****Accounting Guidance Notes:
Trust Funds**

Trust funds are established mainly through endowment gifts from benefactors and, to a lesser extent, through the University declaring trusts over its own funds, eg for matching funding purposes.

Each trust fund has an appointed board of management and a governing document, often but not always set out in the form of a Trust Regulation. The governing document records the terms of the trust, which determines the purposes for which the fund may be used and any other conditions that apply. Following a change of policy in 2010, many recent endowments are being held on flexible terms within the “broad purpose funds” of Oxford University Development Trust (OUDT).

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| **University policy*** Expenditure can only be charged against an endowment if it meets the stated purpose(s) of the endowment, as defined in its governing document.
* Where it is possible to charge expenditure against an endowment, this should be done before using other, more general sources of funding.
* Expenditure in excess of the amount available from the endowment, whether the endowment provides income only in the case of permanent funds or income and capital where expendable endowments are concerned, must be borne by the department.
* Expenditure should not be used to ‘balance up’ a department’s budget.
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Endowments will fall into one of four different accounting categories:

* Restricted Permanent endowments (Oracle Parent Code BC) – these are trust funds where the income is available for expenditure on particular restricted purposes.
* Unrestricted Permanent endowments (Oracle Parent Code BD) – these are trust funds where the income is available for general departmental use, but the capital cannot be spent.
* Restricted Expendable endowments (Oracle Parent Code BA) – these are trust funds where the income and (at the trustees’ discretion) the capital, is available for expenditure on particular restricted purposes.
* Unrestricted Expendable endowments (Oracle Parent Code BB) – these are trust funds where, generally speaking, the income and (at the trustees’ discretion) the capital, is available for general departmental use.

N.B. The ‘unrestricted expendable’ (BB) categorisation needs to be treated with caution, as it is also used for University matching funds that have been placed into trust for a restricted purpose and hence are legally restricted for that purpose. Such funds must **not** be used for general departmental purposes.

Balances on Oracle Natural Account codes 34400 ‘Endts Restrict Expend Capital’ and 34500 ‘Endts Unrestricted Expend Capital’ form part of the brought forward balance on expendable trust funds and is available to spend.

The guidance applies to all income and expenditure related to endowments and affecting departmental accounts.

**Accounting for trust funds**

Expenditure related to endowments will initially be charged to departments. Such costs need to be identified as being funded by an endowment by using the appropriate Oracle Source of Funds (SoF) code which starts with a ‘B’ in the case of traditional trust funds when booking the expenditure in Oracle. The Financial Reporting team will subsequently transfer income from the relevant trust fund ‘central’ account to the departmental account to match the expenditure that has been coded there at the ‘B’ source of funds level. Trust Fund expenditure matching takes place on a monthly basis and is operated by the Financial Reporting Team.

The posting of income accruals to B SOF codes is a breach of the trust fund accounting policy and ultimately results in incorrect matching. Please do not book such postings into Oracle. If you think it is necessary please send your justification for such postings to the Director of Technical Accounting & Reporting, Ben Heath (financial.reporting@admin.ox.ac.uk).

At year end, any unspent income relating to the trust fund will be rolled forward. This process is controlled by the Finance Division.

**Impact of not following University policy for Trust Funds**

If all relevant costs have not been charged against the endowment (or have not been clearly identified as such within Oracle, by not having been booked against the correct Source of Funds code):

* the department will be financially worse off at the year-end as it will not receive endowment income to cover the expenditure; and
* the endowment itself will build up an unspent revenue reserve which is likely to attract attention from the Trusts Management Board and auditors. It is an underlying principle of charity law that trust income needs to be spent within a reasonable period of receipt. The Board of Management has a fiduciary duty to form and execute plans to spend the revenue reserve.

**Trust Funds - Good Practice**

The following summarises Trust Fund Best Practice principles. The Trusts Administration team will be happy to answer any queries in relation to these principles:

* Departments should hold a record of the governing terms of all trust funds it administers, as set out in the relevant Trust Regulation or OUDT document.
* Each department should hold a copy of the ‘register of authorised signatories’ form for each of its trusts which is complete and up to date (and the latest signed copy filed with the Trusts Administration team).
* Expenditure should be authorised in line with these registers subject to such expenditure falling within the governing terms of the fund. Queries should be referred to Ellen Hudspith, Trusts Administrator (trusts@admin.ox.ac.uk).
* Available income is factored into departmental budgets and spent as soon as practicably possible and in line with trust obligations and University policy.
* Those dealing with Trust Funds are aware of the Trusts Administration website and have received Trust Fund training, as appropriate.

**Trust Fund Statements**

Trust Fund statements are prepared and issued by the Finance Division on a quarterly basis. Trust Fund statements are issued primarily to the authorised signatories listed in the ‘Register of Authorised Signatories’ form. As the statements contain confidential information, any requests to add, remove or amend contact details must come from a member of the board of management or authorised signatory. For details of the process please refer to the Trusts Administration website (<https://governance.admin.ox.ac.uk/financial-management-of-trust-funds>) or contact trusts@admin.ox.ac.uk.

**Who to contact if you have a query**

The [Trusts Administration](http://www.admin.ox.ac.uk/councilsec/trusts) website is a very useful reference for trust fund related matters.

For advice in relation to the establishment of new trust funds and endowments, please contact Trusts generic email address trusts@admin.ox.ac.uk.

Oracle Financials users may need to be set up with the responsibility ‘UO Trust Fund General Ledger Inquiry’. To arrange this please contact the Financial Systems Support Centre on (2)84800 or financials@admin.ox.ac.uk.

For accounting queries related to trust funds please contact Tanya Cosier on (2)70187 or tanya.cosier@admin.ox.ac.uk.

**Where to find further information in Oracle**

To obtain information on an endowment in between the issuance of trust fund statements, log into SplashGL with the ‘UO Trust Fund General Ledger Enquiry’ responsibility. This responsibility allows departmental users run reports and queries on any GL code, ie they are not limited to their own department’s accounts, so this is usually allocated to Administrators and Finance Officers. Users will need to ask the Financial Systems Support Centre to set up this responsibility if they do not already have it. This may take two working days.

To find the balance for a particular trust fund, download SplashGL template report called ‘Detail Trusts - Actuals Only’ and update the parameters as follows:

* under ‘Period’ type in period (make sure it is formatted as a text and not a date), the report is generated on a financial year-to-date basis, then
* enter a Source of Funds code.

You may wish to change the Refresh options, for example to Hide Zeros or to switch off auto-fit. Refresh the data in the worksheet and save the report as required.

An example of output from this report is below. This report shows both the Income and Expenditure and Balance Sheet entries for the trust fund. It is important to understand the information presented in the report to prevent Balance Sheet reserves from being spent incorrectly. For advice in this area, contact trusts@admin.ox.ac.uk.

 