

## Document Control

<b>Title</b>			
<b>Cash &amp; Treasury Management Policy</b>			
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2.1	Oct 2019	Draft	Minor changes around borrowing details at 3.1,4.2,5.12 and 6.5 following approval by Finance Committee
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## 1. Purpose

- 1.1. The Standing Financial Instructions of the Trust detail financial responsibilities, policies and procedures to be adopted by the Trust.
- 1.2. The purpose of this document is to detail the Trust's policy on cash and treasury management within the organisation. The policy identifies the approach that the Trust is expected to follow in this area and establishes an environment in which all objectives and activities are clearly defined. This covers both its revenue cash position and its funding of the capital programme. The policy also identifies the procedures to be followed in the day to day cash management of the cash position.
- 1.3. The policy relates solely to exchequer funds and not charitable funds or patients monies. Treasury management does not distinguish between revenue and capital cash; both are classed as cash resources and form part of the treasury management cashflow calculation.
- 1.4. The policy applies to the senior management team and all finance staff.
- 1.5. Implementation of this policy will ensure that:
  - accurate cash forecasts are provided,
  - adequate levels of funding are available at all times,
  - financial risks associated with holding insufficient or excess cash balances are identified and managed,
  - all cash transactions are adequately documented and appropriately authorised, and
  - the relationship with the Capital and Cash Team at the NHSE/I with regards to cash forecasts and any subsequent borrowing requirements are managed and maintained.

## 2. Definitions

### Standing Orders (SO's)

- 2.1. Standing Orders (SOs), Reservation and Delegation of Powers and Standing Financial Instructions form a central part of the Trust's governance framework. They protect the interests of the Trust and its staff and provide a regulatory and business framework for the conduct of Trust business.

### Standing Financial Instructions (SFIs)

- 2.2. Standing Financial Instructions (SFIs) detail the financial responsibilities, policies and procedures adopted by the Trust. They are designed to ensure that the Trust's financial transactions are carried out in accordance with the law and with Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness.

## NHSE/I

- 2.3. NSHE/I is the abbreviation for NHS England / Improvement who have combined to make one Regulator for the NHS. They are the monitoring authority for the Trust and the lead contact for arranging financial support if deemed necessary.

## Government Banking System

- 2.4. The Trust is not permitted to hold funds in commercial bank accounts; all banking arrangements must be provided through this service.

## 3. Responsibilities

### Director of Finance

- 3.1. The Director of Finance is responsible to the Board for all aspects of cash management in the Trust. The Director of Finance will:
- Ensure that the Trust cash management is carried out in line with this policy, SOs and SFIs,
  - Ensure that any borrowing is necessary and in line with Trust plans and agreed with NHSE/I,
  - Ensure proper safeguards are in place for the security of the Trust's funds by ensuring that approved bank mandates are in place for all accounts, and that these are regularly reviewed and updated for any changes in signatories and authority levels, and
  - Submit borrowing requests to the Board for approval.

### Deputy Director of Finance

- 3.2. The Deputy Director of Finance is responsible for:
- Fulfilling the role of Director of Finance, in respect of the above, in the absence of the Director,
  - Ensuring that the staff performing the cash management function are adequately experienced, trained and supported to carry out their role
  - Oversee the management of the cash management function and,
  - Approve the detailed cash forecasting and submit any borrowing requests to the Trust Board

### Head of Financial Services

- 3.3. The Head of Financial Services will:
- Manage the cash function, ensuring that policies and procedures are adhered to,

- Update cash management policies and procedures, when necessary, for approval by the Finance Committee,
- Oversee and review the detailed cash forecasting Make recommendations and escalate issues, when necessary, to the Director/Deputy Director of Finance, and
- Have management responsibility and oversee the operational management and performance of the Cash Management function.

