

<b>Approved by:</b>	Board of Trustees
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<b>Review date (no later than):</b>	06 March 2027
<b>Responsible for implementation:</b>	Head of Finance / Chief Executive
<b>Responsible for interpretation:</b>	Board of Trustees

# Reserves Policy

## 1.0 Introduction and Background

- 1.1 This policy will provide guidance to the Board of Trustees and the Senior Leadership 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 currently has limited commercial operations so its income, in theory, is very predictable. This is under review as potential institutional changes may impact on this.

## 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, including funding for the provision of sport. This provides some security for the Union financially and is considered a 'prudent' level. The Union will aim to ensure it maintains a minimum level of reserves of no less than 3 months of block grant funded activity, unless the Trustees determine it is suitable for a period of time to ensure the continuation of Union activity, the delivery of the Union strategy or to reduce risk.

## 3.0 Current Union Position

- 3.1 Based on block grant and sport funded activity of £1,606,724 in 2023/24, 4 months running costs would require the unrestricted reserves to stand at £535,575.

## **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.
- 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.