



**Joint Policy for Cumbria Partnership Foundation Trust & North Cumbria  
University Hospital NHS Trust**

**Policy Title: Treasury Management Policy**

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## Policy On A Page

### **SUMMARY & AIM**

This document sets out the Trust's treasury management policies and processes, focusing on ensuring that there is sufficient cash available to support ongoing operations.

### **TARGET AUDIENCE:**

Members of the Finance team involved in the management and monitoring of working capital levels and cash requirements

### **TRAINING:**

Support from senior Finance staff

- External training may be available from time to time for development of skills in managing working capital
- Borrowing/funding is an evolving area and guidance from the Department of Health is issued by NHS Improvement who can support trusts to interpret and implement changing requirements.

### **KEY REQUIREMENTS**

1. Prepare rolling 12 month cashflow forecast to enable the identification of cash surpluses for investment or cash shortages requiring borrowing.
2. Investment of cash surpluses in line with latest Department of Health guidance.
3. Ensure the requirement to borrow cash is communicated to the Trust Board at the earliest opportunity.
4. All loan documentation completed and signed off by the Trust in line with the Department of Health's timescales.
5. Efficient management of the Trust's working capital through raising invoices for cash due to the Trust promptly and payment of suppliers in line with Better Payment Practice

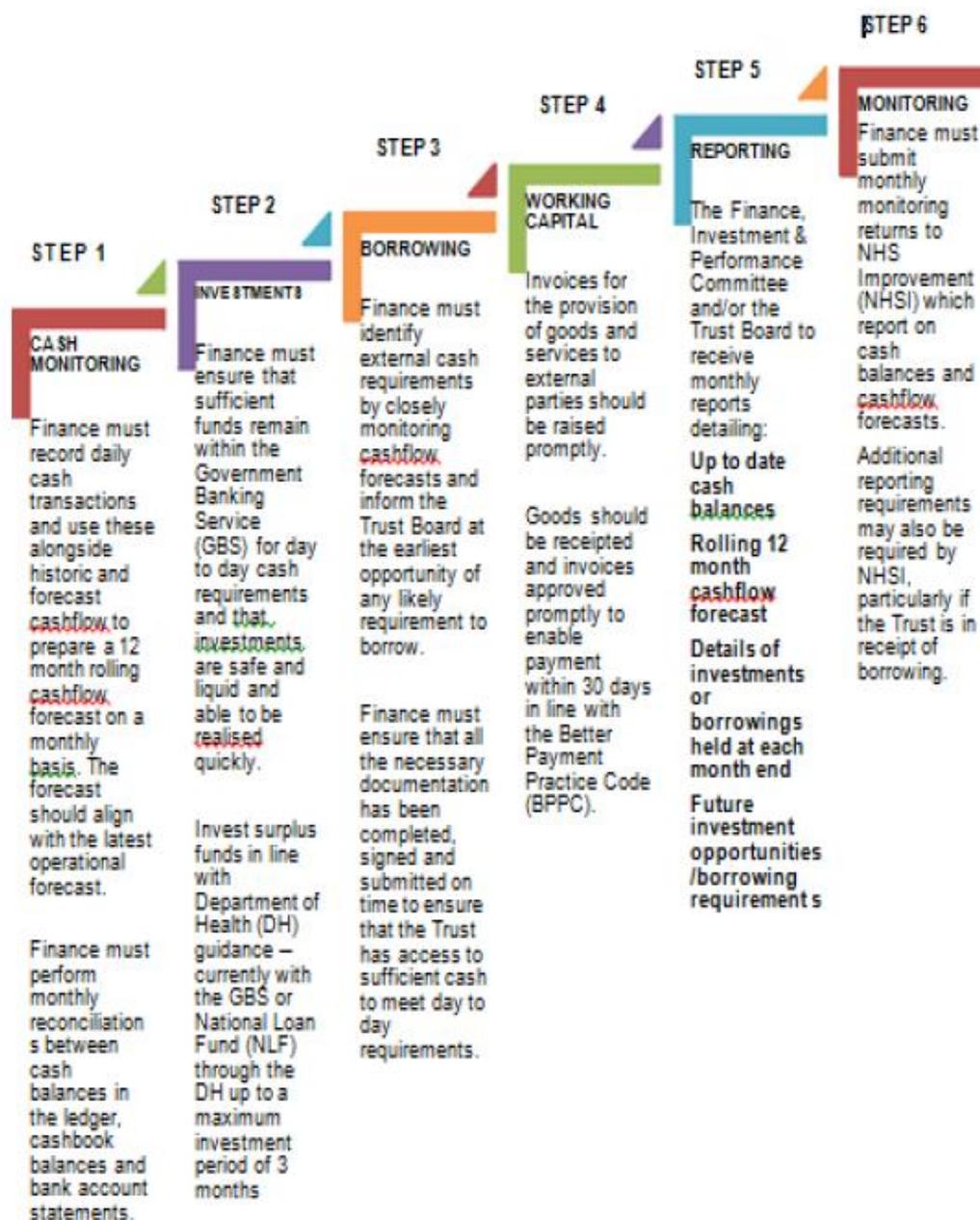
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**SUMMARY FLOWCHART:**

