



HIGHDOWN SCHOOL AND SIXTH FORM CENTRE

# CAPITAL AND REVENUE RESERVES POLICY

Aspiration – Respect – Excellence

## Monitoring, Evaluation and Review

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# **HIGHDOWN SCHOOL AND SIXTH FORM CENTRE**

## **CAPITAL AND REVENUE RESERVES POLICY**

This policy should be read in conjunction with the following policy/policies:

- Academy Trust Handbook published by ESFA
- Highdown School and Sixth Form Centre Academy Financial Manual

### **Reserves Policy**

Accurate and detailed financial planning underpins the ongoing success of Highdown School and Sixth Form Centre.

The effective management of reserves is critical to that process.

The policy of the Academy 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**

#### **Definition**

The academy works within the constraints as detailed in the Academies Financial Handbook to maximise the value of its public funding. The Trustees need to be mindful of the SAT's Estate Management Plan as SATs are able to bid for a share of the Condition Improvement Fund (CIF). Where funding for particular programmes have time limits for achieving expenditure, any grant left unspent is at risk of clawback.

#### **Procedure**

- The School Manager should propose a capital reserve schedule to the Governors 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 transferred to a separate bank account 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 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 capital reserve fund should only occur as agreed budgeted spend which is approved by the Governors as part of the budget process.

### **Revenue**

#### **Definition**

The Governors require a revenue reserve to be created to fund future expenditure related to the Academy Development Plan's strategic long-term aims and developments. Academies are expected to create reserves from their annual General Annual Grant (GAG) funding or other income. The Funding Agreement 2018 states that the Academy Trust may carry forward unspent GAG from previous Academy Financial Years without limit in line with ESFA guidance in the Academies Financial Handbook.

Highdown School and Sixth Form Centre will maintain operational and strategic reserves. Operational reserves are designed to manage fluctuations in operating income and expenditure. Utilisation of these reserves will be at the discretion of the Headteacher.

The operational reserve should always be positive and generally more than 1% and less than 3% of current year GAG income. Where an academy's operating reserve is forecast to fall outside of these parameters, the Trust will develop a plan to bring the reserve into line over an agreed time period. Positive reserves remaining at the financial year-end are carried forward to the following year and can be taken into account in the budget setting process.

Strategic reserves are maintained to manage the wider financial risk profile of the Trust and to allow for larger planned expenditure which would fall outside of the parameters of an academy's operational budget. Strategic reserves should be at a level of between 1% and 1.5% of current year GAG income. It is noted that the Academy may not be able to achieve this target range – challenges such as increasing student numbers in a lagged funding system, or long periods of staff absence may mean that the academy has to focus on maintaining its operational reserve only.

However, if strategic reserve levels do fall below threshold in an academic year, it would be expected that the budgeting process for the following year would include a contribution towards increasing the reserve going forward. The strategic reserve is designed to respond not only to need, but also to opportunities. Utilisation of strategic reserves will be decided upon by the Board of Governors.

## **Procedure**

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

## **Monitoring and evaluating the policy**

This policy will be reviewed by the Finance, Staffing and Premises Committee on a 3-yearly cycle and must be signed by the Chair of Governors and Headteacher.