

Torfield and Saxon Mount Academy Trust



Capital and Revenue Balances and Contingencies Policy

March 2023

TORFIELD AND SAXON MOUNT ACADEMY TRUST CAPITAL AND REVENUE BALANCES AND CONTINGENCIES POLICY

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CAPITAL

Purpose

Special Academies are expected to create contingency reserve funds from their annual GAG funding and any additional funding mechanisms applicable to them. Currently, the DfE provides minimal funding in the way of Devolved Formula Capital Grant. In addition academies and small MAT's are able to bid for a share of the Academies Capital Improvement Fund.

The Directors of Torfield and Saxon Mount Academy Trust require a capital reserve to be created to fund future capital expenditure or for other exceptional purposes. This may be held within prior year surplus funds as revenue contributions to capital projects and includes balances from the revenue Structural Maintenance grants currently devolved annually from the LA.

Scope

The Director of Finance, Resources and Operational Strategy (DFR), in conjunction with the Executive Headteacher, is responsible for ensuring compliance with the Multi-Academy Trusts Policies and Procedures.

Procedure

- The DFR / Exec HT 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 may be transferred to a separate (higher interest) bank account at such a time that is clear that to do so would not create a deficit cash flow situation or the generation of interest income on balances be reduced.
- Any separate bank account should have instant access or an appropriate accessible timescale to access if a more favourable interest rate can be obtained, 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.
- Under current banking arrangements, the 90 day high interest earning account and instant access high interest account will be used to hold all capital and revenue reserves.
- Spend of the capital reserve fund will usually occur as agreed budgeted spend which is approved by the Directors as part of the budget process. Any exceptions to this will be reported to the board of Directors at the next available meeting.

REVENUE

Purpose

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

Scope

The DFR, in conjunction with the Executive Headteacher, is responsible for ensuring compliance with the Multi Academy trusts Policies and Procedures.

Procedure

The policy of the MAT is to carry forward a prudent level of resources designed to meet the long-term cyclical needs of renewal and any other unforeseen contingencies for schools within the current MAT, subject to the constraint that the level of resources does not exceed the level permitted by the DfE.

Revenue reserves may be held within prior year surplus funds as both revenue and capital reserves as this includes balances from the revenue Structural Maintenance grants devolved annually from the LA and potential sums for revenue contributions to capital projects.

Total revenue and capital reserves, including prior year surplus balances will be maintained at a minimum of 5% of total revenue annual income per school, to include a minimum of 6 months operating costs at current levels, plus the Trust development reserve as identified in the MAT development plan. In addition to the above, the reserve funds will include contingency sums for addressing and balancing turbulence due to the current uncertainty in funding formula allocations and fluctuating pupil numbers. Surplus fund balances may also be held over multiple years to fund development projects that otherwise would not be achievable within a single academic year.

This Policy will be reviewed by the Board of Directors on a 2-yearly cycle and must be signed by the Chair of the Board of Directors and the Executive Headteacher.

Policy Reviewed:	March 23
Next Review:	Spring terms 2025
Signature of Chair of Board of Directors	Signature of Executive Headteacher: