

<b>Treasury Management</b>	<b>Type: Policy</b>  <b>Register No: 09067</b> <b>Status: Public</b>
----------------------------	---

Developed in response to:	Governance Requirement, Code of Accountability
Contributes to CQC Outcome	4

Consulted With	Post/Committee/Group	Date
Stephanie Watson	Deputy Director of Finance	September 2014
<b>Nick Gerrard</b>	Chief Finance Officer	September 2014
<b>Professionally Approved By</b>	Finance & Performance Committee	November 2014

Version Number	3.0
Issuing Directorate	Corporate Services
Ratified by:	DRAG Chairmans Action
Ratified on:	20th November 2014
Executive Management Board Date	December 2014
Implementation Date	24th November 2014
Next Review Date	November 2017
Author/Contact for Information	Belinda Butt
Policy to be followed by (target staff)	Management and finance staff
Distribution Method	Intranet, Website
Related Trust Policies (to be read in conjunction with)	Standing Financial Instructions Standing Orders Scheme of Responsibility, Authority & Decision Scheme of Reservation & Delegation Counter Fraud & Corruption Policy, Serious Incident Requiring Investigation Policy

Document Review History

Review No	Reviewed by	Review Date
1.0		2009
2.0	B Butt	July 2011
3.0	B Butt	July 2014

## **CONTENTS**

1. Purpose of Policy
2. Aims & Objectives
3. Scope of Cash Management and Treasury function
4. Statement of Responsibilities
5. Cash & Treasury Management Control environment
6. Policy Effect
7. Communication & Implementation
8. Review
9. References

### **1. Purpose of Policy**

- 1.1 NHS organisations are expected to operate in a climate of strong corporate governance and to ensure that public monies are used efficiently and effectively. In delivering this expectation the NHS Trust needs to set out formally, its approach to managing its treasury function and minimising the risks that the Trust is exposed to in delivering cash and treasury management for the organisation.
- 1.2 The purpose of this document is to outline the NHS Trusts policy on cash management within the organisation.

## **2. Aims & Objectives**

- 2.1 Robust cash management is a key component of the NHS Trust in delivering high quality care to the community we serve. The primary financial focus for an NHS Trust is to deliver sustainable financial performance and as a part of this the management of the NHS Trusts cash is of critical importance to ensuring the NHS Trust services are able to run smoothly. NHS Trusts now have freedom in certain areas, including some aspects of cash management, to operate in a similar way to Foundation Trusts (FTs).
- 2.2 NHS Trusts are allowed to:
  - retain revenue cash generated through revenue surpluses for investment in revenue spending in future years, subject to compliance with statutory breakeven duty, or for investment in capital;
  - use capital receipts to finance capital investment in future years. Where the sums are below a NHS Trusts own delegated limits, NHS trusts will be able to retain the cash locally. Where the sums are in excess of a NHS Trusts delegated limits the NHS Trust can apply to the NHS TDA via a business case (the normal business case approval process applies) to keep the disposal proceeds. The NHS TDA will review the business case in line with the delegated scheme of approval for business cases;
  - Capital Investment Loans (CIL) and Revenue Support Loans (RSL) have been introduced to allow NHS Trusts to operate within a FT style of financial regime.
- 2.3 Cash is a key resource and must be managed effectively to ensure that all of the NHS Trust's financial obligations can be met without interruption. Any borrowing or other cash management costs must be minimised through effective forecasting, decision making and monitoring.

## **3. Scope of the Cash Management and Treasury function**

- 3.1 NHS Trusts cash balances are required to be invested with the Government Banking System (GBS). Investment in commercial banks, or stocks and shares, is not an available option for non-Foundation Trusts.
- 3.2 Within the rules above the objectives of this NHS Trusts cash management and treasury function are to support the operations of the NHS Trust by:

- providing accurate cash forecasts;
- ensuring the availability of adequate levels of funding at all times;
- identifying and managing the financial risks associated with holding insufficient, or excessive cash balances, and with insufficient or excessive projected cash balances;
- ensuring all cash transactions are adequately documented and authorised;  
and
- managing and maintaining a strong set of relationships with banks which might meet current and future banking and funding needs.

