

## OPERATING CASH MANAGEMENT POLICY

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<b>AUTHOR:</b>	Associate Chief Finance Officer
<b>CONSULTATION:</b>	Local finance groups
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Services	Applicable	Comments
Trustwide	✓	

**The Director responsible for monitoring and reviewing this policy is  
Executive Chief Finance & Resources Officer**

**ESSEX PARTNERSHIP UNIVERSITY NHS FOUNDATION TRUST**

**OPERATING CASH MANAGEMENT POLICY**

**1.0 INTRODUCTION**

This document details the Trust's policy with respect to managing its short term operating cash and investment activity.

The objectives of the policy are to support the development and continued financial viability of the Foundation Trust by:

- ensuring the most competitive return on surplus cash balances within the agreed risk profile.
- identifying and managing financial risks arising from operating activities.
- maintaining strong banking relationships with our core bank.

The policy will provide some key definitions around cash management and investments, outline the scope of the policy and provide details on the principles of cash management and investments. In addition, banking relationships and reporting arrangements will be highlighted.

The policy should be read in conjunction with the Trust's finance procedure on cash management and the Trust's standing orders, standing financial instructions and scheme of delegation where appropriate.

**2.0 Key Definitions**

**Capital Investments** – These are investments with a potential for fluctuation in the value of the investments, which could result in a loss of all or part of the original principal.

**Government Supported Bank** – these are banks where the UK Government is a shareholder, with a shareholding of at least 30%

**Credit Ratings** - Credit ratings are provided by a number of organisations for the purpose of this policy, only institutions with short-term credit rating of A1/A1+ will be invested with by the Trust.

**Credit Risk** – This relates to the risk of a particular institution not repaying all or part of the investment upon its maturity date. The risk relates to the institutions financial standing. For the purpose of this policy, credit risk is based upon an institutions short term credit rating.

**Fixed Deposit** – These are investments where the original principal is not at risk. The only risk in relation to this type of investments is around the institute with which the investment is made.

**Investment Spread** - This relates to the spread of investments across a number of institutions. Risk would be minimised if the investment is spread across a number of institutions.

**Liquidity** – This refers to assets which are easily accessible/ transferable into cash.

**Permitted Institutions** – For the purpose of this policy, permitted institutions are deemed to be those granted permission by the Financial Services Authority to do business with UK institutions, and the UK government, or an executive agency of the UK government, that is legally and constitutionally part of any department of the UK government, including the UK Debt Management Agency Deposit Facility.

**Primary Signatory** – The Trust's mandate with the bank provides details of primary (and secondary) signatories which are driven by post rather than the individual.

**Yield** – This is the return that the investment will achieve upon maturity.

### **3.0 Scope of Policy**

This policy covers fixed deposit investments, whereby the original principal / capital is not at risk of loss. Capital investments are therefore excluded from this policy.

### **4.0 Principles of Cash Management and Investments**

The principal role of the Cash Management function is to maintain liquidity, to mitigate and manage risk, and to ensure returns from surplus cash are maximised within the agreed risk profile. The Trust's core principles in this respect are as follows:

**Maximising Liquidity** - the Trust will manage the day-to-day cash requirements in accordance with the Cash Management Procedure, to ensure that sufficient funds will be available to meet liabilities as they fall due.

If required, a committed working capital facility is able to be provided by the Trust's core bank, although the use of this facility will be mitigated by accurate cash budgeting and forecasting.

**Minimising Credit Risk** – the Trust will minimise risk in relation to the institutions it invests with by only investing with Government Supported Banks, or with institutions whose short term credit rating is A1/A1+ (or equivalent).

**Maintaining Investment Spread** – the Trust will ensure that pre-determined limits are set on the amount which can be invested with institutions as per the Cash Management procedure. These limits, and therefore the investment spread will be agreed by the Investment Committee.

**Maximising Yield** - the Trust will aim to maximise yields by giving due consideration to investment alternatives, subject to the constraints of risk and liquidity.

**Investment Criteria** - the Trust will ensure investments are only entered into if they are less than one year in term, and in the event that it is over three months, the approval of the Executive Chief Finance Officer must first be obtained. In addition, the following criteria must be adhered to,

- all investments and interest payable must be in sterling
- all interest is paid at fixed, floating or discount rate
- all investments are with permitted institutions and meet the Trust's requirements for credit rating
- the investment is a permitted investment (i.e., is not a capital investment)
- the investment has been duly authorised by at least one primary signatory

## **5.0 Banking Arrangements**

The Trust will maintain core banking arrangements which will be routinely tendered in line with the Trust's standing financial instructions. The core bank(s) will meet all of the Trust's day to day operational requirements including cash management, deposit taking, banking, and the provision of a working capital facility (if required by the Trust).

In addition to the Trust's core banking services, the Trust may also have arrangements with other banks under the authority to invest surplus operating cash as detailed within this policy.

## **6.0 Reporting Arrangements**

The Finance Department will report at least annually to the Investment Committee on the following areas:

- Investments held and return from investments
- Bank Relationships
- Facilities and utilisations against facilities
- Cash flow forecasting & variance analysis

The latest Board approved Terms of Reference for the Investment Committee are available from the Trust Secretary.

**END**