



RESERVES POLICY

Officer Champions	President (Engagement & Sports) Students' Union President
Staff Champions	Head of Business & Development Chief Executive Officer
Approval bodies and date passed	Finance & Risk Sub-Committee - 18th January 2024 Board of Trustees - 29th January 2024
To be reviewed by	January 2027

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1. Preamble

- a. This Policy will provide guidance to the Board of Trustees and the Finance & Risk Sub-Committee when considering annual budgeting, capital expenditure, or other significant financial decisions that may affect the Union's reserve levels and to aid strategic planning and budgeting processes.
- b. The Policy is based on legal requirements and advice from the [Charity Commission](#).

2. Purpose

- a. The Charity Commission advises that charities should develop a reserves policy that:
 - i. Fully justifies and clearly explains and justifies the keeping or not keeping reserves, also covering 'excess' reserves;
 - ii. Identifies and plans for the maintenance of essential services for beneficiaries;
 - iii. Reflects the risks of unplanned closure associated with the charity's business model, spending commitments, potential liabilities and financial forecasts; and
 - iv. Helps to address the risks of unplanned closure on their beneficiaries (in particular, vulnerable beneficiaries), staff and volunteers.

3. Definition of Terms

- a. **Total Reserves** - the Union's total reserves are calculated by total assets, less total liabilities. Included in this are all 'Restricted', 'Unrestricted', and 'Designated Funds' as defined below.
- b. **Restricted Funds** - refers to funds which are restricted for use on specific purposes / for a particular cause. This is a legally binding principle underpinning fundraising activities.
- c. **Unrestricted Funds** - refers to funds which can be used for any appropriate purpose by the charity at their discretion, provided it is used to meet their aims and objectives as outlined in the charity's governing document. These unrestricted funds are further segregated into 'Designated Funds' and 'General Funds'.

- d. **Designated Funds** - refers to unrestricted funds which have been formally Designated by the Charity's Trustees to particular projects/activities. These funds remain unrestricted and can be drawn down or undesignated by the entity at their own discretion, however, the intention is that they are isolated and treated as separate funds and balances for each individual project/activity (e.g. Sports and Society Membership funds).
- e. **General Funds** - calculated as 'Total Reserves', less the balance of any 'Restricted Funds' and 'Designated Funds'. The General Funds are considered to be the Operational Reserves / Funds for the day-to-day activities of the Union.
- f. **Cash Reserves** - the balance of Cash and easily convertible liquid assets (specifically: trade debtors), net of Short-term Liabilities (specifically: trade payables) and are available to be used to meet short-term expenditure.
- g. **Financial Year** – 1st July to 30th June each year, which is different to the University's financial year.

4. Operating Environment

- a. The Union operates in a Higher Education sector that is significantly less stable than has historically been the case:
 - Tuition fees have been static since 2012, and this looks to be the case in the medium term;
 - Inflation, although now much lower than in 2022/23, is still significant and eroding the real value of income; and
 - The opportunities for generating revenue from non-charitable purpose activity continue to be limited and challenging for Christ Church Students' Union, as is the case for many other SUs; however
 - As a largely non-commercial students' union, and via our structural relationship with the University, income and expenditure are predictable on an annual basis via the Financial Memorandum with the University and annual grant income is agreed months in advance of the first payment falling due.
- b. The Union's most significant outgoing is on staff salaries and on-costs. The Union is responsible for the payment of regular salaries, on costs, and the costs of planned structural changes from funds held by the Union. In the unlikely and catastrophic event of an unplanned closure of either the Union or the University, the University would be liable for any monies outstanding to employees and pension schemes. As such, it is not considered necessary or reasonable for the Union to factor into this Policy funds to cover an unplanned closure event.
- c. The Union considers that a certain level of Cash Reserves should normally be maintained to safeguard the Union against unexpected expenses or short to medium-term shortfall in income. This minimum amount to be designated for the Cash Reserves level will be established as an amount sufficient to maintain ongoing

operations for a set period of time, taking into consideration the guaranteed income from the Financial Memorandum with the University applicable at that time. The Cash Reserves serve a dynamic role and will be reviewed and adjusted in response to internal and external changes and taking due consideration of the Union's Risk Register.

5. Target Reserves

- a. The Union's target reserves policy should ensure that General Funds (as defined in section 3) do not fall into a Net Deficit position at any point during the Financial Year. General Funds have been selected for the Target Reserves Policy to ensure Designated Funds remain segregated from the daily management and operations of the Union.
- b. The Union's target reserves should ensure there are sufficient Cash Reserves to meet the estimated non-salary expenditure for a minimum period of 12 weeks:
 - i. The period length has been determined on the premise that 12 weeks would provide sufficient time to re-evaluate and significantly reduce costs as well as allow time to source alternative funding or income to meet any liabilities arising.
 - ii. The estimated expenditure levels for a 12-week period are calculated as annualised non-salary expenditure divided by 52 weeks. This annualised calculation method ensures a prudent approach is taken as it allows for fluctuating expenditure levels throughout the year on an average basis.
 - iii. Salary costs are excluded from this calculation on the basis that the party liable for payroll expenditure and duties officially falls with the University as indicated in 4b above.
 - iv. For 2024/25, the total non-pay budgeted expenditure is £248k. The Cash Reserves target for the above-referenced period is therefore £57k.

6. Current Reserves

- a. As of 30th June 2024, the Union's General Funds were in a Net Asset position and totalled £139,606.
- b. As of 30th June 2024, the Union's Cash Reserves were £280,059.
- c. These levels of reserves are considered to be healthy and compare favourably with other students' unions and those of comparable charities, and although in excess of the minimum target, trustees consider this to be prudent given the external uncertainties in the HE sector, the Student Hub Expenditure in 2023/24 and the items identified on the Union's Risk Register.

7. Using Reserves

- a. The proper use of reserves is detailed in the Financial Procedures, the Delegation of Authority, and the Financial Memorandum with Canterbury Christ Church University.

- b. Trustees may consider the need to invest reserves. Trustees should only invest reserves in a way that they will still be readily available as cash if required.
- c. 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.