#### 4. Statement of Responsibilities

4.1 The **NHS Trust Board**, under guidance from the **Audit Committee** will:

- approve the Standing Financial Instructions, Standing Orders and Scheme of Delegated Limits on a regular basis;
- approve the Cash and Treasury Management Policy and operational cash management procedures;
- approve a list of employees authorised to sign for cash transactions and also a list of employees that can make borrowings on behalf of the NHS Trust, this must include the Chief Executive and the Chief Finance Officer;
- delegate responsibility for cash management operations to the Chief Finance Officer; and
- approve the opening of bank accounts.

4.2 The **Chief Finance Officer** is responsible to the Board for all aspects of cash management in the NHS Trust. The Chief Finance Officer will:

- ensure that NHS Trust cash management is carried out in line with this policy;
- ensure that any borrowing is necessary and affordable to the NHS Trust in the longer term;
- ensure proper safeguards are in place for ensuring the security of the NHS Trusts funds by ensuring that approved bank mandates are in place for all accounts, and that these are updated regularly for any changes in signatories and authority levels.

4.3 The **Deputy Director of Finance** will:

- fulfil the role of the Chief Finance Officer, in respect of the above, in the absence of the Chief Finance Officer;
- ensure that the staff performing the cash management function are adequately experienced, trained and supported to carry out their role; and
- oversee the management of the cash management function.

4.4 The **Head of Finance – Accounting & Controls** will:

- manage the cash function, ensuring that policies and procedures are adhered to;
- update the Cash and Treasury management policy and operational cash management procedures, when necessary, for approval by the Audit Committee; and
- make recommendations and escalate issues, when necessary, to the Chief Finance Officer and Deputy Director of Finance.
- have line management responsibility for the cash management function; and
- oversee the operational management and performance of the cash management function on a day to day basis.

4.5 The **Head of Finance – Accounting & Controls** and **Shared Services Cash Management Function** will:

- implement the Cash and Treasury Management Policy as approved by the Audit Committee;
- ensure cash management activities are reported on a timely and accurate basis;
- manage, on a day to day basis, the NHS Trusts key banking relationships;
- manage cash activities within the agreed policies and procedures;
- manage and monitor the processes and procedures in place to control Trust receivable and payable balances;
- coordinate cash management operations between the NHS Trusts core functions and its operating subsidiaries, where applicable; and
- ensure accurate and timely recording in the accounting records of all cash transactions, undertake bank reconciliations and match bank statements and confirmations with internal documentation.

5. **Cash and Treasury Management Control environment**

5.1 The controls identified in this policy are designed to ensure that the NHS Trusts cash management activities are undertaken in a controlled and properly reported manner. The overall control environment extends further than the specific management of cash to include the following:

- clearly defined roles and responsibilities, that are understood by all, as described above;
- regular monitoring and reporting of the progress of cash management;
- systems to ensure effective cash flow, through vigorous management of receivable and payable transactions;
- strict controls over authorisation limits;
- proper segregation of duties between the cashiers function and those who initiate expenditure and income transactions; and
- inclusion of treasury management activities within the scope of review by internal audit and external audit.

5.2 A rolling 12 month cash flow forecast will be used and cash will be managed to ensure that:

- all financial obligations can be met on, or before, the day they fall due;
- borrowing is a last resort and only taken when required. The NHS Trust will not borrow in advance of need;
- borrowing costs are held to the minimum;
- surplus cash achieves the best possible rate of return with the caveat that the Trust is obliged to lodge surplus cash with the GBS; and
- the Board is kept fully aware of the NHS Trusts ongoing cash position and performance against its cash plan.

5.3 The NHS Trust will maintain bank accounts with the GBS and (if required) with a commercial bank, approved by the NHS Trust Board, in line with the Standing Financial Instructions.

