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GAG Pooling – what, how and why?



GAG pooling is a method supported by the Education and Skills Funding Agency (ESFA) to help Multi-Academy Trusts (MATs) allocate resources based upon need or to deliver Trust priorities.

The concept of General Annual Grant (GAG) pooling in MATs was first promoted in 2017; however, since then, the uptake has been slow. But there is now a growing trend with more Trusts looking to adopt it. Per the Academies Benchmark Report 2024, 32% of the sector currently adopts a GAG pooling model; this was an increase from 23% in the previous year.

There are many reasons why MATs have been slow to adopt the model, but perhaps the biggest reason behind the reluctance is culture change. GAG pooling is very much a shift from “my school” to “all children across the MAT”.

Culture change

Culture change is required to ensure that GAG pooling is effective. It is a shift away from the emphasis of Heads of Schools considering the impact of budgetary decisions on their individual school's pupils, to all Heads in a MAT considering the impact of decisions on all of the MAT's pupils.

To assist with the change in mindset, the Trust may wish to consider introducing the performance of the Trust as part of the appraisal process for all leaders. To help facilitate this, include the leaders in the budget-setting process. They should also be at the heart of the design and implementation of central MAT policies devised to improve the educational experience and standards across all schools in the Trust. The MAT leadership team should be a close-knit unit with the same aspirations.

GAG pooling supports the logic that MATs are single financial entities and can be used to:

- Redistribute funds from richer schools to poorer schools;
- Smooth out disparities in funding between schools within a MAT;
- Direct funds to schools that need to raise educational standards;
- Direct funds to schools that require investment in facilities;
- Direct funds to facilitate MAT policies that are being implemented to support the Trust's strategic vision;
- Reduce deficits being reported by schools individually.

By putting the decision making in the hands of the MAT leadership team, real savings can be made on procurement by maximising efficiencies and allowing the experts to do their job.

GAG pooling also helps cement a policy of centralisation which can provide improved financial governance. It will provide, effectively, one system that is used throughout the MAT, where everybody knows what is expected and everybody is using the same system.

A central roll out of school improvement models or methodologies to drive governance and efficiencies allows the schools to tap into the MAT's central team of experts, which is much cheaper than external procurement.

Top slicing – a hindrance to growth?

The current (and preferred) method of top slicing, may actually be stunting your growth. There appears to be a fixation on 5% being the “standard” top slice amount, but with cost pressures, this is increasing. The Kreston Academies Benchmark Report 2024 highlighted that the average top slice is 7.4% for small MATs, 6.3% for medium MATs and 5.4% for large MATs. But why? It feels that because other Trusts have adopted this percentage, others have followed suit without any clear rationale being applied.

Many schools look to see what percentage MATs charge for top slicing before making the decision to join. Due to the sector trend being 5%, MATs are under pressure to retain the top slice at this level. But is this level sufficient enough? Are Trusts then charging additional costs on top of this, thus illustrating the 5% is nothing more than a sales pitch? The real question should be “how much of this is because this is a good level to allow the delivery of a good quantity and quality of central services?”

The top slice almost becomes meaningless. A top slice of 5% will, in some instances, give a school a lot. In others, it won't. Even then, other schools will still have all sorts of additional recharges, other income slicing and more. So, does this not just render the top slice irrelevant? A move to GAG pooling would remove this possibility.

Expanding your MAT

Schools tend to join MATs for two key reasons:

1. A school may be failing (either academically, financially or both) and need to find either a sponsor or a MAT to take them on if the position has not yet become more critical. This is a distressed transaction, and the school joining is in a weak bargaining position. It will, therefore, have to adopt the conditions imposed upon it by the MAT.
2. A good or outstanding school may choose to join the MAT. This is a transaction of choice, and therefore, the school would typically expect to retain a level of autonomy in the school itself. Examples include retaining local purchasing power, local control of budgets, and possibly, a seat on the Trust board.

Obviously, in scenario one, the MAT is in a strong position to implement GAG pooling and centralisation. Scenario two, however, is much more difficult to achieve—therefore, your MAT should consider following a process; more on this later.

The question a MAT needs to ask itself is, what is our strategy? Is your strategy to take on schools that need intervention or to only bring on schools that are performing well? Or is it somewhere between the two?

The Department for Education (DfE) are clear that they primarily want successful MATs to help improve those schools that need intervention as this is their view of how improvements will be made in outcomes. Certainly, a strategy of taking on schools which need support is going to aid you when looking to implement GAG pooling.

How to achieve GAG pooling

First and foremost, the Trust should draw up a GAG pooling agreement/policy which is agreed by all academies within the Trust. The agreement should set out the parameters by which the funds will be pooled. This should include which funds will be pooled and whether brought-forward reserves will be pooled or not.

In addition, the Academy Trust Handbook is clear that in any GAG pooling scenario, the MAT **must** have an appeals process in place. It states that:

“If a constituent academy’s principal feels that 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 the 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.”

To help limit these grievances, you should consider clearly documenting within the agreement the various criteria for allocation.

You will also need to consider what level of reserves each school will walk away with should they leave the Trust. This will need to be written into the agreement. For example, the Northern Education Trust’s policy is that any school wishing to leave the Trust will leave with £15,000. Their policy is centred around the confidence they have that schools will quickly see the efficiencies and benefits of being in their Trust.

Finally, it is critical that the Scheme of Delegation is thoroughly reviewed to ensure it matches the new procedures.



What funding can be included?

All GAG receipts from schools within the Trust should be allocated to the central finance team to form one funding pot.

Trusts may also wish to consider including Devolved Formula Capital (DFC) as well. This would be a similar approach to the Schools Condition Allowance (SCA) which provides Trusts of a certain size a pool of capital funding and they then decide how to distribute this across the Trust—usually closely aligned to their buildings conditions survey and estates management plan.

The Academy Trust Handbook clearly states that PFI funding cannot be pooled.

Other monies such as pupil premium and sports grants are awarded on a per-pupil basis and must be reported upon.

For pupil premium, the conditions of the funding state that the funding can be used for the benefit of pupils registered at other maintained schools or academies.

Therefore, it is possible for this funding to be paid over to the central finance team to support MAT policies to deliver programs that support the efforts of both funds.

As mentioned, the Trust would need to record and report how they spent their pupil premium funding and demonstrate the impact of the spending as usual.

In terms of local authority funding, the ESFA have confirmed that it is down to each individual local authority to confirm whether they are happy for funding to be pooled, so unfortunately, there is not one answer to this.

Self-generated income can also be pooled.

The step process to take

1. Centralise the money into one bank account to engender a culture of all pupils in the MAT being the focus rather than the pupils in each individual school.
2. Centralise the budgeting process (involve each school but retain control in the central team) and set the budget with reference to need not income. The budgeting process will involve agreement between the MAT leadership team and the individual schools on their budget allocation for income.

Circumstances specific to the individual schools will also need to be considered as these may impact the budgeting process e.g. Ofsted performance, level of special educational needs and the condition of the school's facilities. Trust development plans may also be considered.

The ordering process for certain budget lines such as curriculum spend can be retained by the school, but other expenses such as utilities, capital/repairs and insurance will be procured by the central team. All invoice processing and payments should be based in the central finance team. Budgets will then be monitored and controlled centrally, with each school retaining responsibility for local budget lines.

There will be winners and losers. One school may receive more income than its actual GAG share, another may receive less. But the communication of a one Trust vision is key.

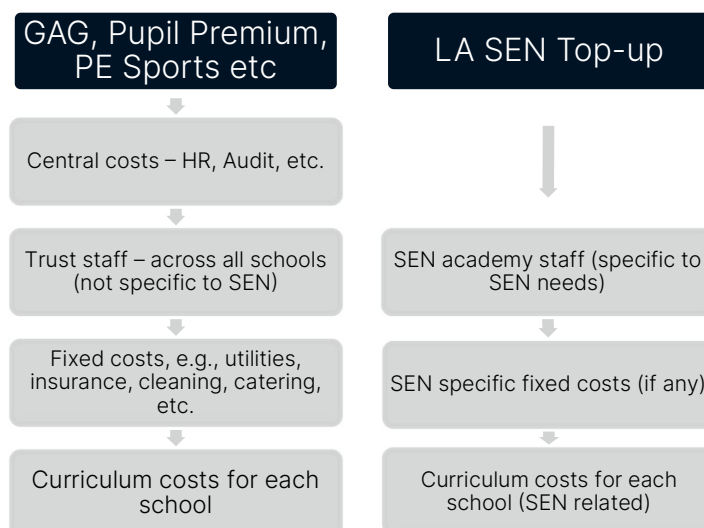
3. GAG pooling of GAG income is the next step; this should be aligned with your GAG pooling agreement/policy
4. The last step (if you choose to adopt it) is to pool reserves. This is the ultimate shift in culture in a MAT and may take a while to implement. You are ultimately removing all financial control from the individual schools, apart from day-to-day basics. But it will ensure that the reserves of each school will not need to be reported individually and avoid the need to disclose any schools in deficit.

The Trust's reserves policy will also need to be reviewed upon taking this approach. It will need to be clear on the use of brought-forward reserves and future additions to reserves so that this can be understood by all.

Finally, from a VAT perspective, the Trust will only need to make one claim going forward, and this money will remain the Trust's and not need to be released to individual schools as the Trust is bearing the costs.

How it looks in reality

Below is a map of how the funding process would work once all the above processes have been implemented and where a Trust receives local authority top-ups for SEN students:



As can be seen above, the LA SEN funding would be ringfenced and only spent to deliver on SEN-specific provision costs—such as staff and fixed costs. Any balance remaining can be utilised to help provide the curriculum in that school only, alongside their “pool” balance remaining from other funding areas.

Further guidance has been provided by the ESFA as follows:

We do not expect top-up funding to contribute to or subsidise:

- Overheads attributable to other budgets within the institution, or that relate to costs that the institution would have to meet even if it had no pupils or students with high needs (for example, the salary of the SENCO required by all mainstream schools)
- The costs of legal action against local authority decisions on assessment, provision and top-up funding, including support for parents seeking SEN tribunal judgements on such local authority decisions
- The cost of educational and other assessments (for example, by educational psychologists) unless the local authority agrees in advance to pay for or contribute to these costs because they are required for its own assessment or review purposes

This is because top-up funding is paid per pupil, depending on an individual pupil's needs and requirements. However, given that top-up funding is usually paid to special academies by the commissioning local authority, it would be up to them to determine the conditions they attach to their top-up funding. We suggest that you refer to any agreements and conditions made by them or check with the commissioning LAs themselves.



What the ESFA don't tell you

The ESFA are very supportive of Trusts implementing a GAG pooling methodology, but to date, there has been little in the way of guidance provided by the ESFA to Trusts.

As a result, many Trusts are using policies drafted by other Trusts who have adopted the model.

Whilst the main promotion surrounding GAG pooling is to support centralisation and growth, there is still a clear risk that a school may wish to leave the Trust in the future or be re-brokered under instruction from the DfE.

Therefore, having a clear reserves policy written into your GAG pooling policy is key; otherwise, what reserves a school walks away with is up for debate and somewhat difficult to prove due to your accounting records no longer tracking each school's own funds.

The lack of guidance provided by the ESFA becomes very evident in situations such as this where no one is quite sure what to do when a school leaves the Trust.

At PLR Advisory we have supported Trusts who have adopted a GAG pooling model but have also, sadly, seen the impact this can have when a school is being re-brokered from the Trust.

This can lead to plenty of negotiation between the acquiring Trust, the host Trust and the ESFA themselves. This negotiation tends to focus on the level of reserves being transferred.

A clear reserves policy places your Trust in a strong position during these discussions, particularly as you will not be able to easily unpick what the reserves would be if the Trust had not GAG pooled.



Negatives of GAG pooling

- Unhappy senior leaders initially
- Internal political challenges with local governing bodies
- Sense of reserves being taken from school(s)
- Schools reluctant to join the Trust due to removal of individuality making it less attractive to join and therefore stunting growth of the MAT
- Preference for each school to have their own autonomy

Positives of GAG pooling

- Improved access to leadership team for all schools
- Once centralised supplier contracts list
- Reduction in duplicated processes and therefore more efficiency savings
- One budget-setting process aligned to curriculum planning per annum
- Reduction in disclosure in financial statements around funds for each school
- No requirement to disclose any schools in deficit
- Smooth disparities in funding between schools
- Ability to provide resources exactly where needed to integrate MAT vision and values
- More flexibility to make decisions for the benefit of the MAT as a whole
- Reduced risk of disputes over “value for money” from top slice or additional charges
- Reduced number of bank accounts to manage
- Better allocation of resource
- Improved financial governance
- Demonstrating yourselves as a forward-thinking MAT

Summary

MATs are now seen as commercial entities that provide education. Therefore, to maximise the efficiencies available in a sector facing significant funding pressures it makes sense to centralise as much as possible, GAG pooling will assist with this approach.

One example to look to is McDonalds. Whilst they will monitor the performance of each restaurant based upon budgets set, the financial decisions are all made centrally by the company. This is what MATs must look to implement.

Although there will be some initial pain and reluctance to adopt the process, the key is for the MAT to demonstrate the benefits this change will make to everyone in the Trust. Once this can be achieved, the Trust will have plenty of supporters to champion the concept to other schools looking to join in the future.

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