



*Achieving together in
faith*

Holy Cross Catholic MAC Investment Policy

2024 - 2027

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Introduction

The ESFA stipulates that Academies are able to make investments and these investments can be a good source of funding, but can also expose schools to risks.

A financial investment is when an investment is made to get the best financial return within the level of risk considered to be acceptable. The Charity Commission (2011) advises that Directors have several legal responsibilities when making financial investments. They must:

- Know and act within their school's powers to invest.
- Exercise care and skill when making investment decisions.
- Select investments that are right for the MAC.

This means taking account of:

- How suitable any investment is for the school.
- The need to diversify investments.
- Take advice from someone experienced in investment matters unless they have good reason for not doing so.
- Follow certain legal requirements if they are going to use someone to manage investments on their behalf.
- Review investments periodically.
- Explain their investment policy in their annual report.

Directors must be clear about what they aim to achieve through financial investment. They must consider exactly what they want to do, how they intend to do it and what the timescale will be. They must also consider the MAC's long and short term financial commitments as well as its expected income.

Risk

A certain degree of risk is associated with all investments.

Directors must do all they can to manage risk levels. Before any investment decisions are made, Directors must consider the level of risk they are able to accept. They must be satisfied that the overall level of risk they are taking is appropriate for every academy in the Multi Academy Company.

Purpose and Scope

The purpose of the Investments Policy is to set out the processes by which Holy Cross Catholic MAC's Board of Directors will meet their duties under the MAC's Articles of Association. This policy also covers the Academies Financial Handbook, issued by the ESFA to invest monies surplus to operational requirements in furtherance of the MAC's charitable aims and to ensure that investment risk is properly and prudently managed.

Definition of Duties

The MAC's Articles of Association gives the Board of Trustees the power "to expend the funds of the Trust in such manner as they shall consider most beneficial for the achievement of the Objects and to invest *"any funds of the Company not immediately required for the furtherance of its Objects (but to invest only after obtaining such advice from a financial expert as the Directors consider necessary and having regard to the suitability of investments and the need for diversification)"*.

The Scheme of Delegation for Academies within the Archdiocese of Birmingham state that *"subject to obtaining prior approval from the Diocesan Education Service, the MAC Directors have authority to invest in the name of the MAC and to change or sell those investments but must ensure that investment risk is properly managed in accordance with the Academies Financial Handbook."*

The MAC Chief Finance and Operating Officer (CFOO) is responsible for producing reliable cash flow forecasts as a basis for decision making. The CFOO is responsible for making investment decisions that comply with this Policy and for providing sufficient management information to the Resources Committee that it can review and monitor investment performance.

Objectives

The investment objectives are:

- to achieve best financial return available whilst ensuring that security of deposits takes precedence over revenue maximisation
- Only invest funds surplus to operational need based on all financial commitments being met without the MAC bank account becoming overdrawn
- By complying with this policy, all investment decisions should be exercised with care and skill and consequently be in the best interests of the MAC commanding broad public support

Investment Strategy

Investment risk will be managed through asset class selection and diversification to ensure that security of deposits takes precedence over revenue maximisation.

For selection, assets will only be considered with banking institutions which have credit ratings assessed by Fitch and/or Moody to show good credit quality.

It is noted that fixed rate / fixed term deposits placed with Lloyds Bank are easily managed and as secure as possible given FCA limits.

For investments placed outside of Lloyds Bank and to manage the risk of default, deposits should be spread by banking institution and be subject to a maximum exposure of £500,000 with any PRA authorised institution by the Bank of England (refer to Financial Conduct Authority (FCA). Whilst this exceeds the protection limit of £85,000 provided by the FCA it is accepted that it is not always practicable to find a sufficient number of investments of this size that meet the prudent criteria outlined in this policy.

Without specific Director approval no investments will be made into non-UK, or UK non-ring fenced institutions.

Spending and Liquidity Policy

Decisions on how much to invest and how long to invest for, will be based on operational requirements, demonstrated by cash flow forecasts produced by the MAC CFOO

The cash flow forecasts will take account of the annual budget and spending plans approved by the Board of Trustees and updated on a monthly basis.

A sufficient balance must be held in the current account so that the MAC's financial commitments can always be met without the bank account going overdrawn. The size of the balance will be determined by a forecast of future need and kept under review.

Investments for a fixed term should not normally exceed one year in order to provide flexibility for the following year's plans, unless a clear rationale is provided for exceeding one year to the benefit of the MAC.

Monitoring and Review

The MAC has authorised signatories/approvers, two of which are required to sign instructions to the deposit taking institution.

The MAC CFOO will monitor the cash position and cash flow forecast and report investments held and the performance of investments against objectives to the Resources Committee at appropriate intervals, depending on the terms of the investments. For example, if investments are held one year then an annual report is appropriate.

Action plan

Adequate cash balances must be maintained to ensure that there are always sufficient funds in the academy's current account to cover financial commitments such as payroll and day-to-day expenses.

The MAC does not have an overdraft facility on any bank accounts and accounts must not be allowed to go overdrawn.

If there is a surplus of funds after all financial commitments have been considered, this surplus may be invested.

Funds should be invested in tranches of up to £25,000 and after agreement from the Resources committee.

Reserve funds will be held with Lloyds or in other instruments and investments as agreed from time to time by the Board of Directors. It may be beneficial to invest each tranche with a different financial institution.

Any investments must be recorded in sufficient detail to identify the investment and to enable the current market value to be calculated. The information to be recorded will normally be the date of purchase, the cost and a description of the investment

Funds, and any interest they earn, will be automatically reinvested, unless they are required for immediate or anticipated expenditure.

Creaming and Funding

To maximise returns on its non-invested reserves the MAC operates a 'creaming and funding' arrangement on its Lloyds current accounts that maximise the amount of funds in the interest generating saving account,

Monitoring and evaluation

The Chief Finance and Operating Officer (CFOO) or delegated person will compare alternative investment opportunities every six months to ensure that the company's funds achieve the best interest rates.

The Accounting Officer and CFOO are responsible for ensuring that this policy is adhered to.