

Capital & Revenue Reserves Policy

Approved:	16 February 2022
Review cycle/date:	Every 3 years; February 2025
Party responsible:	Staffing, Finance & Premises Committee
Related policies:	

Overall Purpose

Academies are expected to create reserves from the annual General Annual Grant (GAG) funding and other income.

The policy of the School is to carry forward a prudent level of resources designed to contribute to

- additional costs relating to longer-term staff absence and
- the long-term cyclical needs of maintenance, renewal and site development plans and
- any other unforeseen contingencies including sufficient funds to ensure salary obligations are met in the event of potential disruption to funding receipts

The reserves are subject to the constraint that the level of resources does not exceed the level permitted by the DfE.

CAPITAL AND REVENUE RESERVE

Purpose

Currently, the Department for Education (DfE) provides minimal funding in the way of Devolved Formula Capital Grant.

The Governors (Trustees) of The Swanage School require a capital reserve to be held (the Designated Maintenance Reserve) to fund future capital maintenance expenditure on a managed programme in accordance with the terms of any funding grants and/ or to fund other capital expenditure agreed by the governing body (for example, emergency repairs).

The Swanage School is expected to hold contingency reserves from their annual GAG funding or other income.

The Governors require a revenue reserve to be held to fund future expenditure related to the strategic long-term aims and development. The Swanage School shall ensure that contingency funds are maintained of between 12.75% - 18.75% of annual revenue plus the Designated Staff Absence Fund.

Governors of the Swanage School will continue to review level of reserves on an annual basis. In doing so the Governors would then be able to increase/decrease reserves at a speed which is achievable, prudent and in the best interests of our charitable purpose.

Scope

The School Business Manager, in conjunction with the Headteacher, is responsible for implementing the School's reserves policy.

The overall contingency funds will include the Unrestricted Reserve and the amount available from restricted GAG fund (which can be used to cover elements of those contingencies which fall under the purposes permitted for use of GAG funding).

The Swanage School policy is to seek to maintain total Unrestricted Reserves plus restricted GAG funds of between 12.75% - 18.75% of annual revenue plus the Designated Staff Absence Fund plus the Designated Maintenance Reserve.

The reserves will be reviewed as at the end of the School's financial year as part of the process of preparing the annual accounts.

Reserves above or below target may be held in the short term if needed to smooth out budget surplus or deficit over a three to five year budget cycle.

The Appendices to this policy contain further information about the Designated Maintenance Reserve and the Designated Staff Absence Reserve.

Monitoring and review

This policy will be reviewed on a 3-yearly cycle.

APPENDIX: Designated Maintenance Reserve

Incoming resources:

- An initial deposit of £50,000 was set aside.

Outgoing resources:

- The funds should only be spent on
 - agreed budgeted spend on items on the capital maintenance schedule or
 - to support applications for capital funding grants that require the School to fund part of the works to be covered by the grant or
 - other items which are approved by the Governors or by delegated authority to the Headteacher outside the budget process

Procedure

- The School Business Manager should prepare and maintain a capital and maintenance schedule agreed with the Headteacher and provided to the Governors identifying the need to replace assets and the related sums required in each future year of the school's 3 to 5 year budget.
- The Governors should agree the value of Designated Maintenance Reserve to be created in a year as part of the budget approval process.
- Funds should be allocated to the Designated Maintenance Reserve in order to manage payments received under the capital maintenance programme.

APPENDIX: Designated Staff Absence Reserve

The Governors have determined that instead of taking out staff absence insurance, a reserve of funds should be built up to be used to pay for cover in the case of extended sickness absence or self-isolation in accordance with relevant guidelines and maternity/paternity/ parental/ adoption leave. Decisions in relation to the procedures for this Designated Staff Absence Reserve have been agreed by the Governors and any decision to alter either the basis for adding income, or how the funds are spent, would also have to be made by the Full Board of Governors. The agreed basis for running the fund are:

Incoming resources:

- An initial deposit of £20,000 was set aside in 2015. This represented two years of staff absence insurance premiums which cost approximately £10,000 per annum.
- £15,000 per year was set aside in each of 2016 and 2017.
- Thereafter, £10,000 per year should be set aside, until the reserve reaches £50,000.
- If at any point the balance in the Designated Staff Absence Reserve reaches £50,000 additions would cease, and recommence only to top the fund back up to £50,000, and then at a rate not exceeding £10,000 per annum.

Outgoing resources:

- The funds should only be spent on the net additional costs relating to payment of staff to cover staff absence that exceeds 5 consecutive working days.