



TREASURY AND CASH MANAGEMENT POLICY

Document Author	Authorised
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DOCUMENT HISTORY

(Procedural document version numbering convention will follow the following format. Whole numbers for approved versions, e.g. 1.0, 2.0, 3.0 etc. With decimals being used to represent the current working draft version, e.g. 1.1, 1.2, 1.3, 1.4 etc. For example, when writing a procedural document for the first time – the initial draft will be version 0.1)

Date of Issue	Version No.	Date Approved	Director Responsible for Change	Nature of Change	Ratification / Approval
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13 Feb 13	0.2		Deputy Director of Finance		Ratified at Audit Committee
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16 June 15	1.1		Executive Director of Finance		Ratified at Policy Management Group
06 July 15	2		Executive Director of Finance		Approved at Trust Executive Committee
02 May 18	2.1		Director of Finance, Estates & IM&T	Revised	Approved at Performance Committee
14 Aug 18	3.0	14 Aug 18	Director of Finance, Estates & IM&T	Approved at	Policy Management Sub-Committee

NB This policy relates to the Isle of Wight NHS Trust hereafter referred to as the Trust.

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1. EXECUTIVE SUMMARY

This policy has been written to set the framework for the efficient and effective management of cash resources of the Isle of Wight NHS Trust. It describes the risk

adverse approach to the use of public funding to ensure that the Trust adheres to the regulations set for public sector finance.

The policy provides assurance to the Trust Board that Treasury and Cash Management function has the necessary delegated oversight and robust governance within its procedures.

In order to fully realise the benefits, it is essential that this Policy is kept up to date to reflect any future changes or developments. The Policy will therefore be subject to an annual review and formal revision every 3 years.

2. INTRODUCTION

This Policy identifies the approach that the Isle of Wight NHS Trust (“The Trust”) is expected to follow in the management of its cash resources and establishes the relationship between the Trust and the Department of Health (DH), NHS Improvement (NHSI), HM Treasury and the Government Banking Service (GBS), in relation to these matters.

The Trust is expected to operate in a climate of strong corporate governance and probity in conducting its treasury activities to ensure that public monies are used efficiently and effectively. This document sets out the Trust’s approach to treasury management in order to minimise any Trust exposure to cash flow risk. Having sufficient cash resources available for at least 12 months is also essential for the Trust to be classified operationally as a ‘going concern.’

The key operational objective of the treasury management function is therefore to ensure that the Trust always has sufficient ‘liquid’ resources available to it to meet its current and future outgoings on an ongoing basis. The Trust must also comply with its statutory, regulatory and performance management obligations in managing its cash position, including meeting its External Financing Limit (EFL) target.

The Trust is required to maintain a bank account with their appointed bankers, through Government Banking Services (GBS), and work within their regulations. The Trust may also borrow from the Government when the financial position determines that sufficient cash resources are not available to meet its obligations. It will borrow in line with procedures and guidance established by NHSI and the DH.

3. DEFINITIONS

External Financing Limit (EFL) – is a cash limit on “net external financing” and is a statutory financial duty which the Trust is required to meet. Its purpose is to control the cash expenditure of the NHS as a whole to the level agreed by Parliament.

Government Banking Service (GBS) – GBS is part of HM Revenue and Customs and is the banking shared service provider to government and the wider public sector. It is responsible for holding the working balances of Government Departments and other public bodies in high level accounts at the Bank of England. These working balances are made available overnight to the National Loans Fund to reduce the government’s borrowing costs.

National Loans Fund (NLF) Temporary Deposit Facility – this is a facility operated by HM Treasury. Deposits under this facility are accepted by virtue of the fact that this is an approved investment under Pt 2 Ch5 s46(4) and Sch 5 para 9(1) of The National Health Service Act 2006. Deposits of over £1,000,000 may be accepted for any period from 7 days up to 6 months.

Interim Financing Arrangements - The DH has developed interim support financing facilities to support Trust revenue requirements. They have been developed to provide medium term financial support within a clearly defined facility which can be serviced by an appropriate means.

Interim Revolving Working Capital Support Facility (RWCF) – a revolving maturity loan provided pending the development of an agreed financial recovery plan up to a maximum value of 30 days operating expenses. This is repayable at a fixed date and with interest charged at 3.5% per annum.

Revenue Support Loan Facility (Uncommitted Loan) – where Trusts have reached their maximum RWCF, agreement for this facility may be granted by NHSI and DH. This is repayable three years from the date of issue and with interest charged at 1.5% per annum.

Better Practice Payment Code (BPPC) – The requirement by Trusts to achieve a target of 95% of creditor invoices paid within contract terms.

