

Cash and Treasury Management Policy

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This policy applies to the Staffordshire & Stoke-on-Trent Integrated Care Board.

Where the term Staff is used this includes Non-executive Directors, Clinicians and contractors working on behalf of the ICB.

1.0 Introduction

This policy document is a key element of the ICB's internal control environment and describes how to ensure that cash management responsibilities placed on the Chief Finance Officer are discharged and implemented.

NHS England (NHSE) is monitored against a cash mandate set and voted by Parliament through the estimate process submitted to HM Treasury by the Department of Health & Social Care. It is essential that monthly cash data submitted by the ICB is accurate to minimise the cost of the Exchequer borrowing more, or less, cash than is required each month.

2.0 Purpose of the Policy

The purpose of this policy is to ensure that the relevant ICB staff are aware of key NHSE guidance and their responsibilities in relation to cash management.

ICBs are required to:

- Operate within maximum cash drawdown limits.
- Meet monthly and year end closing cash balance targets.
- Ensure payment runs during the month are within the tolerance of forecast values.
- Submit cash drawdown requests for main and supplementary drawdowns by NHSE deadlines.

3.0 Definitions

- **Annual Cash Drawdown requirement** – total cash budget available for drawdown based on ICB financial plans adjusted for non-cash items such as depreciation.
- **BACS payments** – Bankers' Automated Clearing System is the process by which payments are made electronically directly into recipients' bank accounts.
- **Better Payments Practice Code (BPPC)** – Code NHS organisations are required to sign up to that encourages good supplier payment practices – notably that at least 95% of valid, undisputed invoices will be paid within 30 days of receipt.
- **Cashflow forecast** – working document that shows the predicted cash position based on estimated timing of income and expenditure.
- **CFF1 form** – monthly form submitted to NHSE estimating the organisation's cash requirement two months in advance and requesting the cash requirement for the next month.
- **CFF2 form** – form submitted to NHSE on an exceptional basis if a supplementary cash drawdown is requested.

- **CFF3 form** – form submitted to NHSE to confirm the signatories that can be accepted for authorisation of CFF1 & CFF2 forms.
- **CHAPS payment** – Clearing House Automated Payment System – same day electronic payment process whereby high value deposits can be made for a higher fee than BACS.
- **Monthly cash drawdown** – amount of cash deposited in the ICB's bank account by NHSE monthly determined by the estimates sent in by the ICB.
- **Supplementary cash drawdown** - by exception an additional cash drawdown can be requested in month which is subject to NHSE approval depending on the reasons for the request.

4.0 Roles and Responsibilities

4.1. Integrated Care Board

- 4.1.1. The ICB Board is responsible for approving the ICB's banking arrangements using the government banking service.

4.2. Finance and Performance Committee

- 4.2.1. The Finance and Performance Committee is responsible for assuring the ICB Board that adequate cash management controls, processes and forecasting are in place to ensure that the ICB can meet its commitments.

4.3. Chief Finance Officer

- 4.3.1. The Chief Finance Officer is accountable for the banking arrangements of the ICB and ensuring that any amendments to those arrangements are approved by the ICB Board. The Chief Finance Officer is also responsible for ensuring that cash is managed in line with relevant directions and related NHSE guidance.

4.4. Senior Financial Accountant (SFA)

- 4.4.1. The SFA is responsible for completing and submitting the monthly (and if necessary, supplementary) cash drawdown requests appropriately authorised in line with the ICB's scheme of financial delegations' financial limits. These requests are underpinned by maintaining accurate detailed cashflow forecasts and monitoring actual cash flow requirements against these forecasts.
- 4.4.2. The ICB must operate within its Annual Cash Drawdown limit notified by NHSE although there is an opportunity to submit an Annual Cash Forecast part way through the year where the ICB can refine the cash requirements considering movements in working capital.
- 4.4.3. The SFA monitors cash closely to ensure that cash remaining at month and year end is less than 1.25% of the relevant month's cash drawdown which will require daily review approaching the relevant deadlines.

4.4.4. The SFA will review daily bank information produced by Shared Business Services (SBS) (see 5.6.1) and assist with clearing any items not posted to the ledger.

4.5. **Budget Holders**

4.5.1. Budget holders can have a significant impact on the cash management and income cycle and are responsible for:

- Identifying and requesting raising of sales orders for income due in their budgetary area and assisting with ensuring that cash is collected.
- Receipt goods and services and authorise expenditure invoices for payment as soon as possible after the goods and services are received and in good time to enable payment within 30 days in line with the Better Payments Practice Code (BPPC) and assist in resolving invoice disputes promptly.
- Work with their finance business partner to provide information on the timing of cash payments especially where they impact on normal anticipated cashflows.