### Financial Accountant

3.4. The Financial Accountant will:

- Review the cashflow monthly and produce the updated forecast for submission to NHSE/I,
- Manage any associated borrowings paperwork associated with requests for financial assistance, and
- Act as the main point of contact with NHSI Capital and Cash Team.

### Financial Services Manager

3.5. The Financial Services Manager will:

- Ensure the daily cashflow is kept up to date with actual bank entries, and that forecast items are replaced with actuals as they arise, and
- Review the cashflow to approve the level of twice-weekly creditor payment runs.

### General Office Team

3.6. The General Office Team will:

- Download the bank statement on a daily basis and ensure all items are entered onto the Integra finance system, and
- Enter the daily bank statement onto the cashflow spreadsheet ensuring the balance reconciles to the bank account.

### Role of Finance Committee

3.7. The Finance Committee will:

- Approve the Cash and Treasury Management Policy on behalf of the Trust Board, and
- Ensure that the policy is followed through reviews of the cash position included in the monthly integrated finance report.

## Role of Board

### 3.8. The Board will:

- Approve the annual operating cashflow forecast for the upcoming budget year including the profile of working capital loan requirements,
- Authorise the Director on behalf of the Board to submit borrowing drawdown request in accordance with the cash flow profile to NHSE/I and the Department of Health and Social Care, and
- Receive reviews of the cash position included in the monthly integrated finance report.

## 4. Cashflow forecast

4.1. The annual operating cash flow forecast will be prepared in advance of the start of the financial year in line with the cash flow submitted to NHSE/I as part of the annual planning process and approved by the Board.

4.2. The cash flow spreadsheet will be updated on a daily basis in conjunction with monitoring of the Trust's bank accounts. This will ensure that

- All financial obligations can be met as they fall due;
- Borrowing is a last resort and only taken as required. The Trust will not borrow in advance of need,
- Borrowing costs are kept to a minimum,
- Surplus cash achieves the best rate of return, and
- The Board is kept informed of the Trust's on-going cash position through the integrated finance report.

4.3. The operating cash flow forecast will be reviewed on a monthly basis by the Head of Financial Services who will determine whether any cash shortfalls are anticipated. The operating cash flow forecast will be submitted each month to NHSE/I with regards to the requirement to seek any financial assistance or repay any assistance previously received.

## 5. Bank Balances and Accounts

5.1. The Trust is required to hold its funds in a designated GBS account.

5.2. Bank accounts will not have overdraft balances.

5.3. As prescribed by the terms of its working capital loan facility the Department of Health and Social Care requires the Trust must have a minimum cash balance of £1.2m at all times.

- 5.4. Any surplus cash should achieve the best possible rate of return with the proviso that the Trust is obliged to lodge surplus cash with the Government Banking Service.
- 5.5. Cash flow will be monitored by good management of working capital.
- 5.6. Significant debtor and creditor balances are to be reviewed and not to be accumulated causing future cash flow issues unless completely unavoidable.
- 5.7. Large prepayments are to be avoided unless a clear revenue saving can be identified.
- 5.8. Stock levels are to be maintained at a minimum but safe level to the Trust.
- 5.9. All staff will support effective cash management in the Trust by ensuring that all invoices for payment receive prompt attention and are passed to the payments team.
- 5.10. The payments team will comply with the Better Payment Practice Code, i.e. payment within 30 days of receipt of an invoice or prompt resolution of a query.
- 5.11. Staff with responsibility for providing goods or services to other parties will ensure that invoices are raised promptly.
- 5.12. In the event of any unavoidable cash shortage, the Trust will take the following actions, in line with regulator expectations:
  - Ensure maximum debtor balances are collected,
  - Review of VAT return and associated payment timings,
  - Request short term cash support via NHSE/I and Department of Health and Social Care,
  - Optimise contract payment terms with commissioners,
  - Agree extended creditor terms with suppliers wherever possible, and
  - As a last resort, it may be necessary to delay the monthly payment of PAYE and NI to HMRC or Superannuation to the Pensions Authority (subject to approval of the Director of Finance).

