T03: Spending Permanent Endowment for Smaller Funds

Your church may have one or more trust funds that are looked after jointly with the Diocese. These trusts can arise from money left in a will, the sale of a building, or some other reason.

The governing document (which could be a will, trust deed, Charity Commission scheme, or some other document) sets out which part of the fund can be spent. In most cases:

- the "capital" (i.e. the amount to be held permanently and usually represented by shares) should not be spent; but
- The "income" (dividends or interest paid out periodically) should be spent, by the PCC (or the vicar and churchwardens), for the purpose set out in the governing document.

If your trust fund has property (assets such as money, shares or land and buildings) that must be kept rather than spent, this is called **permanent endowment.**

Spending permanent endowment

In some cases, the income that the PCC receives from an investment can be of low value and prove inadequate to meet the purposes for which the fund was set up.

Under section 281 of the Charities Act 2011 it is possible, under certain circumstances, for the PCC to decide to spend the permanent endowment as well as the income, in order to better meet the fund's objectives.

Guidance from the Charity Commission can be found here:

Permanent endowment: rules for charities - GOV.UK

The guidance sets out that:

You can spend some or all of a permanent endowment fund without the Commission's authority if all of the following apply:

- *the market value of the fund is £25,000 or less*
- *you are satisfied that you can achieve the purposes of the fund more effectively by spending the fund itself rather than just spending the income*

- *the permanent endowment is not designated land* (i.e. a permanent endowment held as shares will meet this criterion)

If the PCC decides to spend the permanent endowment, it can still only be spent according to the purposes set out in the governing document of the fund. Any amount not spent immediately would need to be kept in a restricted fund in the accounts up until the time that it is spent.

Steps to take to spend permanent endowment

1. The PCC should check whether there are any local sensitivities around spending the fund, especially in the case of a recent bequest, or where family of the donor still live or worship locally.
2. The PCC should be sure that they can achieve the purposes of the fund more effectively by spending the fund itself rather than just spending the income and know why they think that.
3. The PCC would need to discuss and agree the number of the shares to be sold, and the purpose for which it will use the money (which needs to be in accordance with the overall purposes of the trust fund).
4. The PCC members will need to be made aware at the PCC meeting that they are agreeing to spend some/all of a permanent endowment fund.
5. The PCC should pass a resolution (make a formal decision) at their PCC meeting to spend the money.
6. All of these points need to be documented in the PCC minutes.

Once these steps are completed, a copy of the minutes, signed by two PCC members, as well as the edited and completed letter (**T3a Spending Permanent Endowment for Smaller Funds Template Letter**) should be sent to: trustadmin@oxford.anglican.org .