



Trust Funds Policies & Procedures

Clare College Trust Funds

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1. Introduction to Trust Funds

1.1 What is a Trust Fund?

A trust fund is established where the College accepts a donation 'on trust'. This becomes a binding obligation upon the College to use the money in accordance with the terms of the donation.

Most donations 'on trust' form a capital endowment (which may be permanent or spendable in nature). The funds are invested and the income is used to fund expenditure on the terms of the trust.

1.2 College Statutes

Based upon the wishes of the donor, the College establishes regulations for the governance of the trust fund.

A schedule of all trust funds is published in an appendix to the College Statutes (updated annually) and Statute 42 applies to all funds listed.

Trust Fund Officers are responsible for ensuring that funds are used for proper purposes in accordance with the rules specific to the fund and the College's general charitable purposes.

2. Trust Fund Set Up

2.1 Discussions with Potential Donors

When trust funds are established there are a number of considerations that should be taken into discussion with potential donors, including:

(i) The value of the capital

This should be sufficient for the purposes for which it is to be used. The Development Office will also advise on tax-efficient methods of making a gift.

(ii) The terms of the gift and subsequent wording of the regulations

The more general the terms of the gift, the more flexibly it can be used. It is helpful to include provision, where acceptable to the donor, for funds to be used for general purposes as well as a specific purpose. For example, a fund might be for a prize, but the regulations might specify that any remaining funds can be used for the furtherance of teaching and research in the subject.

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| (iii) Provision for funding on-costs e.g. admin and NIC etc | This is essential. |
| (iv) Legal and ethical considerations | These are considerations for the College on whether to accept the donation or not (details in section 2.2). |

The College has limited powers to vary the application of a trust fund and so the set-up of the terms and conditions is very important.

2.2 Guidelines for accepting donations

- (i) The College will seek the advice of the Development and Finance Committees, and ultimately the College's Governing Body for all benefactions over £500,000, or that are likely to give rise to significant public interest. The order in which these may be considered is as follows:
Consideration by College Officers > Development Committee> Finance Committee>Governing Body
- (ii) Charity law places certain constraints on charities, and in recommending acceptance of any benefaction consideration will be made by the College under the following headings.
 - (a) Are the purposes of the benefaction compatible with the purpose of the College as defined in its Statutes?
 - (b) Do the purposes of the benefaction fall within the College's mission and strategic plan?
 - (c) What additional costs or burdens, if any, would acceptance of the benefaction create for the College?
 - (d) Is there published evidence that the proposed benefaction arises in whole or in part from activity that:
 - evaded taxation?
 - violated international conventions that bear on human rights?
 - limited freedom of inquiry?
 - suppressed or falsified academic research?In the case of unproven allegations of criminality against a potential donor, no account shall be taken of mere rumour, but care will be exercised in accepting any benefaction, or continuing negotiations towards a possible benefaction, where there is a risk of significant damage to the College or University's reputation.

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- (e) Is there evidence that the proposed benefaction, or any of its terms, will:
- require action that is illegal?
 - limit freedom of inquiry?
 - suppress or falsify academic research?
 - create unacceptable conflicts of interest for the College or the University of Cambridge?
- (f) Is there evidence that acceptance of the proposed benefaction or compliance with any of its terms will damage the College or the University of Cambridge's reputation, including deterring other benefactors?
- Benefactions which are uncontroversial and which are worth less than £500,000 may not be subject to detailed scrutiny by the College's Governing Body, but acceptance will nevertheless be considered by the Development Director against these ethical guidelines. In the case of benefactions which raise cause for concern, the Development Director or the relevant College committee may refer the final decision on whether to accept a gift to the University Registry.
- (iii) All members of the College involved in fundraising are encouraged to consult the Development Office or Cambridge University Development and Alumni Relations (DAR) at an early stage in their discussions with a potential benefactor. The Development Office can advise on the use of these guidelines, and consultation will also reduce the risk of uncoordinated approaches to a single potential donor; spread familiarity with the process for accepting benefactions; and may allow an early warning of anyone unknowingly approaching a potential benefactor whose donation is not likely to be acceptable.

2.3 Setting up of the Fund

Donations and gifts to establish new trust funds are always reported to Council with details of the regulations and management of the new trust fund.

The Development Office will make arrangements to receive the donation into their separate bank account.

The Bursary will set up a new trust fund account on the SUN accounting system and this money will be invested within the endowment.

Original donation agreements are held by the Development Office, and detailed New Trust Fund Set Up forms are sent to the Bursary and the Trust Fund Officer.

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2.3 Trust Fund Officers

Trust Fund Officers are usually appointed by Council, the Governing Body or the Finance Committee.

Trust Fund Officers have an important role to ensure the trust fund is managed effectively. Financial responsibilities include ensuring expenditure is:

- within the regulations;
- within the level of income; and
- carefully planned each year.

