

# Reserves Policy

<b>Approved by:</b>	Board of Trustees
<b>Date of approval:</b>	2 February 2021
<b>Implementation date:</b>	2 February 2021
<b>Review date (no later than):</b>	2 February 2024
<b>Responsible for implementation:</b>	Chief Executive
<b>Responsible for interpretation:</b>	Board of Trustees

*City, University of London Students' Union is a registered charity (charity number 1173858). It is a company limited by guarantee registered in England and Wales (company number 10834450), whose registered office is at Cx118 (Tait Building), Northampton Square, Islington, London, EC1V 0HB.*

## Reserves Policy

### 1.0 Introduction and Background

- 1.1 This policy will provide guidance to the Board of Trustees and the Senior Management Team for when making significant decisions that may affect the Union reserves levels.
- 1.2 As defined by the Charity Commission, 'reserves are that part of a charity's unrestricted funds that is freely available to spend on any of the charity's purposes. This definition excludes restricted income funds and endowment funds, although holding such funds may influence a charity's reserves policy. Reserves will also normally exclude tangible fixed assets such as land, buildings and other assets held for the charity's use. It also excludes amounts designated for essential future spending.'
- 1.3 Reserves are primarily needed for two main reasons:
- (a) To enable organisations to finance unforeseen costs or deal with the impact of reductions in anticipated income, or help them deal with seasonal variations; and
  - (b) To finance the costs of specific projects, including capital expenditure.
- 1.4 Many charities start with 3-6 months running costs as a target. Unions can, in practice, often run at a slightly lower level than this. They also have more certainty than most other charities in relation to the continuation of funding, as the Education Act 1994 currently imposes a duty on the University to ensure the financial viability of its student representative body.
- 1.5 The Union has limited commercial operations so its income, in theory, is very predictable.

### 2.0 Reserves Policy

- 2.1 The Union believes it is prudent to work towards achieving a reserves position of 4 months of block grant funded activity. This provides some security for the Union financially and is considered a 'prudent' minimum level.
- 2.2 Due to the closure of the campus this year we are able to increase our reserves beyond the minimum level; in future years 4 months of block grant will be kept in reserves.

### 3.0 Current Union Position

- 3.1 Based on block grant funded activity of £956,000 in 2020/21, 4 months running costs would require the unrestricted reserves to stand at £318,667
- 3.2 When the charity was established in 2017, it inherited a reserves position of £59,345 of unrestricted funds. It also inherited a restricted reserves position of £29,380.

### 4.0 Using the Reserves

- 4.1 Trustees may consider the need to invest reserves. In this situation, the Trustees should only invest reserves in a way that they will still be readily available as cash if required. Currently the reserves are held in a 95-day notice account.

- 4.2 Trustees may consider the need to spend reserves if they become 'excessive', as required under charity law. In this instance they may only be used to further the charitable purposes of the Union.