**CAPEL PRE-SCHOOL** Reg Charity No: 271366

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**CAPEL PRE-SCHOOL RESERVES POLICY**

**AIMS**

Capel Pre-School aims to hold sufficient financial reserves to sustain the Pre-School if our income falls below expected levels. Our intention would be to continue functioning as a Pre-School if at all possible and to cover the payment of staff redundancies in the unlikely event that the Pre-School had to close. We aim to manage our finances responsibly, budget for predictable fluctuations in income and hold reserves to cover expenses due to other eventualities including staff redundancy payments in the case that the Pre-School had to close.

**Methods**

We hold sufficient funds in reserve to cover:

* Total running costs: our total running costs fluctuate with changes in staffing, rent and other expenses and are currently some £80,000pa. Given the possible fluctuating nature of our income and expenses it would be useful to hold in reserve on term’s running costs ie £26,500.
* Potential redundancy costs: we must also hold sufficient reserves to pay any redundancy payments to staff as required by law/under contract if the Pre-School has to close. Currently notice period under Pre-School’s employment contracts is one term.
* The amount held in reserve is reviewed to ensure that sufficient funds are kept at each year-end and on change of staffing and as necessary if a marked change occurs.
* In the event of reserves falling significantly below the target level, the Pre-School will aim to restore the reserves as soon as possible by increasing fundraising, increasing earned income or reducing expenditure.
* If reserves rise significantly above the target level, the committee will put in place a plan as soon as possible, aiming to eliminate the excess by spending money to enhance the quality of Pre-School provision or otherwise further the aims of the Pre-School or by reducing fundraising. The committee will not however take any steps that might call into question the ability of the Pre-School to continue as a financial viable operation in the long term.