



RESERVES POLICY

Current Version 3.0

Reserves Policy

SCOPE, DEFINITIONS AND PURPOSE

The Committee has reviewed St. Andrew's Pre-school's need for reserves in line with guidance issued by the Charity Commission and the Early Years Alliance (formerly known as the Pre-school Learning Alliance).

The Pre-school needs reserves in order to:

1. meet redundancy liabilities should the Pre-school 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:
 - a. meeting unexpected costs such as cover for illness or maternity leave, etc.;
 - b. covering running costs during periods of lower income (e.g. while adjusting to school policy changes or following falls in fundraising)
4. replace equipment as it wears out and carry out necessary building maintenance;
5. relocate the Pre-school from its current location/premises or closing down.

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

- Salaries and roles as at September 2021.
- 12 weeks notice for all staff.
- No redundancy payments for staff members with less than 2 years of service.
- All payments have been increased by 3 years to ensure funds.

POLICY AIMS

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

- i. reserves to meet redundancy liabilities;
- ii. general contingency reserves equal to one term's (i.e. one-third of annual) total expenditure, excluding maintenance and depreciation;
- iii. any forecasted deficit in the budget for that year.



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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 in 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 four years by spending money to enhance the quality of 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 Management Committee.