4. SCOPE

This policy effects all the fiscal arrangements of the Trust relating to cash and treasury management (see section 6 for roles and responsibilities) and focuses on the need to maintain cash and liquid funds to support on-going operations.

This policy only relates to the funding due to the Isle of Wight NHS Trust. Charitable funds are outside the scope of this policy.

5. PURPOSE

The purpose of this policy is to describe the approach taken by the Trust in Treasury and Cash Management, the regime that it operates within, and the roles and responsibilities in place to protect the Trust's ability to meet its current and future obligations as a publicly funded organisation.

Adherence to this policy will ensure that the Trust complies with all statutory, regulatory and performance management obligations. It will define roles, responsibilities and maintain segregation of duties, regularly monitor the effectiveness of cash management and ensure that strict controls are enforced over authorisation limits.

6. ROLES AND RESPONSIBILITIES

The Trust Board is responsible for:

- Approval of external funding requirements.
- Approve the opening and closing of bank accounts.
- Approval of overall treasury policy.
- Delegates responsibility for approval of the treasury procedures, controls and detailed procedures to the Performance Committee.

Audit Committee is responsible for:

- Agrees the content of this Cash and Treasury Management Policy.
- Receives and reviews the reports of work undertaken by Internal and External Auditors in respect of Treasury Management operations.
- Ensures Trust Staff implement all recommendations made and implement appropriate measures to protect the Trust's resources.

External and Internal Audit are responsible for:

- The Trust's cash and treasury procedures will be subject to periodic review by the Auditors as part of their audit undertakings and any significant deviations from agreed policies and procedures will be reported to the Audit Committee and where appropriate to the main Board.

The Performance Committee is responsible for:

- Monitoring cash, liquidity and working capital.
- Approving relevant benchmarks for monitoring investment performance
- Reviewing and monitoring investment performance.
- Monitoring compliance with Treasury Management Policy and procedures in respect of limits, approved counterparties and types of investment.

Director of Finance, Estates & IM&T is responsible for:

- To set in place such procedures to enable strict control over the investment of surplus cash balances.
- Approval of cash budgets, forecasts and cash management systems and procedures.
- Review and monitoring of investment and borrowing policy.
- Ensuring proper safeguards are in place.
- Delegating responsibility for treasury operations to the Head of Financial Services.
- Approving all investment decisions.

Deputy Director of Finance is responsible for:

- Ensuring that procedures are in place for the day to day running of the treasury function and are followed and has the delegated responsibility to authorise individual transactions up to three months.

Head of Financial Services is responsible for:

- Managing the treasury management function and ensuring that all procedures are followed, all transactions recorded, and relevant cash flow and transactions reports prepared.
- Delegated responsibility to authorise individual transactions up to one month.
- Responsible for ensuring the policy is disseminated and communicated to all relevant parties.
- Defining the approach to treasury for approval by the Board.
- Ensuring treasury activities are reported on regularly and accurately.

- Managing key banking relationships.
- Managing treasury activities within the agreed policies and procedures.

Senior Financial Accountant is responsible for:

- Accurate and timely recording in the accounting records all of the treasury transactions, undertaking bank account reconciliations and match and clear investment transaction documentation.
- Preparing a 12 month rolling cash flow projection and advising on the likely instances of surplus funds available for investment.
- Carrying out deals with the approved institutions following receipt of the approval of the Head of Financial Services or, in their absence, the Deputy Director of Finance.
- Actioning investment and borrowing decisions.

7. POLICY DETAIL / COURSE OF ACTION

Treasury Objectives

The objectives of a treasury function are to support the Trust's operations by:

- Ensuring the availability of adequate working capital at all times to meet ongoing liabilities and commitments.
- Ensure that all creditors to the Trust receive settlement of their invoices in accordance with the Government's Better Payment Practice Code.
- Minimise the level of funds owed to the Trust by effective credit control.
- Ensuring the best financial return is obtained on surplus cash balances.
- Identifying and managing the financial risks, including interest rate and foreign currency risks, arising from operational activities.
- Ensuring compliance with all banking arrangements as set out in Section 5 of the Trust's Standing Financial Instructions, and all banking mandates. This includes maintaining a minimum bank balance of £1m.

These objectives are targeted towards ensuring that the Trust is continually able to develop in line with its strategic objectives and meet its statutory operational and financial targets, uninhibited by cash constraints.

