

# **Rise Multi Academy Trust: Reserves and GAG Pooling Policy**



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**Signed:** 

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## SECTION A: RESERVES POLICY

### INTRODUCTION

#### Reserves

Rise Multi Academy Trust has established a reserves policy to protect its activities by providing financial resilience, and to make sufficient provision for future cash flow requirements and capital investment. The policy also provides the framework for future strategic planning and decision-making. The development and implementation of an effective reserves policy will minimise the impact of any financial risk upon the continuing operations of the Trust.

The policy is based upon an assessment of the internal and external operating environment, extant regulatory body guidance and the nature of activities undertaken by the Trust.

### DEFINITIONS

Revenue income:

- Includes all sources of income that are reported within the Unrestricted and Restricted Funds, and any amounts of capital funding used for revenue purposes.

In-year revenue surplus:

- The in-year surplus generated on the Unrestricted and Restricted Funds, and any amounts of capital funding used for revenue purposes, but excluding Pension Funds.

In-year revenue deficit:

- The in-year deficit generated on the Unrestricted and Restricted Funds, and any amounts of capital funding used for revenue purposes, but excluding Pension Funds.

Surplus revenue The overall surplus position on the Unrestricted and balance:

- Restricted Funds, including the pooled funds and any amounts of capital funding used for revenue purposes, but excluding the Pension Fund.

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.

### TYPES OF RESERVE

#### Unrestricted General Funds

Unrestricted General Funds (including Designated Reserves) are derived from income funds, grants or donations. They are available for general use and can be spent in furtherance of any of the Trust's objectives.

If part of an unrestricted general 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 Trust's discretion to spend the fund. Unrestricted Reserves will be achieved through operational efficiencies and any trading activities undertaken by the Trust.



### **Restricted General Funds**

Restricted General Funds are derived from restricted income funds, grants or donations. These funds remain restricted in accordance with the conditions of funding or grant, and the Trust must ensure that they use these funds with propriety and regularity. Restricted General Funds have to be spent in furtherance of some particular aspect(s) of the objects of the Trust in accordance with the conditions of funding or grant from which they have been derived.

### **Restricted Fixed Asset Funds**

Restricted Fixed Asset Funds represent the total amount carried forward from restricted funding received for fixed assets in use on an ongoing basis (as the carrying or net book value which includes any depreciation). It will predominately be derived from government funds but may include other funds from a sponsor, a local authority or other donations, as well as any unspent capital funds.

#### **Restricted Fixed Asset Funds generally comprise the following items:**

- a) The net book value of fixed assets as per the Trust balance sheet
- b) The cumulative balance of unspent capital funds
- c) The outstanding balance of any loans e.g. CIF, Salix etc that have been utilised to fund capital expenditure

### **Designated Funds**

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

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

### **Pension Reserve**

The risks surrounding the Trust's pension liability should be taken into consideration when calculating target reserve balances. 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 the Trust.

The presence of a pension surplus or deficit will generally result in a cash flow effect for the Trust in the form of a future increase or decrease in employers' pension contributions over a period of years.

In line with sector norms the Trust continues to establish its reserves policy without setting aside a designated reserve to cover the pension liability.

## **REQUIREMENT OF RESERVES**

Reserves can be held for a range of reasons, including risk management. For example:

- Cashflow – enabling the Trust to manage fluctuations in income by ensuring sufficient cash is available to pay bills and expenditure items as they fall due.

For example, capital projects may have different payment profiles for capital income and associated expenditure, and so may have more call for available cash to pay invoices before capital income is received.

- Minimum trust reserves - setting aside a contingency amount to cover any unforeseen issues or extra costs in-year. This could be to balance budgets where in-year expenditure exceeds income.

- Building/estates/non-building capital projects – growing reserves to enable maintenance, development, and improvement of the Trust's infrastructure to deliver its capital and estates strategy. This could also include significant investment in the curriculum, IT or digital strategies.

- Development and growth – providing for the Trust's financial health. This could include preparing for new schools to join the trust, for existing schools to expand, training for staff or investing in the central services of the trust to improve delivery or increase capacity.

- Future change and uncertainty – planning for a period of reduced pupil numbers or covering unexpected costs to ensure the Trust's overall budget is balanced.

## **POOLING OF RESERVES**

Rise will pool all reserves (restricted and unrestricted funds) of its primary schools. Pooling of reserves provides greater resilience for the schools within the Trust, and enables the Trust to operate as a single consolidated entity.

Secondary schools joining Rise will not automatically be included in reserves pooling arrangements. The reserves status of secondary schools will be established on a case by case basis. Segregated reserves/funds will be maintained for secondary schools that are not part of the Trust's pooling arrangements.

## **TARGET LEVEL OF RESERVES**

A target level of reserves is usually expressed as a percentage of annual revenue income. Trusts that hold reserves below 5% of income could be considered to be vulnerable. Under current ESFA guidance Trusts that hold reserves above 20% of income have to provide an explanation for holding such large reserves, which could be for future capital investment.

In light of the above Rise considers a target reserve level of 10% of annual revenue income to be reasonable. Performance against this target will be monitored on a regular basis.

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

- earmarking funds for capital investment
- assigning funds to appropriate designated reserves as may be determined by the Trust;
- investing the funds to generate further income to allow expansion of the Trust's work;
- releasing the funds into the revenue income budget for the forthcoming academic year (in furtherance of the Trust's objectives);
- maintaining reserves above the target level to mitigate against funding pressures and challenges

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 Board (via the Finance, Audit, Risk & People 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 funds must be subject to obtaining appropriate consent from the original donor of the funds.

### **SCHOOLS JOINING RISE**

For primary schools transferring into Rise, all funds (surplus or deficit) relating to income streams that form part of the reserves identified in Section 3 will be pooled, unless specifically agreed as part of the conversion or transfer process (e.g. Rise agrees to use part of the surplus reserves to fund a particular project after conversion or transfer). Reserve pooling arrangements for secondary schools joining Rise will be determined on a case by case basis.

### **SCHOOLS LEAVING RISE**

For schools whose reserves have been pooled the Trust is unable to separately identify the portion of reserves generated by each school/academy. When a school leaves the Trust there will be no transfer of funds from Rise to the school or another trust in respect of the transferring entity. Conversely the Trust will not seek to recoup funds from the entity that the school has transferred into.

Schools that are not part of pooling arrangements with a surplus balance will leave Rise with that surplus reserves balance. Rise will seek recoupment of funds from the Trust/organisation that is taking on a school leaving the Trust with a deficit reserves balance.

## **SECTION B: GAG POOLING POLICY**

### **INTRODUCTION**

Under the provisions of the Academies Handbook (the "Handbook"), trusts are able to amalgamate 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 Rise MAT administers its GAG pooling arrangements. The Trust will take account of any income streams specifically excluded from GAG pooling by the Handbook, such as PFI and Sports Grant funds.

The Trust reserves the right to amend the GAG Pooling arrangements in response to changes in its strategic priorities and operational requirements. Schools will be consulted before significant changes are made to this Policy.

### **Definitions**

Revenue income: Includes all sources of income that are reported within the Unrestricted and Restricted Funds, including pooled income, and capital funding used for revenue purposes. This does specifically exclude the Pension Fund income. Capital income: Income that is specifically received to fund capital expenditure. Pooled income: Relates to those elements of income that Rise will collate and manage centrally. Non-pooled income: Relates to the total amount of revenue income that will be held and managed by the individual academies.

### **GAG POOLING METHODOLOGY**

Under a GAG pooling model, school leaders will have responsibility for core school level “Educational” budgets. Central/Cluster leaders will manage “Operational” budgets which includes Cluster based staff and activities. Core grant funds are pooled across the whole Trust. Resources including staffing are allocated to schools primarily based on the needs of each academy. Staffing modellers, pupil profiles, school performance, site characteristics etc will be evaluated to determine resource allocation. The overriding principle is to allocate resources in an objective, transparent and methodical manner. The primary focus will always be to establish a budget which is realistic, affordable and maintains the Trust's financial solvency.

A school budget will typically comprise non-pooled income, staff directly managed by Heads and Educational non-pay expenditure. This Policy outlines how income, staffing and non-pay costs will be allocated to Educational and Operational budgets as part of the budgeting process under a GAG pooling model. There may be certain types of income or expenditure that is not captured in the analysis below. Should this arise the Executive will consult school leaders to decide the most appropriate accountability arrangement for that income or expense. **Appendix 1** outlines how income and expenditure will be administered and managed under GAG pooling.

### **APPEALS**

The Academies Trust Handbook stipulates that under GAG pooling there must be an appeal process in place for constituent academies: The process for a constituent academy to appeal is as follows:

- Headteacher to write to the Chief Executive Officer (CEO) outlining why the academy has been unfairly treated as part of the GAG pooling arrangement and what action they expect to be taken to rectify it.
- The CEO will review each academy appeal on an individual academy and Trustwide basis and reply to the constituent academy within 15 working days of receipt of the appeal.



- Should the Headteacher feel that their academy has still been unfairly treated, they have the right of appeal to the Trust Board. The Trust Board will discuss this at the next meeting and write back to the academy within 15 working days of that meeting.
- Should the Headteacher still feel that their school has been unfairly treated by the Trust Board, they have the right of appeal to the Secretary of State, via the ESFA. The decision by the ESFA will be final.



## APPENDIX 1

### Income

The Trust has multiple income streams across its schools. For each income stream the Trust will assign it as either Educational (School) or Operational (Central). The following table illustrates our main income streams and their designation under the GAG pooling model:

Income Stream	Educational (School)	Operational (Central/Pooled)
GAG: pupil factors		<input type="checkbox"/>
GAG: Other factors		<input type="checkbox"/>
GAG: Minimum funding guarantee		<input type="checkbox"/>
GAG: High needs funding	<input type="checkbox"/>	
GAG Supplementary/Additional grants		<input type="checkbox"/>
Pupil premium – inc PPP, LAC PP and Service PP	<input type="checkbox"/> 63%	<input type="checkbox"/> 37%
SEN/top up funding	<input type="checkbox"/>	
PE/sports grant	<input type="checkbox"/>	
UIFSM		<input type="checkbox"/>
Pre-school grants/fees	<input type="checkbox"/>	
Wraparound care grants/fees	<input type="checkbox"/>	
Catering		<input type="checkbox"/>
Lettings		<input type="checkbox"/>
Trips/visits	<input type="checkbox"/>	
Staff services/consultancy *	<input type="checkbox"/>	<input type="checkbox"/>
Materials, resources, uniforms/clothing	<input type="checkbox"/>	
Donations/fundraising	<input type="checkbox"/>	
Capital: DFC (devolved formula capital)		<input type="checkbox"/>
Capital: SCA (school condition allocation)		<input type="checkbox"/>
Capital: CIF (condition improvement funding) **		<input type="checkbox"/>
Capital: S106 LA contributions **		<input type="checkbox"/>
Capital: Other capital grants **		<input type="checkbox"/>

\* Staff services/consultancy will be determined in accordance with where the expenditure for the staff member sits

\*\* Capital grants will be utilised in accordance with specific grant conditions. Whilst capital funds and projects will be centrally managed, where applicable the funds will only be used towards the school specifically earmarked for the capital grant.



## Staffing

Educational staff budgets will be managed by headteachers whilst central/cluster 8 staff budgets will be overseen by operational managers/directors. Staffing modellers such as ICFP metrics will be deployed to establish education staffing budgets. Pupil profiles such as SEN/EHCP, FSM and pupil premium numbers will also be incorporated into the budgeting process. Pupil numbers, staff headcount, transaction volumes, number of sites and benchmarking data will all be factors taken into consideration when determining staffing levels in cluster and central teams.

School leaders will work with central colleagues to regularly review the allocation, quality and impact of cluster staffing. The following table illustrates key staff categories and their designation under the GAG pooling model:

Staff Category	Educational (School)	Operational (incl Clusters)
Executive Headteachers		<input type="checkbox"/>
Headteachers/Head of Schools	<input type="checkbox"/>	
Deputy/Assistant headteachers	<input type="checkbox"/>	
SENCOs	<input type="checkbox"/>	
Teachers	<input type="checkbox"/>	
Learning/Teaching Assistants	<input type="checkbox"/>	
Learning Mentors	<input type="checkbox"/>	
Midday Supervisors	<input type="checkbox"/>	
Supply/cover teachers	<input type="checkbox"/>	<input type="checkbox"/>
Pre-school staff	<input type="checkbox"/>	
Wraparound staff	<input type="checkbox"/>	
Sports Apprentices/Coaches	<input type="checkbox"/>	
Lettings		<input type="checkbox"/>
Cluster Inclusion Leads		<input type="checkbox"/>
School administrative staff		<input type="checkbox"/>
Catering		<input type="checkbox"/>
Premises/Site staff		<input type="checkbox"/>
Cleaners		<input type="checkbox"/>
IT support		<input type="checkbox"/>
Operational Leads/Office Managers		<input type="checkbox"/>
SLT/Executive		<input type="checkbox"/>
Teaching & Learning Team		<input type="checkbox"/>
Finance, HR, Marketing, Governance, Central Admin		<input type="checkbox"/>
Clerks		<input type="checkbox"/>
Education Improvement Team		

## Non-Pay Costs

Non-pay budgets will be driven by factors such as pupil numbers, staff numbers, pupil characteristics, site specific issues and Trust priorities. School leaders will continue to have a key role to play in determining how educational non-pay budgets are agreed and spent.

Non-pay budgets will also be split between Educational and Operational budgets. School leaders will manage Educational budgets whilst Central/Cluster managers will oversee Operational budgets. The tables below detail the types of non-pay expenditure under Educational and Operational budgets. For additional clarity the Operational budget has been analysed between Premises, IT and Other areas.

<b>Educational: Non-Pay Costs</b>
Educational resources e.g. books, classroom resources, stationery
Educational subscriptions - e.g. NATRE, Charanga,
Educational software/licences e.g. Tapestry, TT Rock Stars, White Rose Maths
Photocopying materials and usage charges
Educational services e.g. attendance, welfare, admission appeals
SEN resources
Sports resources, equipment
Sports activities and lessons
Uniforms, clothing
Music services, instruments
Trips/visits incl swimming lessons
Pupil transport
Minor IT equipment/resources (to be procured in conjunction with IT Team)
Milk
Parent communications e.g. newsletters etc

Staff travel
DBS, vetting, screening services
Assessment/testing materials (excluding centrally purchased items)

Operational non-pay costs are outlined under three areas below: Premises, IT and Other Central. Regular discussions will take place with school leaders to ensure they are involved in influencing key aspects of premises and ICT maintenance/upgrades works.

<b>Operational: Premises</b>
Utilities – gas, electricity, water, oil
Repairs and maintenance – alarms, fire safety, kitchens, building repairs/maintenance
Cleaning materials
Cleaning contracts
Grounds maintenance
Caretaker supplies
Refuse/waste collection
Insurance – RPA, engineering statutory inspections
Security contracts/services
Health & safety – PAT testing, water checking, pest control etc
Hygiene services
Planned maintenance

Building projects incl capital projects

### **Operational: IT**

Microsoft licences
Internet, broadband, website provision and maintenance
Security – antivirus, firewall, filtering, cyber protection, data storage and back ups
ICT support – onsite and remote
SharePoint and cloud data services
MIS (Arbor) software
Finance (PSF, IMP) software
CPOMs
Telephones, mobile phones, texting
Copier/ICT leases and rental charges
ICT infrastructure/major projects
Major IT equipment

### **Operational: Other Costs**

Catering: outsourced and in-house charges
Marketing/promotional activities

Payroll services
Audit services
Finance services
Banking facilities
Legal services and support
HR services
Staff recruitment advertising
Ill health liability insurance (LGPS IHLI)
Staff training and development
Apprentice levy
Central/cluster staff costs e.g. travel, training, DBS
Central office occupational costs
Trust/MAT events e.g. Inset, "Pupil Charter"
Staff, Pupil and Parent survey
External reviews e.g. safeguarding, SEN, H&S, governance, internal scrutiny
Data protection services
Governance costs – Board + Local
New schools – due diligence, transfer costs

## **Capital Funding**

Capital funds are specifically held to fund capital expenditure.

### **DfE Capital Funding**

Rise MAT receives school condition allocation (SCA) and devolved formula capital (DFC). Legacy condition improvement funds (CIF) will be managed centrally and spent in accordance with the specific school project earmarked by the funds. SCA will be managed centrally and funding allocated to capital priorities in accordance with the agreed estates strategy/plan. DFC funds are pooled and used for investment priorities across the schools which are part of the Trust. These priorities are determined as part of the Estates and ICT strategies.

### **Other Capital Grants and Donations**

Local authorities provide S106 capital grants to fund school expansion in response to local needs. S106 capital grants will not be pooled but will be managed centrally and spent towards the school earmarked for funding under the formal agreement.

A community or charity grant and/or donation may be given which are to fund capital projects. These funds are not pooled and will be restricted to expenditure tied with those projects and are accountable as such.

### **Revenue contributions to capital**

The Trust can allocate part of the pooled funds (where permissible) to capital projects. This will comprise a transfer between the revenue and capital funds.

