



GAG pooling and reserves policy

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Associated documents:	
Links to:	

Approved by the Finance and Resources Committee of the Trust Board, October 2019

Our Vision

We have one core purpose:

To have the biggest positive impact in the varied communities we serve through ensuring top drawer education for our learners. #TransformingLives

How do we ensure this across our trust?

In all we do we are:

1. Ethical to the core, ensuring that education is always front and centre
2. Futures focused system leaders – never simply followers
3. Collaborative in every endeavour
4. Resolutely learner centred.

What does this look like across our trust?

Education

We are:

1. Ruthlessly ambitious for all who learn and work with us
2. Unwaveringly inclusive – determined on eradicating barriers to educational success
3. Committed to excellent teaching
4. Determined upon academic excellence for all in our communities
5. Compassionate, ethical and caring advocates for all in our communities
6. Outwardly facing and globally conscious

Operations

We are:

1. Committed to the very best people development and empowerment
2. Determined to shout loudly and share proudly our successes
3. The best professional and technical experts (supporting education) in the sector
4. Committed to the very best understanding and management of risk

Financial

We are:

1. Providing the best possible public service for the best possible value
2. Determined to supplement our public income with shrewd income generation
3. Building financially sustainable models of educational improvement in our communities
4. Demonstrably efficient in all we do

Our values

- We will work inclusively within our communities, embracing the varied localities we serve while sharing our common vision and values.
- We will develop the very best leaders of the future, working to improve education and transform lives.
- We will adhere unwaveringly to the ‘Nolan Principles’ of Public Service, which is made clear in our commitment to Ethical Leadership.

Contents

1. Introduction	4
2. Definitions.....	5
<i>GAG pooling policy</i>	
3. Pooling under the AFH 2019	6
4. Calculation of revenue income to be GAG pooled for ATT	7
5. Treatment of in-year surplus/deficits generated	8
6. Appeals	9
<i>Reserves policy</i>	
7. Types of reserve.....	10
8. Management of Reserves.....	11
9. Brought forward reserves to be pooled for ATT	11
10. Schools joining ATT and treatment of reserves.....	11
11. Academies leaving ATT and treatment of reserves	12
Appendix 1 – GAG Pool administration and Reserves	13

1. Introduction

GAG pooling

Under the provisions of the Academies Financial Handbook 2019 (AFH 2019), trusts are eligible to amalgamate a proportion of their General Annual Grant (GAG) funding, for their academies to form one consolidated GAG Pool. This GAG Pool can then be used to meet the normal running costs at any of the Trust's constituent academies (i.e. education budgets) and the operational budget (i.e. estates, ICT, finance etc) . How the GAG Pool is administered is outlined within **Appendix 1**.

The GAG Pooling Policy sets out how Academy Transformation Trust (ATT) administers its GAG pooling arrangement.

Whilst this policy references the AFH 2019, the policy will continue to apply to future versions of the AFH if there are no changes to the AFH on this matter. Where there are changes, the policy will be updated to reflect such changes.

ATT reserves the right to amend the GAG Pooling Policy on an annual basis at the beginning of each financial year.

Reserves

ATT has established a reserves policy to protect its activities by providing a financial comfort zone against an unpredictable financial environment and to make sufficient provision for future cash flow requirements and capital procurement. The Reserves policy also provides the framework for future strategic planning and decision-making. The development of an effective reserves policy will restrict the impact of any risk upon the continuing operations of ATT.

The reserves policy and the establishment of ranges is based upon an annual risk assessment of the internal and external operating environment, as well as having a due regard for the nature of activities under taken by ATT for its beneficiaries.

2. Definitions

Revenue income:	Includes all sources of income that are reported within the Unrestricted and Restricted Funds, including pooled income, and any amounts of capital funding used for revenue purposes. This does specifically exclude the Pension Fund income.
Pooled income:	Relates to those elements of income that ATT will collate and manage centrally.
Non-pooled income:	Relates to the total amount of revenue income less the pooled income, that will be held and managed at the individual academies.
In-year revenue deficit:	The in-year deficit generated on the Unrestricted and Restricted Funds, including pooled funds and any amounts of capital funding used for revenue purposes, but excluding Pension Funds.
In-year revenue surplus:	The in-year surplus generated on the Unrestricted and Restricted Funds, including pooled funds and any amounts of capital funding used for revenue purposes, but excluding Pension Funds.
Deficit revenue balance:	The overall deficit position on the Unrestricted and Restricted Funds, including the pooled funds and any amounts of capital funding used for revenue purposes, but excluding the Pension Fund.
Surplus revenue balance:	The overall surplus position on the Unrestricted and Restricted Funds, including the pooled funds and any amounts of capital funding used for revenue purposes, but excluding the Pension Fund.

GAG pooling policy

3. Pooling under the AFH 2019

The AFH 2019 permits a Multi Academy Trust (MAT) to pool a proportion of GAG:

“A MAT can amalgamate GAG for its academies to form one central fund. This can be used to meet the running costs at any constituent academies within the trust. In accordance with its funding agreement a MAT must not pool PFI funding” (Section 5.29)

Academies specifically excluded from any pooling arrangement:

- Those that are funded on estimated pupil numbers

Items specifically excluded from any pooling arrangement:

- PFI funding
- Sports and PE funding

4. Calculation of revenue income to be GAG pooled for ATT

This policy applies to all of the academies within ATT. This policy excludes any capital funding (i.e. School Condition Allocation, Devolved Formula Capital) as these are held centrally and separately dealt with in the Estates and ICT strategy. This policy excludes any operational (“commercial/fundraising/donations/non-educational”) income as these are held centrally and separately dealt with in the Income Generation strategy.

For all academies included within the GAG pooling arrangement, only the following components of revenue income will be pooled from the General Annual Grant (GAG) allocation (as per the annual GAG statements)

- AWPU Factor 1
- Lump Sum

Where a constituent academy is funded on estimated funding; the academy is still included within the GAG pooling arrangement; but only to the amount that is not estimated (i.e. the amount of GAG included is that based on the census rather than the estimated amount of pupils). The estimated amount of GAG income is recognised directly in the constituent academy.

For all academies included within the GAG pooling arrangement, the following components of revenue income, and included in the academy education budgets, are **excluded** from the pooling arrangement:

- PFI funding
- Sports & PE grant funding
- All other ESFA income not noted above
- All LA income
- All other income specifically generated for local education needs (e.g. local donations)

ATT will consider the funding needs and allocations of each constituent academy, with an appeals process outlined within this policy document (see section 6).

Each constituent academy receives a GAG allocation statements, other funding allocations and income remittance documentation that confirm funding figures. These sources of information will be used to determine the amount of income to be GAG pooled.

During the budgeting process each year, each constituent academy (“Education budgets”) and operational function (“operational budgets”) will prepare a budget, which will be scrutinised by the Executive Team. The budgets will be reviewed alongside the various funding allocation documentation to ensure that the budgets set, are in line with the pooling arrangement.

Included as part of the budget process will be the setting of the ATT Strategic Improvement Fund (“the ASIF”). The ASIF will be a pot of funds dedicated 100% to trust wide initiatives or specific local academy improvement. Allocations and use of the fund will be decided upon by the Executive team, in association with the outcomes from the Principals Development Forum. The ASIF will be included within the pooling arrangement.

5. Treatment of in-year surplus/deficits generated

Following the pooling of GAG income and the allocation of funding to each constituent academy, where a constituent academy generates an in-year revenue surplus or deficit, the following treatments apply:

5.1. In-year revenue surplus

Where a constituent academy generates an in-year surplus, a percentage A% of the surplus will be retained by the academy in the form of a carry forward revenue balance. The remaining percentage B% will be transferred into the ATT central revenue reserves. The percentage A will equate to ATT's overall percentage exceedance of its budget for the academic year. The carry forward balance must be fully utilised by the constituent academy in the proceeding financial period.

5.2. In-year revenue deficit

Where a constituent academy generates an in-year deficit, the academy will need to confirm to the Executive team how the revenue deficit arose (i.e. via unanticipated events or poor budget management). There will be a different treatment for those revenue deficits that were pre-approved and those which were not pre-approved by ATT in advance.

5.2.1. Approved revenue deficit

Where ATT has formally approved for a constituent academy to incur additional expenditure following the approval of the budget, the revenue deficit will be dealt with as outlined when it was approved.

5.2.2. Unapproved revenue deficit

Where ATT had not formally approved for a constituent academy to incur additional expenditure following the approval of the budget, the in-year revenue deficit will not be repaid back in the following year. The cause of the deficit will however be examined by the Executive Team; and if required this will be dealt with through the ATT performance management process.

