



## **POLICY FOR FINANCIAL RESERVES OF THE CHARITY**

### **Why does the charity need to keep reserves?**

Reasons might include:

- The risk of an unforeseen emergency or other unexpected need for funds, e.g an unexpected large bill.
- Covering unforeseen day-to-day operational costs, e.g employing temporary staff to cover a long-term sick absence.
- Funds might be needed to give the trustees time to take action if income falls below expectations.
- Planned commitments, or designations, that cannot be met by future income alone, e.g plans for a major asset purchase or to a significant project that requires the charity to provide 'matched funding'.
- The need to fund short-term deficits in a cash budget, e.g money may need to be spent before a funding grant is received.

**The preschool holds a deposit account with a reserve for 'Maintenance' and a further deposit account with reserves held for 'Contingencies'**

### **Maintenance reserves**

- An amount is held in reserve to cover costs related to upkeep and maintenance of the building and grounds.
- This amount is reviewed annually and takes into account the increasing age of the building and the increasing risk of costly repairs or maintenance.
- This reserve may be used to, for example,
  - facilitate a project to extend or develop the preschool facilities, such as a canopy to extend the facility for outdoor learning.
  - replace or repair roof or floor.

### **Contingency reserves**

- An amount is held in reserve to cover unforeseen costs (other than those covered by the maintenance reserve).
- This amount is reviewed annually.
- This reserve is held to
  - Provide redundancy pay if necessary.
  - If necessary, to fund staff cover for long term sick leave.
  - Cover running costs for a period of time following a drop in income or an unexpected temporary closure, giving trustees time to review the situation and decide a course of action

**Information about the reserves policy and the level of reserves held is included in the trustees' annual report (legal requirement).**

<b>Signed on behalf of the Management Committee:</b>	Denise Rehal
<b>Name of Signatory</b>  Denise Rehal	<b>Role of Signatory and Date</b>  Trustee. 03/06/2025