



We demonstrate tolerance and respect through child-led play

Reserves Policy

Contents

1	Scope & Purpose.....	2
2	Outline.....	2



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Reserves Policy

1 Scope & Purpose

1.1 The Committee at Croft Playgroup need our reserves to be in line with the guidance issued by the Charity Commission and the Early Years Alliance.

1.2 The Pre-school needs reserves in order to:

1. Meet redundancy liabilities should the playgroup have to close;
2. 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)
3. replace equipment as it wears out and carry out necessary building maintenance;
4. relocate the Pre-school from its current location/premises

1.3 Calculations are to be made by the Treasurer and based on:

- Annual budget which is set for the beginning of each academic year
- Inventory audit – covering both the playschool furniture and all resources
- Any items deemed to be in poor state of repair that are of the playgroups responsibility based on the rental agreement with Swindon Borough Council.

In calculating these amounts, Croft Playgroup assumes the following:

- Salaries and roles as at the start of each academic year
- 12 weeks' notice for all staff.
- No redundancy payments for staff members with less than 2 years of service.

1.4 Croft Playgroup will ensure the reserves are not held within the current account used for day to day transactions; but is instead held in a separate savings account, ensuring the reserves remain clearly isolated from normal business.

1.5 Ensuring there are sufficient funds to cover the day to day running costs is separate from the reserve account and should be crossed referenced between the annual budget and current account.

2 Outline

2.1 In light of the scope and purpose, Croft Playgroup 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



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2.2 The Committee believes that this level of reserves is prudent and necessary to ensure that Croft Playgroup 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).

2.3 The Treasurer will monitor the actual level of reserves and compare with the target level no less than once a year (at the financial year-end) and report to the committee if the reserves deviate from the target level by +/-15%.

2.4 In the event of reserves falling significantly below the target level, Croft Playgroup 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 Croft Playgroup, or by reducing fundraising.

2.5 The Committee will not, however, take any steps that might call into question the ability of the Croft Playgroup 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.

3 Matters that all charities must report

3.1 Charities must report:

- policy on reserves stating the level of reserves held and why they are held; where material funds have been designated, the reserves policy statement should quantify and explain the purposes of these designations, and where set aside for future expenditure, the likely timing of the expenditure - where no reserves policy is in place, a statement should be made to that effect
- where any fund is materially in deficit, the circumstances giving rise to the deficit and details of the steps being taken to eliminate the deficit

All charities preparing accounts on an accruals basis should also refer to the applicable SORP for any additional requirements for what the SORP terms 'larger charities' (currently gross income of £500,000 or more).



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This policy was adopted by Croft Playgroup

Signed on behalf of the Croft Playgroup

Croft Playgroup Committee

Croft Playgroup Manager

Print Name: Katherine Chan

Print Name: Michelle Barrow, Helen Dearlove

Signed.....

Signed.....

Dated.....

Dated.....

Date policy to be reviewed: March 2024 or earlier if required