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Holy Cross Catholic MAC

Treasury/Reserves Policy

2024 – 2027

Responsible for Policy	Martyn Alcott
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1.0	Approved	11/12/2024	M Alcott	HCCMAC, Central Team	Approved by MAC Resources

Reserves policy

The Directors review the reserve levels of the Company annually. This review encompasses the nature of the income and expenditure streams, the need to match income with commitments and the nature of reserves. The Directors also take into consideration the future plans of the Company, the uncertainty over future income streams and other key risks identified during the risk review.

The Directors have determined that, in line with ESFA guidance, the appropriate level of free cash reserves should be in the region of 5-20% incoming resources (£1,336,000 - £5,345,000 based on 23/24 unrestricted funds income of £26,727,000)).
The reason for the 5% minimum limit is to provide sufficient working capital to cover delays between spending and receipts of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance, long term staff absences etc.
The 20% maximum ensures excessive reserves are not being accumulated and also allows for cash reserves to cover unforeseen emergencies but also ensures that funds are generally spent on pupils for which it was intended.
The MAC should not have more than 20% of free reserves without a definitive reason and outlined spending plan.

From the 2023/24 Statutory Accounts the Company's level of free revenue reserves at 31 August 2024 is (£3,338,000) (2023: £3,244,000) and the level of capital reserves is £336,000 (2023: £12,000) which includes a negative deduction of £142,000 towards the BU Diocesan loan inherited on academisation that is repaid at £50000 per annum.

The £3,338,000 revenue reserves represents 12.5% of income. These reserves include approximate £1,000,000 provisionally allocated to school rebuilds and a 3G pitch project at Cardinal Newman.

The current level of free reserves is well within the target range.

The value of the restricted fixed asset fund at 31 August 2024 is £1,796,000 (2023: £1,929,000), which is represented by the fixed assets that are used exclusively for providing education and associated support services to the pupils of the Company. Unspent capital grants and capital loans are also reflected within this fund balance. These funds can only be realised by disposing of the associated tangible fixed assets.

The pension reserve fund has a deficit balance at 31 August 2022 of £137,000 (2023: £896,00), which represents the deficit in the LGPS at the balance sheet date. The effect of the LGPS deficit is that the Company is required to make additional pension contributions over a number of years in order to fund the deficit. Those additional contributions are determined by the pension scheme trustees, who use different assumptions to those utilised in calculating the deficit balance. The Directors have noted that the Government has provided a guarantee that in the event of the Company’s insolvent dissolution, any outstanding LGPS liabilities would be met by the DfE. The next triennial revaluation is due in 2025 which will set payback rates from April 2026-March 2029.

Currently all funds are managed and invested within UK based ring fenced banks.