



Reserves Policy

This Policy

Tandridge Village Pre-school is a non-profit making charity, and should seek to use our funds on our charitable activities – the education and care of children at the preschool. We need some reserves to enable us to deal with unforeseen events and expenditure or reductions in our income. The Committee must be able to justify holding income as reserves, as Charity Law requires income to be spent within a reasonable period of receipt. This policy sets out our need of reserves, our target level for cash reserves and how reserves can be used.

The need for reserves

This reserves policy is developed based on an understanding of our financial context and levels of risk. Our funding comes through fees and grants, which are generally secure, regular and predictable, although they are subject to changes due to the number of children in our care. As we rent the village hall, we are not liable for the costs of maintenance or improvements to our premises.

We may face uncertainties in the future, and must hold reserves in case future income alone is unlikely to meet costs.

The Pre-school needs reserves to:

- To ensure that our charity is able to operate during periods of lower income (for example lower occupancy levels).
- To provide for unforeseen expenditure or increases in day-to-day costs, such as replacement of equipment or covering staff sick leave.
- To replace equipment and carry out necessary maintenance.
- To cover the costs of relocation or closure due to problems with our rented premises.
- To cover redundancy costs in the case of closure of the preschool.

Levels of cash reserves

The pre-school should aim to keep around £55-£60k in cash reserves. This would enable us to cover:

- A term's worth of running costs. (roughly £35,000)
- An additional two months worth of staff salaries. (roughly £13,000)
- £3000 of additional rent costs in case there are problems with the Village Hall and we need to rent another venue which may be more expensive.
- £2000 surplus to cover unforeseen running costs, for example, staff sickness.



- £3000 to cover unforeseen one-off spending such as replacement of equipment or staff training if members of staff with qualifications such as forest school training leave the setting.

Use of cash reserves

Cash reserves can be used:

- If the case of short term cashflow issues, where required to cover day to day running costs of the school.
- To replace equipment as it wears out and carry out necessary maintenance.
- To cover unforeseen and unplanned expenses.
- Any other reasonable expense agreed by more than half the Committee members.

Monitoring and Managing our reserves

- The Reserves Policy is a working document that will be reviewed annually as part of our financial planning.
- The amount held in Reserves should be monitored during the course of the year as part of the charity's budgetary processes. Action may be needed to replenish or spend reserves.
- The amount held in Reserves, and the extent to which we have acted in line with our Reserves Policy must be reported in the trustee's annual report.
- We will be open to our users/ stakeholders about the level of reserves.

This policy has been adopted by Tandridge Village Pre-School Committee.

Signed on behalf of the Pre-School:

Date:

This policy will be reviewed: Autumn 2022

(Unless there is a change in legislation or with direct guidance from an educational body)

Staff Signatures:

Date: