



**Willowcroft Community School**

**Capital & Reserves Policy 2025**

## **1. Purpose**

Academies are expected to create reserves and hold contingency reserves from their annual GAG funding or other income. 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 Academies Capital Maintenance Fund.

The trustees have approved an unrestricted reserves level of £45k This is retained to allow for planned property maintenance and renewal, replacement and development of ICT equipment and grounds development where these projects cannot be met from ongoing income.

£193k of restricted reserves has been carried forward.

The policy of the Academy is to

1. Carry forward a prudent level of resources designed to meet the long-term cyclical needs of renewal.
2. To fund future expenditure related to the Academy Development Plan's strategic long-term aims and developments
3. To hold sufficient contingency reserves for any unforeseen contingencies.

## **2. Development of the academy's reserves policy**

Trustees need to consider the level of reserves the school should hold. Levels of reserves which are too high tie up money which should be spent on current school activities. Levels of reserves which are too low may put the future activities of the school at risk. The trustees should agree the value of capital reserves to be created in a year as part of the budget approval process.

When considering an appropriate level of reserves, the trustees will consider:

1. The risk of unforeseen emergency or other unexpected need for funds.
2. Covering unforeseen day-to-day operational costs, for example employing temporary staff to cover a long-term sick absence.
3. A fall in a source of income, such as lettings.
4. Planned commitments, or designations, that cannot be met by future income alone, for example plans for a major capital project.
5. The need to fund potential deficits in a cash budget, for example money may need to be spent before a funding grant is received.

The financial risks identified determine the amount of reserves the academy targets to hold.

## **3. The academy's reserves policy:**

1. Assists in strategic planning by considering how new projects or activities will be funded.

2. Informs the budget process by considering whether reserves need to be used during the financial year or built up for future projects.
3. Informs the budget and risk management process by identifying any uncertainty in future income streams.

#### **4. During the financial year Trustees need to identify:**

1. When reserves are drawn on, so that they understand the reasons for this and can consider what corrective action, if any, needs to be taken.
2. When reserve levels rise significantly above target so that they understand the reasons and can consider the corrective action, if any that needs to be taken.
3. Where the reserves level is below target, and consider whether this is due to short-term circumstance or longer term reasons which might trigger a broader review of finances and reserves

#### **5. In-year reports to governors**

1. Compare the amount of reserves held with the target amount or target range set for reserves.
2. Explain any shortfall or excess in reserves against target set.
3. Explain any action being taken or planned to bring reserves into line with the target.

#### **6. Annual financial statements**

The reserves policy disclosed in the trustees report will include the following information:

1. Why reserves are held.
2. What amount/range of reserves is considered appropriate for the academy trust.
3. What the level of reserves is at the year end.
4. How the academy trust is going to achieve the desired level or range of reserves.
5. How often the reserves policy is reviewed.

#### **7. Local Government Pension Scheme – Position at 31 Aug 2014**

The value of the Academy Trust's share of the Local Government Pension Scheme deficit exceeds the value of its unrestricted funds. The LGPS deficit is likely to be met in the longer term from any combination of increased employer or employee contributions, increased government funding or change to scheme benefits.

The restricted funds will be spent in accordance with the terms of the particular funds.

#### **8. Monitoring and evaluation of the policy**

This policy will be monitored regularly for any changes in legislation or directions from the DFE which may have an effect and evaluated in the light of any comments made by the DFE, EFA, auditors and any other interested parties.

#### Reviewing

The head teacher and trustees will carry out a review of this policy on a regular basis to ensure that any new or changed legislation is adhered to.

### **Appendix – 2024/2025 financial year**

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#### Target range of reserves for the financial year

Of the free reserves mentioned above, £45000 is held as unrestricted reserve and is working towards the initial target of the reserves level set by the trustees. The levels have not changed since last year.

In deciding the level of reserves for this year the governors have taken into account the following:-

- The ESFA allows schools to bid for funding for capital projects; the school would like to use this method of funding, as far as possible.
- Willowcroft is part of the OPEN Umbrella Trust; the Heads and Governors are continuing to look at ways of strengthening the partnership for benefit of the four schools; this will require some financial commitment the cost of which is not yet certain.