2.4 Permanent Capital

Most trust funds will have some permanent capital: the original endowment that cannot be spent. A number of funds do not have permanent capital as, under the terms of the fund, both the original donation, and any income generated, may be spent.

The permanent capital of a trust fund is invested in the College endowment and is treated as a long term investment. The income generated from the permanent capital is credited to the spendable part of the trust fund at financial year end.

2.5 Spendable Capital

Most trust funds will have some spendable capital as well as permanent capital. This is also known as accumulated unspent income.

The regulations for most trust funds explicitly provide for unspent income to be carried forward and used as income in subsequent years. The regulations for a few trust funds, however, specify that unspent income must be reinvested as an annual addition to permanent capital (Statute 42).

The income generated from the spendable capital is credited to the spendable part of the trust fund at financial year end.

Trust Fund Officers should, where possible, ensure that spendable capital is not left to accumulate, but is matched with appropriate expenditure, thereby relieving general College reserves. In some cases, it is understood that this is not possible as reserves are being accumulated for long-term purposes.

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2.6 Coding Structure of Trust Funds

Trust funds are classified as 'specific endowments' where the donor has specified that the funds are to be invested and the investment income is to be used for specific purposes. The funds may be required to be invested in perpetuity or for a finite period.

In SUN, each trust fund is identified by a unique account code. Funds invested in perpetuity are identified by a code starting 50xxx, whereas funds set up for a specific period are coded 51xxx.

3. Trust Fund Income

The capital of a trust fund, (both permanent and spendable) is invested and then the income generated from these investments is used to provide the intended benefits of the trust.

3.1 Donations

All donations and gifts are paid into a separate Development Office bank account and logged onto the Raisers Edge database. A full reconciliation of all bank entries for the calendar month is given to the Bursary by the 12th of the following month. These are journalled into the SUN accounting system against the relevant trust fund codes.

3.2 Development Office Procedures for Donations

- (i) Upon receipt of any donation, be it by cheque, cash, credit card or form giving details of a bank transfer, the Development Associate or other Development member of staff opening the post will date stamp the donation form or any letter accompanying a payment.
- (ii) All cheques or credit card details for events or donations must be kept in locked drawer within the Development Office until banked.
- (iii) All donations or events payments must be photocopied and filed alphabetically with a copy of the donation form or relevant letter
- (iv) All cheque donations or events payments must be entered into the cheque spreadsheet, which also lists the trust fund to be credited, and given a date reference for banking and must be paid into the bank account with the same reference for tracing on the bank statement

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- (v) All cheques over £1000 should be banked on the same day received if possible by a member of Development Office staff, and if not should be passed to a member of bursary staff for immediate banking. All donations/payments should be processed as promptly as possible and within 3 days whatever their level unless it during a holiday period or in exceptional circumstances.
- (vi) All cheque, cash, card, BACS, international or regular payment or any other donations must be entered into the Raisers Edge database for the donation to be thanked as soon as possible. The Development Director to thank donors giving over £1000 or those she has had personal contact with, the Deputy Director to thank donors he has had contact with, and the Development Associates (annual fund) and Alumni and Supporter engagement to thank other donors
- (vii) The trust fund must be entered into the Raiser's Edge database when recording the donation and must match what the donor has requested.
- (viii) If it is a new trust fund, the Development Director must give consideration to the guidelines in section 2 and will complete a new Trust fund form and will take the new trust to Council for approval.
- (ix) All donor letters to be saved to the Raiser's Edge record of the donor. The letters must acknowledge safe receipt of the donation and outline the fund which the donor has chosen to support. As well as thanking the donor, the letter must confirm the instructions of the donor in terms of the use of the gift and inform the donor of whether the gift is eligible for Gift Aid.
- (x) Cheque donations entered into the Raiser's edge must have the amount left blank until the donation has cleared the Development Bank Account
- (xi) When a donation is set up as a Standing Order the donation form must be copied and the original form sent the donor's bank. The donation form must then be filed
- (xii) The letter thanking the donor must follow the procedure in (vii) and (ix) above
- (xiii) If the standing order or regular payment is part of a direct debit or telethon batch it must be given a reference for identification on the Development Bank Account
- (xiv) Donations by Standing Order if not for a limited time must be recorded as lasting for a maximum of 10 years
- (xv) If a donation by Standing Order carries beyond the term the donor intended, the Development Office must write to the donor after the term has expired to check the donor is happy for the donation to continue into the same trust fund.
- (xvi) Where a donation or event payment is made by credit card, the payments must be processed quickly and the part of the form giving the card number destroyed.

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- (xvii) The card payments are best done as part of a batch, and end of day banking of the PDQ machine must be done on the same day. The credit card payments for the batch to be entered into a spreadsheet with a date reference, so that the batch can be identified on the Development Bank account easily.
- (xviii) Receipts for card payments must be sent to the donor. The letter to the donor must follow the outline in (vii) and (ix) above. The merchant copy of the receipt must be attached to the donation form and filed
- (xix) Where a payment is made by BACS, the gift must be recorded with the date the payment came in to the Development Bank Account and a note put on the donor's record or a paper record put on file as evidence of which fund the donor intended to support. Letters to donors to follow procedure in (vii) above.
- (xx) Donations via Cambridge in America (CAm): letters are received from Cam by email to donors and these must be printed off and filed. The donation must be acknowledged as per (vii) and (ix) above, and recorded on Raiser's Edge but the date and amount must be left blank until the transfer of funds from Cambridge in America has been verified as being received into the College's bank account.
- (xxi) The donation wording for Cambridge in America must state that the **trustees of CAm have allocated the donation** to support the Clare College trust fund which the donor outlined in his or her form.

UK GIFT AID

Gift aid must only be added to a donation where the donor has completed, signed and dated a Gift Aid declaration.

The wording is as follows:

I confirm that I would like Clare College to treat all donations that I have made in this tax year, in the four previous tax years, and all donations I make from the date of this declaration, until I notify you otherwise, as Gift Aid donations.

I confirm that I have paid, or will pay, an amount of Income Tax, and/or Capital Gains Tax for each tax year (6 April to 5 April) that is at least equal to the amount of tax that all the Charities and Community Amateur Sports Clubs (CASCs) that I donate to will reclaim on my gifts for that tax year. I understand that other taxes such as VAT and Council Tax do not qualify.

Note that payments by non-UK taxpayers, or for an event where the donor benefits directly as with a ticket to a concert, or for any services provided are not eligible for Gift Aid.

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Where standing orders have rolled on, the Development Office must contact donors after their initial term has ended to verify they are still UK taxpayers in accordance with the declaration above.

The Development Office will ensure that it keeps to date with any changes in the rate of Gift Aid reclaimable or changes made by HMRC in how Gift Aid is to be processed.

3.3 Interest

Interest is paid annually into the spendable part of the trust fund. It is calculated on the balance of the fund at the start of the year at the same rate used for the annual endowment drawdown.

4. Trust Fund Expenditure

In general, payments from trust funds will be requested and authorised by the Trust Fund Officer.

Some funds are charged for stipends and wages through the payroll and some funds have overhead costs allocated to them at the year-end according to their terms.

5. Management of Trust Funds

It is the Trust Fund Officer's responsibility to ensure that all trust funds are maintained in credit.

5.1 Trust Fund Statements

The Bursary will prepare monthly Trust Fund financial statements, once the month end has been closed, and will distribute them to the officers of the funds. See Appendix A for an example of a Trust Fund financial statement.

Once the statements have been received, they should be closely checked to ensure that:

- the trust fund expenditure has not exceed the income; and
- expenditure has been charged to the correct trust fund.

Clare College Trust Funds

Reading the Statement

The statement is split into four headings showing the balance brought forward, income and expenditure for the period and the totals carried forward –

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| 1. Spendable | This is the spendable capital referred to in section 2.5 above |
| 2. Capital | This is the permanent capital referred to in Section 2.4 above which cannot be spent |
| 3. Total value | Totals of income, expenditure and values at the end of the reporting period |
| 4. Interest due | This is a provisional interest figure showing the amount due to be paid in the following year |

5.2 Estimate Income Required for the Coming Year

The Trust Fund Officer must calculate the cost of the activities of the trust fund over the forthcoming year and a review of these statements will help to estimate the income that is likely to be generated.

The Trust Fund Officer must compare the income available to planned expenditure to ensure there are sufficient funds. When calculating the cost of activities do not forget to include costs such as employer's NI and pension contributions or certain overhead charges.

5.3 Overdrawn Trust Funds

No trust fund should end the financial year in a deficit position. A report of overdrawn trust funds at the year-end will be sent to the Finance Committee for assessment.

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Appendix A

Trust Fund A

12 months to June 2014

50xxx

Clare College, Cambridge

	<i>Spendable</i>			<i>Capital</i>			<i>Total value</i>	<i>Interest due 2014/15</i>
	<i>Income</i>	<i>Payments</i>	<i>Cumulative unspent</i>	<i>Income</i>	<i>Payments</i>	<i>Cumulative value</i>	<i>YTD</i>	
All in £								
Balance b/fwd			0			1,021,007	1,021,007	
Income								
Transfer to Other Fund	0		0	(67,967)		(67,967)	(67,967)	
Specific donation				218,750		218,750	218,750	
Donations				11,480		11,480	11,480	
Unrealised gain	248		248	22,992		22,992	23,240	
Interest	35,735		35,735				35,735	42,674 (provisio
	35,983		35,983	185,255		185,255	221,238	
Expenditure								
Graduate hardship		162	162				162	
Home bursaries		22,500	22,500				22,500	
Undergraduate hardship		324	324				324	
		22,986	22,986		0	0	22,986	
Totals c/fwd	35,983	(22,986)	12,997	185,255	0	1,206,262	1,219,259	42,674

