**Reserves Policy for FERNHURST PRE-SCHOOL**

The trustees regularly review reserves, using the Reserves Policy to support both the Financial Strategy and the Strategic Plan. A risk-based approach is used to calculate an optimal amount of reserves that looks at reliability of income, costs for re-organisation of activities, and specific liabilities. Amounts are included for risks we are aware of as well as contingencies to allow FERNHURST PRE-SCHOOL to cope with unexpected costs and opportunities.
We principally hold reserves to:

- protect the continuity of FERNHURST PRE-SCHOOL's work against uncertain future income streams
- provide the capital needed to finance investment in operations
- provide funds to replace assets
- to cover for specific liabilities and identifiable risks
- to allow FERNHURST PRE-SCHOOL to respond to unexpected opportunities that can further mission
- to allow FERNHURST PRE-SCHOOL to meet contractual obligations.

The trustees have set optimal reserves at £40,000 (2026), which equates to approximately 6 months unrestricted expenditure. As at 31 March 2026, the level of Free Reserves stands at £60,000, thereby exceeding the optimal reserves figure.

FERNHURST PRE-SCHOOL holds **designated reserves of £10,000 (2026)** and **restricted reserves of £30,000 (2026)**. These amounts may need to be increased in subsequent years.

The **designated reserves** represent funds that are not available for general activities, as they have been used to purchase fixed assets and therefore cannot be realised unless the assets are disposed of.

The **restricted reserves** relate to income received with specific conditions imposed by funders. These funds must be used in accordance with those restrictions and therefore do not form part of the organisation's general reserves.

The Reserves Policy is reviewed quarterly as part of our internal financial control systems.

Document version control

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