

Capital & Revenue Reserves Policy

Approved:	12 March 2025
Review cycle/date:	Every 3 years; March 2028
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 estate 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.

Overall Reserves

The overall reserves will comprise

- 1) The general contingency reserves which are made up of:
 - The undesignated unrestricted reserve
 - The restricted GAG general fund (which can be used to cover elements of those contingencies which fall under the purposes permitted for use of GAG funding).
- 2) The Designated Staff Absence Reserve
- 3) The Designated Estate Capital and Maintenance Reserve.

The targets and funding arrangements for each of these components are set out in the appendices. 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.

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

The Appendices to this policy contain further information about each element of the reserves.

Monitoring and review

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

APPENDIX: General Contingency Reserve

General contingency reserves might be needed:

- to give time to take action if income falls below expectations
- for planned commitments, or designations, that cannot be met by future income alone, e.g. plans for a major asset purchase or a significant project that requires the School to provide 'matched funding'
- the need to fund short-term deficits in a cash budget, e.g. money may need to be spent before a funding grant is received

Therefore, the School will hold general contingency reserves which are made up of:

- The undesignated unrestricted reserve
- The restricted GAG general fund (which can be used to cover elements of those contingencies which fall under the purposes permitted for use of GAG funding).

Target reserves

Between 10% and 15% of annual income

Annual income means the restricted income received over the last complete accounting year (or other annual income figure recommended by the auditors and agreed by the Governors' Staffing, Finance and Premises Committee).

Incoming resources:

The unrestricted undesignated reserve is the accumulation of unused and unallocated unrestricted income.

The restricted GAG general fund is the accumulation of unused and unallocated GAG restricted general income.

Outgoing resources:

The funds should only be spent on items which are part of the agreed annual budget or which have been separately approved by the Governors' Staffing, Finance and Premises Committee or by delegated authority to the Headteacher outside the budget process.

Procedure

The School Business Manager and the Governors' Staffing, Finance and Premises Committee will take into account the need to build up or reduce the General Contingency Reserve when reviewing and approving the three-yearly budget and requests for additional spend each year.

APPENDIX: Designated Estate Capital and Maintenance Reserve

The Designated Estate Capital and Maintenance Reserve is intended to provide funds for planned maintenance and renewal of the School estate that cannot be met by future income alone, e.g. plans for a major asset purchase or to a significant project that requires the School to provide 'matched funding' and/ or for an unforeseen emergency or other unexpected need for funds, e.g. an unexpected large bill or finding 'seed-funding' for an urgent project.

Target reserves

Year ending	Target for designated estate capital and maintenance reserve
31/08/2025	£50,000
31/08/2026	£51,500
31/08/2027	£53,000
31/08/2028	£54,500

Incoming resources:

- Funds are allocated to the Designated Estate Capital and Maintenance Reserve from the undesignated unrestricted reserves as agreed by the Governors' Staffing, Finance and Premises Committee as at the end of the School's financial year as part of the process of preparing the annual accounts.

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' Staffing, Finance and Premises Committee 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' Staffing, Finance and Premises Committee identifying the need to replace or enhance assets and the related sums required in each future year of the school's 3-to-5-year budget.
- The Governors' Staffing, Finance and Premises Committee will agree the target value of this reserve as part of the periodic review of this policy.
- Funds should be allocated to the Designated Maintenance Reserve with a view to achieving the target reserves over a three-to-five-year budget cycle.

APPENDIX: Designated Staff Absence Reserve

Instead of taking out staff absence insurance, a reserve of funds is 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.

Long-term staff absence costs will be met as follows:

Total costs to be calculated:

- The net additional costs relating to payment of staff to cover staff absence that exceeds 5 consecutive working days

Amount of that cost which is to be paid out of GAG:

- Up to an initial amount agreed at each review of this policy
- Plus any extra needed to cover the current year cost if the designated staff absence reserve is not enough to cover the full balance

Amount of that cost which is to be paid from designated staff absence reserve:

- Balance of the current year costs, up to the full amount of the start-of-year staff absence reserve

Target for designated staff absence reserve:

- To be agreed at each review of this policy

Top-up of designated staff absence fund from unrestricted reserves:

- Up to an initial amount agreed at each review of this policy, or the amount needed to reach the target if that is less (subject to a maximum of the unrestricted undesignated reserve)

Target reserves

Year ending	Target for designated staff absence reserve
31/08/2025	£45,000
31/08/2026	£46,500
31/08/2027	£48,000
31/08/2028	£49,500

Incoming resources:

Year ending	Maximum top-up of designated staff absence reserve from unrestricted undesignated reserves
31/08/2025	£15,000
31/08/2026	£15,500
31/08/2027	£16,000
31/08/2028	£16,500

- If at any point the balance in the Designated Staff Absence Reserve reaches the target reserve additions would cease, and recommence only to top the fund back up to the target reserve, and then at a rate not exceeding the maximum top-up set out above.

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, and which exceed the initial amounts on the table below.

Year ending	Initial GAG payment limit for long-term staff absence
31/08/2025	£15,000
31/08/2026	£15,500
31/08/2027	£16,000
31/08/2028	£16,500

Procedure

- The School Business Manager should calculate the cost of cover for long term staff absence and the allocation of these costs between GAG and reserves as part of preparing the year-end figures for the School accounts.
- The Governors' Staffing, Finance and Premises Committee will agree the amounts for this reserve as part of the periodic review of this policy.