

Treasury management policy

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1. Introduction

The Trust's motto is 'You matter we care' and whether you are a service user, carer, staff, GPs, commissioners or third sector groups, you matter to us and we care how we listen and respond to your needs, views and ambitions.

Our values are:

P	Passion	Doing our best, all of the time
R	Respect	Listening, understanding and valuing what you tell us
I	Integrity	Being open, honest, straightforward and reliable
D	Diversity	Relating to everyone as an individual
E	Excellence	Striving to provide the highest quality support

This policy's aim is to ensure that this vision is supported by ensuring that investments and borrowings are prudent enabling the effective, efficient and economic delivery of services and to ensure the Trust operates as a 'going concern' and maintains its good name.

Treasury Management represents the set of policies and strategies which an organisation adopts and implements to manage its cash resources and to raise finance at acceptable cost and risk. It also governs its relationships with its financial stakeholders.

2. Purpose or aim

The purpose of this policy is to ensure compliance with the treasury management requirements under the NHS Trust regime guidelines and complies with the [Trust's Standing Financial Instructions and Standing Orders](#).

The objectives of the treasury management policy are to support the Trust's strategic and business objectives and to safeguard and properly account for the use of public money. The aims and objectives of this policy are therefore to:

- Identify, manage and reduce the financial risks arising from operational and treasury management activities including any foreign exchange transactions.
- Minimise interest charges and maximise returns on any surplus funds whilst taking a risk averse approach.
- The Trust will maintain a risk-averse approach to funding, recognising the ongoing requirements to have sufficient funds in place to cover existing business cash flows and to provide reasonable headroom for cash flow fluctuations, capital expenditure programmes and exceptional items.
- Ensure that only UK-regulated institutions are used for current accounts and investments so that they are covered by the Government backed Financial Services Compensation Scheme (FSCS) where protection is given up to £85,000.
- Ensure that no more than £85,000 is held with one institution and in one account with that institution as protection is per institution. Stringent checks should be made on 'sister' banks and institutions which may be classed, for protection purposes, as one institution.
- Source competitive deposit rates by building strong relationships with a core group of banks, in line with the Trust's deposit guidelines
- Develop and maintain strong relationships with the NHS Trust's bankers ensuring compliance with all banking covenants.
- Manage financial risk associated with operational activities as a NHS Trust such as interest rate fluctuations.

3. Scope

Permitted Institutions

- Institutions authorised under Part 1 of the Banking Act 2009.
- A Building society authorised under the Building Societies Act 1997.
- A credit institution authorised in one or more of the other member States, or in one or more States which are European Economic Area (EEA) States but not member States, which has lawfully established a branch in the United Kingdom for the purpose of accepting deposits.

Preferred Concentration Limit

The minimum deposit that can be made to the National Loans Fund (NLF) is £1 million for periods of 7 days to 6 months. Capital and interest (at current market rate) will be received back into the RBS account.

4. Roles and responsibilities

The roles and responsibilities relating to this Policy are set out below.

4.1 Board of Directors

- Approves the Treasury Management Policy.
- Delegates to the Director of Finance, approval of any policies, processes and controls associated with treasury management.

4.2 Finance and Planning Committee

- Provides assurance to the Trust Board that the Trust is complying with best practice in terms of balance sheet management, principally around working capital and treasury management.
- Reviews and approves any financial strategies, policies or procedures on behalf of the Board.

4.3 Director of Finance

- Has overall responsibility for compliance with the policy.
- Is responsible for making recommendations to the Board on the systems of delegated limits and for ensuring these are reviewed on a regular basis.
- Maintains controls on who can operate bank accounts.

4.4 Head of Financial Accounting & Treasury Management

- Compiles and completes one year cash forecasts including analysing and testing future expenditure patterns
- Is responsible for all investments.
- Is responsible for the ongoing review regarding the suitability of bank accounts.
- Is responsible for internal and external cash reporting.
- Reviews the Treasury Management policy on an annual basis.

4.5 Income Group Leader

- Maintains, reconciles and reviews the daily cash flow.

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- Maintains and reconciles the Cash Model.
- All bank and payroll reconciliations.
- Monthly cash reconciliations.
- Monthly cash reports to Financial Control team.
- Is responsible for maintaining relationships with banking institutions.

5. Policy statement

The Treasury controls outlined in this policy are designed to provide assurance that all treasury activities undertaken are in a controlled and properly reported manner.

These controls include:

- Documentation of treasury management policies and processes
- Clearly defined roles and responsibilities in treasury management activities for the Income Group Leader, and Finance Department.
- Regular reporting and consultation of treasury activities.
- Clear definitions around separation of duties within the defined roles i.e. between those who deal, those who initiate payment and those who account for treasury activities.
- Strict investment limits on permitted institutions, the types of investments and the circumstances in which they may be used.
- Ensuring that bank mandates, authorised signatories and sign-off limits are maintained and relevant.
- Inclusion of treasury management activities within the scope of review by internal audit and external audit.

6. Treasury Management

6.1 Treasury Reporting

To ensure the Trust's treasury objectives are met it is essential that robust reporting arrangements are in place to enable the organisation to monitor and take any preventative action with regards to cash management.

This consists of the following Treasury arrangements, as outlined below.

Daily Reporting

- A Daily cash flow forecast is prepared and updated by the Income Group Leader and forwarded to the Head of Financial Accounting and Treasury Management for scrutiny and for any decisions to be made around any investment opportunities.
- In times of reduced cash availability, there will be increased scrutiny over outstanding payments and rational decisions made regarding the order in which payments are to be made. A judgement will be made according to urgent business requirements, in line with maintaining the Trusts reputation and relationship with suppliers. This will be balanced with ongoing viability and liquidity.

Monthly Reporting

On a monthly basis a suite of reports will be provided to be used as and when required for the Finance report to the Trust Board.

These may include:

- Aged debtor and creditor analysis.
- Debtor and creditor days.
- A cash flow forecast showing the next 3 months of expected cash balances. Reporting to NHS Improvement on requirements for cash for the following 13 weeks.
- Information on risk ratios relating to any working capital, creditors, debtors and cash balances.
- A commentary on current banking relationships.
- A review providing assurance that the permitted institutions used are maintaining the standard required.

6.2 Cash Flow Forecasting and Monitoring

Annual Forecast

The Finance Department prepares a full year long term cash flow forecast (CFF) at the beginning of the financial year which predicts annual receipts and payments in accordance with plans. This forecast plan is updated daily with short term receipt and payment information.

13 Week Rolling Forecast

The robustness of the CFF is enhanced through the preparation of a 13 week rolling forecast, with the first two weeks being scrutinised in depth on a daily basis. 13 weeks is an effective length of time for review, as it spans a financial reporting quarter, picks up any 'in year' seasonality and is concise enough to add real value to the cash management for that period.

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 treasury management staff, by having a positive influence on behaviour and performance.

6.3 Treasury Risk Management

The primary objectives of the treasury function are to maintain liquidity, to mitigate and manage risk and ensure a competitive return on investments within an acceptable risk profile.

The Trust should have key controls in place to manage this agreed risk profile.

As an example, surplus cash will only be invested with organisations that meet the credit criteria and with an acceptable risk rating.

The treasury function is not authorised therefore to enter into any trading positions or to undertake speculative trading.

The Trust will maintain a risk-averse stance to investing cash surplus balances. The Trust will forbid speculative trading/investment and invest surplus funds only in investments that meet the specified criteria as an NHS Trust.

6.4 Treasury Funding

The key funding objective is to ensure that flexible and competitively priced funding is available from various sources to meet any current and future requirements. A risk-averse approach will be taken to funding which will ensure that funds are always available to cover existing working capital and any fluctuations in seasonal cash flow.

The risk-averse stance to funding should require the following:

- Approval from the Board of Directors before the Trust obtains any additional funding
- Funding facilities proposed.
- Forbid entrance into trading positions or purely speculative trading.
- Recognise in principle the ongoing need for committed funds in place to cover existing cash flows and to provide reasonable headroom for seasonal cash fluctuations, capital expenditure programmes and acquisition funding; and
- Forbid pre-finance in anticipation of potential projects.

6.5 Management of Receivables and Payables

Receivables management

- An invoice to each of the Trust's main Commissioners will be raised each month to allow the Trust's main commissioners to make a cash payment to the Trust based on a twelfth of the total contract value. The invoice should be paid in accordance with the contract. Under the Payment by Results guidelines and in line with the recommended time scale an adjustment for under or over performance against the contracted value, relating to our main contractors, will be made on a monthly basis. Out of Area treatment adjustments will be invoiced on a quarterly basis.
- Where goods and services are performed on an ongoing basis an invoice should be raised on a monthly or at least on a quarterly basis.
- An explanation should be provided by the Cash Management Manager or team, to the Head of Financial Accounting & Treasury Management, for all debts that exceed 90 days, providing details of actions taken and proposed actions.
- The Head of Financial Accounting & Treasury Management will review the NHS accrued income debtor control account each month to ensure that invoices are being raised as early as possible. A summary will be provided to the Deputy Director of Finance.

Payables management

- The Trust recognises the important role it plays within the local economy and is committed to paying its suppliers on time. In support of this, the Trust has signed up to the Better Payment Practice Code.
- Suppliers should have confidence that they will be paid within clearly defined terms and that there is a proper process for dealing with any payments that are in dispute.
- All goods should be ordered using the Trust's official procurement processes. This helps to ensure that:
 - The Trust uses approved suppliers;
 - Obtains value for money;
 - Goods have been authorised by official budget holders;
 - Provides a record of all orders placed;
 - Helps to ensure goods are properly received; and
 - Invoices relate to goods ordered and receipted.

6.6 Treasury Investment

Investments shall only be held in those forms authorised by the Secretary of State and approved by the Board.

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Direction from the Secretary of State in April 2002 specifies that NHS Trusts may invest in the Government Banking Service (GBS) Interest Bearing Accounts, the National Loans Fund Temporary Deposit Facility, Treasury Bills or Gilts.

This Direction also specified that deposit investments can be held with other approved institutions but shall not exceed an average cleared balance of £50,000 (across all other approved accounts.)

The average cleared balance above excludes accounts the Trust holds as Trustee (i.e. patient's monies accounts and Charitable Funds accounts).

Temporary cash surpluses should be transferred to the National Loans Fund Temporary Deposit Facility (NLF) in preference.

Applications to deposit must be made by the Income Group Leader and all deposit receipt notes stored by the Income Group.

It is the responsibility of the Director of Finance to advise the Board on any investments held and the performance of these investments.

The Trust will invest within the authorisation limits set out below:

Investment value	£1m to £10m
Investment period	
1 week to 12 weeks	Income Group Leader/One other authorised signatory from list
12 weeks to 6 months	Income Group Leader/Two other authorised signatories from list
Over 6 months	No investments to be made

6.7 Authorisation for Borrowings

The Director of Finance is responsible for ensuring the Trust can meet its repayments of any borrowings and for advising the Board of the Trusts ability to meet repayments and interest charges.

The Director of Finance is responsible for making all loan applications. The application process can be delegated to the Deputy Director of Finance (long term) and the Head of Financial Accounting & Treasury Management (short term) with the Director of Finance approval.

If borrowing is required it is expected that:

- Borrowing should not be in advance of need or for onward investment.
- The Director of Finance shall only borrow in accordance with the guidelines laid down by the Department of Health and within the Trusts external financing limit (EFL) or temporary borrowing limit (TBL) as agreed with the Department of Health and/or NHS Improvement (NHSI).
- The Director of Finance is responsible for ensuring that the Trust can meet its repayments of any borrowings and for advising the Board of the Trust's ability to meet repayments and interest charges.
- Any borrowing entered into must comply with the Trust's Standing Orders & Standing Financial Instructions.
- The Trust should only borrow in sterling currency.
- Speculation on foreign exchange movements is not permitted.

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- Where temporary borrowing is required the Trust should initially approach NHS Improvement and with their endorsement then approach the Department of Health.
- Any short term borrowing will likely be in the form of an overdraft.

6.8 Foreign Exchange Management

The Trust is not exposed to significant foreign exchange transactions and therefore this policy does not provide for particular risk management procedures in relation to this. Should the position with regard to foreign exchange transactions change then this clause in the Policy will be reviewed.

6.9 Banking Relationships

The Income Group Leader is primarily responsible for developing relationships with key banks with which the Trust has its core business. They are also responsible for specifying and agreeing the services required by each bank (e.g. deposit taking, bank accounts and cash management). The Trust may choose to have core relationships with a small number of banks and negotiate specific additional services from a larger group. The Income Group Leader and the Head of Financial Accounting & Treasury Management will also ensure that the Trust monitors compliance with any bank covenants, for instance, on gearing and interest cover.

The Trust currently holds funds with the following organisations:

Bank	Type of facility
RBS (Government Banking Service account)	Main banking account for Trust income and payments Faster payments CHAPS
NatWest	Main account for all Trust wide cash/cheque income from sites Payments account for all petty cash management & secure cash deliveries Charitable fund account – everyday transactional funding Charitable fund Diamond reserve high interest account – longer term investment

6.10 Banking Arrangements

Contracts for commercial bank accounts shall be subject to formal tenders. The Director of Finance will advise the commercial bankers in writing of the conditions under which such an account is to be operated, the limits to be applied to any working capital facility and the limitation on single signatory payments. Bank mandates will be approved by the Trust Board.

All funds, including those held for hosted organisations and patient monies, will be held in the name of Avon & Wiltshire Mental Health Partnership NHS Trust or as amended by the Board. Arrangements will be made with the bank to ensure any patient monies cannot be set off against other Trust balances. No other officer other than the Director of Finance with authorisation from the Chief Executive will instruct to open or close commercial bank accounts in the name of the Trust, and these arrangements will be approved by the Trust Board. The

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Director of Finance will advise the commercial bankers of any alterations in the conditions of operations of accounts that may be required by certificated resolution of the Trust Board.

The Director of Finance will advise the commercial bankers in writing of the officer(s) and/or director(s) authorised to release money from, and draw cheques on, each commercial bank account of the Trust and will notify promptly the cancellation of any such authorisation. The letter will indicate that the mandate instructions have been approved and certificated by the Trust Board.

Where an agreement is entered into with any other health body (e.g. a shared services provider) for payments to be made on behalf of the Trust by electronic funds transfer (BACS), the Director of Finance will ensure that satisfactory security policies and procedures of the other health body exist and are observed. All payment schedules will be supported by two authorised signatories, as per mandate instructions.

The Trust will maintain an interest bearing Government Banking System (GBS) account and may make payments between Trusts and other GBS accounts holders (Health Bodies, Department of Health, Inland Revenue etc.) through the GBS system.

Payment of superannuation to the NHS Pensions Agency, and the receipting and payment of Public Dividend Capital and PDC Dividend to the Department of Health will be settled via the GBS.

7. Monitoring and Audit

Monitoring shall be proactive and designed to highlight issues before a Treasury risk occurs and should consider both positive and negative aspects of the process.

The Head of Financial Accounting & Treasury Management shall provide exception reports to the Audit Committee when required.

Internal Audit shall conduct an annual audit of Cash Management and report their findings and recommendations to the Audit Committee. Where failings have been identified, action plans shall be drawn up and changes made to arrangements to reduce the risks.

The Finance and Planning Committee shall facilitate the review and update of this policy and how it supports other finance policies.

8. Associated and Related Procedural Documents

This policy sets out requirements for a Treasury Management processes to be in place. Details of these processes are contained within finance procedures.

This policy sets out the main direction of the Trust in relation to Treasury Management as a NHS Trust and specific requirements of the need to manage cash and investments.

This policy must be read in conjunction with the following related policies and documents and with the treasury transactional procedures within the [Exchequer section on Ourspace](#).

Version History				
Version	Date	Revision description	Editor	Status
1.0	10 Jan 2012	Confirmation received and approved by Quality & Healthcare Governance Committee	Head of Financial Control	Approved
1.3	20 Aug 2013	Approved at Finance & Planning Committee 20/8/13 pending insertion of new Trust vision and motto	Head of Exchequer	Final
2.0	15/04/2016	Approved by Finance and Planning committee	Head of Exchequer	Approved
3.0	23/06/2016	Updated for title changes and change in cash position. Reviewed by Finance and Planning Committee on 15/7/16	Head of Financial Accounting & Treasury Management	Approved
4.0	21/07/2017	Approved by Finance and Planning committee Updated for further title and structure changes and to reflect the removal of the cash group as cash is monitored on a daily basis	Head of Financial Accounting & Treasury Management	Approved
5.0	24/07/2018	Updated for FSCS revised value and structure changes	Head of Financial Accounting & Treasury Management	Approved
6.0	30/07/2019	No changes necessary	Head of Financial Accounting & Treasury Management	Approved