



Endowment Fact Sheet

Why have you produced this fact sheet?

One of the fundamental objectives of the Foundation is to build up long term financial security for the School which includes the establishment and promotion of endowments. Our endowment strategy focuses on the development of 2 major funds:

- A Scholarship and Bursaries fund
- A General fund

There are different ways of leaving a legacy or making a significant gift in the form of an endowment and, although these funds can provide a very valuable source of income in perpetuity, there are some significant regulations restricting their expenditure that are worthy of note. As we have had an increasing number of donors asking about the option of endowments recently we have put together this fact sheet to provide further general information and to outline the Foundation policy in particular.

What are the advantages of giving an endowment?

Individuals who are planning to donate a significant gift or leave a larger legacy might wish to consider an endowment. This means that the capital gifted to the Foundation is protected and only the interest or dividends generated through investments are available for expenditure.

In schools these endowments are nearly always gifted with one of two restrictions.

- Either the best use of the funds as approved by the Trustees, giving them discretion to fund priority projects at any one time (ie a General fund) or
- For dedicated support of scholarships and bursaries such as the Roger Lupton Scholarships.

How will the value of my endowment be maintained over time?

Some schools still have endowments that were pledged hundreds of years ago, for example £100, the interest from which would have paid for the school fees of many pupils in the 1700's but these days wouldn't even cover uniform costs. These endowments become difficult to manage and lose their relevance.

In order for these large legacies to maintain their significance over time - as costs inevitably increase - and to protect their value the Trustees can reinvest an element of the income generated from the endowed fund in line with cost increases eg. cost of fees. This action reduces the immediate value of the endowment income to the School but reassures the donor that the value of their gift will last in perpetuity and be as relevant in 100 years as it was when it was made.

Thus if a legacy were endowed with a value of £100,000 and it generated £5,000 p.a but fees had increased by 2% over the year then the Trustees might allocate £3,000 to the scholarship fund and reinvest the other £2,000 to maintain the capital value of the endowment.

This also means however that – should the investment actually lose money over the year – then no contribution from the fund would be made to the School.





Can the capital be spent?

Before Trustees can spend any capital associated with an endowment they are required to get permission from the Charity Commission. This may be granted for example

- where the original endowment was restricted and that purpose is no longer relevant or
- where the charity has an urgent need for funding or to protect its long term sustainability.

However, donors are able to specify that they are happy for the endowed capital to be lent to the School at an agreed interest rate to support a particular funding requirement agreed by the Governors. This would temporarily restrict the investment income that was generated by the fund but, as the loan was repaid, this income would revert to its previous levels. This option provides a significant benefit when the amounts of capital are substantial as it can provide the School with a valuable source of funding for major one-off improvements such as refurbishing or building a new boarding house and creating new technology or performing arts centres.

We naturally hope that most donors might be prepared to allow the use of their donations in this way.

What is the current situation regarding the Foundation endowments?

The Foundation has recently received two large gifts which are held as endowments plus two large legacy pledges. The donations received to date are

held in a separate fund by our current investment managers and have been dedicated to supporting the scholarship and bursaries programme. Any future endowment donations will similarly be held in a separate fund and be allocated either to the scholarship and bursaries fund or the general fund, depending on the donor's preference. Although the funds generated by these endowments can be allocated in memory of an individual the School is keen to limit the total number of endowment funds to maximise efficiency.

What are your aims for the Scholarship fund?

Our long term ambition for the Scholarship fund is to generate a sufficiently large endowment to provide two new pupils per year with significant bursaries on the same principle as the Roger Lupton Scholarships. Current gifts and pledges to the Scholarship fund are likely to total around £1.8m which, at 4% interest p.a., would generate around £70k per annum. Ideally over the next ten years we would like to try to establish a Scholarship endowment of around £4-5m to generate the investment to support up to ten pupils in the School whilst allowing for the reinvestment of a percentage of the capital to keep the endowment in line with current fee levels.

Further information

If you would like to consider making a gift or leaving a legacy in the form of an endowment, please contact the Foundation Director who would be happy to discuss your best options.

Registered charity no. 1176189

REPLY SLIP

Yes, I would like more information about endowments.

Name: _____

Address: _____

_____ Post Code: _____

Tel No: _____

Email: _____

Please return this in the freepost envelope provided or post to:

**Sedbergh School Foundation
Freepost NAT 10132, Sedbergh School,
Cumbria LA10 5BR.**

If you have any questions or need any further information about the scheme please contact Richard Witt, Foundation Director on 015242 79217