

Cash and Treasury Management Policy

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CONSULTATION SCHEDULE

Name and Title of Individual	Groups consulted	Date Consulted
David Skelton, Financial Controller	Audit Committees of Staffordshire CCGs meeting in Common	19/02/19
David Skelton, Financial Controller	PriceWaterhouseCooper – Internal Audit	26/03/19

RATIFICATION SCHEDULE

Name of Committee approving Policy	Date
Audit Committees of Staffordshire CCGs meeting in Common	19/02/19
Governing Bodies meeting in Common	30/05/19

VERSION CONTROL

Version	Version/Description of amendments	Date	Author/amended by
1	New Policy		
2	Policy updated to reference correct parts of the Standing Orders and Prime Financial Policies	April 2013	
3	Policy updated to include East Staffs CCG, North Staffs CCG and Stoke on Trent CCG sign off	Feb 2019	David Skelton
4	‘Financial Accountant’ replaced by ‘Senior Financial Accountant throughout the policy	Feb 2019	David Skelton
5	‘Finance, QIPP and Contracting Committee’ replaced by ‘Divisional Committee’	Feb 2019	David Skelton

Impact Assessments – available on request

	Stage	Complete	Comments
Equality Impact Assessment	n/a	n/a	n/a
Quality Impact Assessment	n/a	n/a	n/a
Privacy Impact Assessment	n/a	n/a	n/a

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This policy applies to Cannock Chase CCG, South East Staffordshire & Seisdon Peninsula CCG, Stafford and Surrounds CCG, East Staffs CCG, North Staffs CCG and Stoke on Trent CCG. Where the term CCG is used, this applies to all six CCGs listed above.

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 The Chief Finance Officer (CFO): responsibilities placed upon the Accountable Officer and Chief Finance Officer 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 H 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

3.1. 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).

3.2. The Chief Financial Officer

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 CFO (with support from 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.

3.3. 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 one GBS discretionary account: a Natwest 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. 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, it is forwarded to the CSU for processing.

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.

5.6.3. 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.

- 5.6.4. 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.
- 5.6.5. NHS England 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 CCG. To inform the level of cash required, a detailed cash analysis spreadsheet showing planned monthly receipts, payments, allocations and drawings is completed by the Senior Financial Accountant in conjunction with CSU officers with responsibility for bank and cash records. The forecast is presented to the Financial Controller 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.
- 5.6.6. It is also an NHS England 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 1.25% of the monthly drawn down amount has been imposed.

5.7. **Drawing Allocations**

- 5.7.1. NHS England 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.
- 5.7.2. Cash must be managed internally but in case of extreme circumstances where a supplementary cash draw down is needed, a CFF2 supplementary drawdown request if completed and forwarded to NHS England and SBS cash management team with a detailed explanation of why the additional cash is required.
- 5.7.3. The amount of drawdown should be agreed by the CFO, following consultation and advice from the Financial Controller. A "CFF1: Main Funding Request" form should be completed. The form should then be submitted to DoH using a pre-approved signatory's email account

5.8. **Year End**

Year-end cash balances should be 1.25% of the main amount drawn down in March.

5.9. **Future Cash Flow Forecasting**

- 5.9.1. A cash flow forecast, by month, will be prepared as part of the annual financial and business plan.
- 5.9.2. 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

5.9.3. The Senior Financial 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
- Income
- Pay expenditure
- Non pay expenditure
- Capital expenditure
- Extra-ordinary non-recurring items

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

5.9.5. On an ongoing basis, reports will be produced by the CFO for submission to and discussion by the Governing Body and the Divisional 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.

5.10. **Daily Cash Management**

5.10.1. 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.

5.10.2. The GBS Electronic Banking Services allow the current balance to be obtained from the Natwest account. The information should be used to maintain and update the cash flow records accordingly. Both the CSU and the Senior Financial 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 Senior Financial Accountant requires this information to inform the cash forecasting for the month.

5.11. **Treasury Management Report**

Each month the Senior Financial Accountant shall prepare a report summarising the cash position for the month for inclusion in the Finance paper of the Governing Body. This should show the following:

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

5.12. Loans and Investments

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

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

6. Cross-References

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

- System user notes issued by the CSU

7. Training

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 Divisional Committee on review and approval of the policy documents developed in line with this policy.

