

Capital and Revenue Reserves Policy



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Version and Date		Action/Notes	Date Written	Date to be Reviewed
3.0	09.07.19	Approved by the Board of Trustees	07.07.19 for Sept 19	3 Years – 2022
4.0	17.11.2020	Approved by the Board of Trustees	Updated 02.10.2020	3 Years – 2023
5.0	30.03.21	Approved by the Board of Trustees	Updated 16.03.21	3 Years - 2024

Purpose

Academies are expected to create reserves from their annual GAG funding. During the early years of operation GAG Funding levels create little opportunity to achieve a surplus. Currently, the DfE provides minimal funding in the way of Devolved Formula Capital that is allocated to schools for capital works. In addition, the Trust receives a School Condition Allocation Grant which is given to responsible bodies who are responsible for maintaining school buildings.

Scope

The Chief Financial Officer, in conjunction with the Chief Operations Officer, are responsible for ensuring compliance with Enfield Learning Trust's Policies and Procedures.

School Condition Allocation (Capital) Procedure

- The Trust should propose a capital schedule to the Trustees identifying the need to replace and maintain assets and the related sums required. This will include the use of condition surveys, high priority works, health and safety works and capital improvements.
- Spend of the School Condition Allocation should only occur as agreed budgeted spend which is approved by the Trustees as part of the budget process.

Revenue Reserves Procedure

- Trust revenue reserves 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 revenue reserves should only occur as agreed which is approved by the Trustees as part of the budget process.

Authorisation

- Both the Revenue Reserves and School Condition Allocation must be approved via a Trust Board committee meeting or via chairs action by two of the following when over £10,000:
 - Chair of Trustees
 - Chair of the Finance and Resources Committee
 - Chief Executive Officer
- Should one of the named Chairs not be available, a Non-Executive Trustee of the Finance and Resources can take this place.

Contingency Reserves

Multi-Academy Trusts are expected to hold contingency reserves from their annual GAG funding or other income. The Trustee's require a revenue reserve to be created to fund future expenditure related to the Trust strategic long-term aims and developments.

The policy of the Trust 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.

The Trust Board have agreed to have a minimum amount of reserves that should be held by the Trust should be the equivalent to one month's salaries. This may increase or decrease depending on the monthly salary costs of the whole Trust.

Right to Carry Forward Surplus Balances

Any underspend against the total resources available, as determined upon the closure of the year's accounts and reported in statements published under Section 251 of the Apprenticeships, Skills, Children and Learning Act 2009, will accrue automatically to the school and will be added to the school's budget share for the following year.

Reporting on the Intended Use of Surplus School Balances and the Recycling of School Surplus Balances

Headteachers are required to report on the intended use of balances where the total accumulated balances exceed 6.5% of that financial year's budget share. The criteria for retaining balances above these limits are as follows to:

- Support prior year's financial commitments that have not been charged to the accounts by the preceding 31 August
- Fund specific purposes as assigned by the Headteacher and permitted by the Trust, as detailed below, which the Trust is satisfied are properly assigned. To count as properly assigned, amounts must not be retained beyond the period stipulated for the purpose in question without the consent of the Trust.

NB: This last provision is intended to ensure that schools can build up reserves towards projects but cannot defer implementation indefinitely.

Balances Assigned for Specific Purposes

If schools are projecting surplus balances as at 31st August above 6.5%, then these schools are required to seek the written permission of the Accounting Officer on the retention and use of the surplus balances against the criteria for retaining balances. The request must be submitted to the Accounting Officer in the first half of the Spring term preceding the end of the financial year.

Schools may declare balances to be assigned for specific purposes only within the permitted categories given below. The Trust may take such steps as appropriate to determine that such declarations are properly assigned.

Permitted Categories for a maximum of three years* a reserve to finance planned:

- Capital works for the purposes of the school, as set out in the school development plan
- Replacement/ refurbishment of equipment/ purchase of new equipment, as set out in the school development plan
- Building repairs and maintenance, as set out in the annual maintenance/ premises plan
- Maintain staffing levels in the short/ medium term in the face of changing roles as set out in the school development plan.

