T09: Including Trust Funds in PCC Accounts

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.

Why are the funds held by the Diocese rather than the PCC?

The **Parochial Church Councils (Powers) Measure 1956** sets out that if a PCC has funds which are to be kept on a permanent basis, then the funds must be held by the Diocese. In the case of most trusts, responsibility for the funds is as follows:

- The Diocesan Trustees (Oxford) Limited/ODBF is the **custodian trustee** of the funds and is responsible for holding the assets and ensuring their safekeeping.
- The PCC (or the incumbent and churchwardens) are **managing trustees** of the fund and are responsible for managing and maintaining the funds, including making decisions about where the funds are invested, and distributing assets to beneficiaries.

The role of the Diocese is to look after the fund's governing document, act as signatory with the bank, and act on the PCC's (or vicar and churchwardens') lawful instructions for the fund.

Should the funds be included in the PCC's accounts?

The PCC should include, in their year-end accounts, any resources that form part of their charity under ecclesiastical or trust law, or that it controls and can benefit from. *[From chapter 2 of The PCC Accountability Guide]*

In practice, it can be sometimes difficult to ascertain the correct way to disclose (or not) a fund in the PCC accounts because the terms under which trust funds are formed vary.

A first step is to examine the governing document of the trust, which might be a trust deed, will, Charity Commission scheme, Education Order or some other document. The Diocese can send a copy of the governing document on request. Please email trustadmin@oxford.anglican.org .

Guidance and examples

There is substantial guidance on trust funds, and their accounting treatment, here: Chapter 2 | The Church of England .

In addition, the following simple examples are provided. These are by no means exhaustive but will cover some of the main types of funds that PCCs might hold.

Morris Bequest

Mr Morris left £1,000 in his will, "the income to be applied towards maintenance of the fabric of St Mary's Church". The will names the PCC of St. Mary's Church, Chipping Field as trustees.

- The PCC as managing trustees of the fund have control of the fund – including the ability to make decisions about where the funds are invested and how to distribute assets to beneficiaries.
- The PCC can benefit from the fund, as the fund's purpose is to assist the PCC with maintaining the fabric of the church

Accounting treatment: include in PCC accounts as endowment/restricted funds

Turner Bequest

Mrs Turner left £1,000 in her will, "the income to be applied towards maintenance of the fabric of St Mary's Church". The will names the vicar and churchwardens of St. Mary's Church, Chipping Field as the trustees.

- Older bequests can often name the vicar and churchwardens as trustees, rather than the PCC.
- This fund is held on behalf of the PCC for a special purpose of the PCC
- The purpose is said to be a "special purpose" of the PCC because it is specifically part of the purpose of the PCC (since it relates to a building that the PCC has particular responsibility for).
- Under the Charities Act 2011 a fund held on trust by or on behalf of a charity for the special purposes of that charity is considered to be a "special trust" of that charity.
- A special trust is not a separate reporting entity in charity law for the purposes of its annual report and accounts. Instead, it is accounted for as a restricted fund in the accounts of the charity that is acting as trustee of the special trust.

Accounting treatment: include in PCC accounts as endowment/restricted funds

Lockyer Bequest

Miss Lockyer left £1,000 in her will, "the income to be applied towards providing clothing for poor boys of the parish". The will names the vicar and churchwardens of St. Mary's Church, Chipping Field as the trustees.

- This charity does not have the same purpose as the PCC

- Although the PCC can also use its funds to relieve poverty, as part of its mission and ministry, the relief of poverty in the parish of Chipping Field is not a "special purpose" of the PCC (i.e. it is a purpose that any entity could pursue).

Accounting treatment: This fund should not be included in the PCC accounts as part of the funds of the PCC. This is a separate charity, and should have its own, separate, statement of accounts (which can be very straightforward). These should be available to anyone who wishes to look at them, including the PCC.

If the charity has annual income of over £5k, it will need to register with the Charity Commission, after which it will be required to report its income figure and other information to the Charity Commission annually.

Chipping Field School Site

The site and buildings of Chipping Field Church of England Primary School were sold in 1995. An education order sets out that three fourteenths of the proceeds will be held on trust by the newly formed Chipping Field Church of England Religious Education Fund. The incumbent and churchwardens of the parish of Chipping Field are appointed as trustees of the fund.

The purpose of the fund, as set out in the education order, is the provision within the parish of Chipping Field of religious education.

- "Three-fourteenths" Religious Education trusts came about from the proceeds of school sites, which had formerly been used by the church on half of Saturday and all of Sunday.
- Educational charities do not have the same objects (purposes) as PCCs.
- Chipping Field Church of England Religious Education Trust is a separate charity from Chipping Field PCC, with a separate governing document.
- The PCC should keep in mind that this fund is an educational fund. <u>It cannot and should not be spent on general PCC purposes.</u>

Accounting treatment: The funds from educational charities should not be included in the PCC accounts as part of the funds of the PCC. The charity should have its own, separate, statement of accounts (which can be very straightforward). These should be available to anyone who wishes to look at them, including the PCC.

If the Chipping Field Church of England Religious Education Trust has annual income of over £5k, it will need to register with the Charity Commission, after which it will be required to report its income figure and other information to the Charity Commission annually.

Practical considerations

The PCC Accountability Guide notes that in some cases the correct treatment is difficult to determine.

Sometimes, after carrying out all reasonable investigations, it will prove difficult or impossible to classify a particular trust or fund. If the amount involved is large it may be necessary to involve professional advisers to clarify the terms of the trust. However, if the amount is small so that the cost of unravelling the trust terms would be out of proportion to the value of its assets, parishes may wish to adopt a common sense approach and account for the trust as a special trust of the PCC or a controlled 'charity branch', so that at least it is accounted for somewhere. [PCC Accountability Guide 2.4]

Other accounts disclosures

Where a trust fund is not to be included as part of the funds of the PCC in the year-end accounts, there may still be other disclosures to include. If a PCC produces accounts under the Charities SORP (FRS102) it may need to consider the requirements in Chapter 9 (Disclosure of trustee and staff remuneration, related party and other transactions) and Chapter 25 (Branches, linked or connected charities and joint arrangements).

It should be noted, however, with reference to charities of which the incumbent is also a trustee, that a charity is not necessarily related to another charity (for the purposes of related party transaction disclosures) simply because a particular person happens to be a trustee of both. It will only be related if the relationship means that one charity, in furthering its charitable aims, is under the direction or control of the trustees of another charity. Further guidance can be found in the Charities SORP (FRS102).