

## **Charity Trust Funds held by Parochial Church Councils Guidelines for spending a permanent endowment and/or consolidation**

Where the PCC acts as 'managing trustee' of a permanent endowment investment, and the Hereford Diocesan Board of Finance (HDBF) acts as 'custodian trustee'.

### **Does your PCC wish to spend a permanent endowment?**

Does your PCC have a charitable trust fund comprising a share account, deposit account, War Loan or Treasury Stock with an **annual income under £1,000** or where the whole of the **permanent endowment (capital value) is worth less than £10,000<sup>1</sup>**?

If you have, you may wish to consider using your statutory powers under section 75 of the Charities Act 1993 as amended to instigate its closure and release the capital to be spent in keeping with the spirit of the original gift.

A charitable trust fund is classed as 'permanent endowment' if the capital sum donated was to be invested, and the income received from that investment used for the long term or in perpetuity, for a specific purpose, e.g. maintenance of church fabric, graves or churchyard.

### ***Demonstrating a clear case for change***

Trustees wishing to spend a permanent endowment must first present compelling reasons for doing so that clearly demonstrate that they are not lightly setting aside a settlor's wishes. The case for change should articulate how it is necessary to spend part or all of a permanent endowment (i.e. capital as well as income) to help the PCC to carry out its charitable purposes more effectively. For example, the PCC should not consent to an application that seeks merely to re-assign a permanent endowment to a restricted fund to hold monies for as yet unknown future expenditure; this would not be a sufficient justification (unless the sums involved are very small).

One way that a rationalisation might be achieved is if the PCC holds one or more charitable trust funds that have as their object broadly similar purposes; these funds could be consolidated. For example, a PCC that holds two separate accounts for churchyard upkeep could be combined to benefit the charity.

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<sup>1</sup> If the specific trust fund income is above £1,000 and the whole of the permanent endowment is worth more than £10,000, you must obtain the consent of the Charity Commission before proceeding. The Commission currently uses a negative vetting procedure. The PCC will need to submit an [online form](#) and wait *either*:

- for a statutory 3 month period (when the resolution becomes effective), *or*
- a lesser period if consent is given, *or*
- within 28 days if the Commission decides to raise questions (perhaps if the trust contains a gift-over to a third party or other restriction) and the matter will then take until the Commission is satisfied.

Please refer to the Charity Commission's guidance notes: <https://www.gov.uk/guidance/permanent-endowment-rules-for-charities>

## **Possible grounds for unwinding a permanent endowment**

Does the charitable trust fund fall into either of the following categories?

- The value of the income of the charitable trust fund has fallen to a level where it cannot achieve its purposes and bringing the charitable trust to an end by using the permanent endowment (capital) is the most effective action to take. For example, a charitable trust to maintain family graves has an income of £50 per year and a capital value of £1,500. The income is insufficient to maintain the family graves, so the purposes of the charity would be better served if the capital was also spent; or
- A charitable trust fund with a more substantial permanent endowment capital value may be better used to help fund a *necessary* project fully aligned to the Trust's core objectives.

If so, the PCC can proceed with its application.

If you're unsure whether there are grounds for spending the capital of a PCC Trust, please get in touch with us using the details below and we'll be happy to talk through the options with you.

## **How to spend a permanent endowment**

As indicated above, the managing trustees (usually a PCC, or sometimes, the 'Vicar and churchwardens') must be satisfied that the trust's purposes could be carried out more effectively if they use some or all of its permanent endowment as well as its income, rather than the income on its own. If so, they must pass a formal resolution that the permanent endowment restrictions should be removed from the fund.

For smaller Trusts where the capital value is less than £10,000, it is sufficient for the resolution to confirm that the PCC have considered the issue and come to the conclusion that the trust's purposes could be carried out more effectively if some or all of the permanent endowment is spent. The PCC should still record the reasons for the decision in case of future queries (particularly by family members of the original benefactor).

Where the capital value is greater than £10,000 the resolution should include the reasons for the decision. If the capital value is greater than £35,000 the trustees should consider whether a change of investment strategy is necessary. For example, investing in the CCLA Church of England Investment Fund is likely to yield an annual income above £1,000.

To pass such a resolution, the PCC Secretary should call a meeting of the PCC for the proposals to be voted on. The resolution must be passed with a simple two-thirds majority of the trustees present and voting on the resolution (excluding individuals who abstain from voting). A quorum meeting is sufficient.

The following resolution templates are available on the Diocesan website:

[PCC resolution for removing permanent endowment restriction – capital value under £10,000](#)

[PCC resolution for removing permanent endowment restriction – capital value over £10,000](#)

## **How to consolidate a permanent endowment**

If the income of a Trust Fund is less than £1,000 or its capital value is less than £10,000 the trustees may consider transferring it to another Trust Fund which has charitable aims that are broadly similar. This is particularly useful where PCC's have several small Trust Funds for the same purposes.

To pass such a resolution, the PCC Secretary should call a meeting of the PCC for the proposals to be voted on. The resolution must be passed with a simple two-thirds majority of the trustees present and

voting on the resolution (excluding individuals who abstain from voting). A quorum meeting is sufficient. A template for the resolution is available on the Diocesan website:

[PCC resolution to combine two charitable Trust Funds](#)

The transfer should be discussed with the PCC concluding that it's the right thing to do and that the receiving charity is suitable. Once the resolution has been passed the PCC will need to inform the Charity Commission by completing their [on-line form](#).

## What happens next?

Following PCC approval, please send Mrs Lorraine Aitken (contact details below) a copy of the resolution, (to include record of voting, date of meeting and signatures of the Chair of the meeting plus one other trustee present and voting on the resolution).

Once HDBF has received the PCC resolution the Hereford DBF executive (DBFX) will be asked to consider and approve the PCC's application at its next scheduled meeting. Following approval to spend a permanent endowment, the Trust Administrator will arrange for the trust account to be closed on your behalf and to transfer the proceeds to the PCC's nominated bank account as soon as practicable. You should allow up to 8 weeks for this process to be completed.

Where the PCC has resolved to merge two Trust Funds, the Trust Administrator will transfer any assets as appropriate.

## Contact details

*Write to:*

Mrs Lorraine Aitken, Trust Administrator  
Diocesan Office, The Palace  
Palace Yard  
HEREFORD  
HR4 9BL

*Email:* [finance@hereford.anglican.org](mailto:finance@hereford.anglican.org)

*Tel:* 01432 373300 to speak with Lorraine Aitken (Monday, Tuesday or Thursday mornings only).

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## Appendix – Decision Tree

### How to apply to spend a permanent endowment where Hereford Diocesan Board of Finance (HDBF) acts as custodian trustee

