Financial Reserves and Investment Policy

Policy Statement
The Management Committee of Bradpole Preschool recognises that maintaining the financial viability and sustainability of the preschool is essential for the continued provision of high-quality early years education and care for children and families.
The preschool requires financial reserves to ensure that it can continue to operate effectively during periods of financial uncertainty and to meet its legal and contractual obligations. Maintaining adequate reserves helps to safeguard the future of the preschool, protect employment and ensure continuity of provision for children.

Purpose of Financial Reserves
The preschool maintains financial reserves to:
• Cover essential running costs, including salaries, pension contributions, insurance, rent, utilities and other operational expenses during periods of reduced income.
• Manage fluctuations in occupancy levels, changes to early years funding arrangements or reductions in fundraising income.
• Meet unforeseen or emergency expenditure.
• Replace equipment and resources as they reach the end of their useful life.
• Fund necessary repairs, maintenance and improvements to the preschool environment.
• Support relocation costs should the preschool be required to move premises.
• Ensure sufficient cash flow is available to meet day-to-day operating costs.
• Meet any redundancy liabilities and other employment-related obligations should circumstances require.

Determining the Level of Reserves
When determining the appropriate level of reserves, the management committee considers:
• Estimated expenditure for a minimum of one full term.
• Staffing costs and potential redundancy liabilities.
• The financial risks facing the preschool.
• The stability of income from government funding, fees and fundraising activities.
• Future maintenance, equipment replacement and development requirements.
• Guidance issued by the Early Years Alliance and relevant charity governance guidance.
The management committee has determined that the preschool should maintain a target reserve fund of:
£50,000
This figure will be reviewed annually as part of the preschool's financial planning process and may be adjusted if operational circumstances change.

Monitoring Reserves
• The management committee will monitor reserve levels throughout the year and formally review them at least annually as part of the year-end financial review.
• If reserves fall significantly below the target level, the committee will take reasonable steps to rebuild reserves as soon as practicable. This may include:
- Increasing fundraising activity.

- Increasing income where appropriate.
- Seeking grant funding.
- Reviewing expenditure and identifying efficiencies.

• If reserves rise significantly above the target level, the committee will develop a plan to utilise surplus funds in a way that supports the aims and objectives of the preschool.

This may include:

• Enhancing the quality of the learning environment.
• Investing in equipment and resources.
• Improving facilities.
• Supporting staff training and development.
• Funding projects that directly benefit children and families.

The committee will not use reserves in a way that could compromise the long-term financial stability of the preschool and will not rely on reserves to fund ongoing operational expenditure on a permanent basis.

Investment of Funds

The preschool adopts a cautious approach to investing its funds.

• Reserve funds and monies allocated for future projects will be held in a savings account that provides a higher rate of interest than the current account while maintaining easy access to funds when required.
• The preschool will only use low-risk financial products that protect capital and support the availability of funds when needed.
• The management committee will periodically review banking and savings arrangements to ensure they continue to represent an appropriate balance between security, accessibility and value.
• Any investment decisions will be made in accordance with the committee's responsibilities as charity trustees and in the best interests of the preschool.

Legislation and Guidance

This policy has due regard to:

• Charities Act 2011
• Charity Commission Guidance CC19 – Charity Reserves
• Charity Commission Guidance CC14 – Charities and Investment Matters
• Early Years Foundation Stage (EYFS) Statutory Framework
• Early Years Alliance Guidance for Charitable Early Years Settings

This policy was adopted by the Bradpole Preschool Committee

During the Summer Term 2026

Date to be reviewed Summer Term 2027