



The Island Learning Trust

CAPITAL AND REVENUE RESERVES POLICY

December 2023

The policy of the Academy 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, subject to the constraint that the level of resources does not exceed the level permitted by the DfE. To this end the following approaches to Capital and Revenue are required.

The Trust is to continually monitor its reserve balances to ensure this is no more than 20% of total annual income. If this is breached, the Trust is to ensure it has detailed planned capital works and state why such a level of reserves are held e.g. for staff retention and development, strategic growth/development or future uncertainty.

This policy should be read in conjunction with the Trust's One Trust Policy.

CAPITAL (INCLUDED IN RESTRICTED FIXED ASSET RESERVES)

Purpose

Academy 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 (DFC) grant. In addition, academy trusts are able to bid for a share of the Condition Improvement Fund (CIF). Multi-Academy Trusts with at least 5 academies and more than 3,000 pupils will receive a School Condition Allocation (SCA) to deploy across their estate. Where funding for particular programmes have time limits for achieving expenditure, any grant left unspent is at risk of clawback

The Trust Board of The Island Learning Trust require a capital reserve to be created to fund future capital expenditure and allocate funds to projects detailed in Condition Surveys.

The Trust pools its capital funding (unless specified for particular projects e.g. CIF) and uses funds towards Trust projects that have a higher need and risk as discussed and agreed with the Trust Board.

Scope

The Chief Finance Officer (CFO), in conjunction with the Head of Schools, is responsible for ensuring compliance with the Academy Trust's Policies and Procedures.

Procedure

- The CFO should propose a capital reserve schedule to the Trustees identifying the need to replace assets and the related sums required.
- The 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 Trustees as part of the budget process.

REVENUE (INCLUDED IN RESTRICTED & UNRESTRICTED GENERAL RESERVES)

Definitions

Restricted reserves are represented by the main funding for the academy which is the General Annual Grant and other funds that are received for a specific project or purpose. These funds are restricted for the use according to the funding agreements of donors' instructions.

Unrestricted reserves are made up of the academy's activities for generating funds, investment income and other donations which are expendable at the discretion of the governors in furtherance to achieve the objectives of the school.

Free reserves are classed as the total of unrestricted reserves and restricted general reserves (excluding the Pension Reserve, which is the value of the Trust's portion of the Local Government Pension Scheme).

Purpose

The Trust is expected to hold contingency reserves from annual GAG funding or other income.

The Trustees require a revenue reserve to be created to fund future expenditure related to the Academy Development Plan's strategic long-term aims and developments.

Scope

The Chief Finance Officer (CFO), in conjunction with the Head of Schools, is responsible for ensuring compliance with The Island Learning Trust's Financial Regulations Policy 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, subject to the constraint that the level of resources does not exceed the level permitted by the DfE.

The Board of Trustees have determined that the appropriate level of free reserves should be the equivalent of one month's salary costs across the Trust. This is currently approximately £550-600k. In addition, in line with the One Trust Policy, the trust holds £20,000 per school in the event a school leaves the Trust.

In deciding the level of free reserves to maintain, the trustees will take into account the following:

- Uncertainty, turbulence or expected reduction in funding arrangements
- Unprecedented and unexpected pay increases announced by the DfE
- Fluctuations in student numbers
- Cash flow issues due to delays in funding
- The Trust's annual budget
- The need for any large project spend to include facilities development, ICT investment or building condition needs

The Chief Financial Officer will maintain a medium-term financial forecast which will show how end of year reported reserves will be utilised.

This Policy will be reviewed by the Trust Board on a 3-yearly cycle and must be signed by the Chair of the Trust Board and the CEO.

Policy Reviewed:	December 2023
Next Review:	December 2026
Signature of Chair of the Trust Board:	Signature of CEO: