



Davies Lane Primary School, Davies Lane, Leytonstone, London, E11 3DR. Company Number: 10234376

## **CAPITAL AND REVENUE RESERVES POLICY**

### **CAPITAL**

#### **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 EFA provides minimal funding in the way of Devolved Formula Capital Grant. In addition academies are able to bid for a share of the Academies Capital Maintenance Fund. Arbor Academy Trust (The Trust) require a capital reserve to be created to fund future capital expenditure.

#### **Scope**

The Finance Director, in conjunction with the Chief Executive Officer / Executive Head Teacher, is responsible for ensuring compliance with the Trust's Policies and Procedures.

#### **Procedure**

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

### **REVENUE**

#### **Purpose**

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

#### **Scope**

The Finance Director, in conjunction with the Chief Executive Officer / Executive Head Teacher, is responsible for ensuring compliance with Trust's Policies and Procedures.

#### **Procedure**

The policy of the Academy 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 EFA.

This Policy will be reviewed by the Finance and Resources Committee on a 3-yearly cycle and must be signed by the Chair of Trustees and Executive Headteacher.