



Diocese of Chelmsford Vine Schools Trust

Capital and Revenue Reserves Policy



St James' CofE Primary

Version 3.0 – Sept 2019

Next review: Sept 2020

This policy is a mandatory policy for all Vine Academies and must be implemented with no amendments.

Capital and Revenue Reserves Policy

The Vine Schools Trust	
Approved by:	The Vine Schools Trust
Signature:	Tim Rose (Chairman)
Date:	20 September 2019

St James CofE Primary	
Approved by:	Full Governing Body
Signed (Chair of Local Governing Body)	Ann Bard
Date:	30 th January 2020

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Version History

Version	Date	Details
2019 v3.0	Sept 2019	Annual renewal – with updates
2018v3.0 deferred	Spring 2018	Annual renewal expanding on reserves programme/planning, clarity around calculation methodology and timescales for recovery of excessive balances
2017 v2.0	Spring 2017	Annual renewal and reformatting
2015 v1.0	January 2016	Renewal

Current Version Change Log

Page	Section	Details
5	1.1.1 c	Change of capital funding streams and application submission
6	2.3 a, b & c	Clarity around monitoring and reporting of academy reserves
6	3.1 a	New - Clarity around 'total restricted funding' and calculation
7	3.3	Central Reserves – requirements relaxed from <u>Must to Should</u>
7	3.4	Threshold and timescale for centralisation of excess balances

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Reserves Policy

1.0 Purpose

- 1.1 The purpose of the reserves policy for the Vine Schools Trust and [Insert school name] is to ensure the stability of the academy's organisational operations. Maintaining an appropriate level of financial reserves is considered essential in protecting the school from financial risk, subject to constraints that may be imposed by the DfE.
- 1.1.1 Capital -
- a) Academies should create reserves from their General Annual Grant (GAG) funding to meet future capital expenditure, including minor building work and the provision/replacement of ICT equipment.
 - b) During the early years, following academy conversion, GAG funding levels create little opportunity to achieve a surplus. Currently the DfE provides minimal funding in the way of Devolved Formula Capital Grant to support capital investment into buildings and ICT equipment.
 - c) For significant building related works academies are able to bid for a share of the School Condition Allocation which is paid to the Trust by the Education Skills & Funding Agency (ESFA) by submitting applications to the Trust through the Diocesan Schools Officer. The academy school is expected to make a contribution towards these projects, represented by the Devolved Formula Capital Allocation for that year it may also be necessary to consider additional reserve provision.
- 1.1.2 Revenue -
- a) Academies are expected to hold contingency reserves from their GAG funding, or other income, to fund future expenditure related to academy development, strategic long-term aims and developments, in addition to provisions for unexpected events and working capital.
 - b) Academies must hold designated contingencies at the Trust, for exceptional staffing and maintenance purposes, but should also build additional contingencies locally.
- 1.2 The Academy Finance Lead, in conjunction with the Executive Head/Headteacher/Head of School (delete as appropriate), are responsible for ensuring compliance with the Academy Trusts policies and procedures.

2.0 Definitions and Goals

- 2.1 The Academy Trust considers it prudent for academy schools to maintain a level of usable reserves sufficient to cover unexpected and unplanned events so that the academy's primary objective is preserved. At the same time the Trustees wish to ensure that it uses its funding to benefit the students in its care which implies an imperative to consider actively the use of reserves to enhance educational provision.
- 2.2 In deciding the level of reserves trustees will take into account the following
- a) Uncertainty, turbulence or expected reduction in funding arrangements
 - b) Impact of Pension and HMRC changes on employer payroll costs
 - c) The need for any large project spend to include facilities development, ICT investment or building condition needs
 - d) Fluctuations in pupil numbers, particularly falling roll numbers
 - e) Cash flow issues
 - f) The trust's consolidated annual budget

- 2.3 A programme to meet the Capital and Revenue Reserves Policy **must** be agreed and clearly documented as part of the budget setting process, by the **Executive Headteacher/Headteacher/Head of School (delete as appropriate)**, Academy Finance Lead and Local Governing Body/Board, in conjunction with the Chief Operating Officer.
- a) The academy school **must** regularly monitor and formally report the progress of its reserve schedule at Local Governing Body/Board meetings and provide a report to the Trustees at least annually with the Budget Forecast Return each May.
 - b) The Trustees expect academy schools to have appropriate levels of reserves, as determined in 3.2, 3.3 and 4.1 below within three years of academy conversion.
 - c) Where an academy school is unable to meet and/or maintain the requirements of this policy, it is the responsibility of the Local Governing Body/Board to notify the Trust, through the Chief Operating Officer (COO), with their strategies to address the non-compliance and provide an alternative timetable for consideration.

