

## REVENUE RESERVES POLICY

### REVENUE

#### **Purpose**

Academies are expected to hold contingency reserves from their annual GAG funding or other income.

Trustees require a revenue reserve to be created to fund future expenditure related to the Academy Development Plan's strategic long-term aims, to support individual school during LAG funding and potential reduction of pupil numbers at individual schools.

#### **Procedure**

The policy of the Academy is for each school to build up 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.

This Policy will be reviewed by the Audit & Risk Committee, annually as part of the Academy's planning process. It will be signed by the Chair of Trustees and the CEO.

#### **Setting of reserves**

The Academy's level of reserves is expressed as a figure and is informed by:

- forecasts for levels of income for the current and future years, taking into account the reliability of each source of income;
- forecasts for expenditure for the current and future years on the basis of planned activity;
- analysis of any future needs, opportunities, commitments or risks, where future income alone is unlikely to be able to meet anticipated costs;
- assessment, on the best evidence reasonably available, of the likelihood of each of those needs that justify having reserves arising and the potential consequences for the Academy of not being able to meet them.

#### **Limit of reserves**

The Academy will not set a level of reserves above the limits permitted by the Education Skills Funding Agency (ESFA) that may result in a clawback of funds by the Department for Education (DfE). These limits are currently:

12% of General Annual Grant (GAG) Funding, of which:

- 2% is unrestricted;
- 10% for capital purposes.

If a 'zero level' reserves policy is adopted, the Academy will consider the financial risks in such a policy and will explain its policy in the Trustees' Annual Report.

### **Creation of Reserves**

Each individual school will be requested to create a revenue reserve up to the value of one months of it individual salary budget initially. The following plan has been included in the 5 year budget planning model. The aim is to reach the Reserves level by 2021.

A report will be included in the Financial Accounts detailing whether the target has been met.

### **Use of Reserves**

The level of reserves will be monitored throughout the year as part of the normal monitoring and budgetary reporting processes to:

- identify when reserves are drawn on, the reasons and any corrective action, if any, that needs to be taken;
- identify when reserve levels rise or fall significantly above or below target, the reasons and any corrective action, if any, that needs to be taken;
- ensure that the reserves policy continues to be relevant as the Academy develops or brings on board new activities;
- review the statement on reserves in the Trustees' Annual Report where there have been significant changes in the reserves policy or level of reserves held.

### **Reserve levels**

The Academy believes that the funding received in any one year should be used to support the children on roll at the time unless there is a specific project which will require the accumulation of funding over more than one year.

We also wish to ensure the stability of our organisational operations and so, reserve levels should enable us to react quickly to changes in financial circumstances, for example, large unplanned expenditure, LAG funding and reduced pupil numbers.

Our long term aim, which we consider prudent, is to reserve the equivalent of ½ month's total salary bill for the academy of GAG funding, which equates to £245,000.

Policy Reviewed & adopted:	25 <sup>th</sup> June 2018
Next Review & report to Trustees:	Summer 2019