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## **TREASURY MANAGEMENT POLICY**

(Replaces Policy No. TP/CO/086 V.2)

POLICY NUMBER	TP/CO/086
VERSION	V.3
RATIFYING COMMITTEE	Finance and Investment Committee
DATE RATIFIED	02 <sup>nd</sup> December 2020
DATE OF EQUALITY & HUMAN RIGHTS IMPACT ASSESSMENT (EHRIA)	
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EXECUTIVE SPONSOR	Chief Finance Officer
POLICY AUTHOR	Deputy Director of Finance - Financial Services and Governance

### EXECUTIVE SUMMARY:

This policy highlights the following:

- Objectives of treasury management;
- Attitude to risk;
- Responsibilities for treasury management;
- Bank relationships and cash management;
- Reporting; and
- Controls.

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# **1 Introduction**

## **1.1 Purpose/Rationale:**

- 1.1.1 Treasury management is the efficient management of liquidity and financial risks in a business and the actions to manage these risks will vary as their nature changes over time.
- 1.1.2 This policy provides a clearly defined risk management framework for those responsible for treasury operations. In order to fully realise the benefits it is essential that the policy is kept up to date to reflect any changes in the Trust's operations.

## **1.2 Scope**

- 1.2.1 This policy covers the following areas:
  - funding and cash availability;
  - investment of surplus cash; and
  - bank relationships
- 1.2.2 Charitable Funds are outside the scope of this policy. The Charitable Funds Committee will determine appropriate investment and treasury management policies for the charitable funds. These policies will reflect the same general principles and practices as exchequer funds, so far as they are applicable.

## **1.3 Objectives**

- 1.3.1 The Trust's treasury activities will be undertaken in a manner that achieves the following key objectives:
  - Surplus cash: To obtain the most competitive deposit rates in line with deposit guidelines approved by the Finance and Investment Committee.
  - Bank relationships: Develop and maintain strong relationships with the Trust's bankers, including compliance with bank covenants and/or mandates.

# **2 Policy Statement - Attitude to Risk**

## **2.1 General Principles**

- 2.1.1 As a public body the Trust has a duty to safeguard and properly account for public money. Treasury management policies and procedures should seek to promote the delivery of services but must not compromise the effective, efficient and economic delivery of services. Nor must they compromise the reputation of the Trust.
- 2.1.2 For these reasons, the Trust will maintain a risk averse attitude in relation to the funding of the Trust's activities and investment of surplus cash balances. It will seek to ensure that capital is not put at risk through investment.

## **2.2 Funding**

- 2.2.1 The Trust will maintain a risk-averse approach to funding, recognising the ongoing requirement to have committed funds in place to cover existing business cash flows and to provide reasonable headroom for cash flow fluctuations and investment programmes.
- 2.2.2 The Trust will not enter into trading positions or undertake trading for purely speculative reasons.

## **2.3 Investments**

- 2.3.1 All cash balances should remain in a comparatively liquid form and all investments resulting from them should be realisable and have a maturity not exceeding twelve months.
- 2.3.2 Surplus funds will only be held in safe harbour investments, that is those investment that:
- are held within the National Loans Fund facility ; and
  - have a defined maximum maturity date; and
  - are denominated in sterling, with any payment or repayments for the investment payable in sterling;
  - pay interest at a fixed, floating or discount rate; and
- 2.3.3 Appendix 1 details the currently adopted investments and institutions. This list will be maintained by the Finance Department and will be amended to reflect the investments currently adopted by the Finance and Investment Committee<sup>1</sup>.
- 2.3.4 National Loans Fund Temporary Deposit Facility and the Office of the Government Banking Service (GBS) bank accounts are the only permitted institutions currently permitted to be used. This is subject to any change mandated from the Department of Health, such as making alternate facilities linked to the National Loans Fund.

## **2.4 Bank relationships**

- 2.4.1 The Trust's approach is to develop long-term relationships with a core group of quality banks (relationship banks). A transactional approach, without the development of relationships, may result in the Trust being unable to rely on the support of banks in the event of a major investment or deterioration in financial strength of the Trust, or in times of a crisis in the banking market.
- 2.4.2 The benefit of relationship banking is to establish a high degree of confidence and commitment between the parties so that banks are prepared to meet funding requirements at crucial times and at short notice.

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<sup>1</sup> The approved list may be updated without this policy being reviewed and reissued. Anyone requiring a current list of approved institutions should contact the Finance Department.

2.4.3 Appendix 1 outlines the banks that the Trust has a relationship with and the services provided by those banks. The list will be maintained by the Finance Department and will be amended to reflect changes approved by the Finance and Investment Committee.<sup>2</sup>

2.4.4 In situations where funding arrangements have financial covenants attached to them, a regular review of the Trust's performance against these covenants should be included in the monthly finance report, so that potential problems can be identified at an early stage.

### **3 Duties**

#### **3.1 Trust Board**

3.1.1 The Trust Board will:

- Approve external funding arrangements (other than loan renewals/refinancing and new loans up to £5m).
- Approve overall treasury policy.
- The Trust Board delegates responsibility for approval of the Trust's treasury procedures, controls and detailed policies to the Finance and Investment Committee.

#### **3.2 Finance and Investment Committee**

3.2.1 The Finance and Investment Committee will:

- Approve the Trust's investment and borrowing strategy and policies in line with its appetite for risk.
- Approve the Trust's other treasury policies e.g. interest rate and foreign exchange risk management strategy any other policies as and when they may be required.
- Approve the relevant benchmarks for measuring performance.
- Review and monitor investment and borrowing policy and performance against the relevant benchmarks in respect of all Trust funds.
- Ensure proper safeguards are in place for security of the Trust's funds by:
  - agreeing a list of permitted institutions;
  - setting investment limits for each permitted institution;
  - agreeing permitted investment types; and
  - ensuring approved bank mandates are in place for all accounts and they are updated regularly for any changes in signatories and authority levels.
- Monitor compliance with treasury policies and procedures on investment/borrowing/interest rate/foreign exchange management in respect of limits, approved counterparties and types of investments/instruments.
- Monitor compliance with relevant legislation and regulations, including money laundering regulations.
- Approve external funding arrangements below £5m.

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<sup>2</sup> The approved list may be updated without this policy being reviewed and reissued. Anyone requiring a current list of approved institutions should contact the Finance Department.

- Delegate responsibility for treasury operations to the Chief Finance Officer. The Chief Finance Officer will hold regular meetings with the Finance Department to discuss issues and consider any points that should be brought to the attention of the Finance and Investment Committee.
- Engage professional advisors, where appropriate and in accordance with Standing Orders

3.2.2 The terms of reference of the Finance and Investment Committee are available from the Chief Finance Officer.

### **3.3 Chief Finance Officer**

3.3.1 The Chief Finance Officer will:

- Approve subsidiary cash budgets and cash management systems.

### **3.4 Finance Department**

3.4.1 The Finance Department will:

- Define the Trust's treasury approach for approval by the Finance and Investment Committee.
- Ensure treasury activities are reported on a timely and accurate basis.
- Manage key banking relationships.
- Manage treasury activities within the agreed policies and procedures.
- Ensure accurate and timely recording in the accounting records of all treasury transactions, undertake bank reconciliations and match bank/counterparty confirmations with internal deal documentation.
- Review the list of permitted institutions and investment limits and make recommendations to the Finance and Investment Committee as appropriate.

3.4.2 The Trust's treasury procedures will be subject to periodic review by the internal auditors.

## **4 Procedures - Reporting and Performance Management**

### **4.1 Reporting**

- 4.1.1 The Finance Department will be responsible for ensuring that regular treasury reports are produced and circulated. Appendix 2 summarises the reporting structure as at the date of approval of this policy.
- 4.1.2 The Finance and Investment Committee will receive a regular treasury management update within the finance report for consideration at each of its meetings.

## **5 Controls**

### **5.1 Summary**

- 5.1.1 The overall objective of the procedures set out below is to ensure treasury activities are undertaken in a controlled manner, thereby ensuring the Trust is not exposed to undue operational risks. In particular:
- segregation of duties is specified between those who deal, those who initiate payments and those who account for transactions;
  - confirmation of transactions within GBS will be requested from all counterparties and checked by NHS Shared Business services;
  - all transactions within GBS are recorded within the treasury management computer system and are supported by an instruction/confirmation;
  - all payment instructions/confirmations will require authorisation by either the Chief Finance Officer, Director of Finance or Deputy Director of Finance - Financial Services and Governance, in accordance with approved bank mandates; and
  - mandates will be regularly reviewed and sent to all counterparties.
- 5.1.2 These controls operate in addition to those outlined in sections 2, 3 and 4.

### **5.2 Operational Procedures**

- 5.2.1 Undertaking transactions/dealing: Those authorised to deal are the Chief Finance Officer, Director of Finance, Deputy Director of Finance - Financial Services and Governance and the Financial Controller/ Manager (Financial Systems and Governance Team).
- 5.2.2 All transactions are recorded in the financial ledger to ensure a database of transactions.
- 5.2.3 Transactions are only carried out with authorised counterparties and within set limits.
- 5.2.4 Confirmation/payment instructions: All confirmations/payment instructions are signed by either the Director of Finance, Deputy Directors of Finance and in

accordance with the limits under the bank mandate as approved by the Finance and Investment Committee.

- 5.2.5 Payment to third parties from the group account will only be made by GBS on receipt of instructions bearing original signatures in accordance with the mandate.
- 5.2.6 Verification of confirmations: All GBS confirmations received from third parties are checked by NHS Shared Business Services who also reconcile the GBS account. Banks are instructed to send confirmations directly to NHS Shared Business Services.
- 5.2.7 NHS Shared Business Services provide a daily movements report in respect of the GBS account
- 5.2.8 Bank Mandates: Copies of all bank mandates are maintained by the finance department.
- 5.2.9 Mandates are approved by the Finance and Investment Committee as to signatories and appropriate limits and copies are sent to all counterparties together with specimen signatures.

## **6.0 Development, consultation and ratification**

This policy was developed by the Finance Directorate and has been ratified by the Trust Finance and Investment Committee.

## **7.0 Equality and Human Rights Impact Assessment (EHRIA)**

An Equality and Human Rights Impact Assessment was undertaken for this policy, which is available via the Trust website.

## **8.0 Monitoring Compliance**

Audits will be undertaken to ensure compliance to this policy.

## **9.0 Dissemination and Implementation of Policy**

This policy will be available to all staff via the Trust's Intranet site or hard copies can be obtained by contacting the Deputy Director of Finance - Financial Services and Governance.

## **10.0 Document Control and Archive Arrangements**

This policy will be stored and archived in accordance with the Organisation wide policy for the development and management of procedural documents.

## Appendix 1 Permitted Institutions and Relationship Banks

The Trust has approved the use of the following permitted institutions which meet the safe harbour provisions.

Institution	Key Use/Purpose
National Loans Fund – deposit facility	Investment of Surplus Cash

The Trust has approved banking relationships with the following banks:

Institution	Key Use/Purpose
RBS – Nat West (operated via GBS)	Current account (primary account) - receipt of income - supplier Chaps payments
Nat West Bank (operated via GBS)	Current account (primary account) - supplier payments - staff payments - Investment of surplus cash
Lloyds TSB Bank Plc	Current account (limited use) - Urgent payments - Reimbursement of petty cash floats - Local banking

## Appendix 2 Investment Reporting Matrix

Frequency	Content	Prepared By	Circulation
Daily	<ul style="list-style-type: none"> <li>• Daily payments and receipts from bank account</li> <li>• Opening and Forecast Closing Position</li> </ul>	NHS Shared Business Services	<p>Deputy Director of Finance - Financial Services and Governance</p> <p>Finance Manager (Financial Systems and Governance team)</p>
Bi-Monthly/ Monthly	<ul style="list-style-type: none"> <li>• Summary of cash balances</li> <li>• Summary of investments and maturity dates</li> <li>• Summary of available facilities and amounts drawn</li> <li>• Interest rates achieved</li> <li>• Total receipts and payments for the week</li> <li>• Forecast cash requirement (weekly) for the next four weeks</li> </ul>	Finance Department (Financial Systems & governance)	Deputy Director of Finance - Financial Services and Governance
Monthly	<ul style="list-style-type: none"> <li>• Rolling 12 month cash flow forecast</li> <li>• Summary of investments and maturity dates</li> <li>• Summary of available facilities and amounts drawn</li> <li>• Return on investments against agreed benchmarks</li> <li>• Compliance with banking covenants (as and when required)</li> </ul>	Finance Department (Financial Systems & governance)	<p>Chief Finance Officer</p> <p>Director of Finance</p> <p>Finance and Investment Committee</p>