

Reserves Policy

1. Introduction

This Reserves Policy explains why Belton Playgroup holds financial reserves, how the target level is calculated, and how reserves will be managed. It meets the requirements of the Charity Commission for England and Wales.

2. Definition of Reserves

Reserves are the portion of unrestricted funds that are freely available for general use.

Reserves do not include:

- Restricted funds
 - Designated funds
 - Fixed assets
 - Funds already committed for specific purposes
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3. Purpose of Holding Reserves

The charity holds reserves in order to:

1. Manage financial risk such as fluctuating fee income or unexpected reductions in attendance
 2. Provide cash-flow stability throughout the year
 3. Cover unexpected or emergency costs
 4. Maintain continuity of service for children and families
 5. Ensure the playgroup could wind down safely if closure were ever required
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4. Target Level of Reserves

The target reserve level is based on **three months of essential annual running costs.**

Annual essential costs

- Total annual running costs: **£169,000**

Monthly equivalent

$$£142,000 \div 12 = \text{£}14,083.33$$

Target reserve level

$$\text{Monthly cost} \times 3 \text{ months} =$$

$$\text{£}11,833.33 \times 3 = \text{£}42,500$$

Justification

A three-month reserve level is appropriate for a playgroup with fixed staffing, rent, and operating costs, and with income largely dependent on attendance. This ensures the charity can continue operating safely during financial challenges.

5. Use of Reserves

Reserves may only be used when authorised by the Management Committee. They may be used to:

- Support continued operation of the playgroup
- Manage cash-flow risk or sudden drops in income
- Cover urgent or unforeseen costs
- Fund closure costs should the charity need to wind up

Any use must be recorded in meeting minutes with the amount, purpose, and any repayment plan.

6. Monitoring and Review

- The Treasurer reports reserve levels at each committee meeting.
- This policy is reviewed **annually**, or earlier if the charity's financial situation changes.
- If reserves fall below £42,500, the committee will implement a plan to rebuild reserves (e.g., reviewing fees, increasing fundraising).
- If reserves significantly exceed the target, excess funds may be designated for improvements that benefit the children.

Belton Playgroup

7. Approval

This policy was adopted at a meeting of Belton Playgroup Association:

Held on: 2nd June 2026

Signed on behalf of committee:

A handwritten signature in black ink, appearing to read 'A. Spencer', is written on a light grey rectangular background.

Name and role of signatory: Anna Spencer

Review date: April 2027