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# GAG & RESERVES POOLING POLICY



**Accord**

MULTI ACADEMY TRUST

## Document Detail

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## Approvals

<b>Name</b>	<b>Position</b>	<b>Signature</b>	<b>Date</b>
John Leam	Chair of Trustees	<i>J D Leam</i>	17 July 2023
Alan Warboys	Chief Executive Officer	<i>A Warboys</i>	17 July 2023

## Document History

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1.0	July 2022	Chief Finance Officer	N/A

## **1. INTRODUCTION**

The Trustees of Accord Multi Academy Trust recognise that the GAG & Reserves Pooling Policy must address the management of financial risk across the Trust, whilst being mindful that existing pupils are not disadvantaged through the retention of excessive reserves.

## **2. ROLES AND RESPONSIBILITIES**

### **2.1 The Board of Trustees**

The Board of Trustees is responsible for “*overseeing and ensuring effective financial performance*” (1.12 Academy Trust Handbook). Full details of Trustee responsibilities are set out in the Trust’s Scheme of Delegation.

### **2.2 The Chief Executive Officer (CEO)**

The CEO, as Accounting Officer, has overall accountability for the operation of the Trust’s financial responsibilities. The CEO is responsible for ensuring that the GAG & Reserves Pooling Policy is applied clearly, appropriately, and equitably.

### **2.3 The Chief Finance Officer (CFO)**

The CFO is responsible for supporting the CEO in the implementation of the GAG & Reserves Pooling Policy, supporting the Academies in the annual budget setting process, monitoring and reporting financial information to provide visibility to the CEO and the Board of Trustees, and holding budget holders to account.

### **2.4 Academy Leaders - Principal / Headteacher**

Supported by the CFO and the Trust Finance Team, Academy Leaders are responsible for the day to day financial management of the Academy/Academies including management of the Academy budget.

## **3. MONITORING AND EVALUATION OF THE POLICY**

Trustees will review the policy on an annual basis to assess the impact of any changes in legislation or direction from the DfE / ESFA. The policy will also be evaluated with reference to any comments made by the DfE, ESFA, Trust auditors or any other interested parties.

## **4. POLICY AIMS**

The purpose of this policy is to allow Trustees to direct funds to where they are most needed and support the delivery of the Trusts vision and strategy ensuring all pupils have an equal opportunity to learn and succeed. GAG & Reserve Pooling supports the fact that the Trust is a single financial entity who are responsible for the sustainability of all their constituent academies.

## **5. SCOPE OF THE GAG & RESERVES POOLING POLICY**

The ESFA allow Academy Trusts the freedom to amalgamate GAG funding to form one central fund, however the following conditions are set out in the Academy Trust Handbook:

## Pooling of GAG by trusts with multiple academies

5.30 A trust with multiple academies can amalgamate GAG for its academies to form one central fund. This can be used to meet the running costs at any constituent academy within the trust. In accordance with its funding agreement a trust **must not** pool PFI funding.

5.31 The trust **must** consider the funding needs and allocations of each constituent academy and **must** have an appeals mechanism. If a constituent academy's principal feels the academy has been unfairly treated, they should appeal to the trust. If the grievance is not resolved, they can appeal to the Secretary of State, via ESFA. Where ESFA receives an appeal, it will review the process that the trust has followed, including whether the trust has considered the funding needs of the constituent academy, and whether the trust's internal appeals process has been applied. ESFA will provide the constituent academy and the trust with the opportunity to provide any evidence they feel is relevant to the case. ESFA's decision will be final and can result in the pooling provisions being dis-applied.

## 6. GAG POOLING

### 6.1 Income

All income received by the Academy will be subject to GAG pooling unless the income is either pupil specific, or accountability for the income stream is directly linked to the Academy.

Examples of income streams that can be GAG pooled:

- GAG funding, including AWPU, Lump Sum, MPPFL adjustment
- Mainstream Additional Grant
- UIFSM
- Lettings income
- Capital Income – DFC

Examples of income streams excluded from GAG Pooling include:

- GAG funding, student specific funding e.g. deprivation, prior attainment, 16-19 bursary funding
- Pupil premium
- Local Authority funding
- Sports Premium Grant
- Capital Income – CIF
- Covid Recovery Premium
- Unrestricted Income Funds – e.g. Extended school; catering

### 6.2 Expenditure

All planned expenditure by the Academy will be subject to GAG pooling unless the expense is either pupil specific, or accountability for the expense is directly linked to the Academy.

