ALETHEIA ANGLICAN ACADEMIES TRUST
CAPITAL AND REVENUE RESERVES POLICY

Version and Date		Action/Notes
1.0	December 2021	Presented to the Trust Board for approval on 9th December 2021 Author: TS (CFO)

The policy of the Academy Trust is to carry forward a prudent level of reserves designed to meet the long-term cyclical needs of renewal and any other unforeseen contingencies. To this end the following approaches to Capital and Revenue are required:

1. CAPITAL

1.1 Definition

The Academy Trust works within the constraints as detailed in the Academy Trust Handbook to maximise the value of its public funding. Being a Multi Academy Trust (MAT) with more than 5 academies and more than 3,000 pupils, the Trust receives a School Condition Allocation (SCA) grant to deploy across its estate. Where funding for particular capital programmes have time limits for achieving expenditure, any grant left unspent is at risk of clawback. Trust level - SCA 2 years. Academy level - Devolved Formula Capital (DFC) 3 years.

1.2 Procedure

- The Business/Finance Manager should propose a capital reserve schedule to the Governors identifying the need to replace assets and the related sums required.
- The Governors should agree the value of capital reserves to be created in a year as part of the budget approval process.
- Spend of the capital reserve fund should ideally only occur as per the agreed budgeted spend which is approved by the Governor Board as part of the budget process.

2. REVENUE

2.1 Definition

The Governors require a revenue reserve to be created to fund future expenditure related to the Academy's strategic long-term aims and developments. Academies are expected to create reserves from their annual General Annual Grant (GAG) funding or other income. The Academy Trust Handbook states that previous Education and Skills Funding Agency (ESFA) GAG limits on carry forward by trusts from year-to-year have now been removed for eligible trusts. The ESFA will report to the DfE any Trusts where it has serious concerns about a long-term substantial surplus with no clear plans for its use.

2.2 Procedure

The Trust Board has set a target of between 5% and 8% reserves per Academy to be held based on total income for each given year. An operational tolerance of below 5% can be agreed at the discretion of the Trust Audit, Risk & Finance Committee, providing there is sufficient justification and a corrective action plan in place to redress the total balance of reserves in future years.

The Trust Board set a maximum reserve limit above which funds will be transferred to the Trust Central Fund to aid the capacity and growth of the MAT. Such limits are set at 12% of total income for secondary/all through and 12% of total income for primary academies. The Primary % will be phased across the first 3 years of this policy i.e. 2021/22 year-end balance 20% (*n1), 2022/23 year-end balance 16%, 2023/24 year-end balance 12%.

The Audit, Risk & Finance Committee will consider the set aside of funds above the maximum limits for significant projects that cannot be met by future income alone.

The Audit, Risk & Finance Committee will allow sinking funds for specific regeneration projects such as an all-weather pitch, to fall outside of general reserves with a level of contributions derived from associated trading income.

This policy will be reviewed by the Trust Audit, Risk & Finance Committee on a 3-yearly cycle.

Policy Approved:	9th December 2021
Next Review:	Autumn 2024
Signature of Chair of Governors:	

*n1: *National Audit Office (NAO) 'Financial Sustainability of Schools in England' Press Release (25 November 2021) highlighted that* "In 2019/20, 22% of trusts reported surpluses equivalent to 20% or more of their annual income". *This being an indication that the NAO consider 20% or more to be a high level of reserve.* *https://www.nao.org.uk/press-release/financial-sustainability-of-schools-in-england/*