5.4 The NHS Trusts cash management procedures will be subject to periodic review by its internal auditors and external auditor as part of their audit undertakings. Any weaknesses, or significant deviations from agreed policies and procedures will be reported to the Audit Committee and, where appropriate, to the NHS Trust Board.

## **6. Policy effect**

- 6.1 The annual operating cash forecast will be prepared in advance of the start of the financial year. This will be reviewed and updated on a daily basis in conjunction with monitoring of the NHS Trusts bank accounts. The operating cash forecast will be reviewed on a weekly basis by the Financial Controller who will determine whether any cash shortfalls are anticipated.
- 6.2 Borrowing requirements will be determined by the Chief Finance Officer or nominated deputy, normally the Deputy Director of Finance or the Head of Finance – Accounting & Controls.
- 6.3 Borrowing will always be a last resort, within the constraints of meeting payment obligations. Borrowing will be restricted to the minimum required to meet expected shortfalls. Under Department of Health rules the primary source of additional capital is through loans or PDC made available through DH central programmes, however, in exceptional circumstances, where loans are deemed unaffordable, the NHS TDA may approach the DH to provide financing in the form of PDC. NHS Trusts must not draw PDC in advance of need.
- 6.4 Cash cannot be borrowed with a view to investing.
- 6.5 The NHS Trust will not borrow from any commercial organisation unless the NHS TDA specifically allows this activity.
- 6.6 Bank accounts will not have overdraft balances. The NHS Trust Board will not expect to require a guarantee or to use an overdraft facility.
- 6.7 In the event that surplus cash is forecast it will be held in the GBS bank account until required to maximise the return from interest. However, the NHS TDA may deem that significant surpluses realised from capital transactions (sales and depreciation) should be used to repay Public Dividend Capital (PDC).
- 6.8 Investments outside the GBS account will not be made.
- 6.9 In accordance with current statutory requirements, any cleared balances in excess of £50,000 will be transferred on a daily basis from the NHS Trusts commercial bank account to its GBS account.
- 6.10 All staff will support effective cash management in the NHS Trust by ensuring that all invoices for payment receive prompt attention and are passed to the Payments Team. The Payments Team will comply, wherever possible, with the Better Payment Practice Code, i.e. payment within 30 days (or other terms) of receipt of an invoice or prompt resolution of a query.
- 6.11 Staff with a responsibility for providing goods or services to external parties will ensure that invoices are raised promptly. Staff will adhere to procedures prepared and distributed by the Chief Finance Officer when dealing with accounts receivable or payable.
- 6.12 The Board will receive a report each month detailing the NHS Trusts cash position, performance against plan, forecast year end position and borrowing requirements to date. The Audit Committee and or Finance Committee will seek further explanations or information as required.

6.13 In summary the NHS Trust Board will receive the following on a monthly basis:

- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of cash flows;
- Continuity of Services Rating.

6.14 The NHS Trusts Finance Committee will receive the following on a monthly basis:

- the information provided to the NHS Trust Board as per above plus;
- Aged Receivables and Payables Report by value and % of total debt split by NHS/Non NHS;
- Better Payment Practice Code Report;
- rolling 12 month cash flow.

6.15 Financing applications (for permanent, revenue and capital PDC or revenue or capital loan) will all be signed off by the NHS Trust Board before these are submitted to the NHS TDA.

## **7. Limitation of scope**

7.1 This Policy covers cash management in respect of the NHS Trust's own funds and transactions only. Procedures for charitable funds are subject to separate written guidance.

## **8. Communication & Implementation**

8.1 This document will be uploaded to the intranet and to the Trust's website and will be communicated to staff via staff focus.

8.2 This document will be issued to all Finance staff, both within the Trust and the shared service provider, involved in Treasury Management.

## **9. Policy review**

9.1 This policy will be reviewed at least biennially and updated where appropriate. It will also need to be updated upon licencing as a Foundation Trust to ensure that it complies with Monitor's best practice treasury policy. The Head of Finance – Accounting & Controls will be responsible for the updating of this policy for ratification by the Board.