Expenditure streams within GAG Pooling include:

- Teaching and support staff salaries
- IT costs
- Planned maintenance
- Capital projects – Non-CIF
- Premises costs – utilities, insurance, estates SLAs
- HR costs – recruitment, payroll, apprentice levy

Expenditure streams to be excluded from GAG Pooling include:

- Pupil premium
- SEND
- Sports premium
- Capital projects – CIF
- Curriculum budgets
- Premises costs – general repairs, cleaning
- HR costs – CPD
- Costs linked to Unrestricted Income Funds that are directly accountable for by specific Academies - Extended school salaries, catering supplies

### **7.3 Central Services**

The following central services provided by the Trust within the current 'top slice' arrangement will continue to be funded by the Trust within the GAG pooling framework:

- Governance and executive leadership
- School improvement
- Finance
- HR
- Estates
- IT support

Budgets will include a notional 'top slice' recharge to Academies to fund the cost of central services.

### **7.4 Supporting Infrastructure**

All income and expenditure will be transacted centrally through one Trust bank account with the Trust's accounting software updated to support the new structure. As the Trust migrates to a new payroll provider, a reduction in the number of payrolls will be considered in order to maximise efficiency gains. It is important to note that the visibility of each Academy's underlying performance is still required for Academy Accounts Return benchmarking data.

## **8. ANNUAL BUDGETING PROCESS**

The annual budget setting process will continue to be managed as a 'bottom up' approach for each Academy and the Central Trust in the summer term. All Academies should aim to deliver a balanced budget, and all budgets must be approved by the Board of Trustees following completion of the budget planning process.

Following budget approval, the detailed budget will be issued to each Academy confirming budget values and accountability for each cost centre. The statement will set out a calculation supporting either the net contribution to, or net contribution due from, the Central Fund.

Budgets will be monitored over the year to ensure uniformity of spend with expenditure benchmarked across the Trust and compared to prior years.

Academies, and the Central Fund, will continue to be monitored on the cost centres that they are accountable for. Budget Holders will receive monthly reports to provide clarity and visibility of spend to ensure expenditure is appropriately managed. The Finance Team will monitor the cashflow forecast to ensure that sufficient funds are available to cover budgeted costs.

## **9. RESERVES POOLING – REVENUE RESERVES**

### **9.1 Target Level of Reserves**

It is recognised that the Trust must take a prudent approach to reserves and as such will retain a minimum level of reserves as stated in the Reserve Policy (currently 8%, representing c.1 month of annual expenditure across the Trust). The level of reserves held should be presented and discussed at the Finance and Resources meetings to provide visibility of available funds and show evidence of compliance with the minimum reserves target.

### **9.2 Requests against the Central Reserves Fund**

The CEO and CFO, in conjunction with the Trustees, will be accountable for the Central Reserves Fund and will be responsible for the management of expenditure against the fund. Academy Leaders can submit a request for expenditure against Central Reserves.

Requests for the following financial year should be submitted as part of the annual budget setting process in the summer term, to be approved by Trustees alongside approval of the annual budget. Further requests can be submitted throughout the year and will be reviewed at the next planned Trustees meeting.

All requests will be reviewed in the first instance by the CEO and CFO, considering both Academy need, affordability, and equity of expenditure across the Trust. If approved by the CEO and CFO, the request will be submitted to the Finance & Resources Committee and Board for final approval.

Expenditure may include, but is not limited to, the following areas:

#### **Capital and Maintenance works**

- Funding of unforeseen expenditure e.g. urgent maintenance work.
- Funding of material capital projects e.g. building improvement works.
- Delivering a robust programme for renewal and replacement of Academy assets e.g. ICT hardware.

Requests for capital and maintenance works against the Central Reserves Fund will be assessed in line with the prioritisation levels that are applied to the Trust 5-year capital plan. The prioritisation levels for these works are set out by the Trust, in conjunction with the Director of Estates, and are as follows:

#### **1. Emergency Works**

Investment in immediate remedial works to major elements of premises (roofs, mechanical services, etc) necessary to remedy actual, or prevent imminent premises closure.

#### **2. Health & Safety**

Investment in the physical aspects of premises which do not meet statutory regulations but that do not present an immediate threat of premises closure.

