

## Reserves policy

### Policy statement

The financial security of our pre-school is important, and so money will be kept in reserve for unforeseen circumstances. The funds held by Saplings Pre-school Playgroup fall into three categories: -

### Unrestricted Funds

The charity's general reserves are made up from grants from local council, private fees and fundraising. Unrestricted funds are needed to cover staff costs and those of administration and support without which the Preschool could not operate.

Income levels vary during the year, but expenditure levels remain relatively constant throughout. Income is at its lowest during the Autumn Term rising during the Spring Term to its highest level in the Summer Term. This is due to the availability of government childcare funding.

The Trustees consider it prudent that unrestricted funds should be sufficient to cover 3 month's administration and support costs at the start of the academic year. This level will ensure we have adequate resources to cover our outgoings whilst income is at its lowest level during the Autumn Term. Without this funding level we would not have sufficient funds to ensure our continued operation to the end of January.

### Restricted Funds

Restricted funds normally arise from donations or grants which have been received to meet the costs of specific items of expenditure. An example include Early Years Pupil Premium (EYPP) which must be spent to improve outcomes for specific children.

### Reserve Fund

The reserve amount is available on request from the Committee.

The reserve funds are held in a separate pre-school savings account.

The amount is regularly monitored by the Committee to reflect any necessary changes to the required level of reserves.

The reserves fund may be called upon to fund:

- Potential major repairs to the building (roof, flooring, heating & plumbing system, boiler etc)
- Upcoming agreed renovation projects.
- Potential loss of income due to any fluctuation in numbers of children attending pre-school.
- The need to fund short-term deficits in a cash budget, eg money may need to be spent before a funding grant is received.
- Potential staff redundancy payments.
- Potential payments to debtors should the pre-school close.
- Replacing equipment as it wears out

The Committee will take the final decision as to how and when the reserve fund is used.

This policy should be reviewed annually to make sure the reserves account holds enough to cover future eventualities.

The Reserves Policy must be reported in the trustee's annual report (TAR) to the Charity Commission.

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**Reviewed by:**

Vickie Smith, Co-Chair

02/09/2018

Alice Bettoney, Treasurer

02/09/2018

Date of next review

02/10/2019