Perryfields Enterprise Academy Trust

Capital and Revenue Reserves Policy

Adapted From:	ISBL latest model policy (previously NASBM)
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CHANGES MARCH 2021	
Section	**Change**
Revenue – Definition	Additional paragraph to reflect Board's decision to agree a minimum level of reserve of £100,000.

Perryfields Enterprise Academy Trust
Capital and Revenue Reserves Policy

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 MATs growth plan as Multi Academy Trusts with less than 5 schools and less than 3000 pupils are able to bid for a share of the Condition Improvement Fund (CIF). MATs with at least 5 academies and more than 3,000 pupils will receive a School Condition Allocation (SCA) to deploy across their estate. Where funding for particular programmes have time limits for achieving expenditure, any grant left unspent is at risk of clawback.

Procedure

- The CFO should propose a capital reserve schedule to the Directors identifying the need to replace assets and the related sums required.
- The Directors 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 Directors 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 General Annual Grant (GAG) funding or other income. The Academies Financial Handbook states that previous Education and Skills Funding Agency (ESFA) GAG limits on funds carried forward by trusts from year-to-year have now been removed for eligible trusts. ESFA will report to DfE any trusts where it has serious concerns about a long-term substantial surplus with no clear plans for its use.

It is considered prudent to keep one month's salary costs as a revenue reserve and the Trust Board have agreed that the minimum level of revenue reserve for Perryfields Junior School will be £100,000.

Procedure

Reserves are placed in a higher interest account to earn interest until required. The CFO reviews the current account and deposit account on at least a monthly basis to ensure cashflow is maintained.