

## TREASURY MANAGEMENT POLICY

Approved by: **Audit Committee**

On: **13 September 2017**

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Corporate / Directorate: **Corporate**

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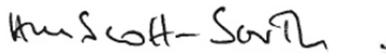
Department Responsible for Review: **Finance**

Distribution:

- Essential Reading for: **Senior Finance Team  
Treasury Management Staff**
- Information for: **Directors  
Finance Staff**

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Signature:   
**Chief Executive**

Date: **13 September 2017**

# Burton Hospitals NHS Foundation Trust

## POLICY INDEX SHEET

<b>Title:</b>	<b>Treasury Management Policy</b>
<b>Original Issue Date:</b>	<b>August 2008</b>
<b>Date of Last Review:</b>	<b>July 2017</b>
<b>Responsibility:</b>	<b>Director of Finance</b>
<b>Stored:</b>	<b>Finance Intranet Site</b>
<b>Linked Trust Policies:</b>	<b>Standing Financial Instructions and Scheme of Delegation</b>
<b>E &amp; D Impact Assessed</b>	<b>EIA 139</b>
<b>Consulted</b>	<b>Finance Directorate</b>

## REVIEW AND AMENDMENT LOG

Version	Type of change	Date	Description of Change
6	Removal	7/6/17	Removal of "Cash Committee" reference.
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# TREASURY MANAGEMENT POLICY

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# Burton Hospitals NHS Foundation Trust

## TREASURY MANAGEMENT POLICY

### 1. BACKGROUND AND INTRODUCTION

Treasury Management can be defined as:

“The management of the organisation’s cash flows, its banking, money market, and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

This policy forms a basis for effective treasury management and is based upon the guidance “Managing Operating Cash in NHS Foundation Trusts” published by Monitor, the Independent Regulator of NHS Foundation Trusts.

### 2. POLICY OBJECTIVES

The objectives of the Trust in relation to operating cash management are:

- 2.1 Ensuring that sufficient liquidity is maintained to cover business cash flows and to provide reasonable flexibility for seasonal cash flow fluctuations and capital expenditure.
- 2.2 Ensuring that flexible and competitively priced funding is available at all times.
- 2.3 Ensuring a competitive return on surplus cash, within an acceptable risk profile.
- 2.4 To facilitate management of any financial risk arising from interest rates and foreign currency.
- 2.5 To ensure that cash investments take account of any impact caused by the methodology for calculating the dividend payable in respect of Public Dividend Capital (PDC)

### 3. INVESTMENTS

It is recommended that Trusts should only invest surplus operating cash in ‘safe harbour’ investments. These are deemed to be of sufficiently low risk and high liquidity that Foundation Trust Boards do not need to undertake investment reviews.

The following criteria define ‘safe harbour’ investments:-



All other investment decisions will be based on short-term liquidity projections and will require explicit investment decisions. There is no limit applied to the National Loans Fund.

If advantageous interest rates can be obtained elsewhere then the following limits will apply to fixed term investments:

- UK Clearing Banks (with any Moody's "A" rating) £15 million
- Other Banks with Moody's Aaa rating £10 million
- Other Banks with Moody's Aa1 rating £ 5 million
- Banks with Moody's ratings of Aa2,Aa3 or A1 £ 2 million

Investments that do not fulfil the criteria for safe harbour investments are higher risk instruments and include bonds, equities, commodities and products based on them, derivative products such as future, options and swaps and contracts for differences, investments linked to other trade investments, leveraged investments, hedge funds and foreign currency linked investments.

In addition, for instant access investments the Trust will not set a concentrate limit for investments held with UK registered clearing banks

### **3.4 Public Dividend Capital dividend payment calculation**

The Trust will always consider the impact of cash investments on the PDC dividend payable. Where retention of cash in the GBS account reduces the dividend payable (currently at 3.5%) then the benefit of investments elsewhere must outweigh the cost in terms of additional dividend incurred.

### **3.5 Relationships with Banks**

The Trust will seek to build efficient and cooperative working relationships with a core number of banking institutions, but will also consider the negotiation of specific services from other banks. In working with banks the Trust will ensure compliance with any bank covenants (such as gearing ratios and interest cover stipulations).

The Trust may also use a third party to negotiate interest rates using collective agreements, however this is on the basis that the actual investment will be placed directly with the chosen bank rather than with the third party.

### **3.6 Maximum Maturity Date**

The maturity date for any investment should be on or before the date the invested funds will be required and the maximum investment period will be 30 days. (Note Monitor impose a maximum of 12 months)

### **3.7 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.

## **4. FUNDING**

The Trust will maintain a risk-averse approach to borrowing, recognising the ongoing requirement to have funds in place to cover both existing business cash flows and reasonable headroom for seasonal working capital fluctuations and capital expenditure programmes.

The Director of Finance will review the Trust's requirement for working capital on a regular basis and will ensure the Trust has sufficient liquidity to meet its operational commitments.

Where required loans will be arranged by the Director of Finance However the Trust will seek to minimise the use of the facility in order to minimise cost.

The Trust will operate its main bank account with the GBS. Other bank accounts will be run only to support operational activities such as the banking of receipts, BACs, and petty cash reimbursements.

The Trust will seek to secure loans at the lowest possible cost. Where considering capital funding:

- Public Dividend Capital (PDC) will be taken if made available by the Department of Health.
- Where applicable and necessary the Trust will seek loans in accordance with the "Distressed Trust" regime through the use of "Single Currency Support Facilities" as provided through the Department of Health and following support from Monitor.
- Any debt funding proposals will require the approval of the Board of Directors.
- The Trust will not enter into trading positions or purely speculative trading.
- The Trust will not take out any debt financing in anticipation of potential projects.
- Where applicable the Trust will seek funding through Public Dividend Capital rather than debt financing.

## **5. CONTROLS**

The following controls will apply:

- The Director of Finance will ensure appropriate documentation, policies and procedures are in place.
- Clearly defined roles and responsibilities will be established for the Board of Directors, the Finance and Investment Committee and appropriate individuals.
- Regular reporting protocols.
- Treasury management will be routinely covered as part of the Internal Audit cycle.

Any investment of one month or less can be authorised by any two of the Deputy Director of Finance, Financial Controller, Senior Management Accountant, or Financial Accountant.

In accordance with the Standing Financial Instructions the Director of Finance must authorise any new bank accounts that may be required (eg deposit accounts).

## **6. SUMMARY OF KEY RESPONSIBILITIES**

### **6.1 Board of Directors**

- Approve external debt funding arrangements.
- Approve overall treasury policy.
- Delegate responsibility for approval of the Trust's treasury procedures, controls and detailed policies to the Finance and Investment Committee.

### **6.2 Finance and Performance Committee**

- Approves detailed treasury management policies.
- Reviews and monitors investment and borrowing policy and performance.
- Delegates responsibility for treasury management to Director of Finance and Contracting.

### **6.3 Director of Finance and Performance**

- Approve cash management systems.
- Ensure approved bank mandates are in place for all accounts and that they are updated regularly for any changes in signatories and authority levels.
- Ensures investment and borrowing performance is reported to Finance and Investment Committee.

### **6.4 Financial Controller and Treasury Management Team**

- Report on the treasury activities on an accurate and timely basis.
- Manage key banking relationships.
- Manage treasury activities within agreed policies and procedures.
- Ensure completeness of appropriate documentation.

### **6.5 Internal and External Audit**

- The Trust's treasury procedures will be subject to periodic review by both Internal and External audit as part of their audit undertakings.
- Any significant deviations from agreed policies and procedures will be reported, where appropriate, to the Audit Committee.

## Appendix 1

### LIST OF BANKING INSTITUTIONS : JUNE 2017

#### 1. Clearing Banks

Members of the Cheque and Credit Clearing Company Ltd.

- Santander UK (Abbey) (Aa3)
- Alliance and Leicester (Aa3)
- Bank of England (Aa1)
- Bank of Scotland (A1)\*
- Barclays (A1)\*
- Clydesdale (Yorkshire) (Baa2)\*
- The Co-operative Bank (Caa2)\*
- HSBC (Aa2)
- Lloyds (A1)
- Royal Bank of Scotland (A3)\*
- NatWest (A3)\*

Members of the Belfast Bankers Clearing Committee

- Bank of Ireland (Baa3)\*
- Ulster Bank Ltd (A3)\*

#### 2. Banks with Moody's Aaa rating

There are no banks with this rating.

#### 3. Other Banks with Moody's Aa1 rating

There are no other banks with this rating

\* Denotes a current credit rating of A2 or lower.