## **6. Borrowing**

- 6.1. Borrowing requirements will be determined by the Director of Finance, or nominated Deputy, with recommendations from the Head of Financial Services.
- 6.2. Borrowing will always be a last resort, within the constraint of meeting payment obligations.
- 6.3. Any borrowing will be subject to Board, NHSE/I and Department of Health and Social Care approval in line with prescribed deadlines for submission.

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- 6.4.** Borrowing will be restricted to the minimum required to meet expected shortfalls and will not be taken in advance of need.
- 6.5.** Cash will never be borrowed with a view to Treasury investment.
- 6.6.** There are a range of circumstances in which the Department of Health and Social Care provides funding as follows:
- Normal course of Business: for capital investment and/or to support short term working capital requirements where there is evidence of longer term viability and ability to repay.
  - Interim Support: The department may provide loans and in exceptional circumstances, Public Dividend Capital (PDC) to FTs or NHS Trusts which are in financial difficulty but only in such circumstances where it is necessary to support the continued delivery of services. This finance is normally a precursor to a longer-term Recovery Plan.
  - Planned Term Support: Where a Recovery Plan is developed and agreed, longer term financial support is available. This support is expected to provide sufficient certainty and stability to aid recovery.
- 6.7.** The type of support required will be decided between the Board, NHSE/I and Department of Health and Social Care in line with the prescribed criteria.

## 7. Investments

- 7.1.** The Financial Services Manager will identify surplus cash balances by monitoring:
- The daily cash balance in the cash flow forecast; and
  - The short-term cash flow forecast to meet current obligations.
- 7.2.** If surplus cash funds are identified, the Financial Services Manager will check that:
- At least £500,000 over and above planned expenditure levels is available instantly,
  - Sufficient cash will remain with the Trust's GBS account to meet all the Trust's projected financial commitments before the return of the investment, and
  - The Trust's minimum cash balance does not fall below £1.2m during the period of investment.
- 7.3.** Following these checks, if it is determined that surplus cash balances are available for investment then:
- The Financial Services Manager contacts the National Loans Fund to invest the surplus available,
  - The amount to be invested is recorded on the cash flow spreadsheet with the planned return date and estimated interest receipt, and
  - Confirming the return of the funds invested on the date due.



## 8. Monitoring Compliance with and the Effectiveness of the Policy

### Standards/ Key Performance Indicators

8.1. Key performance indicators comprise:

- The Trust's bank balance will not fall below permissible levels as agreed by NHSE/I.
- Adherence to the Public Sector Better Payments Practice Code as an indicator of effective cash management

### Process for Implementation and Monitoring Compliance and Effectiveness

- 8.2. Following ratification this policy will be added to the policies section on BOB.
- 8.3. The document author will be responsible for agreeing the training requirements associated with the policy with the Director of Finance.
- 8.4. The cash and treasury management framework and controls will be subject to regular internal and external audit reviews. Any non-compliance will be reported to the Audit Committee.

## 9. Equality Impact Assessment

9.1. The author must include the Equality Impact Assessment Table and identify whether the policy has a positive or negative impact on any of the groups listed. The Author must make comment on how the policy makes this impact.

Table 1: Equality impact Assessment

Group	Positive Impact	Negative Impact	No Impact	Comment
Age			X	
Disability			X	
Gender			X	
Gender Reassignment			X	
Human Rights (rights to privacy, dignity, liberty and non-degrading treatment), marriage and civil partnership			X	
Pregnancy			X	
Maternity and Breastfeeding			X	

Race (ethnic origin)			X	
Religion (or belief)			X	
Sexual Orientation			X	

## 10. References (Optional)

- DH Guidance: SofS\_Finance\_Guidance\_under\_Section\_42A

## 11. Associated Documentation (Optional)

- Standing Orders
- Standing Financial Instructions