

Charities also said that a lack of awareness can hold them back. Almost half do not hold a savings account away from their main bank and over a third of those said it was simply due to lack of awareness.

> This highlights the need for simple, accessible educational resources – from plain-English guides to online tools that help trustees understand how reserves could work harder.

Despite ongoing efforts of regulators, such as the FCA, to promote competition, these results show more is needed to gain visibility with harder to reach corporate customers, like charities.

Tailored flexibility

No two charities are the same. A local sports club has very different needs from a national health charity. That is why flexibility matters: the ability to balance liquidity with longer-term planning, whether through instant access, notice or fixed-term accounts.

A partner, not just a provider

Charities say they want a banking relationship built on understanding, responsiveness and respect. That means having access to people who recognise the unique challenges of running a charity and can support them when needed.

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Illustrative case studies and scenarios

Example 1 – Unlocking value from reserves

A medium-sized charity supporting young people holds £500,000 in reserves. All of it sits in a current account earning 0.5 per cent, generating just £2,500 per year in interest.

By adopting a tiered approach, the charity could restructure as follows:

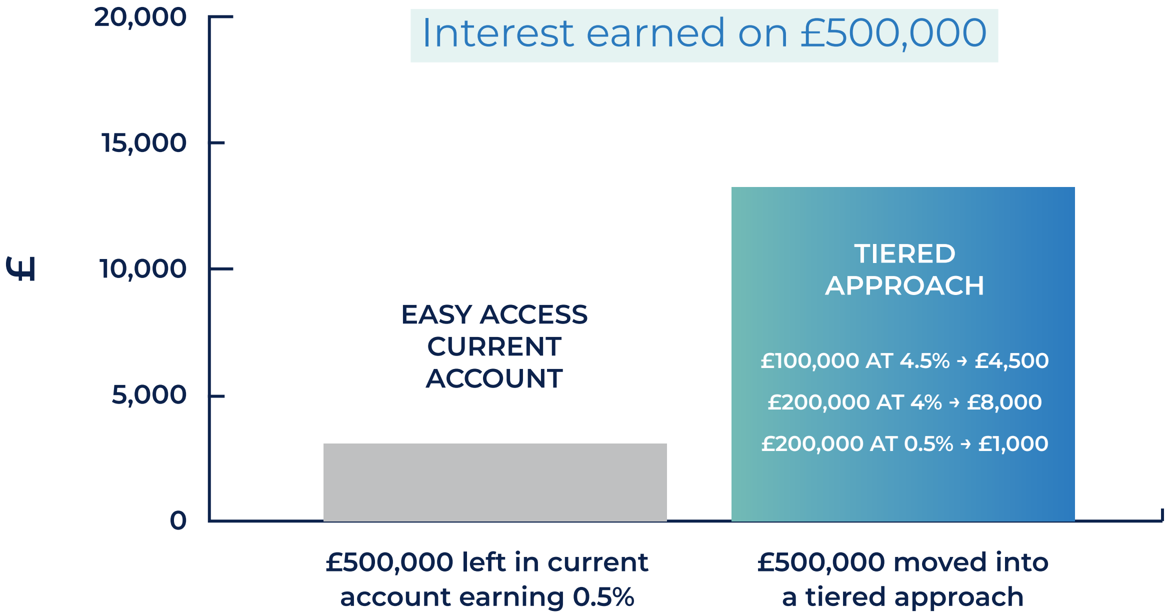
£200,000 kept in a current account for day-to-day security at **0.5%**

+

£200,000 placed in a 95-day notice account at **4%**

+

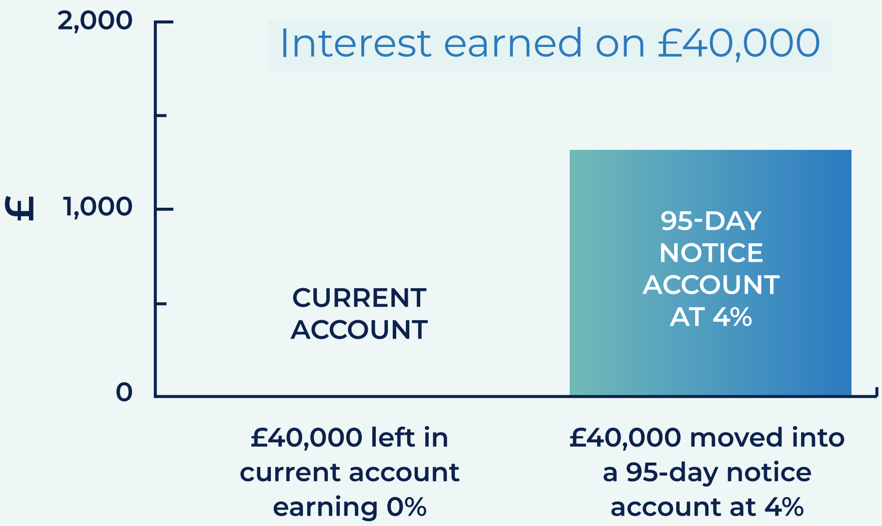
£100,000 placed in a 12-month fixed term account at **4.5%**



This shift could increase annual income from £2,500 to £13,500, an extra £11,000 per year. For this charity, that could mean funding additional youth workers or expanding services to another community.

Example 2 – Building resilience for a small community group

A local food bank with £60,000 in reserves keeps all of it in a non-interest bearing current account. Rising demand has doubled their monthly costs, leaving them anxious about sustainability.



By moving £40,000 into a 95-day notice account at 4 per cent while keeping £20,000 in a non-interest bearing current account, the group could generate an additional £1,600 annually. While modest, this sum could cover utilities for the food bank's warehouse or subsidise the cost of hundreds of emergency food parcels.

Example 3 – Demonstrating stewardship to funders

A health charity with £1.2 million in reserves faces questions from funders about how it manages its money. Currently, it earns about £12,000 annually from reserves held at one high street bank.

By diversifying into a mix of notice and fixed term accounts, with average returns of 4%, its income could rise to around £48,000 annually. Beyond the financial gain, publishing this strategy in its annual report signals robust governance and foresight, helping reassure major donors and grant makers.

Key takeaway

These examples show that smarter saving is not about taking risk; it is about making strategic decisions with money that charities already hold. The gains can be significant, enabling more services, greater resilience and stronger credibility with stakeholders.

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Practical steps towards smarter saving

Charities do not need to take bold risks to strengthen their financial position. The survey results and wider evidence suggest that even small, deliberate steps can deliver meaningful benefits.

Step 1 – Review your reserves policy

- Make sure your reserves policy is clear, current and proportionate to your charity's size and risk profile.
- Publish it transparently in your annual report, as required by regulators across the UK.
- Consider whether your policy is still fit for purpose in light of inflation, income volatility and service demand.

Step 2 – Review your cash holdings

- Calculate how much is held in current accounts versus savings products.
- Identify funds that could be moved into higher-yield accounts without compromising liquidity.

Step 3 – Explore options across providers

- Consider whether your current banking partner offers the flexibility, digital tools and service you need.
- Do not be afraid to hold accounts with more than one provider; as long as the provider offers protection under the Financial Services Compensation Scheme (FSCS) this diversification reduces risk and often improves returns
- Check that any potential provider offers protection for eligible deposits under the Financial Services Compensation Scheme* (FSCS). Please note that some banks share their FSCS protection limit across multiple brands. This protection applies whether your funds are placed directly with a bank or through a savings platform.

Step 4 – Use education and tools

- Trustees and finance teams should seek simple, jargon-free guides on savings products.
- Training or webinars can strengthen financial literacy across leadership teams.

Step 5 – Balance values with value

- Beyond the headline rate, ask whether your banking partner shares your values and understands the realities of running a charity.
- Look for providers who combine ethical alignment with competitive, transparent products.

Checklist for trustees

- Do we have a written reserves policy and is it up to date?
- How much of our reserves are in non-interest bearing accounts?
- When did we last benchmark our interest returns?
- Do our banking arrangements support dual signatories and transparency?
- Could we diversify providers to reduce risk and improve interest returns?

Guidance signposts

Charity Commission for England and Wales: Charities and reserves (CC19)

OSCR: Reserves guidance for Scottish charities

CCNI: Developing a reserves policy

This document and its contents should not be used or misconstrued as financial advice.
*Eligible deposits covered by the FSCS up to £120k.

Conclusion

The UK charity sector is a cornerstone of national life. It delivers essential services, protects the vulnerable and enriches communities. Yet the financial pressures facing charities today are unprecedented – rising costs, greater income volatility and surging demand have created an environment where resilience is tested every day.

The evidence is clear: charities already hold significant reserves, but too often these funds are left in accounts that deliver little or no return. With billions sitting in cash across the sector, the opportunity cost is enormous. Smarter saving is not about taking risks; it is about applying foresight, structure and strategy to money that is already held.

Sector-wide, smarter saving could release hundreds of millions of pounds annually for frontline services. For individual organisations, it can mean the difference between survival and growth.

The longer funds sit idle in non-interest accounts, the more value is lost to inflation. Reviewing reserves and savings arrangements is not a task for "some day" – it is a priority now.

By reviewing reserves policies, auditing cash holdings, exploring flexible savings options and prioritising values within banking partners, charities can strengthen their foundations. Every additional pound earned from smarter saving is a pound that can be directed towards services, staff and enhance overall impact.

The sector has shown adaptability and tenacity time and again. By taking practical steps to make their reserves work harder, charities can not only survive the current financial storm but emerge more resilient, more sustainable and better placed to serve their communities in the years ahead.

Now is the time for charities to act... to turn passive cash into active resilience.