



Reserves Policy

Scope, Definitions and Purpose

The committee has reviewed the pre-school's need for reserves in line with guidance issued by the Charity Commission and the Pre-school Learning Alliance.

The Pre-school needs reserves in order to:

1. Meet redundancy liabilities should the preschool have to close.
2. Ensure there are sufficient cash reserves in the current account to cover day to day running costs.
3. Ensure continuity of service provision by;
 - i. meeting unexpected costs such as cover for illness or maternity leave etc.
 - ii. covering running costs during lower periods of income (e.g. while adjusting to school policy changes or following falls in fundraising)
4. Replace equipment as it wears out.
5. Relocate the pre-school from its current location.

In calculating these amounts, the pre-school assumes the following:

- Salaries and roles as at September 2016.
- 12 week notice period for all staff.
- No redundancy payments for staff with less than 2 years service.
- All payments have been increased by 3 years to ensure funds.

Policy Aims

In the light of the scope, definitions and purpose, the Pre-school aims to maintain reserves consisting of;

1. Reserves to meet redundancies
2. General contingency reserves equal to one term's total expenditure.

The committee believes that this level of reserves is prudent and necessary to ensure that the Pre-school can run efficiently and meet future needs.

'All groups are recommended to have at least three month's expenditure in reserve and a sum which covers the calculated redundancy liability' (Managing a Charitably Constituted Setting, PSLA)

'As a guide, many groups choose one term's reserves as a suitable level' (Finance inn Early Years Settings, PSLA)

The committee will monitor the actual level of reserves and compare with the target level no less than once a year (at the financial year end). The pre-school has no restricted funds, and therefore essentially all cash balances can be considered to be part of reserves.

In the event of reserves falling significantly below the target level, the pre-school will aim to restore the reserves as soon as possible by increasing fundraising, increasing earned income, or reducing expenditure. Similarly, if reserves are significantly above the target level, the Committee will put in place a plan as soon as possible, aiming to eliminate the excess within three years by spending money to enhance the quality of the Pre-school provision, or otherwise further the aims of the Pre-school, or by reducing fundraising.

The Committee will not, however, take any steps that might call into question the ability of the Pre-school to continue as a financially viable operation in the long term. In particular, it will not plan to use excess reserves to cover essential running costs.

Policy Review

This policy will be reviewed and approved annually (at financial year end) by the Pre-school Committee.

END

**This policy was adopted at a meeting of Sutton Valence Pre-School Group;
Annual General Meeting (AGM)**

Held on
(Full date)

1. Signed
...../
(On behalf of the Management Committee) (E.g. Chairperson)

2. Signed
...../
(On behalf of Staff members) (E.g. Manager)