

	PAPER NO: CF.09(12)	
Board/Committee:	Charitable Funds Committee	
Date:	6 December 2012	
Paper title:	Proposals to amalgamate charitable funds and to wind up the Charitable Funds Committee and Panel	
Author:	James Stevenson, University Secretary and Clerk to the Board of Governors	
Executive sponsor:	James Stevenson, University Secretary and Clerk to the Board of Governors	
Recommendation:	<p>The committee is requested to:</p> <ul style="list-style-type: none"> (i) recommend to the Board the transfer of the historic charitable funds to the University and the pro forma transfer power resolution; (ii) delegate authority to the Vice Chancellor to designate how income from the funds is to be awarded; (iii) approve the creation of the Hardship Awards Panel and its terms of reference; (iv) approve the format of the annual report to the Policy and Resources Committee; (v) approve the transfer of Blackrock and CCLA funds to Sarasin 	
Aspect of the Corporate Plan to which this will help deliver?	Student support	
Matter previously considered by:	Charitable Funds Committee	On: 10 May 2012
Further approval required?	Board of Governors Charity Commission	On: 21 March 2013
Communications – who should be made aware of the decision?	Individual Trustees of funds	

Executive summary

At its last meeting the committee discussed proposals for simplifying the historic charitable funds and how these funds should be managed in the future. The committee were broadly supportive of the proposals but requested clarification on the reporting to the Policy and Resources Committee (P&R) and the establishment of the Hardship Awards Panel.

The paper covers these issues and sets out an overview of all changes proposed to the management and administration of the historic charitable funds. As a consequence of these reforms it is proposed that the Charitable Funds Committee will be wound up and its role assigned to P&R.

There are five matters for the committee to consider, which in summary are:

(i) Amalgamation of the historic charitable funds

The paper attached sets out the new proposals on amalgamating the funds. It is recommended that the historic charitable funds are transferred to the University but restricted to benefit students, rather than the University's general funds. In brief the amalgamation "future-proofs" these funds and enables the benefits to continue to students where a number of funds have failed as their original objects do not match the activities of the modern-day University (please see appendix 1 for the list of existing trustees).

The individual trusts would be legally wound up and their original terms would cease to apply to the funds. This would allow the University to distribute income as it saw fit. The Board (as board of trustees of the individual funds) will be asked to approve the necessary resolutions at its in March 2013 meeting (please see pro forma at appendix 2)

(ii) Designation of income

It is recommended that the Vice Chancellor, having consulted with the Executive and based on a recommendation from the Development and Alumni Relations Office, determines the proportions of this income which will be for hardships, scholarships and for prizes. This is currently how income from the Annual Fund is distributed.

(iii) Distribution of income

Currently the Charitable Funds Panel makes hardship awards from the historic charitable funds. It is recommended that this panel is wound up and replaced by the Hardship Award Panel. Draft terms of reference are in Appendix 3 for approval. The criteria for awards were previously approved by the Charitable Funds committee. Future changes to the terms of reference and the criteria shall be approved by the Policy and Resources Committee.

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There is already a Scholarship Panel which would be authorised to make awards designated as scholarships by the Vice Chancellor.

(iv) Oversight by the trustees (governors)

P&R will receive an annual report on the amalgamated charitable fund received, held and distributed. This will include expenditure of income raised by the Development and Alumni Relations Office as well as from the historic charitable funds. The format of the report is included as appendix 4 (as requested by the committee at its last meeting).

(v) Oversight of the performance of the investor (currently Sarasin)?

It is recommended that P&R will receive an annual report from Sarasin on the performance of the investment portfolio. The continuing relationship with Sarasin will be managed by members of the Executive who will meet Sarasin annually to discuss the investment report and who will raise any concerns with P&R. P&R will review annually Sarasin's own performance as fund manager and set their mandate.

It is recommended that the funds currently invested by Blackrock (£30,168) and CCLA (£1,074) are transferred to Sarasin.

Recommendations

The committee is requested to:

- (i) recommend to the Board the transfer of the historic charitable funds to the University and the pro forma transfer power resolution;
- (ii) delegate authority to the Vice Chancellor to designate how income from the funds is to be awarded;
- (iii) approve the creation of the Hardship Awards Panel and its terms of reference;
- (iv) approve the format of the annual report to the Policy and Resources Committee;
- (v) approve the transfer of Blackrock and CCLA funds to Sarasin.

