



## **ENERGY COAST UTC**

### **CAPITAL & RESERVES POLICY**

**2025**

**Party Responsible:** Finance & Premises Committee

**Approved:** Co-Chair of Governors, **Kerri Black and Stuart Atkinson**

**Signed:**  

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Revision	Date	Owner	Summary of Changes
1			
2			
3			
4			
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**Related Policies:**

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## **Overall Purpose**

Academies are expected, by the DfE and ESFA, to create reserves from the annual General Annual Grant (GAG) funding and any other received income. The policy of the Energy Coast UTC (ECUTC) is to carry forward a prudent level of resources designed to contribute to:

- additional costs relating to longer-term staff absence
- the long-term cyclical needs of maintenance, renewal and site development plans
- any unforeseen contingencies
- sufficient funds to ensure one month's 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/ESFA.

## **CAPITAL AND REVENUE RESERVE Purpose**

### **CAPITAL**

Currently, the Department for Education (DfE) provides minimal funding in the way of Devolved Formula Capital Grant.

The Governors (Trustees) of ECUTC require a capital reserve to be held (the Designated Maintenance Reserve) to fund future capital maintenance expenditure on a managed programme in accordance with the terms of any funding grants and/ or to fund other capital expenditure agreed by the governing body (for example, emergency repairs).

### **REVENUE**

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

## **The ECUTC Reserves Policy**

The Governors require a revenue reserve to be held to fund future expenditure related to the strategic long-term aims and development. The ECUTC will seek that contingency funds are maintained of between 5% - 10% of annual revenue.

Governors of the ECUTC will continue to 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.

The DfE may undertake reviews of trusts which they believe to be vulnerable (i.e. those that fall under the suggested lower reserve percentage of 5%). They may also monitor trusts which they consider having high/excessive levels of reserves (defined as 20% of total income or above).

The trustees therefore consider it would be prudent to hold unrestricted reserves in the general fund in the form of free reserves (total funds less the amount held in fixed assets and restricted funds) of between 5% and 10%. This should not dip below 5% and must always be sufficient to cover salaries and associated costs for one month as an absolute minimum.

### **Scope**

The ECUTC Business Director, in conjunction with the CEO is responsible for implementing the ECUTC's reserves policy.

The overall contingency funds will include the Unrestricted Reserve and the amount available from restricted GAG fund (which can be used to cover elements of those contingencies which fall under the purposes permitted for use of GAG funding).

The ECUTC policy is to seek to maintain total Unrestricted Reserves of between 5% - 10% of annual revenue.

The reserves will be reviewed as at the end of the ECUTC's financial year as part of the process of preparing the annual accounts.

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.

The Appendices to this policy contain further information about the Designated Maintenance Reserve and the Designated Staff Absence Reserve which form part of the total reserves.

## Monitoring and review

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

### 1. APPENDIX: Designated Maintenance Reserve:

A minimum amount of £60,000 to be held in reserve.

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 ECUTC to fund part of the works to be covered by the grant
- other items which are approved by the Governors or by delegated authority to the CEO outside of the budget process

Procedure

- The School Business Director should prepare and maintain a capital and maintenance schedule agreed with the CEO and provided to the Governors identifying the need to replace assets and the related sums required in each future year of the school's 3-to-5- year budget, starting in 2025/26.
- The Governors should agree the value of Designated Maintenance Reserve to be created in a year as part of the budget approval process.
- Funds should be allocated to the Designated Maintenance Reserve in order to manage payments received under the capital maintenance programme.

## **2. APPENDIX: Designated Staff Absence Reserve**

The Governors have determined that a reserve of funds should be built up to be used to pay for cover in the case of extended staff absence and maternity/paternity/ parental/ adoption leave. Decisions in relation to the procedures for this Designated Staff Absence Reserve will be agreed by the Governors and any decision to alter either the basis for adding income, or how the funds are spent, would also have to be made by the Full Board of Governors. The current agreed basis for running the fund are:

Incoming resources:

- A minimum amount of £60,000 to be held in reserve
- The reserve may be less than the target reserve from time to time if outgoings have exceeded the agreed additions.
- If at any point the balance in the Designated Staff Absence Reserve reaches the target reserve amount, additions would cease. Additions would recommence only to top the fund back up to the target reserve, and then at a rate not exceeding the maximum agreed.

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.