

TREASURY MANAGEMENT POLICY

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Treasury Management Policy

Table of Contents

1	Scope and Objectives	2
	1.1 Scope	2
	1.2 Objectives	2
2	Risks and Control	2
	2.1 Management of Risk	2
	2.2 Key Risks	3
	2.3 Key Controls for Funding Facilities	3
	2.4 Borrowing Limits	3
	2.5 Borrowing Periods	3
	2.6 Reporting on Borrowings and Use of Working Capital Facilities	3
3	Key Policies	4
	3.1 Investment Policy	4
	3.2 Funding Policy	4
4	Key Procedures	4
	4.1 Identification of cash surplus balances	4
	4.2 Investment of surplus cash balances	5
5	Reporting Investment Activities	5
	4.1 Daily Report	5
	4.2 Weekly Report	5
	4.3 Monthly Report	6
6	Organisation and Responsibilities	6
	6.1 The Trust Board	6
	6.2 The Finance and Performance Committee	6
	6.3 Director of Finance	7
	6.4 Deputy Director of Finance	7
	6.5 Financial Accountant	7
	6.6 Finance Officer	7
	Appendix 1 - Extract from Standing Financial Instructions (SFIs)	8
	Appendix 2 - SBS Investment Request Form	9
	Appendix 3 - Weekly cash flow report example	10
	Appendix 4 - Monthly cash flow report example	11

Treasury Management Policy

1 Scope and Objectives

1.1 Scope

This policy sets out a framework to cover the Treasury Management activities of the Trust, establishing the aims and identifying the parameters within which the Trust will manage the risks associated with managing its cash. It is consistent with and sets out the method of delivering the Trust's standing financial instructions (extract at Appendix 1).

The Policy focuses particularly on the investment of surplus operating cash likely to be needed within twelve months to support Worcestershire Health and Care NHS Trust's ongoing operations.

1.2 Objectives

The overall Treasury Management objectives are to support the Trust's development by:

- Ensuring that cash is managed within the Trust effectively, and all financial obligations can be met on the day they fall due;
- Ensuring competitive returns on surplus cash balances, within the agreed guidelines;
- Ensuring that flexible and competitively priced funds appropriate to the Trust's needs are available when required and throughout the required period;
- Identify and manage the financial risks, including interest rate risks, arising from operational activities; and
- Ensuring that the Trust Board are kept fully aware of the Trust's ongoing cash position by regular and thorough reporting.

2 Risks and Control

2.1 Management of Risk

The main liquidity imperatives are that the Trust must be able to meet all liabilities as they fall due and avoid the need to borrow if at all possible to meet short-term cash requirements.

To ensure that the Trust undertakes treasury activities in a controlled and properly reported manner, a number of high level controls are in place including:

- The documentation of treasury management policies and processes within this document;
- Clearly defined roles and responsibilities for the Board of Directors, the Director of Finance and the rest of the Finance department;
- Regular reporting of treasury activities;
- Segregation of duties between those who deal, those who initiate payment and those who account for treasury activities;
- Strict limits of the types of investment used and circumstances in which they can be used; and

- Inclusion of Treasury Management activities within the scope of review by Internal and External Audit.

2.2 Key Risks

Set out below are the key risks identified by the Trust and the key controls set up to mitigate those risks:

- The Trust fails to accurately identify a surplus cash balance is managed by the use of cash flow forecasts and related monitoring systems.
- The Trust fails to obtain a competitive return on its surplus cash balance is managed by the use of an authorised list of deposit takers and by operating investment authorisation controls.
- Long-term investments carry the risk that cash is not available to cover any unforeseen cash requirements therefore any investments should be time limited to a maximum of three months with any longer term investments requiring the approval of the Trust Board.

2.3 Key Controls for Funding Facilities

The Trust will annually review its requirement for a working capital facility and any application for an overdraft facility or for additional borrowing will be made by the Director of Finance, subject to the Trust's policies and procedures, which comply with the instructions issued by the Department of Health.

The Trust will adopt a risk adverse attitude to funding, preferring to use existing business cash flows to provide the headroom required.

The Trust will not allow its authorised assets to be used for secured loans.

2.4 Borrowing Limits

Borrowing will be controlled through liaison with NHS Improvement and Department of Health, based on projected cash flows. The Trust will secure the most preferential interest rates for borrowing.

2.5 Borrowing Periods

- All short-term borrowings will be kept to the minimum period possible with any short-term borrowings greater than one month being authorised by the Director of Finance (or nominated deputy).
- All long-term borrowings must be consistent with the plans outlined in the Trust's business plan.

2.6 Reporting on Borrowings and Use of Working Capital Facilities

The Financial Accountant and Head of Finance (Systems and Reporting) will produce a monthly report detailing the current position on current loans and potential borrowing requirements for review by Finance Management.

The report will advise upon the Trust's ability to pay interest on, and repay, both any current debt and any proposed new borrowing.

3 Key Policies

3.1 Investment Policy

The Trust maintains a risk adverse stance to investing surplus cash balances and therefore forbids speculative trading/investment and invests surplus funds only in investments that meet the following criteria:

- Investments that meet the permitted rating requirement issued by a recognised rating agency that is equivalent to a high street bank;
- Investments that are held at a permitted institution;
- Investments that have a defined maximum maturity date (other than Government Bonds);
- Investments that are denominated in sterling, with any payments and repayments for investment payable in sterling; and
- Investments that pay interest as a fixed, floating or discount rate.

At present, the Trust is only able to invest surplus funds with the National Loans Fund, and as such a cap on investments is not required.

Table 1: Investment Authorisations Required			
Investment Period	Investment Value		
	< £2m	£2m to £10m	> £10m
1 week to 4 weeks	Head of Finance	Deputy Director of Finance	Director of Finance
4 weeks to 3 months	Deputy Director of Finance	Director of Finance	Director of Finance and Chief Executive
Longer than 3 months	Investment forbidden	Investment forbidden	Investment forbidden

The Trust has adopted for use the following institutions and accounts meeting the 'safe harbour' criteria.

Table 2: 'Safe harbour institutions and accounts	
Permitted institution/account	Key use/purpose
GBS current account	Direct credit of receipts from NHS Bodies and specific payments re: NHS transactions, as well as weekly BACS payments, monthly salaries and all day to day payments.
National Loans Fund sterling investment account	Short and longer term deposits.

3.2 Funding Policy

The Trust maintains a risk adverse approach to funding and thus:

- Requires approval from the Board of Directors before obtaining any proposed funding facilities (e.g. working capital loan);
- Recognises in principle the ongoing need for committed funds in place to cover existing business cash flows and to provide reasonable headroom for seasonal cash flow fluctuations, PFI and capital expenditure programmes and acquisition financing; and
- Forbids pre financing in anticipation of potential projects.

The Financial Accountant also holds for safekeeping the Bank Mandates and other authorised signatory schedules.

4 Key Procedures

4.1 Identification of cash surplus balances

The Financial Accountant (or nominated deputy) identifies cash surplus balances by monitoring the following information:

- Cash reports prepared on a daily basis showing surplus cash available for investment on that day;
- Short-term cash flow report prepared to determine future cash requirements; and
- Longer term month-by-month cash flow reports for the year ahead.

If a surplus is identified the Financial Accountant will check that:

- At least **£1,000,000** over and above planned expenditure levels is available instantly; and

Sufficient cash will remain within the Trust's Government Banking Service (GBS) account, supplied by the Royal Bank of Scotland, to meet all the Trust's projected financial commitments before the return of the investment (including payment of invoices in accordance with the Better Payment Practice Code).

4.2 Investment of surplus cash balances

The Financial Accountant contacts the National Loans Fund (NLF) to invest the surplus funds available.

The amount of surplus cash to be invested is entered onto the Investment register showing the:

- Amount of the investment
- The period of investment
- Rate of interest
- The value of interest earned on the investment

If the interest rate with the NLF/permitted institutions exceeds the interest rate in the Trust's GBS account, the Financial Accountant will obtain authorisation, as outlined in section 5.6 of this policy.

Once authorisation has been given the SBS Investment Request (Appendix 2) is completed by the Financial Accountant. This is then checked and e-mailed to the SBS cash management team by the Financial Controller.

HM Treasury then issue a deposit receipt to the Financial Accountant, confirming the date the deposit was made, the interest rate, the maturity date, and the interest due on maturity. These are independently checked and matched to the cash flow forecast and investment register, which is maintained by the Financial Accountant.

5 Reporting Investment Activities

The Trust will prepare and circulate treasury reports as follows, so that all relevant parties have the necessary information available for their roles, and so that treasury activities remain transparent.

5.1 Daily Report

The Financial Accountant, in conjunction with SBS, prepares daily banking reports showing movements to and from all accounts along with any investments made. This is the Trust's cashbook.

The Financial Controller receives this report and reviews the information in line with the daily cash flow spreadsheet. This report will generally be acceptable less frequently than daily; except for March when a daily report is required.

5.2 Weekly Report

When it has been determined that a deposit is to be made, a weekly cash forecast report will be prepared for a minimum of a rolling 4 week period, detailing: balances at each facility; investments and maturity dates; interest rates achieved; total receipts and payments in the week and overall balances; cash requirements; and compliance with counterparty terms and conditions. The Deputy Director of Finance or Head of Finance (Systems and Reporting) receives and reviews this report (see Appendix 3).

5.3 Monthly Report

Each month the Financial Accountant prepares a report showing the actual cash flow for the current financial year and forecasts of cash receipts and payments for the remainder of the financial year. This will be extended at year end to include the first quarter of the following year. This will detail any cash invested and the rates of interest earned on top of current Government Banking Service (GBS) rates.

The Head of Finance (Systems and Reporting) receives and reviews this report (see Appendix 4) and then prepares a summary for the Director of Finance for inclusion in the Trust Board Finance Report and for submission to the Trust Finance and Performance Committee to review whether the following are satisfactory:

- The return on investments (scope is limited to GBS & NLF for NHS Trusts)
- The adequacy of working capital
- The effectiveness of the treasury function

6 Organisation and Responsibilities

6.1 The Trust Board

- Approves the overall and also the detailed Treasury Management policies, procedures and control (delegated to the Audit Committee).
- Approves all external credit facilities and borrowing.

6.2 The Finance and Performance Committee

The Finance and Performance Committee oversee the operation of the Trust's detailed investment policies with specific regard to:

- Approving relevant benchmarks for measuring performance.
- Reviewing and monitoring investment and borrowing policy and performance against the relevant benchmarks.
- Ensuring proper safeguards are in place for security of the Trust's funds by:
 - Approving a list of permitted institutions
 - Approving investment limits for each permitted institution.
- Approving permitted investment types and ensuring approved bank mandates are in place for all accounts, which are updated regularly for changes in signatories and authority levels.
- Monitoring compliance with treasury policies and procedures in particular as regards limits, approved counterparties and types of investments.
- Delegating responsibility for treasury operations to the Director of Finance.
- Specifying and reviewing detailed treasury reporting requirements.

6.3 Director of Finance

- Overall responsibility for proper operation of accounting systems including cash-flow projections.
- Holds regular meeting with the Deputy Director of Finance to discuss issues and consider any points that should be brought to the attention of the Finance and Performance Committee.

6.4 Deputy Director of Finance / Head of Finance (Systems & Reporting)

- Ensures that appropriate, regular monitoring and reporting processes are operated within the finance department.
- Reviews treasury reports and prepares treasury reports for the Director of Finance, the Trust Board and the Finance and Performance Committee.
- Ensures that appropriate procedures are established and followed in respect of treasury management.

6.5 Financial Accountant

- Reports treasury activities (including forecasts) on a timely and accurate basis.
- Manages key relationships with deposit takers and fund providers.
- Manages operational treasury activities within the agreed policies and procedures (including appropriate segregation of duties).

6.6 Finance Officer

- Maintains accurate and timely accounting records of all treasury transactions.
- Performs bank reconciliations.
- Matches counterparty confirmations with internal documentation.
- Prepares/reviews treasury reports.

Appendix 1 – Extract from Standing Financial Instructions (SFIs)

20. EXTERNAL BORROWING

20.1.1 The Director of Finance will advise the Board concerning the Trust's ability to pay dividend on, and repay Public Dividend Capital and any proposed new borrowing, within the limits set by the Department of Health. The Director of Finance is also responsible for reporting periodically to the Board concerning the PDC debt and all loans and overdrafts.

20.1.2 The Board will agree the list of employees (including specimens of their signatures) who are authorised to make short term borrowings on behalf of the Trust. This must contain the Chief Executive and the Director of Finance.

20.1.3 The Director of Finance must prepare detailed procedural instructions (treasury management policy) concerning applications for loans and overdrafts.

20.1.4 All short-term borrowings should be kept to the minimum period of time possible, consistent with the overall cash flow position, represent good value for money, and comply with the latest guidance from the Department of Health.

20.1.5 The Board must be made aware of all short term borrowings at the next Board meeting.

20.1.6 All long-term borrowing must be consistent with the medium and long term financial plans outlined in the current Annual Business Plan and be approved by the Trust Board.

20.2 INVESTMENTS

20.2.1 The Director of Finance will produce an investment policy in accordance with any guidance issued by the Department of Health.

20.2.2 Temporary cash surpluses must be held only in such public or private sector investments as notified by the Secretary of State and authorised by the Board.

20.2.3 The Director of Finance is responsible for advising the Board on investments and shall report periodically to the Board concerning the performance of investments held.

20.2.4 The Director of Finance will prepare detailed procedural instructions on the operation of investment accounts and on the records to be maintained.

20.3 Cash flow monitoring

20.3.1 The Director of Finance is responsible for managing and monitoring the overall cash flow of the Trust and for providing reports to the Board. These reports will include:

- (i) a comparison of month end outturn with the plan; and
- (ii) a rolling 12 month projection of month end cash balances.

Appendix 2 – SBS Investment Request Form

Investment Request Form v1

THIS FORM MUST BE APPROVED IN NATWEST BY 2PM



Requestor:	<input type="text" value="Mike Dove"/>	Organisation:	<input type="text" value="R1A"/>	<input type="text" value="Worcestershire Healthcare NHS Trust"/>
Tel:	<input type="text" value="01905 760052"/>	E-Mail:	<input type="text" value="michael.dove@nhs.net"/>	
Email To:	<input type="text" value="sbs-w.cashpayments@nhs.net"/>	Date:	<input type="text" value="07/03/16"/>	

Investment Request - Faster Payments/CHAPS

Date Payment Required:	<input type="text" value="07/03/16"/>	Transfer Return Date:	<input type="text" value="31/03/16"/>
From NatWest A/c:	<input type="text" value="10014128"/>	Sort Code:	<input type="text" value="60-70-80"/>
Beneficiary Name:	<input type="text" value="NLF TD Inv Payover"/>	Reference:	<input type="text" value="NLF"/>
Amount:	<input type="text" value="£7,000,000.00"/>	Amount in Words:	<input type="text" value="Seven million pounds"/>
Beneficiary Account:	<input type="text" value="10024441"/>	Sort Code:	<input type="text" value="60-70-80"/>
Interest Amount:	<input type="text" value="£1,887.12"/>		
GL Code:	<input type="text" value="R1AN.000000.1060.00000.00000.000000"/>		

Authorisation

Authorised by:	<input type="text" value="Mike Dove"/>
Date:	<input type="text" value="07/03/16"/>

Appendix 3 – Weekly cash flow report example

Pension = 18th		Monday	Tuesday	Wednesday	Thursday	Friday
Tax & NI = 21st		11-Apr-16	12-Apr-16	13-Apr-16	14-Apr-16	15-Apr-16
Payroll = 27th						
		£000's	£000's	£000's	£000's	£000's
OPENING BALANCE - GBS	Mthly Amt	17,869	17,654	17,655	17,506	17,506
INCOME						
NHS South Worcs CCG SLA	4,460					
NHS South Worcs CCG (Timber)	323					
NHS Red & Broms CCG SLA	2,444					
NHS Wyre Forest CCG	1,451					
Worcestershire CC	2,972					
Worcestershire CC - Other						
B'ham Childrens (FTB)	578					578
NHS B'ham S & Cent. CCG	44					44
NHS Birmingham X City CCG	45					45
NHS Dudley CCG SLA	10					10
NHS Hereford CCG SLA	36					36
NHS Shropshire CCG SLA	31					31
NHS Warwickshire CCG SLA	34					34
NHS England - Dental	235					235
NHS England - Imms	15					15
Woccs Acute (MIU)	144					
Woccs Acute (SLA)	129					
Herefordshire Council (Sexual H	122					122
Training Income						
Other						
Local Banking & Point of Sale			1	1		
Investment Maturing						
TOTAL INCOME		-	1	1	-	1,150
EXPENDITURE						
Net Pay						
Tax & NI						
Pensions						
Creditors - Non-NHS		215		150		150
Creditors - NHS						800
Loan Principal						
Loan Interest						
PDC Dividend						
Other						
Investment						
TOTAL EXPENDITURE		215	-	150	-	950
CLOSING BALANCE - GBS		17,654	17,655	17,506	17,506	17,706
INVESTMENT - NLF		-	-	-	-	-
Other Commercial Accounts		5	5	5	5	5
Petty Cash		30	30	30	30	30
Patients Monies		- 3	- 3	- 3	- 3	- 3
EFL Value		17,686	17,687	17,538	17,538	17,738

Appendix 4 – Monthly cash flow report example

WORCESTERSHIRE HEALTH AND CARE NHS TRUST													
CASH FLOW ANALYSIS AS AT MONTH 1 2016/17													
	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	April	May	June	July	August	Sept	October	November	December	January	February	March	2016/17
	(M1)	(M2)	(M3)	(M4)	(M5)	(M6)	(M7)	(M8)	(M9)	(M10)	(M11)	(M12)	Totals
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Receipts													
NHS Contract	6,869	13,536	10,929	10,630	10,629	10,630	9,857	9,858	9,857	9,858	9,840	9,980	122,473
NHS Other	220	836	260	258	836	259	238	813	238	237	814	262	5,271
Non NHS - Partnership	3,857	3,016	3,011	3,011	3,011	3,011	2,793	2,793	2,793	2,793	2,776	2,915	35,780
Non NHS - Other	248	187	186	187	186	186	187	187	186	187	187	186	2,300
VAT Refund	0	349	250	229	242	234	233	241	215	216	219	420	2,848
Total Cash Inflows	11,194	17,924	14,636	14,315	14,904	14,320	13,308	13,892	13,289	13,291	13,836	13,763	168,672
Payments													
Monthly Payroll	7,793	6,855	7,100	6,863	6,891	7,114	6,275	6,221	6,363	6,263	6,354	6,520	80,612
PAYE/NIC/Pensions	3,754	4,033	4,033	4,033	4,033	4,033	3,633	3,633	3,633	3,633	3,633	3,633	45,717
Other Revenue Expenditure	3,550	2,452	2,223	2,751	2,722	3,034	2,525	2,576	2,681	2,535	2,449	2,293	31,791
Capital Expenditure	1,029	597	1,305	442	460	440	523	503	532	362	370	387	6,950
Financing Charges	0	0	0	0	0	1,907	0	0	0	0	0	1,878	3,785
Total Cash Outflows	16,126	13,937	14,661	14,089	14,106	16,528	12,956	12,933	13,209	12,793	12,806	14,711	168,855
Net Inflows / (Outflows)	(4,932)	3,987	(25)	226	798	(2,208)	352	959	80	498	1,030	(948)	(183)
Opening Balance	12,396	7,464	11,451	11,426	11,652	12,450	10,242	10,594	11,553	11,633	12,131	13,161	12,396
Closing Balance	7,464	11,451	11,426	11,652	12,450	10,242	10,594	11,553	11,633	12,131	13,161	12,213	12,213