6. Appeals

The Academies Financial Handbook (AFH) 2019 stipulates that there must be an appeal process in place for constituent academies:

“The MAT 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, whose decision will be final and who can dis-apply the pooling provisions.” (Section 5.30)

The process for a constituent academy to appeal is as follows:

- Principal to write to the Chief Executive Officer (CEO) outlining why the academy has been unfairly treated as part of this arrangement and what action they expect to be taken to rectify it.
- The Executive team will review each academy appeal on an individual academy and Trust-wide basis and reply to the constituent academy within 10 days of receipt of the appeal.
- Should the Principal feel that their academy has still been unfairly treated by the Chief Executive Officer, they have the right to appeal to the Finance Committee/Board of Trustees. The Finance Committee/Board of Trustees will discuss this at the next meeting and write back to the academy within 10 days of that meeting.
- Should the Principal still feel that their school has been unfairly treated by the Finance Committee/Board of Trustees, they have the right to appeal to the Secretary of State. The decision by the Secretary of State will be final.

Reserves policy

7. Types of reserve

Unrestricted Reserves

Unrestricted Reserves (including Designated Reserves) are derived from income funds, grants or donations that can be spent at the discretion of the Executive Team in furtherance of any of ATT's objectives.

If part of an unrestricted income fund is earmarked for a particular project it may be designated as a separate fund, but the designation has an administrative purpose only, and does not legally restrict the Executive Teams' discretion to spend the fund. Unrestricted Reserves will be achieved through operational efficiencies and any trading activities undertaken by ATT.

Unrestricted Reserves are generally defined as funds held after excluding:

- Endowment funds (permanent & expendable); Restricted funds; and Funds that can only be generated on the sale of fixed assets used for charitable purposes.

The cumulative target range for Unrestricted Reserves has been established at between 2% and 5% of unrestricted income for each financial year of the combined General Annual Grant (GAG) of constituent academies in the Trust

Restricted Reserves

Restricted Reserves may be restricted income funds, grants or donations that are spent at the discretion of the Executive Team in furtherance of some particular aspect(s) of the objects of ATT; or where the nature of expenditure has been defined by the donor; or they may be endowment funds, where the funds or assets are required to be invested or retained for actual use, rather than spent.

Restricted Reserves are only available for expenditure once ATT has met its commitments and other planned expenditure and is in accordance with the limitations outlined in the original funding.

The cumulative target range for Restricted Reserves (Revenue) has been established at between 2% and 5% for each financial year, excluding the impact of the Pension Deficit/Surplus.

Restricted Reserves also are inclusive of capital items and are defined as Restricted Fixed Asset Reserves. This reserve is specifically held for capital purposes in furtherance of some particular aspect of the objectives of the ATT. The cumulative target range for all Restricted Reserves has been established at between 2% and 5% for each financial year.

All Restricted Reserves will be generated through improved operational efficiencies and effective manpower planning and resourcing in addition to a proactive programme to identify relevant sources of income generation.

Designated Reserves

Designated Reserves are reserves that have been set aside at the discretion of the Trustees in furtherance of any of the MAT's objectives. Where a designation has been identified, the purpose and timing of any expenditure must be explained.

The target range for any Designated Reserve will be determined by the nature of the designation itself; the reserves will be derived from unrestricted and restricted funds where applicable.

Pension Reserve

The risks surrounding ATT's pension liability have been taken into consideration when calculating the target ranges. The presence of a pension surplus or deficit does not constitute an immediate liability or realisable asset and does not mean that the equivalent amount is already committed or no longer available to ATT.

The presence of a pension surplus or deficit will generally result in a cash flow effect for ATT in the form of an increase or decrease in employers' pension contributions over a period of years. ATT is confident that it can meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities.

ATT continues to calculate its reserves without setting aside a Designated Reserve to cover the pension liability.

8. Management of Reserves

Reserves held in excess of the target percentage will be reviewed by the Executive Team & Trustees on a regular basis and an appropriate range of options will be considered which might include:

- releasing the funds into the revenue income budget for the forthcoming academic year (in furtherance of ATT's objectives;
- assigning funds to appropriate designated reserves as may be determined by ATT; or
- investing the funds to generate further income to allow expansion of ATT's work.

The movement of funds to and from the reserves identified (other than movements from restricted to unrestricted) above will be at the discretion of the Trustees (via the Finance & Resource Committee), subject to the restrictions which will remain attached to Restricted Funds (Revenue and Capital) and their use. The movement of funds from restricted to unrestricted must be subject to obtaining appropriate consent from the original donor of the funds.

9. Brought forward reserves to be pooled for ATT

For all of the constituent academies, ATT will pool all reserves brought forward as at 1 September 2019 that relate to each of the income streams that found from the GAG allocation statement (i.e. those that are either pooled or not pooled in accordance with section 4) and those reserves from operational/commercial activities. All of the other funds brought forward will remain within each of the constituent academies.

