



Endowment Policy

Purpose of Policy The endowment policy outlines the principles to ensure the proper use of funds received from donors and the need to safeguard them.

Overview Endowments are initially received and accounted for by the Development Trust. Once a new fund is created the cash is transferred to the University. The University will invest funds, in accordance with instructions from the Investment Committee, for the long or short term depending on when funds are required:

- Long term: in the University Endowment and Investment Fund, enabling investment in the full range of financial assets, and maximising return to produce income and to retain their value over the long-term or
- Short term: in the University's short term cash investments which ensures the capital is protected and the cash is immediately available.

The funds are allocated to individual fund-holders who are responsible for spending the income on the purpose for which they were given.

The Director Finance Specialist Services serves as Secretary to the Investment Committee and with the Treasury Manager reports to the Investment Committee the FIRST¹ section accounts for the investments, and supports individual fund-holders.

The Scottish Universities Committee of the Privy Council approved Ordinance No 209 which gives Court authority to change the purpose of endowments. Under the Ordinance granted in March 2011, where any endowments are wholly or partially inoperative or dormant the University Court may alter the conditions or directions affecting any such Endowments; and determine the disposal of the funds, capital and revenue.

Scope: This policy applies to staff who are responsible for the administration of and accounting for endowment funds.
Mandatory Policy The authority of this policy applies University-wide.

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Development Trust	<p>The University of Edinburgh Development Trust was established in order to receive, administer and apply any funds and properties donated for the benefit of the University of Edinburgh. It is a separate charity registered in Scotland with registration number SC004307. Donations to the Trust are made throughout the year; either on an ad hoc basis or as part of a fundraising campaign. These funds are then disbursed to the appropriate part of the University.</p> <p>The management of the Development Trust is carried out by the Senior Management Team of the Development and Alumni department (DA).</p>
FRS102	<p>All reporting of income, expenditure, gains and losses is done through the Consolidated statement of comprehensive income and expenditure (COSI). New endowments are accounted for as income on a separate line "donations and endowments" on the COSI.</p> <p>Endowment assets which consist of investments, cash and working capital are included under the relevant asset type.</p> <p>Endowment funds, being restricted, are described as endowment reserves under the restricted reserves heading.</p>
Endowments	<p>An endowment is a donation which is held on trust for the benefit of the University. A donor conveys the purpose and treatment of a donation in a gift agreement, trust deed or in a Memorandum of Understanding between the donor and the University.</p> <p>Court has a fiduciary duty to protect the assets of the fund and it has delegated responsibility to the Investment Committee to ensure that investments produce maximum capital growth over the long term while increasing annual income in line with inflation.</p>
Definitions Capital/ Accumulated Income	<p>An original donation or "bequest" is described as capital. This capital is invested to earn income which must be spent according to the wishes of the donor. It is an underlying principle of charity law that income should be spent within a reasonable period of receipt. Any unspent income is described as accumulated income.</p>
Permanent/ Expendable	<p>An original trust deed may specify that the capital must be permanently retained and only the income earned on its investment can be used for the purposes specified by the donor.</p> <p>Alternatively, capital may at the discretion of Court be spent for particular purposes designated by the benefactor. This capital is defined as expendable. In this case both the capital and the income arising on its investment may be spent.</p>
Restricted/ Unrestricted	<p>Endowment funds are classified as restricted or unrestricted by reference to the conditions documented by the donor.</p> <p>Restricted endowments are to be used for the specific purpose or activity designated by the donor and may be used only for that purpose or activity.</p>



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Unrestricted endowments are to be used for the general purposes of the University.

Accounting for endowments

Gift Management Guidance (Donations and Endowments) gives details on how endowments are accounted for. It can be accessed from this list: <https://www.edweb.ed.ac.uk/finance/for-staff/financial-regulations-policies-and-procedures/policies-and-procedures>

Investment of endowment funds

Endowment funds which are to be retained in the long term are invested in the University of Edinburgh Investment and Endowment Fund which is managed by professional fund managers. The Investment Committee has strategic objectives for management of the fund and the fund manager must comply with the instructions from the Committee.
Endowment funds which are to be retained in the short term so that cash is readily available can be invested in specific short term investments.

Investment of capital

New bequests are invested as soon as possible after receipt by the University. Any capital awaiting investment and held in the University's bank account will be allocated its share of investment income from placing the University's cash on deposit.

Invested accumulated income

Unless there are good reasons for not doing so, unspent income balances are invested. Revenue cash balances will be allocated their share of investment income from the University's deposit accounts. It is University policy to invest income, not expended within the year earned, by the end of the following year. This may be invested temporarily and spent in future years.

When there has been a build-up of investments of unspent accumulated income it is important that any release of this money is done in a controlled way. A request to utilise any invested accumulated income must be referred to the Finance department who will collate the data and advise whether there is a material impact on the level of investment which the Investment Committee controls.

Utilisation of expendable capital

A request to utilise any expendable capital must be referred to the Policy and Resources Committee (PRC) for approval, consulting Court if and as it is deemed necessary.

Change of purpose (see also Ordinance)

Restrictions may be imposed by the donor or by the University Court. To change donor imposed restrictions you must first seek the donor's permission and if this is not possible, perhaps because the endowment is old and the donor deceased, then application to the Privy Council may be necessary. Where the University Court has created restrictions then an application to Court through PRC would be required.

There are various circumstances in which the purpose of an endowment can no longer be fulfilled, for example a subject may have evolved, a particular beneficiary cannot be found or there are insufficient funds to support a scholarship.



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Subject evolved When a subject has evolved, from say zoology to evolutionary biology, a reasoned explanation should be documented, signed by the fund-holder and appended to the original endowment documentation.

Amalgamation of endowment where insufficient individual funds Where there are insufficient funds to fund a full scholarship it may be possible to amalgamate endowments and still fulfil the purpose.

Delegated Authority Schedule (DAS) Section 6 of the DAS sets out the limits of authority related to endowments. This includes the signing of approval for change of use.

Dormant endowments - Ordinance No 209- 16 March 2011 Under the Ordinance granted in March 2011, where any endowments are wholly or partially inoperative or dormant the University Court may alter the conditions or directions affecting any such Endowments; and determine the disposal of the funds, capital and revenue.

The powers extend to any Endowments which have taken effect or were held for a particular duration:

Years held	Consent required?
25 +	No consent required.
25-10	Due weight to be given to any view expressed when reasonable steps have been taken to consult any founder, patron or donor of the endowment known to the University to be alive unless that person is incapable of expressing a view with regard to the proposal (or, in the case of an incorporated body or body of Trustees, is no longer in existence)
0-10	Consent of the founder, patron or donor of the Endowment required.

The University Court may only exercise these powers where it considers that the interests of learning and research, and the main design of the donor, may be better advanced by such alteration or disposal. Also the University Court must take care not to diminish the advantages provided for students by such endowments.

The University Court must consult with the Senate or any body or person as the University deems appropriate.

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Document control

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Signature of approver	
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Section responsible for policy maintenance & review	Finance, Information, Reporting and Strategy Team

Change Control record

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11/1/2019	v1.1 update contact details to Finance helpline	n/a
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