

## **For internal use - Reserves Policy**

Reserves are the part of a charity's unrestricted funds that is freely available to spend on any of the charity's purposes.

The Committee has reviewed Woodland Corner's need for reserves in line with guidance issued by the Charity Commission and the Early Years Alliance. The Committee recognises that planning and financial management is important for the future security of our setting. We also recognise that as a charity we need to balance this with our duty to spend our income on charitable activity to further the aims and objectives of the pre-school.

### **Policy**

Woodland Corner's reserves are calculated to:

- Ensure there are sufficient cash reserves in the account to cover day to day running costs for a period of six months, including staff salaries.
- Ensure continuity of service of provision by being able to cover (i) significant unexpected costs and (ii) running costs during periods of lower income.
- Replace equipment as it wears out and carry out necessary maintenance.
- Meet redundancy liabilities relating to closure of the business or diminution of work.

The minimum level of reserves will be reviewed by the Treasurer prior to the AGM and assessed against the following non-exhaustive list of factors: predicted child numbers for the financial year, known and reasonably anticipated maintenance costs, known or reasonably predicted change to staff costs (e.g. recruitment, NLW increase), known or reasonably predicted changes to business running costs (e.g. insurance, utilities etc.), a 'wish list' of resources for the setting and any planned fundraising.

The Committee shall review income and actual and forecasted expenditure at each meeting to assess whether the minimum reserves level continues to be met.

The Committee shall review this policy, and in particular the minimum level of reserves, at the AGM each year. The Committee will look at:

- The level of reserves held and compare with the target amount.
- Explain any shortfall or excess in reserves against target set.
- Explain any action being taken or planned to bring reserves into line with the target.

In the event of reserves falling significantly below the target level, the Committee 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 aiming to reduce the excess within a reasonable time frame by spending money to enhance the quality of the setting's provision or otherwise further the aims of the pre-school.

The Committee will not, however, take any steps that might call into question the ability of Woodland Corner 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 was adopted at a meeting of	Woodland Corner
Held on (date) 25 <sup>th</sup> June 2025	
Signed on behalf of the Management Committee	Jess Brown
Role of signatory (e.g. chairperson etc.)	Chairperson
Review date	June 2026