**Treasury Management Policy**



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## 1. INTRODUCTION

The objectives of treasury management are to support the Trust's sustainability and development by:

- Achieving the most maximum financial benefit from surplus cash within an agreed risk profile.
- Ensuring the availability of flexible, competitively priced funding at all times within the constraints of guidance from NHS Improvement (NHSI) and Department of Health (DH).
- Identifying and managing the financial risks arising from operational activities.
- Ensuring compliance with all banking covenants.
- Maximising the cash headroom available to the Trust.
- Ensuring the Trusts liabilities are met every month, in accordance with the following priorities
  - Staff monthly salaries
  - Statutory payments (e.g. Payment of Tax, National Insurance, and Pension contributions)
  - Supplier payments

In relation to treasury management, the key point to bear in mind is that the Trust is dealing with public money and must ensure that it invests the funds safely. The Trust operates within strict DH guidelines to ensure this is the case.

The Trust is required to have in place a Treasury Management Policy to ensure there is control over the management of its banking arrangements and cash and that borrowing and investment decisions are subject to appropriate controls. The policy relates solely to exchequer funds i.e. not charitable funds or patients' monies.

This policy sets a framework for treasury activities within an acceptable risk profile for the Trust. It defines the approach the Trust will take in its treasury management function and forms the basis on which the operation, management, reporting and performance assessment of the function shall operate.

This policy provides a clearly defined management framework for those charged with treasury options within the Trust.

## 2. PURPOSE

This policy exists to provide guidance to officers involved in treasury management as to the framework within which they should operate and to provide a system against which compliance can be monitored.

## 3. POLICY DETAILS

### 3.1 Attitude to Risk

The principal role of the treasury function is to maintain liquidity, to mitigate and manage risk and to ensure a competitive return within an acceptable risk profile. For instance, surplus cash may be invested with counterparties that meet the credit

criteria and in instruments that have an acceptable risk profile. Under no circumstances will treasury transactions be undertaken for purely speculative reasons.

### 3.2 Investments

All cash balances should remain in a comparatively liquid form such as call accounts, fixed deposit accounts or certificates of deposit. All investments resulting from them should be realisable and have a maturity not exceeding twelve months.

Cash deposits should only be made with the following institutions. Investment with individual institutions should not exceed the following limits at any time, and the amounts deposited must maintain flexibility both to maximise the return on investments and allow sufficient funds to remain within Government Banking Service for day to day cash requirements.

CPFT Only:-

Institution	Limit
Bank of England, and other institutions in the course of operation of Government Banking Service arrangements	Unlimited
The UK Government, or an executive agency of the UK Government, that is legally and constitutionally part of any department of the UK Government, including the UK Debt Management Agency Deposit Facility.	Unlimited
UK high street banks (limited to Barclays, Lloyds, HSBC and RBS/NatWest) with Moody's (*) short term bank deposit rating P1	£10 million

NCUH Only:-

Permitted institution/account	Key use/purpose
<b>National Loans Fund</b>	Short term deposit of surplus funds, aiming to receive a higher return than is possible in GBS account.
<b>NatWest current account</b>	Receipt of all monies and payment of all expenses

No investments may be placed with other institutions.

\* or equivalent Standard & Poor's or Fitch ratings.

#### 3.2.1 Government Banking Service

The Government Banking Service (GBS) operates a commercial banking arrangement for the Trust with the NatWest.

The commercial banking arrangements of the whole of the NHS are managed by GBS and are subject to the usual tendering regulations. The latest tendering process was held in early 2015 and the contract was awarded for 7 years.

Despite the move to the commercial arrangement, the Trust has limited cash exposure to the NatWest, as GBS hold 'high level accounts' with the Bank of England which will sweep up the balance in the Trust's accounts regularly throughout the day, and at the end of each working day. This 'sweep' is not visible to the Trust, and we will continue to access the available cash balance through the NatWest.

Any cash held in the NatWest prior to a sweep being performed is not deemed to be part of any investment held with the bank. The Trust's available balance is deemed to be held with the Bank of England as set out in the table above.

Interest receivable from the GBS commercial arrangements is based on the daily cash balance held by the Trust.

### **3.2.2 Other Bank Account Arrangements**

The approval of the opening and closing of any bank or investment account is the responsibility of the Trust Board as set out in Standing Orders. The Executive Director of Finance, Estates and Digital is responsible for managing the Trust's banking arrangements and for advising the Trust on the provision of banking services and operation of accounts.

In accordance with the SFIs the Executive Director of Finance, Estates and Digital will approve the signatories to all bank accounts and any relevant signatory limits. Authorised signatories will be updated as and when changes in staffing require.

Due to localised NatWest branch service availability, alternative local banking arrangements have been established with the Cumberland Building Society. These local arrangements, including associated charges, will be reviewed periodically.

Access to the bank account is restricted to Finance staff, with two signatures required for any withdrawals. The account balance will be cleared down to a minimal value at least once a year, immediately prior to the end of the financial year.

The maximum balance to be held in this account will be £50,000.

### **3.2.3 Cash Flow Forecasting and Monitoring**

#### **Annual Forecast**

The Finance Department prepares a 12 month rolling cash flow forecast on a monthly basis in accordance with revised operational forecasts.

**Monitoring**

The Trust monitors and analyses cash flow variances between actual and plan on a monthly basis, in order to:

- Allow appropriate action to be taken to maintain or improve the cash position at any one time.
- Provide a level of stability to the cash flow forecast and improve the accountability of Financial Services staff, by having a positive influence on behaviour and performance.

**Preparation of Daily Cash Balances**

Daily cash surplus balances reports, informed by the cash flow forecasting, are Prepared, and where appropriate the level of alternative investments considered.

**3.2.4 Foreign Currency**

No cash balances or investments may be held in foreign currency.

**3.3 Borrowing / Funding**

The key funding objective is to ensure the availability of competitively priced funding from a variety of sources to meet the Trust's current and future requirements. The Trust will maintain a risk averse approach to funding, recognising that sufficient funds must be in place to cover existing business cash flows and to provide reasonable headroom for anticipated cash flow fluctuations, capital expenditure and other developments.

Interest rates on any long term borrowing should be structured to limit the impact of rapidly increasing interest rates on financial performance. Fixed interest loans should be considered.

As detailed in 8.1 (below), the Board of Directors will be required to approve any external funding arrangements.

The Trust can borrow monies using either a working capital loan or capital loan from the Secretary of State. Any such borrowing is vetted closely by NHSI and requires approval from the Board of Directors before any loan is proposed. The principle of ongoing need for committed funds is recognised in order to cover existing business cash flows and to provide reasonable headroom for seasonal cash flow fluctuations and capital expenditure programmes. Funding in anticipation of potential projects is also not allowable. Signatures required for internal funding documentation are detailed in Appendix 1.

The Financial Controller or Head of Financial Services will submit all documentation to support funding applications to NHS Improvement, and/or Department of Health, as required.

**3.4 Working Capital**

The following process is adopted in relation to working capital.

### **3.4.1 Debtors**

Staff with a responsibility for providing goods and services to external parties must ensure that invoices are raised promptly.

For NHS receivables, the Trust abides by and seeks to enforce the guidelines in the DH “Cash Management in the NHS (FMWP (04-05) 12)”.

Payment terms for Non-NHS receivables are 14 days from the invoice date, unless the terms of the contract specify otherwise.

The Trust will actively pursue outstanding balances outside the above terms which may include referring the debt to the Trust’s external debt recovery agency. The Trust uses the agency for both UK and overseas Non-NHS debts, for tracing the debtor and legal recovery.

Information on outstanding debts is reported monthly to FIP.

### **3.4.2 Creditors**

Unless contract terms specify otherwise the Trust will seek to maximise the credit taken from suppliers within the requirements of the Better Payment Practice Code.

To ensure the Trust is able to maintain its forecasted cash position, weekly creditor payment runs will be capped to an amount applicable to its non-pay and capital expenditure budget profile. Changes to the cap value, and the identification of suppliers who are to be paid in a weekly payment run will be determined by the Financial Controller and Head of Financial Services, or in either of their absence, other Senior Managers in the Finance Department.

## **3.5 Reporting**

The regular planning, forecasting, monitoring and reporting of treasury activities is crucial in allowing all relevant parties to be aware of transactions undertaken, to appreciate the Trust’s financial position and assess the ongoing appropriateness of treasury objectives. Regular reports will be provided to the Board and FIP as they require, and will include information relating to cash forecasts, investments, and loans.

### **3.5.1 Annual Cash Plan**

A monthly cash plan is prepared at the commencement of the financial year, which reflects the profile of the Trust’s income and expenditure plan, expected capital profile and anticipated working capital movements. This plan is prepared on both a receipts and payments basis and traditional accounting cash flow statement basis and is submitted as part of the Trust Financial Plan for Trust Board approval and to NHSI.

### **3.5.2 Monthly Cash Flow Forecast**

The Finance Department prepares a monthly cash flow forecast for the current financial year on a receipts and payments basis, which is revised each month.

### **3.5.3 Daily Cash Forecast**

The robustness of the monthly forecast is enhanced and underpinned through the preparation of a detailed 'cash book' showing the daily historic and forecast cash flows (in categorised receipts and payments) for the financial year. This daily cash forecast is reconciled on an ongoing basis to the monthly forecast which is presented to the FIP.

If any investments are made, the Head of Financial Services will prepare and circulate treasury reports, so that relevant parties have the information necessary for their roles, and so that treasury activities remain transparent.

### **3.6 Treasury Controls**

The Executive Director of Finance, Estates and Digital will put in place procedures to ensure that treasury activities are carried out in a controlled manner, thereby ensuring that the Trust is not exposed to undue risks. In particular these should cover:

- Segregation of duties, to the extent possible and practicable taking into account the nature of the Trust's treasury activities and the size of the finance function
- Authorisation of investment transactions
- Authorisation of funding transactions
- Maintenance of bank mandates and their communication to all relevant parties
- Confirmation of transactions
- Recording and reporting of transactions
- Inclusion of Treasury Management activities within the scope of review by internal and external audit

To ensure all Trust payments and investment transactions are adequately authorised, authorisation panels and limits have been approved by the Audit & Risk Committee and are detailed in Appendix 1.

At present there are differing processes in CPFT and NCUH for authorising and releasing payments. These will be reviewed and a standard single process agreed by no later than when the Trusts merge.

#### CPFT

For all payment transactions, standard forms and / or the supplier payment run report are signed as evidence of approval by the authorising individuals.

Where payments are made electronically online (for example CHAPS payments, or Bank Transfers), any one bank signatory can release the online payment once it has been properly authorised as above.

Note. Where a payment is of a high value, NatWest banking protocols may require two signatories to release the online payment.

### NCUH

For all payment transactions, standard forms and / or the supplier payment run report are signed as evidence of approval by the authorising individuals.

Where payments are made electronically online (for example CHAPS payments, or Bank Transfers), any two bank signatories must approve and release all payments.

## 3.7 Bank Relationships

The development and maintenance of strong banking relationships is an important factor in enhancing the availability of debt to fund developments.

### 3.7.1 Objectives

- To minimise the cost of borrowings and maximise the return on cash surpluses within acceptable risk parameters.
- To develop and maintain strong relationships with a number of key banks.
- To monitor and ensure compliance with all banking covenants.

### 3.7.2 Banking relationships

The Executive Director of Finance, Estates and Digital will be responsible for managing all banking relationships, and will meet bankers regularly to discuss services provided and any new or improved products which may be of benefit to the Trust.

## 4. TRAINING AND SUPPORT

There is no mandatory training associated with this policy.

Finance Department staff will receive ad-hoc training sessions based on an individual's training needs and the level of knowledge required of this policy.

## 5. PROCESS FOR MONITORING COMPLIANCE

The process for monitoring compliance with the effectiveness of this policy is as follows:

Aspect being monitored	Monitoring Methodology	Reporting		
		Presented by	Committee	Frequency
Compliance with the controls contained in the Treasury	Appropriate authorisation of Treasury activities, and regular review and reporting.	Executive Director of Finance, Estates and Digital	FIP	Monthly and Annually

Aspect being monitored	Monitoring Methodology	Reporting		
		Presented by	Committee	Frequency
Management Policy.				
Treasury activities are undertaken with appropriate authorisation and meet the risk attitude of the Trust.	Internal Audit examination of controls, procedures, and transactions.	Executive Director of Finance, Estates and Digital	FIP	Monthly and Annually

## 6. REFERENCES:

- FMWP (04-05) 12 – ‘Cash management in the NHS. Treasury rules and NHS standards including good practice guidance’;
- Managing Operating Cash in NHS Foundation Trusts (Monitor, 2005)
- GBS and RBSG transition briefing\_FINALv1 0\_15052015
- Interim Support Finance (DH, March 2015)
- FAQs re Financing Arrangements from 1 April 2015 (NHS Trust Development Authority, April 2015)

## 7. ASSOCIATED DOCUMENTATION:

- POL/004/001 - Reservation and Delegation of Powers, and Standing Financial Instructions.
- Finance Procedures on Banking / Cash, Receivables and Payables

## 8. DUTIES (ROLES & RESPONSIBILITIES):

### 8.1 Chief Executive / Trust Board Responsibilities:

The Chief Executive is the Accountable Officer for the Trust and is charged, along with the Board, in ensuring probity in the use of public money.

Responsibility for the day to day management of the Trust’s financial systems rests with the Executive Director of Finance, Estates and Digital.

The responsibility of the Trust Board is to:-

- Approve working capital and capital expenditure loan arrangements subject to the funding policy;
- Approve the overall Treasury Management Policy;
- Delegate responsibility for the Trust’s treasury procedures, treasury operations, controls and detailed policies to the Executive Director of Finance, Estates and Digital.

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## **8.2 Executive Director of Finance, Estates and Digital:**

The responsibility of the Executive Director of Finance, Estates and Digital is to:-

- Approve cash management systems and controls,
- Meet with relevant members of the finance team to discuss issues and consider matters that should be brought to the attention of the FIP,
- Ensure that treasury activities and performance are reported in accordance with this policy,
- Advise the Audit & Risk Committee on technical matters relating to policy on Treasury;
- Management of relationships with bankers and lenders.
- Advise on strategy implications for the Trust highlighting areas where proposed strategy is not achievable or contrary to the Trust regime;
- Approve subsidiary cash budgets and cash management systems;
- Define the Trust's treasury approach for approval by the Trust Board;
- To review forecast funding requirements over the short term, to support loan applications, and longer term to support business planning.

The Executive Director of Finance, Estates and Digital may delegate specific responsibilities to officers deemed appropriate.

## **8.3 Deputy Director of Finance; Financial Controller or Head of Financial Services:**

- Make recommendations on the approach to treasury management for approval by the FIP,
- Ensure reports of treasury activities are accurate and timely,
- Manage operational treasury activities within the agreed policies and procedures; this includes:
  - closely monitoring the Trust's cash position and identifying any requirement to access additional cash;
  - ensuring that the appropriate paperwork is completed by the required deadlines;
  - on-going cashflow reporting requirements are met;
  - access to additional cash is minimised in order to limit interest charges which may apply;
- Manage key relationships with loan providers and deposit takers;
- Maintain accurate and timely accounting records of all treasury transactions;
- Match investment confirmations with internal documentation.

## **8.4 The Finance, Investment & Performance Committee Responsibilities:**

The Finance, Investment & Performance Committee supports the Trust Board in financial, performance and workforce stewardship, policy, and investment decisions from both an operational management and strategic perspective. In respect of treasury management the Committee's responsibilities are to:-

- Review and monitor investment and borrowing policy and performance against the relevant benchmarks in respect of all funds;

- Approve the relevant benchmarks for measuring performance;
- Monitor compliance with treasury policies and procedures

### 8.5 Approving Committee Responsibilities:

The responsibility of the Audit & Risk Committee is to:-

- Review all policies and strategy relating to treasury management;
- Receive and review the reports undertaken by Internal and External Auditors in respect of treasury management. The Trust's 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 where appropriate to the main Board;
- Ensure Trust Finance staff follow up on any recommendations made.

## 9. ABBREVIATIONS / DEFINITION OF TERMS USED

ABBREVIATION	DEFINITION
CPFT	Cumbria Partnership NHS Foundation Trust
DH	Department of Health
EFL	External Financing Limit - The EFL is a control on net cashflows of NHS trusts. It sets a limit on the level of cash that an NHS trust may:  Draw from either external sources or its own cash reserves - a positive EFL; or repay to external sources or increase cash reserves – a negative EFL.
FAQ	Frequently Asked Questions
FIP	The Finance, Investment & Performance Committee
GBS	Government Banking Service
NCUHT	North Cumbria University Hospitals Trust
NHSI	NHS Improvement
NLF	National Loans Fund
NLFTDF	National Loans Fund Temporary Deposit Facility
PDC	Public Dividend Capital
RWC	Revolving Working Capital Support Facility
SFIs	Reservation and Delegation of Powers, and Standing Financial Instructions Policy

**APPENDIX 1 - PAYMENT AUTHORISATION PANELS AND AUTHORITY LIMITS:**Signatory Panels

<u>Panel 1</u>	<u>Panel 2</u>
Deputy Director of Finance	Any member of the Executive Team
Financial Controller	
Assistant Director of Finance	
Head of Financial Services	
Head of Income	
Head of Strategic Finance	
Head of Financial Reporting	

Payment Authority Limits

Payment Categories / Types	Authorisation Limit	Authorisation Signatory Requirements
Treasury Deposits	All	Two signatories, including one from Panel 2

Release of Payments

Once authorisation is obtained in accordance with the above limits, any bank signatory with approval access can release the payment from the Trust's bank account (as detailed in Section 3.6, above).

Public Dividend Capital and Other Funding Arrangements

Approval to transfer to the Trust's bank account additional public dividend capital and/or other funding as agreed by the Board shall be in accordance with the following signatory requirements.

The process in the Trusts differ but will be reviewed and a standard single process agreed by no later than when the Trusts merge.

## CPFT

Funding	Authorisation Limit	Authorisation Signatory Requirements
All	All	Two signatories from Panel 2, one of which must be the Chief Executive, or Executive

		Director of Finance, Estates and Digital
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NCUH

Funding	Authorisation Limit	Authorisation Signatory Requirements
All	All	Any two signatories

**DOCUMENT CONTROL**

<b>Equality Impact Assessment Date</b>	Not applicable
<b>Sub-Committee &amp; Approval Date</b>	Audit & Risk Committee 13/03/2019

**History of previous published versions of this document:**

Trust	Version	Ratified Date	Review Date	Date Published
NCUHT IG27	3.0	25/04/2018	30/04/2019	27/04/2018
NCUHT	2.0	25/05/2017	30/04/2018	19/06/2017
NCUHT	1.0	21/04/2016	30/04/2017	03/05/2016
CPFT	POL/003/005	06/03/2017	31/03/2019	06/03/2017

**Statement of changes made from previous version**

Version	Date	Section & Description of change
V0.1	14/02/2019	<ul style="list-style-type: none"> <li>• Combined with CPFT policy</li> <li>• Removal of procedures around accessing loans</li> <li>• Addition of appendix to show Payment Approval Panel and authorisation limits</li> </ul>

**List of Stakeholders who have reviewed the document**

Name	Job Title	Date
Tony Bellingham	Head of Financial Services, CPFT & NCUHT	27/02/2019
Helena McDonnell	Financial Controller, CPFT & NCUHT	04/03/2019
Michael Billingham	Deputy Director of Finance, CPFT	27/02/2019