



Capital & Revenue Reserves Policy

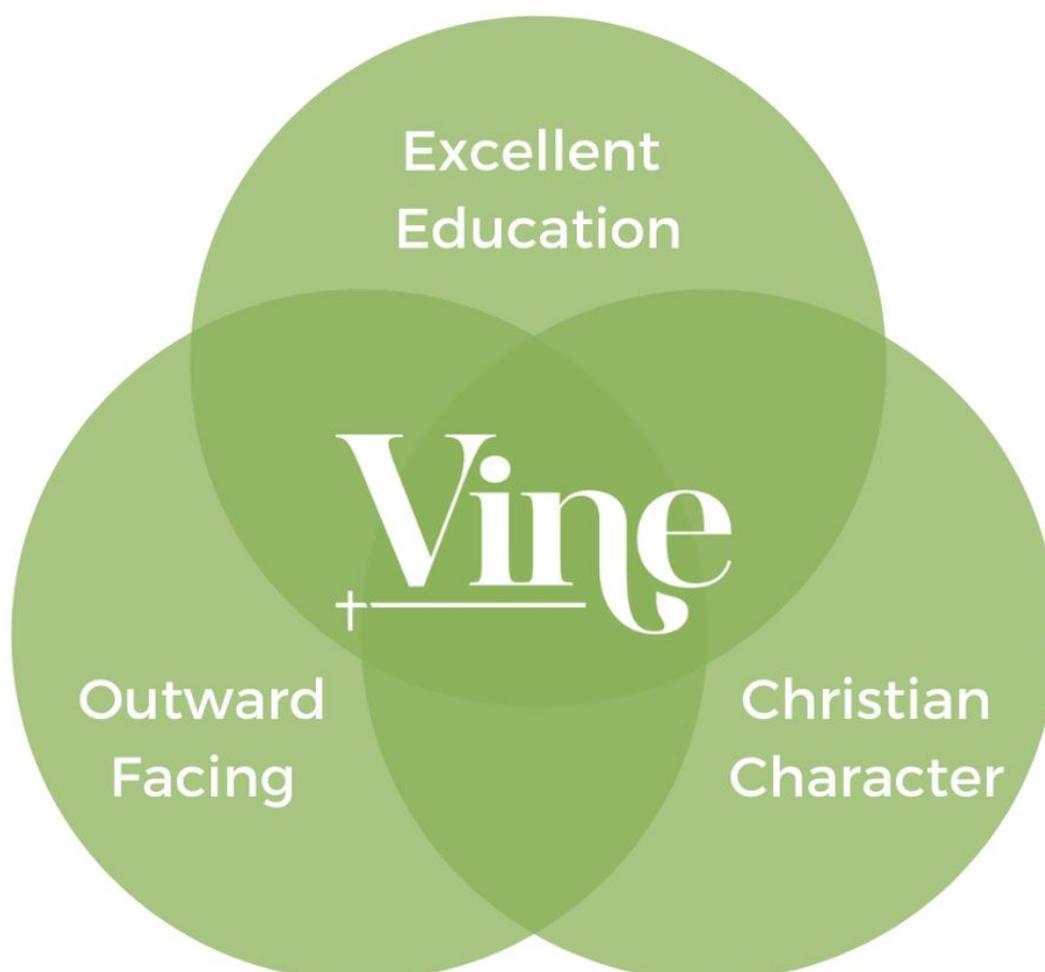
**"I am the vine; you are the branches.
If you remain in me and I in you, you will bear much fruit"
(John 15:5)**

This is a mandatory policy for all Vine schools that has been noted and implemented with no amendments by this school.

Policy Reference:	F003 v3.4
Approved by Vine Schools Trust on:	Spring 2022
Adopted by this school on:	Spring 2022
Next review:	Spring 2023

Vision & Values

V Valuing every person
I Inspiring great teaching
N Nurturing academic excellence and Christian Character
E Excelling, unlocking great potential



Change Log

Page	Section	Details
5	1.2	Academy Finance Lead changed to Finance Partner
6, 7	2.3, 3.2, 3.3	Governing Board changed to Local Schools Board
6, 7	2.3, 3.3	Chief Operating Officer changed to Director of Finance and Operations
7	3.4	3.4 Removed - The Trustees provide academies 2 years from conversion 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.
7	4.1	Sentence in 4.1 Removed - The trusts current limit for the appropriate limit of unrestricted reserves is 0%, however
7	5.1	Governing Body changed to Local Schools Board/Headteacher
7	5.1	Word ensuring changed to monitoring
8	6.1	Academy Principal changed to Headteacher

Contents

1.0	Purpose	5
2.0	Definitions and Goals	5
3.0	Restricted Reserves	6
4.0	Unrestricted Reserves	7
5.0	Reporting and Monitoring	7
6.0	Appeals Process	7
7.0	Review of Policy	7

1.0 Purpose

- 1.1 The purpose of the reserves policy for the Vine Schools Trust and its academies 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 contribute 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 Finance Partner, in conjunction with the Executive Head/Headteacher, 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, Academy Finance Lead and Local School Board, in conjunction with the Director of Finance and Operations.
- a) The academy school **must** regularly monitor and formally report the progress of its reserve schedule at Local School 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 School Board to notify the Trust, through the Director of Finance and Operations (DFO), 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, Academy Finance Lead and Local School Board with supporting narrative in the school's 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 Director of Finance and Operations 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 LSB to the Finance Committee.

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. 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 School Board/Headteacher are responsible for monitoring that the level and use of reserves is agreed, [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 Headteacher 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.

