

# Directive for the management of reserves at the Ecole polytechnique fédérale de Lausanne

LEX 5.1.2

of 1<sup>st</sup> august 2020, status as at 12 July 2021

*The Direction of the Ecole polytechnique fédérale de Lausanne,  
based on the directive du Conseil des EPF concernant la politique en matière de réserves dans le  
Domaine des EPF of 12<sup>th</sup> December 2019,  
based on the EPFL Financial Regulations (Lex 5.1.1),  
hereby adopts the following:*

## **Section 1            General provisions**

### **Article 1    Objectives and scope of application**

<sup>1</sup> EPFL hereby issues a directive for the management of reserves with the following objectives:

- clarification of the definitions of the terminology related to reserves;
- definition of roles and responsibilities in terms of planning and use of reserves, and in terms of accounting classification between free and dedicated reserves;
- definition of the reference values which govern the total level of EPFL reserves and the associated monitoring and reporting process.

<sup>2</sup> The present directive for the management of reserves applies to EPFL and concerns the reserves which appear as equity in the EPFL accounts.

### **Article 2    Definitions**

<sup>1</sup> Dedicated reserves

Reserves for which the future usage is clearly quantified, with a start and end date, and for which the future usage is recorded by a decision by the Direction of EPFL or a contract with one or more third party donors<sup>1</sup>.

<sup>2</sup> Free reserves

Reserves for which there exist no external or internal obligations which could limit the decision-making freedom surrounding their usage<sup>2</sup>.

<sup>3</sup> VPF means Vice Presidency for finances.

<sup>4</sup> RFF means Head of Finance and Controlling, for Schools, Colleges and Vice Presidencies.

## **Section 2            Roles and responsibilities**

### **Article 3    Reserve management and responsibility**

Management and responsibility for reserves are decentralised:

- The first reason for the constitution and maintenance of reserves is to anticipate and cover risks. This objective is under the responsibility of each Head of Unit, and the Head of Unit to which he/she is attached;

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<sup>1</sup> Detailed rules are laid out in the *Manuel de présentation des comptes pour le Domaine des EPF* (French only), section 4.22 – *Réserves affectées*, which covers the accounting rules relating to dedicated reserves.

<sup>2</sup> Detailed rules are laid out in the *Manuel de présentation des comptes pour le Domaine des EPF* (French only), section 4.23 – *Réserves libres*, which covers the accounting rules relating to free reserves.

- The second reason for the constitution and maintenance of reserves is to have flexibility to finance strategic projects or the launching of new initiatives, with the approval of the Dean, College Director or the Vice President in charge<sup>3</sup>;
- The allocation of reserves by central services for a transversal project is subject to a decision by the Direction.

## **Article 4    Accounting classification of reserves (free or dedicated)**

<sup>1</sup> The accounting classification of free or dedicated reserves meets the detailed criteria defined in the *Manuel comptable du Domaine des EPF* (French only). The classification of dedicated reserves has to be supported by a contract with a third party or a decision by the Direction.

<sup>2</sup> To transfer funds from a free to a dedicated reserve, Deans, College Directors or Vice Presidents make a proposal to allocate free reserves for a strategic project. All proposals are submitted to VPF for prior approval; VPF will check that they comply with the conditions defined in the *Manuel comptable*, that they refer to projects that are concrete, detailed, scheduled to start in the following few months and to be completed in the following few years. Once pre-approved by VPF, the demands are submitted to the Direction for validation on a quarterly basis within the context of the quarterly financial report.

<sup>3</sup> If the Direction validates them, the Vice President for Finances effects the transfer of the corresponding funds to dedicated reserves, making sure that they are supported by appropriate documentation.

<sup>4</sup> Once classified as dedicated reserves, the corresponding funds are under the responsibility of the Unit in charge of the project, under the conditions agreed upon within the context of the Direction's decision concerning the aim, amount and deadline. RFFs and the VPF will as well perform regular controls, and may require all or part of the money to be transferred back to the reserve fund of the unit, and/or the corresponding dedicated funds to be closed, if significant deviations occur.

## **Section 3            Multi-year planning**

### **Article 5    Multi-year planning and the development of reserves within the budgetary process**

<sup>1</sup> As part of the annual budgetary process, each Vice Presidency and School prepares a projection of the evolution of its free and dedicated reserves for the time period specified in the budget instructions.

<sup>2</sup> The VPF consolidates the projections and establishes an EPFL-wide view, which is discussed and validated by the Direction as part of the budget process.

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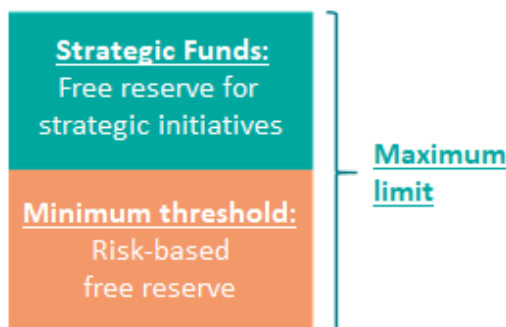
<sup>3</sup> In accordance with Lex 5.1.1 (Financial Regulations), a request for the opening of a new project fund is submitted to the Controlling Service of the Vice Presidency for Finances if the amount exceeds CHF 50,000, in order to allow for the subsequent monitoring of the project. If the amount is below CHF 50,000, it is monitored through the designated fund of the Unit.

## **Section 4**      *Reference values for free reserves for EPFL as a whole<sup>4</sup>*

### **Article 6    General**

<sup>1</sup> Pursuant to Article 5 of the directive for the ETH Domain, three indicative values are defined for the total free reserves of EPFL: the risk-based amount (minimum threshold), the strategic fund, and the cumulative amount, the later amount being the sum of the first two values.

<sup>2</sup> Ranges are proposed for EPFL by the Vice President for Finances and validated by the Direction for each of the three indicative values; these ranges make it possible to set a lower value and a target value. The sum of the target values to cover risk and the strategic fund make up the maximum limit.



### **Article 7    Risk-based free reserve (minimum threshold)**

The minimum free reserve must make it possible to cover the main risks to which EPFL is exposed as a whole, which notably include:

- Risk of having to cover the salary of employees involved in a project in the case of loss of third party funding;
- Currency risks, notably EUR/CHF on European projects;
- Risk of loss of revenue in the case of economic downturn, for instance revenue related to workspace and office rental activities;
- Risk of having to absorb non-eligible costs with respect to the rules governing third party funding or in exceptional circumstances (closure of laboratories, pandemics, etc.);
- Constitution of a start-up fund for a new professor in the case of the unannounced departure of another professor;
- Financing for self-insured damages / accidents which affect scientific equipment or infrastructures;
- Risks related to the provision of certain cover for employees, for which EPFL is self-insured.

### **Article 8    Free reserves for strategic initiatives (strategic fund)**

EPFL's strategic fund is notably intended to cover specific, time-limited initiatives, which notably include:

- Funding, launching of strategic projects which are strictly time-limited;
- Funding of the first months or years of salary for a professor who has been recruited in anticipation of the departure of another professor;

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<sup>4</sup> Rules applicable for the Shools, Colleges and individual units are set forth in Section 5.

- Funding temporary high expenditures in infrastructure, technical or scientific equipment, which are typically cyclical.

## **Article 9 Process for the annual updating of reference values**

The VPF regularly reviews the reference values for EPFL and suggests adjustments on an exceptional basis, if necessary. New reference values are subject to validation by the EPFL Direction.

## **Article 10 Corrective measures for if a reference value threshold is crossed**

<sup>1</sup> If either the higher or lower reference value thresholds are crossed, the EPFL Direction shall implement corrective measures, either in order to reconstitute the reserves, should the minimum threshold have been crossed, or in order to plan the allocation of reserves, should the maximum threshold have been crossed.

<sup>2</sup> Pursuant to Article 7 paragraph 3 of the directive for the ETH Domain, if the free reserves cross the maximum limit value for two consecutive years, the EPFL Direction shall notify the ETH Board of detailed measures taken in order to reduce this reserve.

## **Section 5 *Maximum reserve funds in certain categories of units***

### **Article 11 Absence of reserve funds in Vice Presidencies**

<sup>1</sup> The Presidency and Vice Presidencies do not have their own reserve funds, which are pooled in the Direction's reserve.

