

St Marychurch Pre-school

Reserves Policy

Statement of intent

The committee has reviewed the need for a Reserves Policy in line with guidance issued by the Charity Commission

Aim

The Pre-school wishes to provide assurance that the finances of the setting are actively managed and its activities are sustainable and for St Marychurch, as a charity, to avoid future difficulties. Reserves are kept so that the charity can meet its financial commitments and to manage the risk of the charity's reputation from holding substantial unspent funds at the year-end without explanation.

The setting needs reserves to order to

- To meet redundancy liabilities if the setting has to close
- General contingency reserves equal to one term's (ie one third of annual) total expenditure excluding maintenance and depreciation
- Any forecasted deficit in the budget for that year such as an unexpected large repair bill or finding 'seed-funding' for an urgent project.
- Unforeseen day-to-day operational costs, such as employing temporary staff, maternity cover or to cover a long-term sick absence.
- A source of income, such as a grant, not being renewed, or funding from Torbay Council decreasing due to the numbers of children in the setting.
- Funds might be needed to give the trustees time to take action if income falls below expectations.
- Planned commitments, or designations, that cannot be met by future income alone, such as, plans for a major asset purchase or to a significant project that requires the charity to provide 'matched funding'.
- The need to fund short-term deficits in a cash budget, such as money may need to be spent before a funding grant is received. Ensure there are sufficient cash reserves in the current account to cover the day to day running costs
- Covering running costs during periods of lower income such as while adjusting to Pre-school policy changes or following falls in fundraising
- Replace equipment as it wears out
- Relocate the Pre-school from its current location/premises

Methods

In calculating these amounts the Pre-school assumes the following

- Salaries and roles as at date
- 12 weeks' notice for staff
- No redundancy payments for staff members with less than 2 years of service (it is understood that it is recommended to have at least three months expenditure in reserve and a sum which covers the calculated redundancy liability)
- All payments have been increased by 3 years to ensure funds

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

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. In addition, 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 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

The committee are aware that should pandemics, illness or unexpected closure occur then the future needs, opportunities, commitments and risks for the future is likely to fall short of the amount of the anticipated costs. The setting will endeavour to make up any shortfalls by further fundraising opportunities and seeking more children to attend the setting within the ratios set.

Signed: _____

Position: _____

Dated: _____

This policy to be reviewed annually

We aim to provide a safe, stimulating, caring, happy Pre-school where all children and their families are welcome. We provide a curriculum based on the Early Years Foundation Stage using individual children's interest and needs.

