

Report to CHARITABLE TRUST COMMITTEE

Sarah Anne Lees Charitable Endowment

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Recommendation:

That an application be made to the Charity Commission to release the permanent endowment of the Sarah Anne Lees Charity for distribution via means of grants to local voluntary and community organisations who can demonstrate their activity meets the charitable objects.

Sarah Anne Lees Charitable Endowment

1 Background

- 1.1 The Oldham Council Charitable Trust Committee acts as the Charitable Trustee for the Sarah Anne Lees Charity.
- 1.2 The Charity's capital asset, 146 Werneth Hall Road, has recently been sold with funds of £277,069.22 now held in the charitable trust account.
- 1.3 The Charity has the following objects which all funds must seek to achieve: to advance the education of the public by grant funding charities offering training and learning in the life skills necessary to manage financial hardship, social or economic deprivation, social exclusion or poor mental or physical health.

2 Current Position

- 2.1 It is proposed that an application is made to the Charities Commission to release the endowment to enable these funds to be distributed according to the charitable objects.
- 2.2 Income from the investment of these funds at the current time is minimal and insufficient to achieve the charitable purposes.
- 2.3 There are more than 1,200 voluntary and community organisations in Oldham, and significant proportion of which undertake activity which would be aligned to the objects of the charity.
- 2.4 Covid19 has presented a further challenge with regards the financial resilience and long-term viability of those organisations due to reducing their ability to fundraise, generate income whilst demand for their services has increased.
- 2.5 More than half of organisations surveyed in Oldham during the crisis had concerns about their financial sustainability over the next 3-6 months. Although emergency funds have been made available nationally and locally these are largely focused on crisis response, rather than maintaining vital core activities which continue to be needed more than ever.
- 2.6 This presents an opportune time to invest in the sector to deliver the objects of the Charity, which are clearly in line with the needs of our communities at the current time.
- 2.7 It is proposed that a mechanism is established to enable community and voluntary organisations to bid for grants, and through this bid to demonstrate how their project or activity meets the charitable objective, how the funds will be used, how the activity will be sustained and how the impact of the activity will be evaluated. A panel would be convened to review bids and make recommendations for a final decision to award by the Charitable Trust Committee.

3 Options/Alternatives

- 3.1 **Option 1** – An application is made to release the permanent endowment in order that funds can be distributed to voluntary and community organisations in order to achieve the charitable objectives of the Sarah Anne Lees Charity. The advantage of this option is it provides a means to use the endowment to achieve its intended objectives.
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Option 2 – The endowment remains invested and any income is distributed to support the charitable objectives of the Sarah Anne Lees Charity. This option has the benefit of protecting the endowment for use in future, however, given the limited current return on investment this option is unlikely to realise the maximum benefit in terms of achieving the charitable objects from this endowment.

4 **Preferred Option**

4.1 Option 1 is the preferred option as this will enable the funds to be distributed to organisations whose activities are aligned with charitable aims of the Sarah Anne Lees Charity.

5 **Consultation**

5.1 Consultation has been undertaken with Districts, and with Action Together. Both were supportive of the proposal to release the endowment and were able to identify organisations in the community who would be able to make use of such funds for the benefit of Oldham residents.

6 **Financial Implications**

6.1 The property 146 Werneth Hall Road was sold 24 June 2020 and the capital amount of £277,069.22 is currently held in Trust within the Councils accounts. Any transfer of capital funds will receive accrued interest at the current rate. *Paula Buckley – Senior Accountant*

7 **Legal Services Comments**

7.1 Legal Services was in regular communication with the Charity Commission leading up to the granting of the Cy – pres scheme and the order for the sale of the premises known as 146 Werneth Hall Road. Mr Tim Reese from the Commission kindly explained the procedures for the Council to follow in correspondence. His advice to the trustees was as follows:

“The proceeds of sale will be permanent endowment. This means that only the income obtained from the proceeds (e.g. through investment) will be available to further the new objects of the charity.

If the trustees would like to be able to spend the proceeds, rather than just the income, please set out why the trustees believe this would be expedient in the interests of the charity. In doing this, the trustees will need to explain:

- *how spending the proceeds of sale is consistent with the spirit of the original gift; and*
- *why being able to spend the permanent endowment itself, rather than just the income, would allow the charity to carry out its new purposes more effectively.*

We can then consider releasing the permanent endowment restriction in the scheme.

Alternatively, if, after the scheme is authorised and the land sold, the trustees believe it would be in the charity’s best interests to release the permanent endowment restriction, they could apply to us then”.

Mr Reese referred the Council to the Charity Commission’s guidance on spending permanent endowment which stated the following:

“When to get the Charity Commission’s consent

Many charities can spend part or all of an investment held as permanent endowment. But you must apply for the commission's consent if:

- *your charity's income is above £1,000 and*
- *the whole of the permanent endowment is worth more than £10,000."*

7.2 In view of the value of the net proceeds of sale from the disposal of the capital asset is over ten thousand pounds the trustees will need to seek the consent of the Charity Commission to spend the permanent endowment. The trustees must give their reasons for doing so and the circumstances surrounding the current COVID-19 pandemic and the abnormally low interest rates from capital investments may provide sufficient grounds for the Charity Commission to grant its consent. However, it has to be said that this is not a foregone conclusion owing to the fact that it is a permanent endowment which is supposed to be held in perpetuity. (Elizabeth Cunningham Doyle)

8. **Co-operative Agenda**

8.1 This is a decision of the Charitable Trust Committee and therefore is made independently of Council policy.

9 **Human Resources Comments**

9.1 There are no human resources implications of this proposal.

10 **Risk Assessments**

10.1 This report does not relate to Council budgets.

11 **IT Implications**

11.1 There are no IT implications of this proposal.

12 **Property Implications**

12.1 The capital asset belonging to the Sarah Anne Lees Charity was sold on the 24 June 2020 and the proceeds are currently held in trust. Consequently, there are no direct property implications in respect of this report. (Mark Elton)

13 **Procurement Implications**

13.1 There are no procurement implications of this proposal.

14 **Environmental and Health & Safety Implications**

14.1 There are no direct environmental or health and safety implications of the release of the endowment. These issues will be considered within the mechanism established to distribute the funds.

15 **Equality, community cohesion and crime implications**

15.1 This decision has the potential to positively impact on those experiencing socio economic disadvantage, as the charitable objectives include supporting people to manage financial hardship, social or economic deprivation, social exclusion or poor mental or physical health.

16 **Equality Impact Assessment Completed?**

16.1 No

17 **Key Decision**

17.1 No

18 **Key Decision Reference**

18.1 N/A

19 **Appendices**

19.1 Appendix 1 - Cy-Pres Scheme Document – Sarah Anne Lees Charity