#### **3. Condition**

Investment in the physical state of the major elements of premises based on external condition surveys.

#### **4. Sufficiency (including expansion or rationalisation)**

Investment in total areas and the quantity and organisation of places within academies in relation to the demand for places. This can be “basic need” to expand to provide new places to meet demand or “not basic need” to expand other than to provide new places to meet demand.

#### **5. Suitability**

Investment to improve how well the premises meet the needs of pupils, teachers, staff and other users.

#### **6. Efficiency**

Investment in physical aspects of premises which directly result in revenue costs such as energy, transport etc.

Any request for capital and maintenance expenditure against the Central Reserves Fund, in addition to the expenditure set out in the 5-year capital plan, must be notified by the Academy, in the first instance, to the CEO and CFO for the Trust who will assess the request for funding on a case by case basis.

#### **Non-Capital and Maintenance works**

- Additional funding to support short term fluctuations in income e.g. reduced student numbers.
- Funding of staffing costs that cannot reasonably be reduced within the required timeframe, up to the point that procedures can be implemented to reduce costs moving forward.
- Funding of redundancy costs/severance payments to facilitate cost reductions moving forward.
- Funding of staffing costs to support additional resources in school improvement as considered necessary by the Trust.

General maintenance work including redecoration and the upkeep of the building should be included in each Academies budget. All requests for non-capital works against reserves must be submitted by Academy Leaders, and will be assessed on a case by case basis by the CEO and CFO.

### **9.3 Increasing the Reserves Balance**

It is expected that all Academies within the Trust will set a balanced budget for the year. Whilst the Trust will not maintain levels of reserves that are excessive compared with total income levels, there is a need to maintain reserves greater than the target 8% to ensure that reserves are available for future capital projects since the Trust does not currently benefit from School Capital Allocation (SCA) funding.

It is proposed that all capital spend will be funded from the central reserves fund, as appropriate a reserves contribution may be applied to each Academy budget in order to maintain Trust reserves. This will be agreed annually as part of the budgeting process. In addition, any in year surplus will also be transferred to the central reserves fund.

Any pre-approved budget deficit in the Trust central budget or Academy budget at the end of the financial year will be offset against the Trust Reserves Fund. The reported deficit will be reviewed by the CEO and CFO, in conjunction with the Academy Leader, to ensure that the deficit is in line with expectations and conditions set out at the point the deficit was approved.

Any unapproved deficit in the Trust central budget or Academy budget at the end of the financial year will be reviewed by the CEO and CFO, in conjunction with Trustees, who will have the discretion to reclaim the overspend, wholly or partly, from the next years' budget if required.

#### **9.4 Management of the in-year Capital Reserves Fund**

All DFC income will be pooled to form a single capital fund. In the future if the Trust grows resulting in eligibility for School Condition Allocations (SCA), this funding will be consolidated into the single capital fund. This fund will be managed by the CEO and CFO, in conjunction with Trustees. Funding will be allocated based on approved capital expenditure plans and Academy Leaders will have the opportunity to be involved in setting the capital expenditure plans for their respective Academies.

### **10. ACADEMIES LEAVING THE TRUST**

#### **10.1 Treatment of Reserves**

If an Academy chooses to leave the Trust, the Board will agree the level of reserves that the Academy may depart with based on a percentage of the Academy's GAG income. This will take into consideration overall Trust reserves and if the constituent academy has a deficit revenue balance.

### **11. APPEALS PROCESS**

If an Academy feels that they have been treated unfairly through the application of the Reserves Pooling Policy they should submit an appeal through the Trusts' Internal Appeals Process detailed below.

#### **11.1 Internal Appeals Process**

In the first instance, the Academy Leader must inform the CEO of the appeal, in writing, within 5 working days of being issued with the annual Reserves Pooling Statement. The appeal should document the nature of the dispute, how much additional funding is required (supported by appropriate evidence), what the funding will be used for, and what would be the potential impact on the Academy if the funding was not received.

If the dispute cannot be fully resolved between the CEO and the Academy Leader, the appeal will be escalated to the Chair of Trustees. The Board of Trustees must meet to consider the appeal and notify the Academy Leader of the outcome within 10 working days of receipt of the documentation.

If the Academy Leader remains dissatisfied with the outcome, they must appeal directly to the Secretary of State, via the ESFA. All decisions reached by the Secretary of State are considered final.