

Date ratified at  
Directors Meeting  
**13 December 2021**

Review  
Resources  
Committee  
**Autumn 2024**



# CAPITAL AND REVENUE RESERVES POLICY

## THE MAT MISSION STATEMENT

Our family of schools is united in the belief that God's love, peace, truth, and joy is for all. We are dedicated to the achievement of excellence in all we do. We cherish the uniqueness of each of our school communities and celebrate together as one Trust family. By following Jesus' example we bear witness to the greatness of God.

*'To think, to feel, to do' Pope Francis*

**St John the Baptist Catholic MAT**  
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# St John the Baptist Catholic Multi Academy Trust

## CAPITAL AND REVENUE RESERVES POLICY

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.

The policy takes into account the following principles:

1. Reserves must have a specific purpose related to future spending or covering current and future risks.
2. The size of the reserves should balance the benefit of current spending with the risks the reserves cover.
3. They should be transparent and maintain the link with the purposes for which the income was given.
4. They should ensure that sufficient resources are available so that unexpected events can be accommodated without causing current year problems, generating a deficit or cash flow issues.

To this end, the following approach to Capital and Revenue reserves is adopted by the Trust:

### CAPITAL

#### Definition

The academies work within the constraints as detailed in the Academy Trust Handbook to maximise the value of their public funding. Trusts with at least 5 academies and more than 3,000 pupils receive a School Condition Allocation to deploy across their estate.

#### Procedure

- The Trust does not apply minimum limits on capital reserves (unspent capital funding) held.
- The nature of School Condition Allocation means that the funding levels for future years are generally known.
- A 3-year capital budget aims to spend the available funding within 2 years of receipt to meet the current funding requirements attached to government capital grants received by the Trust.

### REVENUE

#### Definition

Revenue reserves represent the balance of funds that are available at any given point in time to help meet short-term financial commitments of the trust and give the ability to invest in the pupils of today and tomorrow. Revenue reserves are also required in order to ensure the financial stability of an academy trust and to assist with the delivery of strategic priorities.

The need for trustees to consider and report on their trust's level of reserves within academy accounts is required by the Education and Skills Funding Agency (ESFA). Academies are expected to create reserves from their annual General Annual Grant (GAG) funding or other income. The Academy Trust Handbook states that previous GAG limits on carried forward by trusts from year-to-year have now been removed for eligible trusts. ESFA will report to DfE any trusts where it has serious concerns about a long-term substantial surplus with no clear plans for its use.

#### Procedure

- The Trust Resources Committee reviews the reserve levels annually to make sure they provide sufficient working capital to cover delays between spending and receipt of grants to allow for unexpected situations such as urgent maintenance work.
- The target for the optimal general revenue reserves held by the Trust's schools is 8% of their total annual income. This is approximately 1/12 of the annual income.

#### Policy review cycle

This policy will be reviewed by the Resources Committee on a 3-yearly cycle.