



Ladybird Playgroup Thriplow CIO – Reserves Policy

School Lane, Thriplow, Royston, Herts, SG8 7RH

CIO Charity Number 1162435

Tel: 01763 208055 Email: ladybirdplaygrouphthriplow@gmail.com Web: www.ladybird-playgroup.co.uk

Reserves Policy

Statement of intent

The Committee has reviewed Ladybird Playgroup Thriplow CIO's plan for reserves in line with guidance issued by the Charity Commission and the Pre-school Learning Alliance.

Procedure

The current reserves held by Ladybird fall into three categories:

Unrestricted Funds

Unrestricted funds are needed to cover staff costs and those of administration and support without which Ladybird could not operate.

Income levels vary during the year, but expenditure levels remain relatively constant throughout. Income is at its lowest during the Autumn Term rising during the Spring Term to its highest level in the Summer Term. This is because children who start in September tend to increase their hours throughout the year and also that new children start at different times throughout the year both adding to the numbers attending. It is relatively rare that children reduce their hours during the year.

In setting the unrestricted funds, Ladybird is mindful of the following advice:

'All groups are recommended to have at least three month's expenditure in reserve and a sum which covers the calculated redundancy liability' (Managing a Charitably Constituted Setting, PSLA).

'As a guide, many groups choose one term's reserves as a suitable level' (Finance in Early Years Settings, PSLA).

Considering the scope, definitions and purpose, Ladybird aims to maintain reserves consisting of:

- i. Reserves to meet redundancy liabilities;
- ii. Sufficient cash reserves in the current account to cover day to day running costs; replace equipment as it wears out;
- iii. Reserves to ensure continuity of service provision by:
 - a. meeting unexpected costs such as cover for illness or maternity leave, etc.;
 - b. covering running costs during periods of lower income (e.g. while adjusting to school policy changes or following falls in fundraising)
- iv. General contingency reserves equal to one term's (i.e. one-third of annual) total. The Trustees consider it prudent that unrestricted funds should be sufficient to cover 3



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month's administration and support costs. This level will ensure we have adequate resources to cover our outgoings whilst income is at its lowest level during the Autumn Term. Without this funding level we may not have sufficient funds to ensure our continued operation to the end of January.

- v. Sufficient reserves to support relocation to another premises so that in the event Ladybird is given notice to vacate its premises we have funds to assist with start-up in another location. With the current 12 months break clause included within the Lease with Thriplow Primary School, it is considered that this funding level should be £20,000.

In calculating these amounts, Ladybird assumes the following:

- i. Salaries and roles as of January 2022.
- ii. 12 weeks' notice for all staff.
- iii. No redundancy payments for staff members with less than 2 years of service.

The following table sets out the unrestricted funds Ladybird Committee consider are necessary to hold for the protection of the charity.

Redundancies	£20,000
Day to day running costs	£500
Continuity of service	£5,000
Contingency (1 term)	£31,000
Relocation to a new building	£20,000
TOTAL	£76,500

Restricted Funds

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

Occasionally, there is a time lag between the receipt of these funds and the related expenditure, thereby resulting in Ladybird holding the funds until payment is made. Sometimes, Ladybird pays for the item from Designated Funds while awaiting the agreed funding. This can result in the Designated Funds account being temporarily lower than expected and should be avoided other than in essential situations (for example where there is need for a piece of play equipment because the current equipment is dangerous to the children using it).

The Trustees have identified one restricted item:

- i. Money arising from the Cake and Book Sale and the Christmas Elf Hunt and Just Giving to be used to purchase specific items usually chosen by the children.



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The following table sets out the restricted funds Ladybird Committee consider are necessary for the protection of the charity.

Christmas Elf Hunt and other events	£1,000
TOTAL	£1,000

Designated Funds

Designated funds are amounts specifically excluded from being used to meet the day-to-day running costs of Ladybird. Sums raised through fundraising activities fall into this category. Such funds may be spent at the discretion of the Trustees to provide additional resources or to pay for special events outside the normal running costs of Ladybird.

In addition, funds have also been set aside to cover specific items of expenditure. The Trustees have identified two designated items:

- ii. A fund to cover the costs of on-going staff training.
- iii. A fund for a new awning to the front of Ladybird

Staff Training	£2,000
Awning	£10,000
TOTAL DESIGNATED	£12,000

Aims

In setting the policy's aims, the Committee will seek to retain at least the following reserves:

Unrestricted funds	£76,500
Restricted funds	£500
Designated funds	£12,000
TOTAL	£89,000

The Committee will monitor the actual level of reserves and compare with the target level no less than once a year (at the financial year-end).

In the event of reserves falling significantly below the target level, Ladybird will aim to restore the reserves as soon as possible by increasing fundraising, increasing earned income, or reducing expenditure. Similarly, if reserves are significantly above the target level, the Committee will put in place a plan as soon as possible, aiming to eliminate the excess within four years by spending money to enhance the quality of playgroup and preschool provision, or otherwise further the aims of Ladybird, or by reducing fundraising.

The Committee will not, however, take any steps that might call into question the ability of Ladybird to continue as a financially viable operation in the long term. In particular, it will not plan to use excess reserves to cover essential running costs.



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This policy will be reviewed and approved at the end of each financial year by Ladybird Trustees.

This policy was adopted at a meeting of the Ladybird Playgroup Thriplow CIO	
Held on (date)	
Signed on behalf of the Ladybird Playgroup Committee	
Role of signatory (e.g. chairperson etc.)	
Signed by Playgroup Leader/Deputy	
Name of Playgroup Leader/Deputy	