** within each permitted category, the commencement of the time period indicated will be deemed to be the date of the appropriate declaration when a written request is received by the Accounting Officer by the end of the Spring Term*

Following a discussion with Accounting Officer, the Trust will confirm if the schools may retain any balances above the stated thresholds.

Control of Surplus Balances

The Trust shall calculate each year the surplus balance, if any, held by each school as at the preceding 31st August.

For this purpose, the balance will be recurrent balance category as defined in the Consistent Financial Reporting Framework;

Then the prior year's commitments as reported by the school shall be deducted from the calculated surplus balance. This relates solely to financial commitments that the school has entered prior to the end of the financial year, e.g. placed an order, but the goods or services were not received by 31st August and no invoice has been paid, nor an accrual raised.

Then the amount assigned for specific purposes as reported by the school and permitted by the Trust (as detailed above) shall be deducted from the calculated surplus balances.

If the result of the above is that the school has surplus balances of more than 6.5% of the current year's budget share, then the amount above these thresholds will be deducted from the current year's budget share.

If the school does not provide a written request to the Accounting Officer which is approved on surplus balances as required and does not provide the Trust with a reason for not providing the information then any balance above 6.5% shall be deducted from the current year's budget share. Any balances above the percentages stated will be recycled.

Funds deriving from sources other than the Trust will be taken into account in this calculation if paid into the budget share of the school, whether under provisions of this policy or otherwise.

Funds held in relation to a school's community facilities/ lettings will not be taken into account, unless added to the budget share surplus by the school as permitted by the Trust.

Individual schools will continue to have the right to appeal against any decision to recycle their balances. The Trustee Finance and Resources Committee will consider any appeals.

Obligation to Carry Forward Deficit Balances

Schools should not plan for a deficit balance.

When a school is forecasting a deficit balance at the end of the current financial year, they should discuss the matter with the Trust Chief Financial Officer at the earliest opportunity.

Where the setting of a deficit budget plan for the current financial year seems unavoidable, the procedures are:

- The school with the Chief Financial Officer should produce a deficit recovery plan on a format specified by the Trust to clear the deficit within three years in deficit or, in exceptional circumstances, a period agreed with Trust.
- The deficit recovery plan must be approved by Trustee Finance and Resources Committee at the same time as the budget plan and both submitted to the Trustee Finance and Resources Committee by 31st May.
- Where expenditure in any financial year exceeds the budget share, after adjustment for any surplus or deficit carried forward from the previous financial year, the deficit will be carried forward and deducted from the school's following year's budget share.
- In exceptional circumstances, it will be possible to extend the recovery period. Such requests will need to be approved by the Accounting Officer in consultation with Trustee Finance and Resources Committee, who will need to be satisfied that the circumstances are indeed exceptional, and that all reasonable action will be taken to clear the deficit at the earliest opportunity. Exceptional circumstances may include managing a temporary reduction in pupil numbers or a situation in which the Trust Board's duty to provide the curriculum would be affected.

- Once the deficit recovery plan has been approved, schools will be supported by the Finance Director to submit a cashflow statement that support the plan to the Trust. The Trust will then agree a funding agreement to ensure the school’s account remains debit.
- Where the school has a change of circumstances which results in a deviation from the agreed deficit recovery plan, the school must discuss the situation with the Accounting Officer at the earliest opportunity.
- In all instances of deficits, including forecast deficits for future years in the three year strategic plan, schools may be required to provide information and/or cooperate with Trust Officers with a view to ensuring that the deficit is managed and monitored in an appropriate manner.

This Policy will be reviewed by the Board of Trustees on a 3-yearly cycle and must be signed by the Chair of Trustees and Chief Executive Officer.

Signature of Chair of Trustees:	Signature of Chief Executive Officer:
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