



Reserves (Financial) Policy

Introduction

Houghton and Wyton Pre-school operates as a registered charity and is committed to maintaining financial sustainability to protect the continuity of care, learning, and employment. This Reserves Policy outlines how and why the pre-school holds financial reserves and how decisions regarding their use are made.

Aim

To maintain a prudent level of financial reserves that supports the organisation's stability and protects it from unexpected costs, shortfalls in income, or emergency situations.

Objectives

We will:

- Maintain a reserve equivalent to one term's expenditure (approximately 4 months)
- Clearly define the purpose and permitted use of reserves
- Monitor reserves through transparent financial oversight
- Align with Charity Commission and sector best practice

Roles and Responsibilities

- **Board of Trustees:** Responsible for approving the reserves target and monitoring reserves levels
- **Pre-school Manager:** Provides regular updates on operational finances and works with the Treasurer to plan sustainably
- **Administrator:** Maintains financial oversight, reports on reserves in financial statements, and ensures responsible management

Definition of Reserves

Reserves are unrestricted funds that are freely available to spend on the charity's purposes. These do not include:

- Restricted funds (we currently hold none)
- Fixed assets
- Designated project funds

Purpose of Holding Reserves

Reserves are held to:

- Cover core running costs for one term in the event of unexpected closure or income disruption
- Meet redundancy obligations for staff
- Pay for emergency building or equipment repairs
- Support cash flow during periods of delayed funding or income changes
- Cover relocation or transition costs if the setting is forced to move

Reserves Target

- The target level is set at the equivalent of one full term's total expenditure, including salaries, fixed costs, and necessary operating expenses
- This amount is reviewed annually and adjusted based on actual income, staffing levels, and costs

Use of Reserves

Reserves may be used if:

- There is a significant drop in income (e.g. sudden fall in child numbers or delayed funding)
- There is an emergency repair or safeguarding-related building issue
- A planned or unplanned closure, relocation, or redundancy situation arises



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Reserves should not be used for:

- Day-to-day overspending or ongoing financial mismanagement
- Optional or non-essential one-off projects without Board approval

Monitoring and Review

- Reserves are monitored at each Trustee finance meeting
- The Treasurer presents reserves updates in quarterly financial reports. If reserves fall below the target level, the Board of Trustees will review financial forecasts and agree an action plan to rebuild reserves over an appropriate timescale
- This policy is reviewed **annually** by the Board of Trustees or earlier if financial circumstances change significantly

Legislation and Guidance

- Statutory Framework for the EYFS (2023)
- Charity Commission CC19: Reserves Guidance for Charities
- Early Years Alliance: Managing Your Money Toolkit
- Charities Act 2011

Acknowledgment

All Trustees and relevant financial officers must read and understand this policy. By doing so, they commit to ensuring the responsible management of reserves to safeguard the long-term future of the pre-school.