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11.2 Reserves policy

The Committee has reviewed Broadhill 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 pre-school have to close;
2. Ensure continuity of service provision by: - meeting unexpected costs such as cover for illness or maternity leave, etc;
- covering running costs during periods of lower income (e.g. while adjusting to school policy changes or following falls in fundraising);
3. Replace equipment as it wears out and carry out necessary building maintenance;
4. Remove the Pre-school building from the site owned by Oxfordshire County Council.

Therefore Broadhill Pre-school aims to maintain reserves consisting of:

1. Reserves to meet redundancy liabilities equal to 25% of total annual wages—this amount to cover contractual notice period (min 4 weeks, max 12 weeks) and statutory redundancy pay (1 week per year to 12 weeks);
2. General contingency reserves equal to one term's (i.e. one-third of annual) total expenditure, excluding maintenance and depreciation;
3. Maintenance contingency reserves equal to one term's (i.e. one third of annual) maintenance expenditure, figure taken from the previous years accounts
4. A designated contingency fund, accumulating over time, to cover the estimated costs of removing the pre-school building from its current site.

The total sum held in Reserves is £25,000

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.

▪ **Sign Off**

- This policy was adopted at a meeting

of

Broadhill Pre-School

Held on

Thursday 11th January 2018

Date to be reviewed

By 10th January 2019
