



Graduate Union Reserves policy

Adopted by the Board of Trustees on 14 June 2017, to be reviewed annually

Policy overview

This policy provides:

- (a) an overview of the various category of Graduate Union funds;
- (b) the Board of Trustees' designations of the Union's unrestricted funds;
- (c) the Graduate Union's reserves policy, comprising the target level for the Graduate Union's general reserves, and the Board's explanation of these funds' purpose; and
- (d) the Graduate Union's investment policy, comprising an explanation of the Board of Trustee's investment aims and the strategy adopted for achieving these.

The Graduate Union's constitution provides the context in which this policy should be read, especially in outlining the financial powers of the Board, including the power to invest.

Further context is provided by Charity Commission's guidance on considering reserves, designated funds, investments, and pension liabilities; this guidance is available online via the Commission's website.¹

Restricted funds

Restricted reserves are those funds tied to particular purposes.

The restricted funds held by the Graduate Union arise from donations from the University for the purpose of employing a full-time Manager and a sabbatical Vice-President.

Unrestricted funds

Designated funds

Designated funds are those unrestricted funds that have been allocated by the Board of Trustees for particular purposes.

¹ <https://www.gov.uk/government/organisations/charity-commission/about/publication-scheme>

The fixed assets designated fund represents the book value of the tangible fixed assets held by the Graduate Union. The Board of Trustees consider these assets to be essential to the running of the charity, and therefore not freely available for general expenditure.

The Vice-President trial designated fund represents the cost of employing a sabbatical Vice-President for a period of two years, less the agreed restricted funding from the University for this purpose. This designated fund will be spent over the 2016/17, 2017/18 and 2018/19 financial years.

FRS 17 pension liability

The FRS 17 calculated pension liability does not result in any immediate liability to pay this amount to the pension scheme. The Board of Trustees believe that any increase in pension contributions over the next five years can be met from anticipated cash flows without jeopardising existing activity levels.

As the Board have concluded that that the Graduate Union can meet its required pensions contributions from projected income, they therefore have not set aside designated funds to cover the pensions liability and exclude this liability from their calculation of general reserves.

General reserves

General reserves are those funds which are neither restricted nor designated for another purpose, and are therefore freely available for the Graduate Union's general purposes.

The Board of Trustees calculate the Graduate Union's general reserves to be its total unrestricted funds excluding its designated funds and its FRS 17 pension liability.

Reserves policy

It is the view of the Board of Trustees that the level of the charity's general reserves should mitigate risk to the Graduate Union's ability to meet its objects by maintaining the financial security of the organisation in the event of disruption to funding streams. Although the majority of the Graduate Union's funding derives from a relatively secure University grant, any interruption to this or other streams has the potential to present significant risk to the charity and its members.

The long-term aim of the Board of Trustees is for the charity to maintain general reserves equivalent to approximately six months of operational expenditure. The Board believe this to be an appropriate amount to ensure organisational resilience and the continuation of key services in the event of an interruption to funding streams.

The Board of Trustees calculate six months of operational expenditure to be approximately £100,000. The Board of Trustees will actively seek opportunities to invest the Graduate Union's general reserves in excess of this figure towards the fulfilment of its charitable objects.

Historical values of funds and reserves

	<u>2016</u> <u>£</u>	<u>2015</u> <u>£</u>	<u>2014</u> <u>£</u>
Restricted funds	13,000	9,000	nil
Unrestricted funds			
Designated funds			
Fixed assets	2,115	10,661	7,947
Vice-President trial	20,600	20,600	nil
FRS 17 pension liability	(6,957)	(7,489)	nil
General reserves	136,996	128,749	141,995
Total funds	<u>171,745</u>	<u>161,521</u>	<u>149,942</u>

NB figures from 2014 and 2015 are for comparative purposes only.