<sup>2</sup> The procedure for specific funding in case of sudden or unforeseen situations is the following:

- a) Each VP submits to the VPF a request for specific funding via the Direction's reserve;
- b) The VPF is empowered to approve such requests up to KCHF 500 per VP per year, provided that such requests correspond to the coverage of sudden and unforeseen situations;
- c) Any request by VPF for funding via the Direction's reserve must be addressed to the President under the same conditions as for the other VPs;
- d) Beyond KCHF 500 and/or in case of disagreement between the VPF and the VP who made the request, the request will be submitted to the Direction.

### **Article 12 Maximum reserve funds in Schools and Colleges**

<sup>1</sup> The maximum level for the total of all the reserve funds of each School or College shall be 20% of the core budget of the previous year (envelopes A, B, D) as of 31.12.2024<sup>5</sup>.

<sup>2</sup> A plan for spending the reserves, ensuring that the 20% cap is reached and maintained, must be prepared by the Dean and RFF of each School or College, and presented annually to the Direction as part of the budget process.

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<sup>5</sup> Rules for a transition from January 1st, 2022 through Decembre 31<sup>st</sup>, 2024 are set forth in Article 17 below.

<sup>3</sup> Any amount above the maximum level defined in article 12 alinea 1 will be transferred to the Direction's reserve. This transfer is coordinated by the VPF with RFFs during the first quarter, based on the amounts at the end of the last calendar year <sup>6</sup>.

## **Article 13 Maximum reserve funds in research labs**

<sup>1</sup> The maximum level of the reserve fund of each lab is KCHF 200 from January 1<sup>st</sup>, 2023 <sup>7</sup>.

<sup>2</sup> Reserves beyond the maximum are transferred to the reserve fund of the Deanship once a year during the first quarter. This transfer is coordinated by the RFF of each School or College with the support of the VPF, based on the amounts at the end of the last calendar year.

<sup>3</sup> The above rules can be adapted by the Schools and Colleges for specific categories of units if duly justified (eg: units financed solely by third-party funds, which do not receive an annual budget), and additional rules can be determined for other categories of units (institutes, sections, platforms, "gestion") to enable the School or College to keep the total of its reserve funds below the maximum. These adaptations are submitted by the Dean or RFF of each School or College to VPA and VPF, approved by them, and included in an appendix to this Directive.

## **Section 6            Reporting**

### **Article 14 Quarterly reporting to the Direction**

The VPF presents the development of all of the reserves through the quarterly financial report to the Direction<sup>8</sup>, highlighting the key points in relation to the previous reporting.

### **Article 15 Annual reporting to the ETH Board**

Pursuant to Article 7 paragraphs 1 and 2 of the directive for the ETH Domain, at the beginning of each year, the VPF shares with the EPFL Direction and the ETH Board a report explaining the development of the reserves in comparison with the previous year (rises, drops, transfers), the situation in relation to the reference values and the trends anticipated for the coming years.

## **Section 7            Final provisions**

### **Article 16 Entry into force**

The present document came into force on 1<sup>st</sup> August 2020 (version 1.0), status as at 12<sup>th</sup> July 2021 (version 2.0).

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<sup>6</sup> Example: If a faculté has 65% of reserve end of 2021, any amount higher than 50% end of 2022, 35% end of 2023, 20% end of 2024 will be transferred to the Direction's reserve.

<sup>7</sup> During a transition period, between January 1<sup>st</sup> 2022 from January 1<sup>st</sup>, 2023, this limit is set at KCHF 400

<sup>8</sup> The amount of certain reserves, only updated at the time of the annual financial closing, is subject to estimations made for reporting purposes throughout the year.

## **Article 17 Transitional provisions**

During a the transisition period until December 31<sup>st</sup> , 2024, the maximum levels of free reserves in schools and colleges referred to in Article 12, alinea 1, are as follows :

- by January 1<sup>st</sup> 2023: 20% of the core budget of the current year (envelopes A, B, D) + (actual level end of 2020 - 20% of the core budget of the previous year) x 2/3;
- by January 1<sup>st</sup> 2024: 20% of the core budget of the current year (envelopes A, B, D) + (actual level end of 2020 - 20% of the core budget of the previous year) x 1/3

On behalf of the EPFL Direction:

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