

Duchy Preschool & Playgroup, Bradninch			Page 1 of 4	
Document.	0034	Reserves Policy		
Revision	01	Approved By	P Whateley	Approval Date 02/01/14

Scope

This policy applies to all provision for early years aged children, and also – where appropriate – to before and after school provision and walking bus provided by Duchy Pre-school and Playgroup for primary school aged children attending The Duchy School in Bowley Meadow.

Statement of intent.

“Reserves are that part of a charity's unrestricted funds that is freely available to spend on any of the charity's purposes. This definition excludes restricted income funds and endowment funds, although holding such funds may influence a charity's reserves policy. Reserves will also normally exclude tangible fixed assets held for the charity's use and amounts designated for essential future spending.

A reserves policy explains to existing and potential funders, donors and other stakeholders why a charity is holding a particular amount of reserves. A good reserves policy gives confidence to stakeholders that the charity's finances are being managed and can also provide an indicator of future funding needs.

The Charities SORP requires a statement of a charity's reserves policy within its annual report. In addition, if a charity operates without a reserves policy, the Regulations require this fact to be stated in the annual report.” (Charity Commission CC19)

Reserves Policy

It is the policy of the trustees to maintain reserves sufficient to cover the following items, as permitted by The Charity Commission:

- Statutory and contractual obligations in the event of winding up the charity..
 - Reserves sufficient to cover liabilities to HMRC for PAYE and National Insurance contributions, where these are not already covered by accrued liability.
 - Reserves sufficient to cover statutory severance in the event of winding up the setting. (e.g. redundancy, payment in lieu of notice etc.)
 - Reserves sufficient to cover statutory holiday accrued by staff where these are not already covered by accrued liability.
 - Reserves sufficient to cover other preferred creditors (e.g. Bank) if not covered by accrued liability.
 - Reserves sufficient to repay any restricted funds where these are not otherwise protected in the accounts.
 - Reserves sufficient to cover any contractual obligations under the lease

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Duchy Preschool & Playgroup, Bradninch			Page 2 of 4	
Document.	0034	Reserves Policy		
Revision	01	Approved By	P Whateley	Approval Date 02/01/14

- Funds sufficient to cover the balance of any lease notice period
 - Funds sufficient to cover any obligations under the terms of the lease for restitution of premises.
 - Reserves sufficient to cover any other contractual obligations, for example contracts for services.
- Contingency funds to cover estimated cyclical fluctuations in demand and revenue, and any other unexpected demands on funds.
- Designated funds reserved for any specific projects and planned activities as may from time to time be necessary.

Procedure

The specific reserves required by Duchy Preschool and Playgroup will be recommended by the Business Manager and assessed and approved by the Trustees at least once per term, and will be documented in an appendix to this policy.

The level of free reserves held will be monitored monthly and made available to the treasurer and other trustees on demand. Ideally the reserves history should form part of the business manager's report to meetings of trustees.

References

Charity Commission publication CC19
Finance policy 0010

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Duchy Preschool & Playgroup, Bradninch				Page 3 of 4	
Document.	0034	Reserves Policy			
Revision	01	Approved By	P Whateley	Approval Date	02/01/14

Appendix 1 – reserves required at 11 September 2012

Statutory and Contractual Obligations

Statutory severance ¹	£15, 800
Termination of lease ²	£2,100
HMRC ³	Nil
Bank ⁴	Nil

Total Statutory and Contractual obligation	£17,900
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Contingency funds⁵	Variable £0 - £38,000
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1 Calculated September 2012.

2 Terms of old lease. New lease, once signed, requires 5 year break point from September 2011, and is therefore a declining balance. Reserves policy to be re-assessed once new lease is signed.

3 HMRC liabilities are paid as they fall due, and are therefore not reserved. Any accrued liability will be shown as such in the accounts.

4 Bank charge card payments are made monthly and are therefore not reserved.

5 Simulation of variation in demand indicates that a distribution of sustainability of +/- £17,000 on either side of average. The maximum figure is therefore required to provide sufficient funds to ensure continuation of the setting during the worst years.

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Duchy Preschool & Playgroup, Bradninch			Page 4 of 4
Document.	0034	Reserves Policy	
Revision	01	Approved By	P Whateley
		Approval Date	02/01/14

Responsibility for periodic review	Finance Sub-committee
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Document History

Rev	Changes	Date	Approval
00	Original document, extracted from Finance Policy	26-11-12	Committee
01	Addition of scope statement	02/01/14	Business Manager

Not controlled document when printed
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