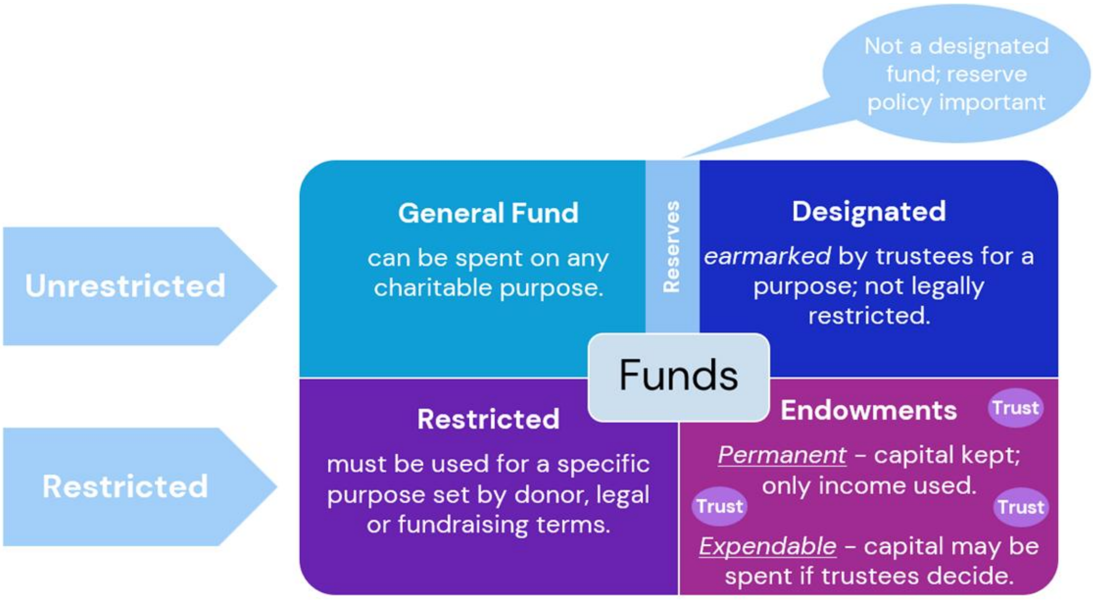
# Overview of Funds

(Extract from Money Matters events November 2025 v2)

## 1. Overview of funds




- **General fund** (unrestricted) – can be spent on any charitable purpose
- **Designated** (unrestricted) – 'earmarked' by trustees for a purpose; not legally restricted
- **Restricted** – must be used for a specific purpose set by donor, legal or fundraising terms. Income from restricted funds is also restricted in its use.
- **Endowments** – long-term (in perpetuity)
  - **Permanent** – capital cannot be spent (kept permanently) and only the income can be used
  - **Expendable** – funds given with the initial intention that they be retained and invested, but trustees have the power to spend capital when it's in the charity's best interest
- PCCs **can spend some or all of a permanent endowment fund** without the Charity Commission's authority if ALL the following applies:
  - Market value is less than £25,000
  - 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

  The PCC must: a) make a formal decision (a resolution); b) follow the rules in your governing document to pass the resolution, c) Keep a written record and your reasons for deciding to spend. The PCC could also spend some of all of a permanent endowment from a higher value fund (>£25k) with Charity Commission authority. Guidance

- **Reserves** ("emergency fund") – free and liquid funds that acts as a safety net that enables the charity to continue fulfilling its mission during periods of uncertainty or crisis. Restricted funds can be considered as part of reserves depending on the nature of the restriction(s). No need to create a designated fund for the reserves (so it is just part of general funds), however important within the reserve policy (Annual Report and Accounts) to explain why and how much the charity needs in reserve.
- **Trusts** (restricted) – legal arrangements and or required by the PCC (Powers) Measure 1956. Can be any form of fund (e.g. cash, investments, property), however under the PCC (Powers) Measure 1956, any property, land and permanent endowment (not expendable) must be legally held by the Diocesan Board of Finance (DBF) as custodian trustee (holds the legal title for safekeeping), while the trust will belong to the PCC as the managing trustee (decides how the funds are used in line with the restricted purpose). This arrangement is intended to give continuity and legal protection for church property, avoids complicated transfers ever time trustees change and ensures appropriate oversight.

**Nobody is quite sure exactly what the restricted fund is for**
**(…the original documents are "lost"):**

1. **Check for existing records:** Contact the DBF, Diocesan Trusts Officer, Diocesan Registrar, or (if relevant) the Charity Commission.
2. **Look for original documents:** For bequests: try to obtain the will via a solicitor, the probate court, or local/national archives. For grants: ask the grant-making trust for the original purpose.
3. **Make reasonable efforts:** The amount of effort should be proportionate to the size of the fund. Keep written notes of all searches.
4. **If no information is found and you believe a restriction existed:** treat as restricted. It is possible to change the purpose of a restricted fund to be as 'similar in character' to the original, see Charity Commission guidance 36
5. **If you conclude the fund was *not* given for a specific purpose:** treat as part of the PCC's unrestricted funds. (e.g. a designated fund that slowly became viewed as restricted as trustees changed)
6. **Record everything**
   Keep evidence of all searches and decisions for auditors and regulators.
7. **Seek advice if unsure**

**Vicar and Warden Trusts**

Some churches have trusts where the incumbent and churchwardens—not the PCC—are the trustees. These funds are usually restricted. If the trust supports work the PCC already carries out, the vicar and wardens can use the Charities Act process to transfer the trust to the PCC. If the diocese (DBF) is holding the funds as custodian trustee, it must be involved in transferring the money to the PCC.

## 2. How restricted is restricted?

### What type of expenditure can be charged against a restricted fabric fund?[1]

Restricted church fabric funds are usually for the *"upkeep or preservation of the building and/or churchyard"* – keeping it in good condition.

You can offset building maintenance expenses against a restricted fabric fund if the expenses directly relate to preserving the building's fabric or structure for which the fund was established. The core rule is that the expenditure must align with the donor's specific purpose for the restricted fund, which often includes structural and external maintenance, while general running costs like heating and lighting may only qualify if they are essential for preservation.

**When Expenses Can Be Offset**

- Direct Alignment with Purpose: The key is whether the maintenance expense supports the specific charitable purpose for which the restricted fund was created.
- Structural and External Maintenance: Costs for preserving the stonework, external, and structural parts of the building are generally acceptable for a restricted fund intended for the building's fabric.
- Preservation Costs: If the maintenance, like internal redecoration or general repairs, is necessary to preserve the building or its contents, it may qualify.

**Typical eligible costs include:**

- Insurance – protects the building and covers potential maintenance, repairs or capital costs
- Heating – where essential to prevent damage (e.g. dam or freeze) or for preservation
- Cleaning – types of cleaning (i.e. not general cleaning) that helps maintain the building or parts thereof in 'good condition'; for preservation
- Lighting – for safety or heritage purposes, e.g. floodlighting
- Repairs and general maintenance

Some costs will clearly fit a fund's purpose; others may be open to interpretation. The PCC should:

- Ensure there is a **clear link** between the spend and the fund's purpose;
- **Agree and minute** the decision; and
- Explain it briefly in the **Notes to the Accounts** if it's open to interpretation.
- **Broad interpretation is acceptable,** provided it stays true to the original intent of the fund.

This shows trustees have acted properly and transparently, as the Charity Commission expects.

**When Expenses May Not Be Offset**

- General Running Costs: Heating, lighting, and other general costs are typically not chargeable to a restricted fabric fund unless they can be shown to be necessary for preservation or to maintain public access.
- Governance Costs: Costs related to the general governance of the charity rather than its core activities are usually not chargeable to a restricted fund.

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[1] Compiled with the input from the Association of Church Accountants and Treasurers – ACAT

- Discretionary Use: The funds cannot be used for purposes other than what the donor specified; borrowing from the fund for another project is not permitted.

## 3. When fundraising doesn't go according to plan – specific appeals

When a charity or PCC raises money for a specific purpose, the law distinguishes between two situations:
- **Initial Failure** – Not Enough Money Raised. The appeal cannot achieve its purpose at all (e.g. target not met, project cancelled). Donors retain certain rights to reclaim their donations if the purpose completely fails. If donors can't be traced, the Charity Commission can authorise the funds to be used for similar charitable purposes through a Scheme.
- **Subsequent Failure** – Surplus Funds Remain. The appeal succeeds, but there is money left over after completing the project. Donors do not have refund rights because the purpose was achieved. Surplus funds can be applied to similar purposes by usually asking the Charity Commission to authorise a *cy-près* (near as possible to the original intent) scheme.

**Good Practice for PCCs**
Include a short statement in every appeal:

> **"If this appeal raises more than required, or cannot be completed as planned, funds will be applied to the general charitable purposes of the parish."**

This simple wording prevents donor refund issues and keeps any surplus or shortfall under PCC control.

**Trustee responsibilities**
- Trustees can only repurpose appeal funds if they have legal authority.
- If the appeal wording already says surplus or failed funds can be used for the PCC's general or similar purposes, trustees may act on their own — just minute the decision and disclose it in the accounts.
- If the appeal was for a specific purpose only, and that purpose fails or leaves a significant surplus, trustees must seek Charity Commission authority (a cy-près scheme) before using the money for anything else.
- Always explain any reallocation in the annual report or notes to the accounts.