

# Capital and Revenue Reserves Policy

Academic Year 2022-2025



Version and Date		Action/Notes	Date Written	Date to be Reviewed
6.0	13.07.2021	Approved by the Board of Trustees	Updated 02.07.21	3 Years - 2024
7.0	12.07.2022	Approved by the Board of Trustees	Updated 05.07.21	3 Years - 2025

### **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 that is allocated to schools for capital works. In addition, the Trust receives a School Condition Allocation Grant which is given to responsible bodies who are responsible for maintaining school buildings.

### **Scope**

The Chief Financial Officer, in conjunction with the Chief Operations Officer, are responsible for ensuring compliance with Trust policies and procedures.

### **School Condition Allocation (Capital) Procedure**

- The Trust should propose a capital schedule to the Trustees identifying the need to replace and maintain assets and the related sums required. This will include the use of condition surveys, high priority works, health and safety works and capital improvements.
- Spend of the School Condition Allocation should only occur as agreed budgeted spend which is approved by the Trustees as part of the budget process.

### **Revenue Reserves Procedure**

- Trust revenue reserves funds should be transferred to a separate bank account at such a time that it is clear that to do so would not create a deficit cash flow situation.
- Any separate bank account should have instant access in order to ensure any “unknown” major expenditure can be moved to the current account in order to ensure cash flow does not indicate a deficit.
- Spend of the revenue reserves should only occur as agreed which is approved by the Trustees as part of the budget process.

### **Authorisation**

The authorisation for both the revenue reserves and the school condition allocation will follow the authorisation levels as per the scheme of delegation.

### **Trust Reserves**

Multi-Academy Trusts are expected to hold contingency reserves from their annual GAG funding or other income. The Trustee’s require a revenue reserve to be created to fund future expenditure related to the Trust strategic long-term aims and developments.

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.

The Trust Board has agreed to have a minimum amount of reserves that should be held by the Trust should be the equivalent to one month’s salaries. This may increase or decrease depending on the monthly salary costs of the whole Trust.

### **School Reserves**

The Trust Board agrees that all schools within the Trust should have a 3-year financial plan to set aside a school reserve, equal to 6% of GAG and associated income. The school reserve will be the funds that the school draws on initially in the event of a requirement of additional funding. The Trust will consider placing the school reserve in the 32-day notice account, in the cases where it will not adversely affect the school cash flow position.

### 3 Year Plan to build up School Reserves

School	Income GAG and LA	Year 1 (2022-23) £	Year 2 (2023-24) £	Year 3 (2024-25) £	Total 3 years	6%
BOW	£2,947,966	£88,439	£88,439	£0	£176,878	£176,878
CAR	£1,830,767	£109,846	£0	£0	£109,846	£109,846
CHE	£3,730,075	£74,602	£74,602	£74,602	£223,805	£223,805
DEL	£775,202	£15,504	£15,504	£15,504	£46,512	£46,512
FER	£1,364,848	£54,594	£27,297	£0	£81,891	£81,891
GRA	£3,653,607	£109,608	£109,608	£0	£219,216	£219,216
HAZ	£5,222,109	£313,327	£0	£0	£313,327	£313,327
<b>Totals</b>		<b>£765,919</b>	<b>£315,450</b>	<b>£90,106</b>	<b>£1,171,474</b>	<b>£1,171,474</b>

#### Right to Carry Forward Surplus Balances

Any underspend against the total resources available after the reserves have been set aside, as determined upon the closure of the year's accounts and reported in statements published under Section 251 of the Apprenticeships, Skills, Children and Learning Act 2009, will accrue automatically to the school and will be added to the school's budget share for the following year.

#### Transfers from Central Reserves

From September 2022, any school which requires funds from the central funds will be expected to repay those funds, on an interest free basis and in line with an achievable repayment plan agreed by the CEO, the Trust Board and the Headteacher.

#### Obligation to Carry Forward Deficit Balances

Schools should not plan for a deficit balance. When a school is forecasting a deficit balance at the end of the current financial year, they should discuss the matter with the Trust Chief Financial Officer at the earliest opportunity.

Where the setting of a deficit budget plan for the current financial year seems unavoidable, the procedures are:

- The school with the Chief Financial Officer should produce a deficit recovery plan on a format specified by the Trust to clear the deficit within three years in deficit or, in exceptional circumstances, a period agreed with Trust.

- The deficit recovery plan must be approved by the Trust Finance and Resources Committee at the same time as the budget plan and both submitted to the Trustee Finance and Resources Committee by 31<sup>st</sup> May.
- Where expenditure in any financial year exceeds the budget share, after adjustment for any surplus or deficit carried forward from the previous financial year, the deficit will be carried forward and deducted from the school's following year's budget share.
- In exceptional circumstances, it will be possible to extend the recovery period. Such requests will need to be approved by the Accounting Officer in consultation with Trust Finance and Resources Committee, who will need to be satisfied that the circumstances are indeed exceptional, and that all reasonable action will be taken to clear the deficit at the earliest opportunity. Exceptional circumstances may include managing a temporary reduction in pupil numbers or a situation in which the Trust Board's duty to provide the curriculum would be affected.
- Once the deficit recovery plan has been approved, schools will be supported by the Finance Director to submit a cashflow statement that support the plan to the Trust. The Trust will then agree a funding agreement to ensure the school's account remains debit.
- Where the school has a change of circumstances which results in a deviation from the agreed deficit recovery plan, the school must discuss the situation with the Accounting Officer at the earliest opportunity.
- In all instances of deficits, including forecast deficits for future years in the three-year strategic plan, schools may be required to provide information and/or cooperate with Trust Officers with a view to ensuring that the deficit is managed and monitored in an appropriate manner.