Procedure: Special purpose funds

Purpose
To inform staff of the financial requirements for managing funds allocated for a special purpose.

Procedure

Types of Special Purpose Funds

1. External Funds:
   - **Sponsored Research:** Grants for sponsored research are received through a competitive process and, while the research may be basic or strategic, it is usually not concerned with immediate commercial outcomes.
   - **Collaborative Research and Development:** Collaborative Research and Development grants involve jointly sponsored research projects between the University and a partner.
   - **Contract Research:** Contract research results from a direct request by industry or a government agency, from competitive bidding, or from the production or development of a product of direct interest to an agency or industry.
   - **Consultancy:** A consultancy involves buying the skills and expertise of staff and equipment to work on a specified project.
   - **The Endowment for Excellence:** The Endowment for Excellence has been established by University to provide an independent source of income for the University’s many long-term activities. Further information, including Statutes, Rules and operating Guidelines can be obtained from the Alumni Relations & Philanthropy.

2. Discretionary Funds:
   - **Gifts for Specified Purposes:** Monetary gifts to the University for a variety of purposes, as specified by the donor and agreed to by the University, are exhausted by their use. They are distinguished from endowment funds in that there is no notion of preserving capital.
- **Interest Income**: Income earned on Special Purpose Funds cash balances and investments may be used for specific teaching and research projects.

- **Sale of Goods and Services**: Funds received from the sale of goods and services include: conferences (other than those sponsored externally); royalties; sale of publications; continuing education activities; construction of apparatus; licensing fees; sitting fees; and hire and lease fees.

### Divisions in the ledger (S, Q and E)

3. The balances for Special Purpose Funds are maintained for the life of the fund. Assets, liabilities, and capital balances are carried forward in the opening balance. Balances for Income and Expenditure are also carried forward.

4. Each new Special Purpose Fund is allocated a unique ledger code being a combination of Fund code (S, Q or E), Department code and Project code.

5. Funds must be identified in the S Ledger segment where: there is a contractual obligation to undertake a task or series of tasks that has been funded by an external body; the University is contractually bound to provide ongoing reports of the projects progress; and/or the University is obligated to return to the donor (external body) any balance of funding that had not been expended in the terms of the contract.

6. Funds appearing in this segment are treated as income in the year of receipt and any return of unexpended funds is recorded as an expense in the year that reimbursement occurs. Typically the 'S' Ledger segment records income and expenditure relating to grants for: sponsored research; and collaborative research and development.

7. Funds may be reported in the Q ledger segment where: there is no requirement for the University to acquit expenditure, or there is a requirement for financial reporting, however, there is no requirement to return unspent funds.

8. Typically the 'Q' Ledger segment can record income and expenditure arising from: contract research; consultancies and other fee for service type contracts; scholarships; and the sale of goods and services.

9. Funds with a requirement to have the capital preserved and relate to The Endowment for Excellence, and must be reported in the E ledger segment.

10. The cash balance of funds in this segment reflects ownership by the University and forms part of the reported equity of the University.

11. The funds in the 'E' ledger are typically divided into four categories: scholarships and prizes; the ANU Excellence and Renewal Program; named
foundations to support defined disciplines or activities; inter-institutional relationships for activities of mutual interest with other institutions.

12. Funds in the 'E' ledger come from individuals, institutions, corporations, professional practices and philanthropic organisations. Individuals may also make bequests from their estate.

Activities excluded from Special Purpose Funds

13. The following activities/funding types must not be accounted for in special purpose funds:

- **Agency Funds**: The University's powers to administer moneys are limited by its Act. Moneys belonging to external agencies, incorporated bodies and bodies with their own ABN's cannot be managed by the University, or included in its financial statements.

- **Gifts in Kind**: Gifts in kind other than financial ones (cash and securities) are part of General University Activities and are therefore not included in, nor managed through, Special Purpose Funds.

- **Recurrent Transfers**: Contingencies and savings from recurrent funds are not part of Special Purpose Funds and should not be transferred into the Q or S ledger. Cash transfers to the Q ledger from the R ledger are not permitted unless approval has been received from the Director F&BS or if the transfer is for payment of goods and services. Examples of goods and services that are allowed are sample analysis, equipment usage and repairs. These transfers are only allowed if the salaries and consumables for the laboratory, workshop or equipment related to the goods and services are charged to the same Q fund to which the income is being journalled.

- **Reserves**: Moneys set aside for capital items, such as building funds or for the purchase of specialised or large equipment items, are not part of Special Purpose Funds.

- **University Business Units**: Special Purpose Fund activities are distinguished from University Business Units (accounted for in the “T” ledger) in that the latter are predominantly self-funding, self-supporting, on-going activities of the University. The University Business Units operate under the University's control to provide certain goods and services for students, staff and members of Convocation.

14. Allocation of interest to Special Purpose funds:

- The interest earned on funds is distributed to a single account in the 'Q' Ledger segment of each Budget Unit.
The University usually owns the income earned on all moneys invested, including Special Purpose Funds of all types. However, specific contracts can require interest earned on project funds to be regarded as forming part of the project funding. Where a project is identified as having this condition attached, then periodic interest is credited from the budget unit interest pool to the fund at the same rate as earned by the budget unit interest pool (note this rate is determined by the F&BS Investment Office with reference to the University’s monthly interest earnings).