

CHRIST CHURCH
STUDENTS'
UNION



'to better student life and enrich student experiences'

RESERVES POLICY

Officer Champions	President (Development) Students' Union President
Staff Champions	Chief Executive Head of Finance & Business
Approval bodies and date passed	Board of Trustees, 18th October 2019
To be reviewed by	October 2021

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1. Preamble

- a. This Policy will provide guidance to the Board of Trustees and the Finance & Risk Committee when considering capital expenditure or significant decisions that may affect the Union reserve levels and to aid strategic planning and budgeting processes.
- b. The Policy is based on legal requirements and the advice from the [Charity Commission](#).
- c. The Policy should be submitted with the Charities SORP accounts along with an explanation of the current reserves of the Union and how the Reserves Policy is being adhered to.

2. Definition of Terms

- a. **Annual Report** – means the Trustees Annual Report prepared under the Charities Act.
- b. **Charities SORP** - Charities Statement of Recommended Practice prepared by the Charity Commission in 2005 sets out the recommended practice for preparing the trustees' annual report and accounts.
- c. **Articles of Association** – this is the main governing document of Christ Church Students' Union which sets out its purposes and how it is managed.
- d. **Trustee** – a charity trustee of Christ Church Students' Union. These are the people who are individually and collectively responsible, both morally and legally, for the control and stewardship of the Union.
- e. **Reserves** – money the Union has set aside to ensure financial stability in the event of a significant adverse effect on income or a large unexpected expenditure. Examples could be the withdrawal of funding by the University or a significant exceptional employers pension contribution request.

- f. **Unrestricted Reserves** - reserves available to the Union's trustees to spend on the charitable purposes of the Union. They do not include any endowments, restricted or designated funds, nor do they include funds that could only be realised by disposing of fixed assets or stock in trade (or working capital).

3. Aims and Objectives of this Policy

- a. This Policy has the following objectives, some of which are legal requirements and some are considered best practice;
 - i. Charity law requires any income received by a charity to be spent within a reasonable period of receipt. Excess reserves can tie up charity money that by law should be spent on the charitable purposes of the Union, but insufficient reserves put the Union's solvency and the future of achieving stated charitable objectives at risk. This Policy sets out the target reserves and the rationale for that target.
 - ii. Union funds must be used appropriately, prudently, lawfully and in accordance with the Unions' purposes for the public benefit as outlined in the Articles of Association. This Policy sets out how Christ Church Students' Union will use funds prudently and lawfully.
 - iii. Trustees of Christ Church Students' Union should be able to justify the holding of income as reserves. This Policy will enable trustees to do this, whilst remaining accountable to the main stakeholders and funders of the charity and to members.

4. Operating Environment

- a. The Union operates in an Higher Education sector that is less stable than has historically been the case and so can no longer have certainty over future funding. The opportunities for generating revenue from non-charitable purpose activity continues to be limited and challenging.
- b. Block Grant income - this is linked to FTE student numbers grew steadily until 2016, but due to fluctuating student numbers this has reduced significantly since.
- c. Trading - the subsidy for the commercial and operation services of the St. George's Centre are the responsibility of the University. This has removed a significant financial risk from the Union and reduced the need to hold large sums in reserves.
- d. Premises - the Union moved into a brand new development, the St. George's Centre, in August 2012 and so will have no significant need to invest in buildings or facilities in the near future.

5. Using Reserves

- a. The proposer use of expenditure or 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, in this situation the 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.
- d. For the Union to make a deficit prior consent of the University, under the Financial Memorandum, is required.

6. Reserves Policy

- a. The Union is currently exploring new commercial opportunities and may directly employ staff in the future as this is a stated objective in the Union's Strategic Plan. Both of these ventures expose the Union to significant additional financial risk.
- b. It is proposed that Christ Church Students' Union should hold in reserve a minimum of 15% of annual grant income. In 2019/20 this equates to £112k (2018/19 = £107k).

7. Current Reserves

- a. As at 31st July 2019 the reserves net of restricted or designated funds were £229,529 (2018 = £216,128), equating to 31% (2018 = 30%) of annual grant income for 2019/20.
- b. These levels of reserves are considered to be very 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 and the items identified on the Union's Risk Register.