

PAPER NO: CF.03(12)	
Committee:	Charitable Funds Committee
Date:	10 May 2012
Subject:	Proposal Regarding the Management of Historic Charitable Funds
Author:	James Stevenson, University Secretary and Mike Simmons, Director of Development
Executive sponsor:	James Stevenson, University Secretary
Recommendation by the Executive:	<p>That the committee support the proposals:</p> <ul style="list-style-type: none"> • to note the proposals of which bodies will award the different types of charitable funds • to assign the Charitable Funds Committee's responsibilities of oversight of investment and distribution of charitable funds to the Policy and Resources Committee • to close the Charitable Funds Committee

Executive summary

The paper sets out how the management of the University's historic charitable funds can be made more efficient and robust. It recommends closing the Charitable Funds Committee and Panel and transferring its responsibilities as follows:

- Oversight by the Policy and Resources Committee (P&R) of the investment of the £650,000 in endowments would be undertaken alongside the oversight of the other funds on deposit
- P&R would also scrutinise the distribution of all the endowment income (alongside its oversight of other LSBU funds) through an annual report of awards
- Income from endowments restricted to Hardship funding (approximately £2,000 pa) would be transferred to Student Services to manage and award with the hardship funds which they already distribute.
- Income from unrestricted endowment funds (approximately £11,000 pa) would be designated to Hardship (as is currently the case) and awarded by and awarded by Student Services as described above. As these funds are unrestricted, the Board of Governors will have the right to change the designation of these unrestricted funds, as it sees fit.
- Income from endowments restricted to Scholarships would be transferred to the Scholarships Panel to award
- The two subject specific Scholarships (Richard Davis and Mona Grey)

would be managed by the Scholarships Panel

- Income from prizes would be split between the faculties to award. Awards will be made in the spirit of the original donation as far as practicable
- The non-endowment funds will be expended and wound up in accordance with their terms

Paper CF.04(12) sets out the current historic charitable funds and proposes that they be amalgamated into a smaller number of funds based on whether they were intended for hardship, scholarship, prizes or were unrestricted.

	Board/Committee	Date
Matter previously considered by:	Executive	17 April 2012
Further approval required?	Board	24 May 2012

Communications – who should be made aware of the decision?	N/A
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Proposal Regarding the Management of Historic Charitable Funds

1. The Development Office have made a number of changes to the management of charitable funds received through the Development Office. The Development team now has:
 - a) A more robust process for distributing scholarships, enabling more coherent promotion of our scholarship programme and a more coherent prize giving process
 - b) A growing number of scholarships which are now a key focus of fundraising in support of student success and recruitment
 - c) More robust recording, management and reporting of charitable funds through Finance, including a discreet bank account for transparency
 - d) An increasing number of charitable funds which fall outside the purview of the Charitable Funds Committee which is concerned with “historic”, i.e. longstanding charitable endowments.

2. The Charitable Funds Committee is responsible for oversight of the investment performance of our historic charitable endowments. The governor members of the committee (the Panel) are responsible for the distribution of hardship funds derived from the endowments. The committee has not been involved in the distribution of scholarships and prizes derived from these endowments; nor had any other involvement in the management of the charitable funds received via the Development Office.

3. The historic endowments are held in trust i.e. they are discreet legal structures with, usually, the University as sole trustee. They are held in perpetuity and the income applied either at the discretion of the University or for designated purposes. The principal sums of the University's many historic charitable “endowments” are valued at a total of approximately £650,000 (as at 31 July 2011).

4. After careful analysis by the University Secretary's Office, the £650,000 in endowments breaks down as follows:
 - £60,000 of endowments restricted to Hardship – generating £2,000 income pa
 - £340,000 of endowments which are unrestricted – generating £11,000pa
 - £30,000 endowments restricted to Scholarships – generating £1,000pa
 - £130,000 endowments restricted to 2 specific scholarships – generating £4,500pa
 - £50,000 endowments restricted to Prizes – generating £2,000pa
 - £40,000 of non-endowment funds which should be distributed for specific purposes.

5. In the interests of efficiency and transparency, it is proposed that the responsibilities of the Charitable Funds Committee are re-assigned as follows:
- Oversight by the Policy and Resources Committee (P&R) of the investment of the £650,000 in endowments would be undertaken alongside the oversight of the other funds on deposit
 - P&R would also scrutinise the distribution of all the endowment income (alongside its oversight of other LSBU funds) through an annual report of awards
 - Income from endowments restricted to Hardship funding (approximately £2,000 pa) would be transferred to Student Services to manage and award with the hardship funds which they already distribute.
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 - Income from endowments restricted to Scholarships would be transferred to the Scholarships Panel to award
 - The two subject specific Scholarships (Richard Davis and Mona Grey) would be managed by the Scholarships Panel
 - Income from prizes would be split between the faculties to award. Awards will be made in the spirit of the original donation as far as practicable
 - The non-endowment funds will be expended and wound up in accordance with their terms

As a consequence, the Charitable Funds Committee and Panel would be disbanded.

Financial Regulations

6. Section 2.7 of the financial regulations sets out the purpose and role of the Charitable Funds Committee. The Financial Regulations will be updated to show these as responsibilities for Policy and Resources Committee and to define 'charitable funds'. (Revisions to be approved by the Board in July 2012).
7. Section 12.3 states that 'Trust funds shall be invested in a manner authorised by the Charitable Funds Committee'. This statement shall be removed and instead incorporated into section 12.5, which details the charitable funds investment strategy, saying that the overall investment strategy for charitable funds, including how these funds should be invested, shall be agreed annually

by the Policy and Resources committee.

Delegated Authorities

8. All payments out of charitable funds will continue to be authorised in line with letters of delegated authority and authorised Signatory sheets. Existing source codes will be used to facilitate reporting of charitable funds.

Financial reporting

9. Policy and Resources Committee shall receive an annual report on charitable funds received, held and distributed. Charitable funds will continue to be reported in the University accounts as endowment assets, in line with the HE/FE SORP. All charitable funds received by the University will be reviewed to ensure that they are accounted for and disclosed correctly.
10. The HE/FE SORP states that:
'The governing bodies of institutions in the further and higher education sectors often, legally, oversee a number of *charitable funds* within their institution. Such *charitable funds* may be endowments, specific donations or the results of appeals. As trustees, they have a fiduciary duty to protect the *assets* of the fund, spend funds appropriately (and in accordance with any restrictions) and ensure accountability for such funds. Institutions should fully disclose within the notes to the *accounts* and any reports that accompany the *accounts* appropriate information on the nature, structure and fund balances of the *charitable funds*'
11. The Board of Governors continues to discharge its legal obligations as charitable trustees as there will be a full annual report from the Executive on the award of the charitable funds to P&R, plus a report on the performance of the investment fund.

*University Secretary's Office, Development Office and Finance Department
May 2012*