



CAPITAL & REVENUE RESERVES POLICY

**ADOPTED AT THE MEETING
OF THE FINANCE RISK AND AUDIT COMMITTEE**

HELD ON 20TH NOVEMBER 2020

This Policy will be reviewed by the Finance, Risk and Audit Committee on a 3-yearly cycle and must be signed by the Chair of Governors and Headteacher.

CAPITAL AND REVENUE RESERVES POLICY

The policy of the Trust is to carry forward a prudent level of resources designed to meet the long-term cyclical needs of renewal and any other unforeseen contingencies, subject to the constraint that the level of resources does not exceed the level permitted by the DfE. To this end the following approaches to Capital and Revenue are required:

CAPITAL

Purpose

Academies are expected to create reserves from their annual GAG funding. During the early years of operation GAG Funding levels create little opportunity to achieve a surplus. Currently, the DfE provides minimal funding in the way of Devolved Formula Capital Grant.

Academies are able to bid for a share of the Condition Improvement Fund. In addition, MATs with at least 5 academies and more than 3,000 pupils receive a School Condition Allocation (SCA) to deploy across their estate. Where funding for programmes have time limits for achieving expenditure, any grant left unspent is at risk of clawback.

The Trustees require each school in the Trust to manage their budget to create a capital reserve to fund future capital expenditure.

Procedure

- The Business Manager supported by the Trusts director of operations should propose a 5-year capital reserve schedule to the Trustees, identifying the need to replace assets and the related sums required.
- The Governors should agree the value of capital reserves to be created in a year as part of the budget approval process.
- Funds should be placed on deposit at such a time that is clear that to do so would not create a deficit cash flow situation.
- Any separate bank account should have instant or no more than 32 days' notice access to ensure any "unknown" major expenditure can be moved to the current account to ensure cash flow does not indicate a deficit.
- Spend of the capital reserve fund should only occur as agreed budgeted spend which is approved by the Governors as part of the budget process and in line with their responsibilities set out in the scheme of delegation.

REVENUE

Purpose

Academies are expected to hold contingency reserves from their annual GAG funding or other income. The Trustees require a revenue reserve to be created to fund future expenditure related to the School Development Plan's strategic long-term aims and developments. ESFA will report to DfE any trusts where it has serious concerns about long-term substantial surplus with no clear plans for its use.

Procedure

Reserves are placed in a notice Treasury Account to earn interest until required. The School Business Manager reviews the current account and treasury account on at least a monthly basis to ensure cash flow is maintained.

The cash flow balance for each school is monitored by the Chief Financial Officer and should not ordinarily be less £25,000 for Primary & AP and £50,000 for Secondary Schools.