**Financial Reserves Policy**

The Committee has reviewed Martlesham Preschool’s need for reserves in line with guidance issued by the Charity Commission and the Pre-school Learning Alliance Model constitution 2011.

The preschool needs reserves in order to:

1. Meet redundancy liabilities should the setting 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 funding);

3. Replace equipment as it wears out and carry out any building maintenance;

Therefore, the preschool aims to maintain reserves consisting of:

1. Reserves to meet redundancy liabilities equal to statutory redundancy pay (using government website redundancy calculator);

2. General contingency reserves equal to one half term’s 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. (our building is leased so most repair and maintenance are included within property management)

The total minimum sum held in reserve in the deposit account is £15,000

The committee believes that this level of reserves is prudent and necessary to ensure that the preschool 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. The preschool 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 preschool 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 preschool provision, or otherwise further the aims of the preschool, or by reducing fundraising. The committee will not, however, take any steps that might call into question the ability of the preschool 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.

*This policy is reviewed annually by Martlesham Preschool Committee*