

THE STUDENTS' UNION (THE SU) RESERVES POLICY

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Purpose

The purpose of the free reserves for The SU is to help ensure the long-term ability of the organisation to meet its mission. The SU will maintain free reserves to achieve the following objectives:

- to designate to specific projects to enable these to be undertaken at short notice;
- to protect The SU against adverse economic conditions within commercial operations; and
- to provide a fund for capital replacement or refurbishment.

The free reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap.

SU Reserves

The SU's total reserves is calculated by its total assets less liabilities. Included in this is a number of assets which can only be used for a specific charitable purpose, for e.g. Society membership income or alumni funding. These are classed as restricted funds and are accounted for separately.

The Reserves policy focuses on the remaining reserves which are known as unrestricted. Some of these unrestricted reserves are tied up in tangible fixed assets and stock, and some have been designated for a specific purpose of the SU's choosing e.g. Volunteer group income. Removing these commitments leaves us with the unrestricted 'free' reserves which are the funds available for any use in line with our charitable objectives.

Free Reserves

The SU considers that a certain level of free reserves should normally be maintained to safeguard the SU against unexpected expense or shortfall in income. This minimum amount to be designated for the free reserves level will be established as an amount sufficient to maintain ongoing operations and programs for a set period of time. The free reserves serve a dynamic role and will be reviewed and adjusted in response to internal and external changes.

The target minimum free reserves for the Financial Year 2021/22 are set at £150,000 which was lowered in response to COVID-19.

From the start of Financial Year 2022/23 the calculated method of setting the minimum reserves held will be 12.5 % of the full net annual cost (total unrestricted expenditure less block grant).

This will provide the SU with approximately 6 weeks cover, or cover for 12.5% increase in net costs, sustained for a year.

Funding Free Reserves

The target minimum for the free reserves will be calculated each year as part of the annual budgeting process.

The free reserves will be funded annually with surplus unrestricted operating funds.

Using Free Reserves

The Chief Executive and senior staff will identify reasons for accessing the free reserves and confirm that the use is consistent with the purpose of the free reserves as described in this Policy.

As a part of this process, The SU will:

- analyse the reason for the needed funds;
- assess the availability of any other sources of funds before using free reserves; and
- evaluate the time period that the funds will be required, and then replenished.

A request will be submitted to the Finance & Audit Committee which will include the analysis and determination of the use funds and plans for replenishment. They will then approve, reject or modify the request.

The Head of Finance will be responsible for ensuring that:

- free reserves are maintained and used only as described in this Policy;
- records of the use of reserves and plan for replenishment are maintained.

The SU will provide regular reports to the Finance & Audit Committee of progress to restore the fund to the target minimum amount.

Review of Policy

This policy will be reviewed every year by the Finance & Audit Committee, or sooner if warranted by internal or external events or changes.