

Cash and Treasury Management Policy and Procedure

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Lead Manager:	Wendy Kerr, Chief Finance Officer		
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W Kerr	2	22.07.2016	15.04.2014	Review of policy – tracked changes until approved by QF&P	

Approvals

This document requires the following approvals:

Lead	Name	Signature	Title	Date of Issue	Version
QF&P Committee	D Harding		Chair	14.04.2014	1
Governing Body	C Pidsley		Chair	June 2014	1
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Distribution

This document has been distributed to:

Name	Title	Date of Issue	Version
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Note: This document is only valid on the day it was printed

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[QIPP, Finance & Performance Committee]

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[CCG Governing Body]

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Lead Officer: Chief Finance Officer (CFO)

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1. Purpose

- 1.1. This policy document is a key element of the CCG's internal control environment and describes, in detail, how to ensure that the Cash and Treasury management responsibilities placed upon the Accountable Officer and CFO are discharged and implemented.
- 1.2. The CCG's Governing Body has approved Standing Orders and Prime Financial Policies, which include instructions on Cash and Treasury Management. The principles contained in this policy are based on the Standing Orders and Prime Financial Policies. Complimentary advice can be found in Sections 11, 12, 17 and 18 of the Prime Financial Policies, which are contained in Appendix E of the CCG's Constitution.

2. Scope of the Policy

- 2.1. The policy applies to all staff, including temporary staff and contractors to the CCG, officers of the Midlands and Lancashire Commissioning Support Unit (CSU).

3. Responsibilities

- ***The CCG***

- ✓ The CCG undertakes the role of Treasury Management. It produces routine cash flow forecasting information, the accuracy of which is greatly affected by the quality and timeliness of information received from other individual organisations. Organisations should therefore inform the CCG in advance of planned material receipts and payments (materiality being decided in relation to the magnitude of routine monthly cash flows).

- ***The Chief Finance Officer (CFO):***

- ✓ The CFO is responsible for establishing Government Banking Service (GBS) accounts
- ✓ The CFO is delegated to liaise with the CSU and advise them of personnel authorised to have access to the accounts and any changes in the operating conditions of these accounts
- ✓ The CFO will take into account the involvement of the CSU in its provision of Treasury Management services

- ***The Midlands & Lancashire Commissioning Support Unit (CSU):***

- ✓ The CSU will, by putting effective Treasury Management procedures in place, optimise the use of the organisation's funds and also ensure that:
 - Cash planning is carried out to ensure that sufficient control is in place over the organisation's cash requirements
 - Monthly requisitions are raised by the organisation to ensure that sufficient funds are drawn down from the Treasury to the GBS account
 - Daily cleared balances and month end account balances are within Treasury requirements to ensure that the organisation does not attract any financial penalties

- ***Individual Employees:***

- ✓ All Users of this procedure should note that separate procedures exist for the Accounts Receivable System and the Accounts Payable System

4. Statement of Audit Requirement and Financial Control

4.1. The CCG and the CSU management recognise that the key control objectives within a system can only be achieved through adherence to internal controls and accounting procedures. For GBS banking systems, detailed procedures have been devised which take into account the following:

- Segregation of duties is adequate
- Adequate physical security exists
- Receipts are accounted for properly, promptly and in full
- Payments are accounted for properly, promptly and in full
- Payments are authorised by a responsible official at each expenditure threshold
- Staffing arrangements are adequate
- Cash limit (drawings) projections are appropriate
- Adequate and timely management information is generated in respect of past / future expenditure
- Bank accounts and cash balances are reconciled regularly
- Bank account and cash balances are properly established and maintained in accordance with the organisation, Department of Health and Treasury regulations and are operated in accordance with a mandate approved by the organisation, and notified to the bank in writing

5. Detailed User Procedure Notes

5.1. Banking Arrangements

- 5.1.1. The CCG will maintain two GBS discretionary accounts: an RBS account and a Citibank account.
- 5.1.2. Organisations need to understand their current and projected cash positions in order to ensure that there will be sufficient funds to meet commitments as they arise. Cash forecasting information is also required to be collated centrally to reconcile the overall cash spending on the NHS each year to the amount of cash it receives from central government.
- 5.1.3. Cash forecasting is not a precise science and its success is geared to the inclusion of all material transactions within forecasts. Communication of information between organisations is therefore fundamental to the process.

5.2. Record Maintenance

- 5.2.1. It is important that the cash books and bank reconciliations are kept up to date by the officers of the CSU, to accord with the contractual arrangements in place, so that the current cash positions are accurately known. The current position provides the basis for forecasting.
- 5.2.2. Where maintenance of the cash books and subsequent bank reconciliations is provided through a contractual arrangement with a third party, such as the CSU, delivery of that service within the prescribed timescales should be monitored and reported.

5.2.3. It is also important that signatories on bank mandates are correct. To ensure the integrity of the bank mandates signatory database, the organisation will review and maintain the lists of bank mandate signatories on a regular basis. The CFO or Deputy CFO will undertake review of the bank mandates on a six monthly basis. The mandates will be provided by the Deputy CFO. As needs arise, through staff changes, the CFO will advise the Deputy CFO of any officers that should be added to or removed from the bank mandates listing. The Deputy CFO will advise the relevant officer in the CSU who will ensure prompt maintenance of the bank mandate through reference to the bank(s).

5.3. Income

5.3.1. Income is received by a number of sources, income sheets, cash and cheques and receipts direct into bank accounts. This activity is managed by the CSU on behalf of the CCG.

5.4. Income Sheets

5.4.1. Where income is received directly from clients, income sheets are completed and forwarded to the CSU for processing. Each sheet has its own unique reference number.

5.4.2. Each cash sheet is prepared before inputting into the General Ledger system:

- The income is analysed between debtors and miscellaneous cash and coded appropriately
- All remittance advice for debtor income must be forwarded to the Senior Accounts Assistant (Credit Control) for allocation purposes within the Sales Ledger Module

5.5. Receipts Direct into Bank Account(s)

5.5.1. Receipts that are received directly into the CCG's bank account should be entered promptly into the CCG's cashbooks.

5.5.2. All such receipts will be reviewed and either assigned to a specific invoice or else noted as miscellaneous income. An Income Journal will be completed so that the receipt will be posted appropriately to the General Ledger:

- Input GBS debtors' income sheet into the Sales Ledger Module system
- Enter miscellaneous income via GL journal

5.6. Payments

5.6.1. Weekly BACS/EBACS/EBKT/PO payment runs are generated by the CSU. Clearance should be obtained from the officer responsible for maintaining the cash books to ensure that sufficient funds are available, before the payment run is finalised. This should be indicated by the officer appending his or her signature to the proposed BACS payment run.

5.6.2. Ad hoc payments by either EBACS/BACS/EBKT/PO/DFT can be generated at the request of officers from either the CCG or the CSU as required. Approval for such payments must be given beforehand by another officer from the CCG. Approval is by manual payment request, authorised by the appropriate budget holder, within the limits set in the Scheme of Delegation.

5.7. Forecasts

- 5.7.1. Organisations need to understand their current and projected cash positions in order to ensure that there will be sufficient funds to meet commitments as they arise. Cash forecasting information is also required to be collated centrally to reconcile the overall cash spending on the NHS each year to the amount of cash it receives from central government.
- 5.7.2. Cash forecasting is not a precise science and its success is geared to the inclusion of all material transactions within forecasts. Communication of information between organisations is therefore fundamental to the process.
- 5.7.3. The Department of Health (DoH) requires that the cash requirements of the CCG are forecast each month, for two months in advance. Forecasting is prepared by an officer within the CSU. To inform the level of cash required, a detailed cash analysis spreadsheet showing planned monthly receipts, payments, allocations and drawings is completed by the Embedded Accountant in conjunction with CSU officers with responsibility for bank and cash records. The forecast is presented to the Deputy CFO each month. The CCG drawdown will be in accordance with the CCG's cash plan unless any reason is identified as to why the CCG should deviate, any areas of concern will be discussed prior to submission with the CFO.
- 5.7.4. It is also a DoH requirement that the cash retained in the CCG's bank accounts at the end of each month are kept to a minimum. A target cash balance of below 5% of the monthly drawn down amount has been imposed.

5.8. Drawing Allocations

- 5.8.1. DoH regulations state that the total of drawings for a month should not vary more than 5% from the forecast figure, based on the most recent forecast. The forecast amount (+/- 5%) must be drawn on the first day of the month in order to be incorporated in to DoH figures for actual drawings. Additional draw-downs are generally not allowed in each month.
- 5.8.2. Cash must be managed internally but in case of extreme circumstances where a supplementary cash draw down is needed, a business plan is required from the CFO to be approved by NHS England and DoH.
- 5.8.3. The amount of drawdown should be agreed by the CFO, following consultation and advice from the Deputy CFO. A "CFF1: Main Funding Request" form should be completed and digitally signed by the CFO. The form should then be submitted to DoH using the Embedded Accountant's e-mail account, with a copy to the CFO's e-mail account to confirm that the request is authorised at the appropriate level.

5.9. PPA Charges

- 5.9.1. The DoH funding team advises the CCG of the amounts to be deducted from funding at source for PPA (Pharmacy) and DPB (Dental) charges incurred. The CCG receives notification by the 6th working day of each month so that the amounts may be included in the total cash expenditure forecasting for that month which feeds into the cash drawdown calculation

5.10. Year End

5.10.1. Year-end cash balances should be zero. It is particularly important at each year-end to manage the cash balance to approximate to zero as surplus balances are deducted by DoH from the following year's allocation of funding.

5.11. Future Cash Flow Forecasting

5.11.1. A cash flow forecast, by month, will be prepared as part of the annual financial and business plan.

5.11.2. The CFO has responsibility for profiling cash flows for future financial years. This will be based on assumptions with regard to:

- Budgeted activity and its profiling
- Capital expenditure and non-recurring programmes
- Changes to timing of large payments e.g. rates, leases, pay awards
- Timing of cost improvement programmes
- Better Payment Practice Code
- Credit policy

5.11.3. The Embedded Accountant will be responsible for profiling receipts and payments on an in year basis with due regard to the exact timing of the following:

- Contract and SLA activity
- Other income
- Pay expenditure
- Non pay expenditure
- Capital expenditure
- Extraordinary non-recurring items

5.11.4. The monthly cash flow forecast may identify any shortfall or surplus between activity and expected DoH funding.

5.11.5. On an ongoing basis, reports will be produced by the CFO for submission to and discussion by the Governing Body and the QIPP, Finance and Performance Committee that show performance of actual cash flows against forecasts. Action plans will be drawn up and documented in respect of any significant variations noted.

5.12. Daily Cash Management

5.12.1. Cash balances should be monitored on a daily basis through a daily cash flow record, to be maintained by officers within the Finance Business Service, and made available to officers of the CCG.

5.12.2. The GBS Electronic Banking Services allow the current balances to be obtained from both RBS and Citibank accounts. The information should be used to maintain and update the cash flow records accordingly. Both the CSU and the Embedded Accountant (on behalf of the CCG) use this facility to monitor cash activity on a daily basis. The CSU officers prepare the cashbook

and postings to the nominal and Sales Ledgers. The Embedded Accountant requires this information to inform the cash forecasting for the month.

5.13. Treasury Management Report

5.13.1. Each month the Embedded Accountant shall prepare a report summarising the cash position for the month. This should show the following:

- Cash balance
- Short term cash position
- Annual outturn
- Actual against forecast for the month

5.14. Loans and Investments

5.14.1. The CCG is not authorised to invest monies with any financial or other institution.

5.14.2. The CCG is not authorised to enter into a loan arrangement with any financial or other institution.

6. Cross-References

6.1. Cross-reference should be made to the following policies and procedures:

- System user notes issued by the CSU

7. Training

7.1. There is no specific training requirement identified to underpin the policy.

8. Review of the Policy

8.1. All policies will be reviewed no less than every 2 years from the date of approval. The lead person for the policy will be responsible for ensuring that the review is undertaken and where changes are required that the process of consultation on the revised arrangements is completed. The lead person will also be responsible for securing adoption of policy revisions by the CCG Executive Team. .

8.2. All policies will be marked with the date for review on the front cover before being distributed.

8.3. Legal or statutory directives may require that policies are reviewed more regularly than every 3 years. It is the lead person's responsibility to ensure that they keep up-to-date with relevant directives to ensure the CCG meets its responsibilities.

9. Monitoring and Compliance

9.1. The effective implementation of individual policy documents shall be monitored as appropriate to that individual policy.

9.2. The effective implementation of this policy will be monitored by the QIPP, Finance and Performance Committee on review and approval of the policy documents developed in line with this policy.

Appendix 1 – Equality Analysis (EA) Template

Piece of work being assessed:

Aims of this piece of work:

Name of lead person: Other partners / stakeholders involved:

Date of assessment:

Who is intended to benefit from this piece of work?

Single Equality Scheme Strands	Baseline data and research on the population that this piece of work will affect: what is available; what does it show; are there any gaps? Use both quantitative & qualitative research, user data & consultation with users if available	Is there likely to be a differential impact? Yes or No
Gender Reassignment Race, Religion or Belief Disability Sex and Sexual Orientation Age Marriage & Civil Partnership Pregnancy & Maternity	<p>The principles of CCG Cash and Treasury Management Policy & Procedures will meet the CCG's Public Sector Equality Duty, as guided by the core requirements of the Equality Act 2010 and the NHS Constitution. All organisational, governance, legal or policy requirements are necessarily broad and aim to wholly cover all Protected Characteristic groups employed by the CCG. They are therefore not expected to have any negative impact on the promotion of equality as a consequence of designing and implementing these.</p> <p>This includes the subsequent implementation of any practices, operational activities of the CCG or any clinical / managerial interventional approaches (on defined issues), as set out by the main body text of the document.</p>	NO
Human Rights	Will this piece of work impact on anyone's human rights?	NO

Equality Analysis Action Plan

Strand	Issue	Action required	How will you measure the impact / outcome?	Timescale	Lead
n/a	n/a	n/a	n/a	n/a	n/a

Appendix 2 – Checklist for Ratifying Policies, Standards, Procedures & Guidelines

To be completed by the Lead Officer with responsibility for development of the Policy / Standard / Procedure / Guideline

Title of Policy / Standard / Procedure / Clinical Guideline	Cash and Treasury Management Policy and Procedure
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Have the relevant staff groups been consulted on the content and implementation of the policy?		No
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Please give the title and the date of the Group(s) the Policy / Standard / Procedure / Guideline has been through for agreement

Group / Panel / Committee	Date (MUST BE INCLUDED)
QF&P AND Governing Body	April/June 2014
QF&P	July 2016

Has the evidence base for the Policy / Standard / Guideline / Procedure been referenced, including any requirements of the Mental Capacity Act?		No
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Has the Policy / Standard / Guideline / Procedure been through the Staffordshire & Stoke-on-Trent Trade Union Forum?		No
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If “No”, what is the rationale for not submitting it to the Staffordshire & Stoke on Trent CCG Trade Union Forum?
Advice taken from HR no required given the policy topic covered. HR have been asked for comments on the basis policy being reviewed and included where appropriate

Have staff training or development needs been considered and clearly identified where these are necessary?		No
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If “Yes”, how will these be delivered?
Mainly relates to Embedded/CFO/DCFO. CSU will ensure appropriate training provided where staff turnover requires implementation.