



Tudor Grange Academies Trust

**Pooled General Annual Grant (GAG)
Reserves Policy**

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1 Introduction

This document aims to establish a formal approach by which the Trust will pool restricted and unrestricted General Annual Grant reserves (referred to below as GAG reserves) which is allowable under provisions within the Academy Trust Handbook.

2 What are GAG reserves

GAG reserves represent two main elements:

- The difference over time between income and expenditure (excluding capital grants and capital expenditure);
- the impact from GAG reserve transfers into or out of the Trust associated with academies joining or leaving the Trust.

These reserves are an aggregation of restricted GAG reserves (can only resource educational spend) and unrestricted (can resource non-educational spend). In practice, both the Education and Skills Funding Agency (ESFA) and the Trust view these reserves in aggregate.

3 Pooling GAG reserves

3.1 Policy

The Policy will be to **share between schools Cumulative GAG reserves**.

There is no impact upon schools from this policy; this reflects both the existing legal position, as all reserves are legally those of the Trust, and existing practice.

3.2 Rationale

- 3.2.1 Without pooling reserves the Trust could not function, as schools with negative reserves could not access required resources. The Trust has in practice adopted pooled reserves for several years in order to function and to meet the prime financial goal: to remain financially sustainable. Therefore, this policy is formalising existing practice.
- 3.2.2 There is a risk to trust reserves should a school with high reserves leave the trust. For example, if certain schools left, the whole Trust would immediately lose all cumulative GAG reserves. This policy formally mitigates the trust position to date, as the likelihood of this risk has been low and remains so.
- 3.2.3 Pooling reserves simplifies reporting of GAG reserves within various submissions to the ESFA, reporting only the aggregate position, not each school's position. In the former position (where cumulative GAG reserves were not shared between schools), it had to be stated within the published audited accounts the reasons why certain schools are in cumulative reserves deficit. Pooling reserves eliminates the need to do this.
- 3.2.4 Pooling of GAG reserves relates to only the end of year surpluses and deficits arising; pooling of in year GAG income is not proposed. A large element of GAG income comprises a number of elements which can be termed 'deprivation funding'. This is a highly variable position by school, reflecting the comparative socio-economic contexts of the schools. To pool in year GAG income would require either these income levels being pooled or ring-fenced: either way the result would be overly onerous on some schools and greatly benefitting others.

3.3 Commencement date

- 3.3.1 The commencement date of this policy is 31 August 2021 (conditional upon formal clearance from the trust's external auditors)
- 3.3.2 The policy will be applied to the 2021-year end and subsequent accounts. There is no impact upon schools from this commencement date.

3.4 Arrangements on transfer

- 3.4.1 Upon joining the Trust, the GAG reserves associated with the joining school, whether positive or negative cumulative GAG reserves, will become part of the Trust's GAG reserve resource and remain so whilst the school is a member of the Trust.
- 3.4.2 On leaving, the school's GAG reserves will be deemed to be £nil.

3.5 Financial reporting

Leadership is to receive monthly management accounts detailing Trust's GAG reserves position, set out in agreed formats.

3.6 Right of Appeal

- 3.6.1 The Principal or Executive Principal will have the right to appeal directly to the Trust Board if they feel their school has been treated unfairly by the proposed Reserve Pooling policy.
- 3.6.2 Should the Principal or Executive Principal still feel their school has been unfairly treated by the Trust Board they would have the right to appeal directly to the Secretary of State. The decision of the Secretary of State would be final.

- 3.6.3 Right of appeal is required under the Academy Trust Handbook and this policy follows the suggested route map.