Essex Partnership University
NHS Foundation Trust

PROCEDURAL GUIDELINES ON OPERATING CASH MANAGEMENT

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POLICY SUMMARY
Procedure outlines the process to be followed by finance staff in identifying surplus cash and its appropriate investment in approved institutions.
The Trust Monitors the implementation of and compliance with this policy in the following ways:
Internal Audit

Services	Applicable	Comments
Trustwide	✓	

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

ESSEX PARTNERSHIP UNIVERSITY NHS FOUNDATION TRUST

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ESSEX PARTNERSHIP UNIVERSITY NHS FOUNDATION TRUST

PROCEDURAL GUIDELINES ON OPERATING CASH MANAGEMENT

1.0 INTRODUCTION

1.1 This procedure should be read in conjunction with the Trust's Operating Cash Management Policy and the Trust's overarching standing orders, standing financial instructions and scheme of delegation.

1.2 The procedure provides an overview of the guiding principles to be applied to investing surplus cash as detailed in the policy, including confirming approved institutions, types of investment and the authorisation process and limits. The procedure also details the approach to identifying surplus cash, the investment process and the monitoring of the investments performance. An overview of the key tasks and responsibilities are detailed in appendix A.

1.3 For the avoidance of doubt, this procedure refers to a number of key staff within the finance department for the completion of a range of tasks. In the absence of these key members of staff, the task will be undertaken by the covering member of staff. In the event there are no suitable staff to cover the identified task, the decision will be referred to either the Deputy Chief Finance Officer or the Head of Financial Accounts / Financial Management.

2.0 GUIDING PRINCIPLES FROM THE OPERATING CASH MANAGEMENT POLICY

The Trust's operating cash management policy identifies a number of key controls and principles to be applied in the investment of surplus cash. These include controls around the type of investment which the Trust can enter into, the type of institution the Trust can invest surplus funds with, and the associated authorisation process, terms and limits. These are summarised below,

2.1 Approved Institutions

Approved institutions (deposit takers) must be a permitted institution as defined in the policy and have a short-term credit rating of A1/A1+ or equivalent. Credit ratings will be monitored on a daily basis to ensure that all new investments meet this control requirement.

A credit rating of A1+ or equivalent is the best credit rating available for short-term deposits, reflecting a low perceived level of risk.

All proposed new deposit takers and investment limits must be approved by the Investment and Planning Committee before any investments can be placed with them.

2.2 Types of Investment

As defined in the policy, there are two types of investment. These are capital investments and fixed deposits. The policy and this procedure, only deal with fixed deposit investments.

2.3 Authorisation Process and Limits

Although the maximum term permitted for a deposit with an approved institution is 1 year, in practice the Trust will generally invest for no more than 3 months. Investments for a period of greater than 3 months must be authorised by the Executive Chief Finance Officer subject to it being demonstrated that there are significant benefits and it is certain that all future known commitments during this period can be met.

The list of dealing limits and maximum terms for deposits are attached at appendix B, with appendix C detailing the primary and secondary signatories.

3.0 PROCESS FOR INVESTING SURPLUS CASH

The process for investing involves identifying surplus cash, reviewing investment opportunities, making investment recommendations, placing the investment, and monitoring the performance of the investment. Each of these processes are detailed below,

3.1 Identifying Surplus Cash

In order to identify surplus cash available for investment, the Cash and Controls Supervisor is required to update the actual and forecast cash flow schedules and reports on a daily basis in order to provide the following,

- **Daily actual cash flows**
  The daily cashbook balance is to be reconciled to the bank balance using the daily bank statements and transactions downloaded from the core banking service. This involves ensuring the carried forward balances agree with the bank balance, the previous days forecast entries are updated and that all assumptions remain realistic.

- **Daily forecasting for one week ahead**
  The Cash and Controls Supervisor is required to forecast all BACS / cheque payments due to clear the bank, all authorised payments due to be paid including capital expenditure, salaries and wages, public dividend capital draw-down, block income plus any other receipts or payments.

- **Weekly forecasting for one month ahead and monthly forecasting for the financial year**
  This includes all of the above; based on clear and prudent assumptions where income and expenditure are not certain.

  The updating of the monthly cash flow needs to be undertaken in conjunction with the Finance Manager (Financial Accounts) and Deputy Head of Financial Accounts. It should take account of all known future commitments and receipts in line with the Trust’s financial plans, and include investments due to mature, maturing investments to be rolled over for a further period (subject to a favourable rate not being available with another institution) and confirmation that all expected investments are due to mature.

- **Monthly variance analysis for actual versus forecast**
  This includes an analysis of variances between the cash flow forecast and the actual forecast achieved.

3.2 Investment Process

The Finance Manager (Financial Accounts) is responsible for identifying and reviewing the investment opportunities available to the Trust, and making the relevant recommendations to two of the authorised signatories (of which one must be a primary signature), prior to placing and monitoring the investment. This process involves completing the investment approval forms which are attached at appendices D and E.

The Finance Manager (Financial Accounts) is responsible for identifying the level of surplus cash available, in conjunction with the Cash and Controls Supervisor, together with any other outstanding investments and updating appendix D accordingly. Copies of all associated cash flow workings and analysis should be attached.

The Finance Manager (Financial Accounts) is responsible for undertaking an analysis of suitable investments available to the Trust, including anticipated net interest to be received. The Finance Manager (Financial Accounts) will be required to contact suitable investment institutions to identify the prevailing interest rates on offer, and checking credit ratings of the institutions are either A1+/A1 as per the Trust's policy. These investments should then be ranked by the Finance Manager (Financial Accounts) and appendix E completed accordingly. It is the responsibility of the Finance Manager (Financial Accounts) to ensure that the investments are in line with the limits detailed in appendix B prior to making the recommendation.

The authorised signatories are responsible for reviewing the calculation of available surplus cash, and the resulting investment recommendation prior to signing appendix E, and returning all forms to the Finance Manager (Financial Accounts).

The placing of the investment with the approved institution is to be undertaken by the Finance Manager (Financial Accounts) or the Senior Financial Accountant. If the investment is not a rollover of an existing investment, the Cash & Controls Supervisor is responsible for arranging a CHAPS transfer from the designated bank account to the deposit taker.

The Cash and Controls Supervisor should then use the completed investment approval form to update the cash flow forecast and cashbook.

3.3 Monitoring of Investments

A register of investments will be maintained by the Senior Financial Accountant as detailed in Appendix F. This includes showing the following details and maintaining a record of performance against a suitable benchmark,

- Date of investment
- Deposit taker
- Term of investment
- Interest rate
- Maturity date
- Interest expected
- Deposit takers reference
- Entered by

END