



Capital & Reserves Policy 2023-24

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

Policy Reference:	F003 v3.5
Approved by Vine Schools Trust on:	Spring 2023
Adopted by this school on:	Spring 2023
Next review:	Spring 2024



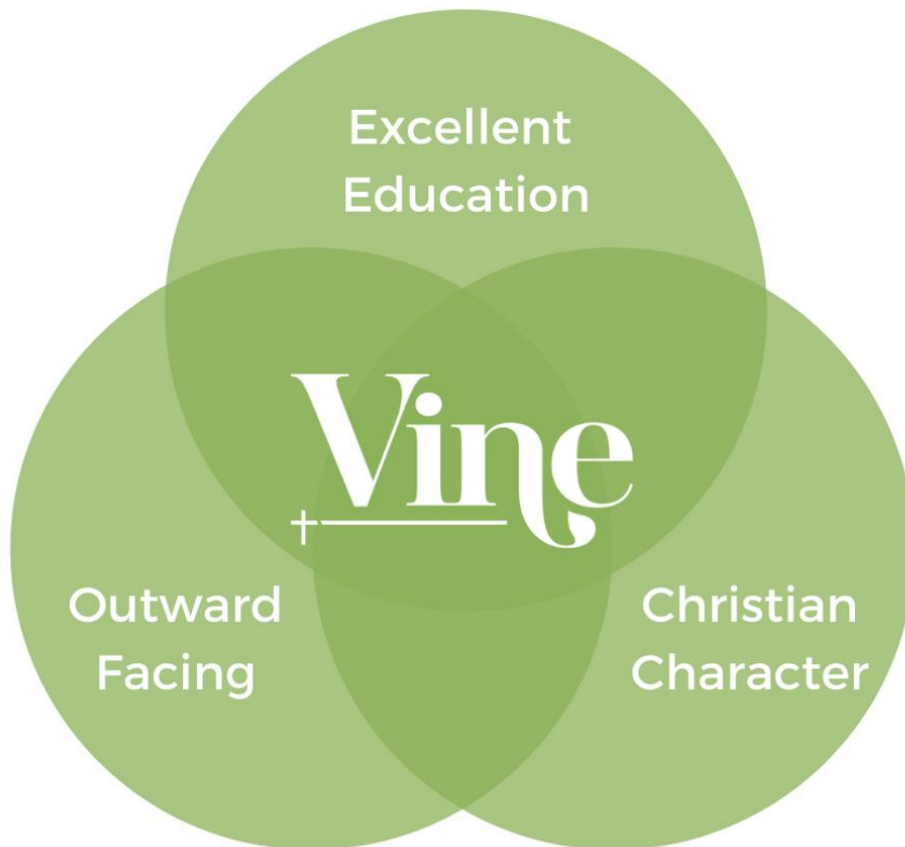
**I am the vine; you are the branches.
If you remain in me and I in you, you
will bear much fruit**

JOHN 15:5



Vision & Values

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



Contents

1.0	Purpose	4
2.0	Definitions and Goals	4
3.0	Restricted Reserves	5
4.0	Unrestricted Reserves	6
5.0	Reporting and Monitoring	6
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

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) Individual academies must maintain as a minimum a reserve's balance equal to 6% of total restricted income (excluding PFI funding where applicable).
 - b) For the purpose of this policy, reserves are deemed to exclude restricted fixed assets funds, pension reserves and any other specifically designated funds (e.g funds held for particular, board approved projects).
 - c) The minimum level of reserves is limited by the need to maintain a positive net assets position for the Trust.
 - d) The Trust will:
 - Maintain the aggregated of individual academy reserves, amounting to a minimum of 6% of all annual income;
 - Maintain an additional contingency of £100,000 in order to fund any short term resource needs;

- Review the opportunities and risks at a Trust level in order to assess the required level of resources needed to meet anticipated and unanticipated needs in the short and long term;
- e) 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.
- 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.
 - The appropriate level of 'ICT' reserve is to be determined by the Executive Headteacher/Headteacher, Finance Partner and Local School Board with supporting narrative in the school's budget documentation.

Central Reserves

- 3.3 Academies are able to apply to the Trust to use additional resources which would reduce their reserves below; 6% level stated above and/or budgeted level of reserves, subject to:
- a. The Trust is able to maintain the required minimum levels of reserves in aggregate across all school, as outlined above;
 - b. The academy is able to provide a 3 year budget which shows a return to a minimum reserves level of 6% by the end a 3 year period; and
 - c. The Trust Board, in its discretion, approves the use of additional funds on the basis of a business case submitted by the academy.

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 Executive Headteacher/Headteacher 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.