Appendices

1. Trustees of charitable funds
2. Pro forma transfer power resolution
3. Terms of Reference of Hardship Awards Panel (including criteria for awards)
4. Format of annual report to P&R

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Introduction

1. Currently there are 23 historic charitable funds which have been invested in the Sarasin portfolio of c.£650,000, overseen by the Charitable Funds Committee. The total yearly income from the funds is from £17 to £6,651 for individual trusts (in 2011/12). Awards were only given out from 8 of the 23 funds, with £9,017 of available income not spent during 2011/12.
2. Income from these funds is sometimes not spent for a variety of reasons:
 - a. Income is too small from some funds to give a meaningful award;
 - b. The terms of the original trust document are impossible to follow because, for example, the course to which it refers is closed; and
 - c. In some cases it is not clear who has the authority to make awards.
3. This is unsatisfactory as the student beneficiaries of these charitable funds are not receiving the intended benefits from a number of funds.

Transfer of Funds to the University

4. It is recommended that all of the permanent endowment charitable funds be transferred to the University by way of a transfer power resolution.
5. Following transfer, the University would have c.£650k of unrestricted permanent endowments which under Charity Commission guidance/accounting rules would have to be kept separate from general university property. The individual charitable trusts would then be legally wound-up and their original terms would cease to apply to any funds. The University would be free to distribute to students as it saw fit, e.g. for hardship, scholarships and/or prizes. Due recognition of the historic source of the funds could be recorded.
6. The committee is requested to recommend to the Board the transfer power resolutions for each fund of which the Board is trustee (a few funds have separate individual trustees who will also be requested to approve a transfer power resolution - please see appendix 2). In each case the approval to transfer is based on the following:
 - a. The transferor is satisfied that it is 'expedient in the interests of furthering the purposes for which the property is held for it to be transferred in the way which is proposed'; and
 - b. The purposes of the receiving charity are substantially similar to the purposes of the transferring charity.

7. Currently the University's purposes include "to provide for the recreational and social needs and the health and welfare of students". The University's objects are to be amended as part of the modernisation of the Articles of Association. Proposed new objects for the University are "to advance and apply learning and knowledge as a university for the public benefit". Accordingly, it is appropriate that the funds are transferred to these wider objects.
8. Around £40k (of the £650k) has been identified as expendable endowments. It is recommended that the capital from these funds is also transferred to the University and invested as capital as it will enable higher levels of income to be received each year. The capital can be "donated" provided that the recipient charity (the University) uses it for the same purposes as the donor charity.
9. Each resolution, with reasons, will then be sent to the Charity Commission for approval.

Designation of Income

10. Currently the investment of £650k yields an annual income of c.£20k. This income is distributed to students as hardship awards, scholarships and prizes. It will be for the Vice Chancellor, having consulted with the Executive and based on a recommendation from the Development and Alumni Relations Office, to determine the proportions of this income which will be for hardships, scholarships and for prizes.

Distributing Income

Hardship Awards

11. The Hardship Award Panel has been set up to replace the Charitable Funds Panel. It will be administered by staff in Student Services and distributes money to students who are suffering unexpected financial hardship. Terms of reference for the panel are attached for approval (see appendix 3). The criteria for awards have been agreed by the Charitable Funds Committee.

Scholarships Awards

12. The existing Scholarships Panel awards the Vice Chancellor's and other scholarships which are made out of donations to LSBU's Annual Fund and other funds. In addition, the Scholarships Panel will distribute income designated for scholarships.

Prizes

13. Currently the faculties award a number of prizes to students. A proportion of income from the amalgamated fund would be divided equally between the faculties to award as prizes as they saw fit.

Delegated Authorities

14. All payments from the amalgamated fund 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

15. Policy and Resources Committee shall receive an annual report on the amalgamated charitable fund received, held and distributed. The amalgamated fund 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 are reviewed to ensure that they are accounted for and disclosed correctly.

16. 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*’.

17. The Board of Governors continues to discharge its legal obligations as charitable trustees as there will be a full annual report from the Executive to P&R on the award of the charitable funds, plus a report on the performance of the investment fund and the fund manager (see below).

Management of the endowment funds

18. Currently the £650k of endowment funds is invested with a portfolio manager (Sarasin) with the Charitable Funds Committee responsible for appointing the portfolio manager and monitoring performance. It is recommended that P&R take on these roles once the Charitable Funds Committee is wound up. It will receive

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an annual report from Sarasin on the performance of the investment portfolio.
P&R will review annually Sarasin's own performance as fund manager.

19. The continuing relationship with Sarasin will be managed by members of the Executive who will receive a quarterly report and meet annually with Sarasin to discuss the investment performance and set the mandate. Any concerns will be raised with P&R.

Trustees of historic Charitable Funds – prior to amalgamation

Fund	Current Trustee(s) [in italics where assumed due to lack of documentation]
Consolidated Charities	<i>University</i>
Moir, Secretan & Horsfall Legacies	University
Student Centenary Hardship Fund	University
Strike Fund - Student Scholar	<i>University</i>
Mark Howarth Fund	<i>University</i>
Durning Lawrence	University
Stanley Mayne M/Fund	University
Prize Fund	<i>University</i>
Richard Davis Scholarship Fund	Michal Lyons (Architecture Dept) Mary-Jane Rooney (Architecture Dept)
Dr Mona Grey fund	David Sines (former Dean of HSC)
Yvonne Shuttleworth	<i>University</i>
Cyril Flisher	<i>University</i>
Gareth Pugh M/Fund	<i>University</i>
Harry Goodwin Prize Fund	<i>University</i>
Fitzgerald M/Fund	Head of Dept of Estate Management and Head of Dept of Town Planning. Now Ruth Richards (Head of Urban, Environment and Leisure Studies)
Frank May Fund	<i>University</i>
Alumni Scholarship	<i>University</i>
Minerva Scholarship	<i>University</i>

Funds to expend by donating capital to the amalgamated fund and then wind up

Fund	Trustee
Edgar Williams	<i>University</i>
Yvonne Shuttleworth	<i>University</i>

Appendix 1

African Radiographer Fund	<i>University</i>
AIB Scholarship	<i>University</i>
Prudential Product Championship	<i>University</i>
Mercury Hare Fund	<i>University</i>

**Consolidated Charities
Moir, Secretan and Horsfall Legacies
Student Centenary Hardship Fund
Mark Howarth Fund
Strike Fund Student Scholar
Durning Lawrence
Stanley Mayne M/Fund
Prize Fund
Cyril Flisher
Gareth Pugh M/Fund
Harry Goodwin Prize Fund
Fitzgerald M/Fund
Alumni Scholarship
Frank May Fund
Minerva Scholarship
Edgar Williams
Yvonne Shuttleworth
African Radiographer Fund
AIB Scholarship
Prudential Product Championship
Mercury Hare Fund**

Resolution

The Trustee of the above named charities has resolved that:

“Subject to Charity Commission consent in accordance with section 74 of the Charities Act 1993 it would be expedient in interests of furthering the purposes for which the property is held for it to be transferred to London South Bank University (“the University”) (an exempt charity - Company Number: 986761) whose purposes are wide enough to include the purposes of the above named charities.

Signed on

for and on behalf of the trustees of the transferors

.....
Mr James Stevenson,
University Secretary and Clerk to the Board of Governors
London South Bank University

Appendix 3

Hardship Awards Panel

Terms of Reference

Purpose

1. The purpose of the Panel shall be to distribute awards for hardship from the University's charitable fund designated for hardship.

Composition

2. The Panel shall be composed of:
 - a. A staff governor, nominated by the Vice Chancellor
 - b. The President of the Students' Union
 - c. Assistant Director: Student Services Head of Disability & Dyslexia Support & Student Advice (or equivalent)
3. The Panel shall be chaired by the staff governor member.
4. The quorum for the Panel will be two members.

Attendance at Meetings

5. Student Advisors will normally attend meetings.

Frequency of Meetings

6. The Panel shall normally meet three times a year, but may meet more frequently.

Authority

7. The Panel is authorised by the trustees to make awards for hardship from the University's charitable funds designated for that purpose and within the criteria for awards.
8. The amount available to award each year will be determined by the Vice Chancellor (or the Vice Chancellor's nominee). The Panel is only authorised to make awards within the limit set.

Criteria

9. The following criteria should be used in making hardship awards:

*Applications will be considered **only** if the individual meets the following criteria:*

- 1) The student should have embarked on the course with appropriate financial support arrangements in place and has run into financial difficulties outside their control. Awards will not normally be made to cover living expenses.*
- 2) Awards should be used to help a student successfully complete their studies or progress to the next year.*
- 3) Applicants should be up-to-date with their fees or have come to an arrangement with the Fees Office.*

Applications will be considered by the Hardship Awards Panel and awards made at their discretion. The Panel's decision will be final.

Only in very exceptional circumstances will more than one application per student be permitted in each academic year.

10. These criteria for awards and any amendments to the criteria shall be approved by the Policy and Resources Committee.

11. The Panel may make awards from annual donations given to the University to relieve hardship e.g. from the British and Foreign School Society and shall adhere to any additional restrictions attached to these donations.

Making Awards

12. Decisions to make awards shall be taken based on the agreed criteria. The Panel shall decide on the size of each award which shall be proportionate to the circumstances. As a guide, awards will usually be to a maximum of £500 for each applicant although the Panel may, within reason, increase at their discretion.

13. Decisions for awards should usually be taken by consensus at quorate meetings. In the event that a consensus cannot be reached a decision may also be made by a majority provided that the Chair is part of the majority.

14. Exceptionally, decisions may be taken outside of meetings if the Chair considers the application urgent. Such decisions shall be agreed in writing by at least two members of the Panel, one of whom shall be the Chair. The decision may be made by exchange of emails.

Appendix 3

15. The Chair may authorise an award where an application has previously been discussed at the Panel meeting and a decision deferred pending further information or evidence.

16. Awards made outside of meetings shall be reported to the next Panel meeting.

17. The Panel's decision shall be final.

Reporting Procedures

18. The Panel shall report the number and amount of awards annually to the Policy and Resources Committee. In its annual report the Panel shall demonstrate how each successful applicant has satisfied the agreed criteria.

*Approved by the Charitable Funds Committee on **

**London South Bank University
Charitable Funds Committee**

**Report for the period
ended 30 September 2012**

Schedule 1 - Endowment fund movements for the quarter ended 30 Sep 2012

Name of Fund	Balance at 01/08/2012 £	Increase in fund value £	Balance at 31/09/12 £
General Endowments	641,321	14,192	655,513
Grand Total	641,321	14,192	655,513

Schedule 2 - Cumulative income and expenditure to 30 Sep 2012

Name of Fund	Interest and dividend income £	Awards to students £	Net Income in year to date £
General Endowments	7,883	(500)	7,383
Grand Total	7,883	(500)	7,383
Income split			
Hardship	40%	3,153	
Scholarship	30%	2,365	
Prizes	30%	2,365	
		7,883	0

Breakdown of Income by Investment Managers	
	£
Sarasin and Partners	7,573
BlackRock	282
CCLA Investment Managers Ltd - Cyril Flisher	27
	<u>7,883</u>

Schedule 3 - Endowment assets at 31 Jul 2012

Market value as at:	31-Oct-09	31-Dec-09	31-Mar-10	31-Jul-10	31-Oct-10	31-Dec-10	31-Mar-11	31-Jul-11	31-Oct-11	31-Jan-12	31-Mar-12	31-Jul-12	30-Sep-12
Fixed Interest													
ALPHA CIF for Endowments (Income)	425,303	451,233	472,014	448,069	474,433	501,604	527,653	505,383	477,594	485,938	503,609	493,492	505,449
ALPHA CIF for income and Reserves (Income units)	100,248	102,957	106,137	103,481	107,282	107,389	114,220	114,175	111,897	113,888	115,617	117,105	118,822
Equities	28,081	29,144	31,035	29,002	31,632	32,685	32,822	31,920	30,337	30,303	31,222	30,724	31,242
Cash (Capital Account)	1,422	1,422	1,422	1,422	1,455	1,456	3	-	-	-	-		
Total	555,054	584,756	610,608	581,974	614,802	643,134	674,698	651,478	619,828	630,129	650,448	641,321	655,513
Book Cost (+ cash)	462,040	462,040	462,040	462,040	462,040	462,040	462,040	462,040	462,040	462,040	462,040	462,040	462,040

Market value as at:
Fixed Interest
Equities
Cash (Capital Account)
Total
Book Cost (+ cash)