3.0 Restricted Reserves

- 3.1 Restricted Revenue Reserves are represented by the main funding for the academy which is the General Annual Grant (GAG), other ESFA central funding streams i.e. Pupil Premium, UIFSM, PE & Sports Grant, Rates etc., Local Authority funding and other Government grants/income that are received for a specific project or purpose etc. Some of these funds are restricted for the use according to the funding agreements of donors' instructions.
- a) For the purpose of the 'restricted funding' calculation only the following funding streams are considered when determining the level of 'total restricted funding' i.e.: GAG funding (before Holdback), Pupil Premium Grant, Universal Infant Free School Meals Grant, PE & Sports Grant, Rates funding, Local Authority funding-Nursery Allocation(s) only.

Local Reserves

- 3.2 The trustees have determined that:
- a) The appropriate level of 'general' reserves to be held locally, at the academy school, for non-earmarked expenditure **must** equate to a minimum of 2% and should not exceed 6% of the academy's total restricted funding, to provide sufficient working capital to cover delays in the spending and receipt of grants and to provide a cushion for unexpected emergencies.
 - b) The academy **should** accumulate a local 'staff' contingency, equating to a minimum of 2% of the academy's total restricted funding, to meet unexpected/non budgeted staffing costs or bridge establishment restructuring, including redundancy payments/costs etc.
 - c) The academy **should** accumulate a local 'premises' contingency (excluding specific capital project contributions), equating to a minimum of 2% of the academy's total restricted funding, to meet unexpected maintenance work or site development not covered within the annual budget.
 - d) The Trustees consider a capital reserve programme for the replacement of ICT equipment appropriate, to reduce the budgetary impact, in any single year, of large scale capital investment.
 - i. Academy schools **should** prepare a three to five year 'rolling' programme to ensure ICT hardware and infrastructure is replaced/maintained to ensure up to date and effective technology is embedded throughout the school.
 - ii. The appropriate level of 'ICT' reserve is to be determined by the **Executive Headteacher/Headteacher/Head of School (delete as appropriate)**, Academy Finance Lead and Local Governing Body/Board with supporting narrative in the schools budget documentation.

Central Reserves

3.3 The Trustees have also determined that each academy school **should** accumulate 'ring-fenced' contingency reserves, to be pooled at the Vine Trust, as follows:

- a) Central Staffing Contingency 3% of total restricted revenue funding.
- b) Central Premises Contingency 3% of total restricted revenue funding.

The Trust expects these contingency reserves to be accumulated within three years of academy conversion. Furthermore, financial forecasts must demonstrate compliance. Any expected and/or non-compliance must be brought immediately to the attention of the Chief Operating Officer following procedures documented in [Section 2.3.c](#) of this policy).

The trustees will undertake to safeguard these reserves on behalf of the school for exceptional circumstances. Access to these funds will be by way of written request from the LGB to the Finance Committee.

3.4 The Trustees provide academies 2 years from conversion or until 30 April 2020 (whichever is later) to ensure local revenue reserves do not exceed 10% of their **total** revenue income (restricted and unrestricted revenue). Balances in excess of this threshold at the anniversary date will be centralised and subsequently invested by the Trust to improve standards in academies across the Trust.

4.0 Unrestricted Reserves

4.1 Unrestricted local reserves are made up of the academy's activities for generating funds, investment income and other donations which are expendable at the discretion of the trustees in furtherance to achieve the objectives of the school. The trusts current limit for the appropriate limit of unrestricted reserves is 0%, however academies are encouraged to demonstrate how unrestricted reserves are to be utilised by means of its school development and financial management plans.

5.0 Reporting and Monitoring

5.1 The Local Governing Body/Board are responsible for ensuring that the level and use of reserves is agreed and monitored, [Section 2.3](#) refers.

5.2 The Academy School will include a programme for building/maintaining reserves as part of its budget planning and benchmarking process.

5.3 Each academy will maintain a medium term financial forecast which will show how end of year reported reserves will be utilised.

6.0 Appeals Process

6.1 The Vine Schools Trust will have due regard to the funding needs and allocation of each individual academy, ensuring there is a fair distribution of funds to support the Trusts educational objectives. If an Academy Principal wishes to challenge the level of funding received they should first appeal to the Chief Executive Officer.

6.2 If the Principal feels that their grievance is not resolved, they may then appeal to the Secretary of State for Education, whose decision will be final.

7.0 Review of Policy

7.1 The policy will be reviewed annually or sooner if warranted by internal or external events or changes. The Board of Trustees must approve all changes.