Treasury Activities

In line with the above treasury objectives, the Trust's treasury activities will be undertaken to achieve the following key outcomes:

- Cash flow management (Funding) - Accurate and timely reporting and forecasting of receipts and payments on a daily, weekly, monthly and rolling annual cycle, to ensure liquid funds are available to meet the Trust's current and future liabilities.
- Management of creditor payment procedures to achieve BPPC target.
- Management of credit control of debtor balances to maintain cash flow and minimise bad debts.
- Oversee the monthly reconciliation by NHS SBS of all bank accounts.
- Ensure that procedures are in place for the adequate control of cash, including petty cash, floats and foreign currency.

Treasury Controls

The treasury controls outlined in this Policy are designed to ensure the Trust's treasury activities are undertaken in a controlled and appropriately executed manner.

The key components of the overall treasury operating environment shall include the following:

- Clearly defined roles and responsibilities for treasury activities for the Trust Board of Directors, the Performance Committee, the Director of Finance, and the Trust's Financial Services Section. These are set out in Section 6.
- Regular reporting of treasury activities.
- Controls on who can operate bank accounts in terms of mandates, sign-off and authorisation limits.
- Segregation of duties between those who make investments, those who initiate payment and those who account for treasury activities.
- Strict limitations in accordance with DH and Treasury guidance on the types of investments and the circumstances in which they may be used by the Trust.

Banking

The Director of Finance is responsible for managing the Trust's banking arrangements and for advising the Trust on the provision of banking services and operation of accounts and will be consistent with the Standing Financial Instructions (Section 5). The Trust will work within the regulation of GBS and will receive a bank reconciliation of cash balances from Shared Business Services on a daily basis.

Organisation Responsibility

Day to day control of the Trust banking requirements rests with the Head of Financial Services as delegated by the Director of Finance and the Board. The post holder is given limits and operational criteria within which to operate. Outside these limits and criteria, the Trust Board will be consulted to approve investments and borrowing.

Attitude to Risk in Treasury Management Activities

The Trust will take a conservative approach to risk and will not make any investments that represent a risk to the base capital of the Trust.

Under no circumstances will the Trust enter into trading positions or undertake trading for purely speculative investment reasons.

Cash Loans & Borrowing

Interim support financing facilities to support revenue requirements are made available by DH. Applications for any form of loan or borrowing shall be referred to the Trust Board for approval, prior to submission for authorisation by NHS Improvement and DH.

The guidance of the Secretary of Health issued under Section 42A of the National Health Service Act 2006 shall be followed together with the "Interim Support Finance" guidance issued by the Department of Health.

The Trust is required to provide detail of its borrowings and the costs of borrowing in its Annual Accounts.

If the Trust should be unable to repay its borrowings on the due date the Director of Finance must be informed to ensure remedial action is taken

Currently, the options for borrowing from DH are:

- Revolving Working Capital Facility
- Revenue Support Loan Facility (Uncommitted Loans)

Finance leases to fund capital schemes are counted as borrowings.

Investments

All cash balances should remain in a liquid form and should be instantly accessible. Cash deposits may only to be placed in the National Loans Fund Temporary Deposit facility with HM Treasury on a short-term basis (7-day return) if available, and in accordance with their Terms and Conditions.

Performance Management

Performance management is an important part of the control environment from a corporate governance perspective.

Cash flow reporting is incorporated into the reports provided to the Performance Committee, along with other key performance indicators including Aged Debtors and Creditors, Better Practice Payment code performance, and Cash Loan balances.

8. CONSULTATION

This document has been reviewed by the Performance Committee, as described in the document history. Any feedback has been discussed and the document updated where appropriate.

9. TRAINING

This Treasury and Cash Management Policy does not have a mandatory training requirement or any other training needs. Finance staff with a relevant job requirement will be made aware of the contents of this policy and will incorporate them into their job roles and responsibilities.

10. MONITORING COMPLIANCE AND EFFECTIVENESS

The effectiveness of this Policy will be the subject of Audit scrutiny and will be monitored and reviewed by the Head of Financial Services on an on-going basis.

Key performance indicators such as Better Practice Payments Policy score, Cash Borrowing levels, and working capital balances will be reported to the Performance Committee on a monthly basis as part of the Trust's financial reporting controls.

11. RELATED POLICIES

Standing Financial Instructions
Standing Orders
Counter Fraud Corruption Policy

12. REFERENCES

Department of Health Group Accounting Manual
Department of Health Process for accessing interim revenue financing

13. APPENDICES

Appendix A

Financial and Resourcing Impact Assessment on Policy Implementation

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NB this form must be completed where the introduction of this policy will have either a positive or negative impact on resources. Therefore, this form should not be completed where the resources are already deployed, and the introduction of this policy will have no further resourcing impact.

Document title	Treasury and Cash Management
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Totals	WTE	Recurring £	Non-Recurring £
Manpower Costs		0	0
Training Staff		0	0
Equipment & Provision of resources		0	0

Summary of Impact:

Risk Management Issues:

Benefits / Savings to the organisation:

Equality Impact Assessment

- Has this been appropriately carried out? YES/NO
- Are there any reported equality issues? YES/NO

If "YES" please specify:

Use additional sheets if necessary.

Please include all associated costs where an impact on implementing this policy has been considered. A checklist is included for guidance but is not comprehensive so please ensure you have thought through the impact on staffing, training and equipment carefully and that ALL aspects are covered.

Manpower	WTE	Recurring £	Non-Recurring £
Operational running costs		0	0
Totals:		0	0

Staff Training Impact	Recurring £	Non-Recurring £
Totals:		

Equipment and Provision of Resources	Recurring £ *	Non-Recurring £ *
Accommodation / facilities needed	0	0
Building alterations (extensions/new)	0	0

IT Hardware / software / licences	0	0
Medical equipment	0	0
Stationery / publicity	0	0
Travel costs	0	0
Utilities e.g. telephones	0	0
Process change	0	0
Rolling replacement of equipment	0	0
Equipment maintenance	0	0
Marketing – booklets/posters/handouts, etc	0	0
Totals:	0	0

- Capital implications £5,000 with life expectancy of more than one year.

Funding /costs checked & agreed by finance:	N/A
Signature & date of financial accountant:	
Funding / costs have been agreed and are in place:	
Signature of appropriate Executive or Associate Director:	

Appendix B

Equality Impact Assessment (EIA) Screening Tool

1. To be completed and attached to all procedural/policy documents created within individual services.

Document Title:	Treasury and Cash Management Policy
Purpose of document	The purpose of this policy is to describe the approach taken by the Trust in Treasury and Cash Management, the regime that it operates within, and the roles and responsibilities in place to protect the Trust's ability to meet its current and future obligations as a publically funded organisation.
Target Audience	All Trust Staff
Person or Committee undertaken the Equality Impact Assessment	Document Author

2. Does the document have, or have the potential to deliver differential outcomes or affect in an adverse way any of the groups listed below?

If no confirm underneath in relevant section the data and/or research which provides evidence e.g. JSNA, Workforce Profile, Quality Improvement Framework, Commissioning Intentions, etc.

If yes, please detail underneath in relevant section and provide priority rating and determine if full EIA is required.

		Positive Impact	Negative Impact	Reasons
Gender	Men	N/A	N/A	
	Women	N/A	N/A	
Race	Asian or Asian British People	N/A	N/A	
	Black or Black British People	N/A	N/A	
	Chinese people	N/A	N/A	
	People of Mixed Race	N/A	N/A	
	White people (including Irish people)	N/A	N/A	
	People with Physical Disabilities, Learning Disabilities or Mental Health Issues	N/A	N/A	
Sexual Orientation	Transgender	N/A	N/A	
	Lesbian, Gay men and bisexual	N/A	N/A	

Age	Children	N/A	N/A	
	Older People (60+)	N/A	N/A	
	Younger People (17 to 25 yrs.)	N/A	N/A	
Faith Group		N/A	N/A	
Pregnancy & Maternity		N/A	N/A	
Equal Opportunities and/or improved relations		N/A	N/A	

Notes:

Faith groups cover a wide range of groupings, the most common of which are Buddhist, Christian, Hindus, Jews, Muslims and Sikhs. Consider faith categories individually and collectively when considering positive and negative impacts.

The categories used in the race section refer to those used in the 2001 Census. Consideration should be given to the specific communities within the broad categories such as Bangladeshi people and the needs of other communities that do not appear as separate categories in the Census, for example, Polish.

3. Level of Impact

If you have indicated that there is a negative impact, is that impact:			
		YES	NO
Legal (it is not discriminatory under anti-discriminatory law)			
Intended			

If the negative impact is possibly discriminatory and not intended and/or of high impact, then please complete a thorough assessment after completing the rest of this form.

3.1 Could you minimise or remove any negative impact that is of low significance? Explain how below:	
3.2 Could you improve the strategy, function or policy positive impact? Explain how below:	
3.3 If there is no evidence that this strategy, function or policy promotes equality of opportunity or improves relations – could it be adapted so it does? How? If not, why not?	
Scheduled for Full Impact Assessment	Date:
Name of persons/group completing the full assessment.	Andrew Wheeler
Date Initial Screening completed	20 th February 2018