10. Schools joining ATT and treatment of reserves

On conversion or transfer into ATT, all funds (surplus or deficit) relating to income streams that form part of the GAG pooling arrangement (as outlined in section 4), will be pooled. All other balances will remain with the constituent school/academy joining and will not form part of the pooling arrangement, unless specifically agreed as part of the legal conversion or transfer documentation (e.g. ATT agrees to use part of the surplus reserves to fund a particular project on conversion or transfer).

Where balances are transferred into ATT and do form part of a legal or transfer document, the balance will be managed and reported in line with that legal conversion or transfer documentation.

Other balances transferred in, that are not subject to any legal or transfer documentation, will be managed, monitored and reported on a constituent academy basis, until the balance transferred in reduces to £Nil.

11. Academies leaving ATT and treatment of reserves

11.1. If ATT is in a surplus restricted revenue reserve position

If a constituent academy leaving ATT has a deficit revenue balance, from the non-GAG pooled restricted revenue income, the constituent academy will leave ATT with that deficit revenue balance.








If a constituent academy leaving ATT has a surplus revenue balance, from the non-GAG pooled restricted revenue income, the constituent academy will leave ATT with that surplus revenue balance.

11.2. If ATT is in a deficit restricted revenue reserve position

If a constituent academy leaving ATT has a deficit revenue balance, from the non-GAG pooled restricted revenue income, ATT will calculate the constituent academy's share of the GAG pooled deficit revenue balance, which will be added to the deficit revenue balance that the constituent academy will leave ATT with. The calculation of the constituent academy's share will be based on pupil numbers. For example, if the constituent academy leaving ATT has 500 pupils and ATT as a whole has 5,000 pupils (including the constituent academy leaving ATT), the constituent academy's share of the GAG Pooled deficit revenue position will equate to 10%.

If a constituent academy leaving ATT has a surplus revenue balance, from the non-GAG pooled restricted revenue income, ATT will calculate the constituent academy's share of the GAG pooled deficit revenue balance, which will be deducted from the surplus revenue balance that the constituent academy will leave ATT with. The calculation of the constituent academy's share will be based on pupil numbers. For example, if the constituent academy leaving ATT has 500 pupils and ATT as a whole has 5,000 pupils (including the constituent academy leaving ATT), the constituent academy's share of the GAG Pooled deficit revenue position will equate to 10%.

Appendix 1 – GAG Pool administration and Reserves

	As per GAG statement		Other academy funding	Operational income	
ATT total revenue income 	GAG Pooled income <ul style="list-style-type: none"> - Age Weighted Pupil Unit (AWPU) Factor 1 - Lump sum - For those on estimated funding only the element that is based on the census pupil data. 	Non-pooled income <ul style="list-style-type: none"> - All other factors - Estimated funding above census pupil data. [Elements of the GAG statement that we cannot pool; as relate to local factors/nuances. However; overall surplus/(deficit) on such income is still treated within the Trust level reserves]	<ul style="list-style-type: none"> - PFI funding - Sports & PE grant funding - All other ESFA income not noted above - All LA income - All other income specifically generated for local education needs (e.g. local donations) [Mostly restricted income due to funding requirements]	<ul style="list-style-type: none"> - Estates and sports lettings - Trust wide donations - Commercial sponsorships [Mostly unrestricted income from commercial opportunities]	
					
	Operational budget and desired ATT target surplus deducted from GAG Pooled income. From the remaining budget an ATT AWPU figure is calculated				
					
ATT total revenue income split by budget holder income	Operational budget	Academy (Education budget)	Academy (Education budget)	Academy (Education budget)	Operational budget
Revenue reserves	Trust level pooled restricted reserves	Trust level pooled restricted reserves	Trust level pooled restricted reserves	Academy level restricted revenue reserves	Trust level unrestricted reserves
School/academy joining the Trust – pooling of surplus/(deficit) reserves	Trust level pooled restricted reserves	Trust level pooled restricted reserves	Trust level pooled restricted reserves	Academy level restricted revenue reserves	Trust level unrestricted reserves
School leaving the Trust – transfer of surplus/(deficit) reserves (ATT in surplus position)	N.a. (unable to identify share of Trust level surplus/(deficit) applying to leaving school)	N.a. (unable to identify share of Trust level surplus/(deficit) applying to leaving school)	N.a. (unable to identify share of Trust level surplus/(deficit) applying to leaving school)	Surplus/(deficit) transferred as restricted items	N.a. (unable to identify share of Trust level surplus/(deficit) applying to leaving school)
School leaving the Trust – transfer of surplus/(deficit) reserves (ATT in deficit position)	% of ATT overall deficit transferred to the leaving school		Surplus/(deficit) transferred as restricted items	% of ATT overall deficit transferred to the leaving school	