Income Received for the year ended 31 July 2006

Income Received for the year ended 31 July 2007

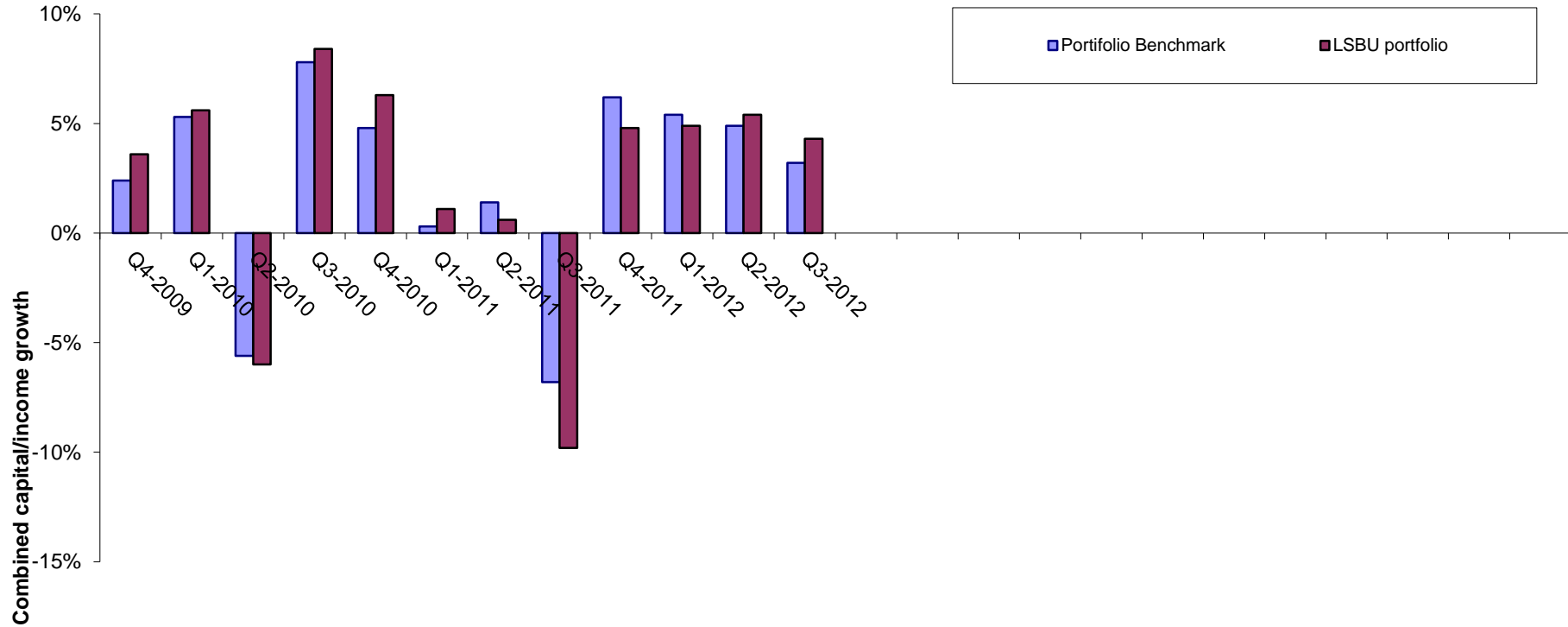
Income Received for the year ended 31 July 2008

Income Received for the year ended 31 July 2009

Income Received for the year ended 31 July 2010

Income Received for the year ended 31 July 2011

Schedule 4: Performance of LSBU equity portfolio



*Since June 2009, all LSBU's equity holdings are invested in the Sarasin & Partners Alpha CIF for Endowments(Income units) and Alpha CIF for Income and Reserve (income units), whose investment objective is to achieve a total return (capital and income) ahead of the benchmark.

* **Portfolio benchmark:** EPRA/NAREIT Total Return (GBP) (Global) (3.5%) FTSE All-Share 5% capped (Total Return) (UK) (50.00%) FTSE Gilts All Stocks (Total Return)(12.50%) FTSE World Ex-UK (Total Return)(20.00%) IPD Monthly (UK)(4.00%) JP Morgan World Bonds Ex-UK (5.00%) UK cash LIBOR 1 month (Total Return)(5.00%).

Schedule 5: Total assets held by investment managers at 30 September 2012

1) Total assets held by investment managers	£
Sarasin & Partners report	624,271
Blackrock - Charishare assets	30,168
CCLA Investment Management Limited - COIF assets	1,074
Assets per schedule 3	<u>655,513</u>
