



Capital and Revenue Reserves Policy

Version and Date		Author	Committee Responsible	Review frequency	Approval	Next Review Due
1.0	22.08.2014	Mrs J Whiston	L&M	3 yearly	Approved by the L&M Committee 03.02.2015	02.02.2018
1.2	11.11.2017	Mr C Heptinstall	L&M	3 yearly	Approved by the L&M Committee 27.03.2018	26.03.2021
1.3	31.01.2020	Miss J Evans	F & A	3 yearly	Approved by the Finance & Audit Committee 10.02.2020	10.02.2023
1.4	15.03.2023	Miss M Duval	FAR Committee	3 Yearly	Approved by the FAR Committee 22/03/2023	22/03/2026

1. CAPITAL

Purpose

Trusts 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 Grant. In addition, academies are able to bid for a share of the Condition Improvement Fund.

The Trustee Directors of Kaleidoscope Learning Trust require a capital reserve to be created to fund future capital expenditure.

Scope

The Chief Finance Officer (CFO), in conjunction with the Chief Executive Officer (CEO), is responsible for ensuring compliance with the Academy's financial policies and procedures.

Procedure

- The CEO, in conjunction with the CFO, should propose a capital reserve schedule to the Board of Trustees identifying the need to replace assets and the related sums required.
- The Board of Trustees 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 only occur as agreed budgeted spend which is approved by the Board of Trustees as part of the budget process.

2. REVENUE

Purpose

Although Trusts are expected to use their allocated GAG funding for the full benefit of their current pupils, they are also expected to hold contingency reserves from their annual GAG funding or other income.

The Board of Trustees require a revenue reserve to be created to fund future expenditure related to the Trust Strategic Action Plan's long-term aims and developments.

A prudent level of revenue reserves will also protect the Trust from the following potential risks:

- Drop in pupil numbers leading to loss of in-year income. Reserves will allow the Trust to maintain staffing levels if experiencing a temporary drop in numbers
- Unforeseen, emergency maintenance to ensure the Academies can stay open and safe for all pupils, staff and visitors.
- To assist with cash flow and allow annual service level agreements, insurance policies and educational supplies and equipment to be paid for at the beginning of the financial year where necessary.

Scope

CFO, in conjunction with the CEO, is responsible for ensuring compliance with the Trust's financial policies and procedures.

Procedure

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. In the event that a substantial surplus builds up, the Trust will draw up a clear plan for how it will use this to benefit current pupils, in accordance with the Academies Financial Handbook.

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Reserves will be reviewed annually by the Board of Trustees to ensure an optimal level of reserves is being held.

The Trust should hold no less than 2 months, and no more than 3 months operational expenditure in reserve. Anything above this amount must have a clear written strategy for investment in the Trust.

Reserves are recorded half-termly on the balanced scorecard and are subject to regular review.