

CHRIST CHURCH
STUDENTS'
UNION



**'to better student life and enrich student experiences
at Canterbury Christ Church University'**

RESERVES POLICY

Officer Champions	Students' Union President President (Sports)
Staff Champions	Managing Director Finance Manager & Company Secretary
Approval bodies and date passed	Board of Trustees, 6th May 2016
To be reviewed by	May 2018

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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 a sector that is less stable than has historically been the case and so can no longer have certainty over future funding. However, unlike a many charities we do not rely on fluctuating income from donations which is even more unpredictable.
- b. Block Grant income - this is linked to FTE student numbers and has been stable in the past, but it is anticipated this may not be the case in the future.
- 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 or expenditure 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, 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. If the use of reserves results in a financial deficit then this requires prior consent of the University under the Financial Memorandum.

6. Reserves Policy

- a. The Union is fortunate to have a relatively stable and predictable funding model, save fluctuation of student numbers.
- b. However, the Union is currently exploring new commercial opportunities and has a desire to directly employ staff within the next 18 months. Both of these ventures expose the Union to significant additional financial risk. In light of these commitments it would not be prudent to embark on a policy of significantly reducing the current level of reserves.
- c. It is proposed that Christ Church Students' Union should hold in reserve 15% of annual grant income. In 2015/16 this equates to £114k.

7. Current Reserves

- a. Christ Church Students' Union had approximately £195k in reserves in February 2016. This represents 25% of gross block grant income or 13 weeks of trading in the event of Canterbury Christ Church University withdrawing funding.
- b. These levels of reserves are considered to be healthy and compare favourably with other students' unions and those of comparable charities where reserves tend to be held of between 10-12% of annual income.