

## No. 020 Reserves Policy

### 1. INTRODUCTION

This policy sets out the way in which Grindleford and Eyam Playgroup holds funds in reserve.

### 2. FUNCTION OF RESERVE FUNDS

Reserves are maintained by the pre-school at a level which ensures that the pre-school's core activity could continue during a period of unforeseen difficulty and that the pre-school would be able to honour its financial commitments if it had to close (for example redundancy payments). Reserve funds may be used to cover (for example) staff costs, administration and other operating costs.

Additionally, the pre-school holds a reserve to invest in improvements such as new equipment and the development of our premises including the outdoor provision.

These reserve funds are taken from the pre-school's **unrestricted funds** (see below).

### 3. TYPES OF FUNDS

The funds held by Grindleford and Eyam Playgroup fall into three categories:

#### **Unrestricted funds**

Unrestricted funds are funds which can be put towards any aspect of the pre-school's activities. The reserves fund forms part of the unrestricted funds.

#### **Restricted funds**

Restricted funds normally arise from donations or grants which have been received to meet the cost of specific items of expenditure.

#### **Designated funds**

Designated funds are to be spent on specific projects outside the day-to-day running of the pre-school.

### 4. CALCULATING THE PRE-SCHOOL'S LEVEL OF RESERVE FUND

The calculation of the required level of reserves is an integral part of the organisation's planning, budgeting and forecasting cycle. As the pre-school's income and expenditure vary over the course of any given year, the Committee considers it prudent to agree a figure to hold in reserve at the beginning of each financial/academic year. This figure will remain the reserves figure for that year

unless the pre-school's activities vary significantly or the Committee agree to alter the level of reserve held. The calculation of reserve level takes into account

- The risk that streams of income and expenditure could be different from that budgeted
- The pre-school's planned level of activity
- The pre-school's ongoing financial commitments
- The pre-school's additional financial commitments in the event of closure (e.g. redundancy)

**The level of reserves held by the pre-school should be in addition to any restricted or designated funds already held within the bank account.**

#### 5. ACCESSIBILITY OF RESERVE FUND

A proportion of reserves are also maintained in a form which is readily realisable (for example in the pre-school's bank account, as opposed to in a non-accessible savings account).

#### 6. CURRENT RESERVES LEVEL

It was agreed by the Grindleford and Eyam Playgroup Management Committee on **18<sup>th</sup> August 2020**

(insert date) to hold **£21,000** (insert amount) within the pre-school's reserve bank account.

This figure includes:

- **Final wages bill £9,000.00**
- **Redundancy payments: £10,500.00**
- **Outstanding costs e.g. rent, pension contributions/HMRC £1,500**
- **Grants from the Derbyshire Dales COVID-19 Discretionary fund (£7,500) and the Duke of Devonshire Charitable Trust (£1,000) will enable us to increase our reserve level and have sufficient funds in our current account to cover any financial peaks and troughs in our cash flow caused by the introduction of monthly payments of the Early Years funding and increased costs in response to the virus.**

This policy was adopted at a meeting of Grindleford and Eyam Playgroup:

Held on:

Date to be reviewed:

Signed on behalf of the committee:

Name of signatory:

Role of signatory:

