

**Middlesex University Students’ Union – Reserves Policy**

1. **Introduction and background** 
   1. This policy will provide guidance to the Trustee Board and the Senior Management Team for when making significant decisions that may affect the Union reserves levels.
   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.’
   3. Previous Charity Commission guidance gave a recommendation for organisations to keep three months operating capital in cash reserves. However, this was rescinded on the basis that arbitrary figures have causes too many charities to build up reserves for no purpose and that should be released in order to deliver charitable objects.
   4. Reserves are primarily needed for two main reasons:
2. 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
3. To finance the costs of specific projects, including capital expenditure.
   1. Some Students’ Unions have set their reserves based on 3-6 months of salary costs whereas others have set their reserves based on 3-6 months of operating costs.
   2. It should be noted that some Students’ Unions are prohibited from building up reserves by the parent institution as it represents allocated income not being spent on students.
4. **Operating Environment**
   1. The Union exists in a relatively benign climate financially:

* At present the Union has few commitments in relation to rent, loans or hire purchase agreements.
* The Union has few assets which require maintenance or replacement
* The Union holds adequate insurances for its activity
* The Union does not run any sizeable trading activity or subsidiary companies
* The vast majority of Union income is from University block grant funding and there is no expectation of a significant reduction in block grant income in the near future
* Grants are paid on a monthly basis and these are carefully phased to ensure a healthy cash flow
  1. The potential risks for the Union in terms of its finances relate almost entirely to the University’s financial security and our ability to maintain the confidence of the institution.
  2. Students’ Union staff are contracted solely by the Students’ Union and so the Union undertakes the risks associated with the employment of those staff.

1. **Reserves Policy**
   1. The Union believes it is prudent to work towards achieving a reserves position of three months of salary costs. This provides some security for the Union financially and is considered a prudent minimum level.
2. **Current Union Position** 
   1. Based on forecasted salary expenditure of £884,504 for 2023/24, three months of salary costs would require the unrestricted reserves to stand at £221,126.
3. **Using the Reserves** 
   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.
   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.
   3. If the reserves go below the target amount, Trustees should agree a level at which to reach the reserve amount when setting the budget.