4.6. **NHS SBS Cash Management Team**

4.6.1. SBS produce daily cash books and forecasts and issue daily emails indicating the amount of cash that is available for that day's payment runs. This includes daily bank reconciliations of the Government Banking Service bank account and the general ledger.

5.0 **Bank Account**

The ICB has one bank account held with Royal Bank of Scotland (RBS) within their NatWest brand. Government Banking Services manage the contract.

The Bank Mandate is to be kept up to date and authorised in line with the ICB's scheme of financial delegation financial limits.

6.0 Cash Management Cycle

6.1. Daily Actions

- 6.1.1. NHS SBS provides a daily cashbook and cashflow forecast to the ICB and the most recent bank statement is available to review through Business Intelligence (BI) on ISFE.
- 6.1.2. The financial control team will review the BI dashboard daily and support the SBS cash management team to investigate and clear any items not posted to the ledger.
- 6.1.3. If the ICB has a payment run scheduled, SBS will send an email advising the financial control team of the cash available to make these payments. If the total of the planned payment run exceeds the cash available, the financial services team will amend the payment run so that the total value is the same as, or less than, the cash available. Payments are prioritised to suppliers as noted in paragraph 6.2.2. and thereafter the financial control team will use their professional judgement in liaison with the SFA who will authorise changes to the payment run. At this point the payment run can be submitted to SBS for payment.

6.2. Monthly Actions

- 6.2.1. The SFA will complete a monthly cash drawdown and forecasting form (CFF1) utilising the information collected in weekly cashflow monitoring. This form requests the cash drawdown for the following month and includes the detailed cash forecast for the month after next. CFF1 forms are submitted to SBS cash management and NHSE monthly, with cash being paid to the ICB on the first working day of the month. CFF1s must be appropriately authorised in line with the signatures confirmed on the current CFF3 form which is authorised by the Financial Controller or Chief Finance Officer.
- 6.2.2. The SFA will ensure that sufficient cash is drawn down to meet contract payments to both NHS and non-NHS providers, and Local Authorities. It is also important to prioritise payroll payments including tax, National Insurance and pension pay overs. Contractual payments to GP practices are also prioritised.
- 6.2.3. The ICB is signed up to the Better Practice Payments Code (BPPC) ensuring that at least 95% of invoices are paid within 30 days of receipt of a valid invoice or receipt of the goods and services. Performance against the BPPC is reported to the Finance and Performance Committee and in the ICB's Statutory Accounts.
- 6.2.4. There is a supplementary cash drawdown process which is available in exceptional circumstances (using the CFF2 form). NHSE require a detailed explanation demonstrating why the funds are required and the request may not be approved. It is the responsibility of the SFA to put in place processes to ensure that the need for supplementary drawdown requests is minimised. Requests for supplementary cash drawdown are authorised in line with the signatures confirmed on the current CFF3 form (see section 6.2.1 above).
- 6.2.5. The Financial Control team will review the unallocated cash report to ensure that unallocated cash against locally created receipts is cleared and where unallocated cash is "on account" appropriate action is taken so that SBS can clear such items.

6.3.6. At the end of each month and at year end the SBS cash management team issue a formal reconciliation of the bank account control codes. The SFA reviews the reconciliations and investigates the reconciling items, requesting the SBS cash management team clear the items where necessary. The reconciliations are signed off by the SFA as part of the overarching control account reports and a record kept of this authorisation.

6.2.7. At year end the ICB is required to hold a cash balance of no more than 1.25% of the relevant month's cash drawdown. To achieve this the SFA and financial control team will give additional attention to the cashflow forecast throughout March leading up to year end.

6.3. Annual Actions

6.3.1. ICBs receive monthly cash reports generated from the NHSE treasury and transacting team. These reports show the latest Annual Cash Drawdown Requirement for the ICB which is generated from the net resources for the approved budget (including capital) and adjusted for non-cash items, forecast changes in working capital, ICB planned surplus or deficit, brought forward cash balance and resource allocations as they are received during the year.

6.4. Other Considerations

6.4.1. The ICB will use BACS where possible as this is a more efficient payment method when compared to Faster Payments or CHAPS. Cheque processing will be phased out. To improve the use of BACS the ICB will ensure payment forecasts are accurate to minimise the need to make one-off payments outside of BACS payment cycles.

6.4.2. All local receipts will be entered and remitted in a timely fashion in line with treasury guidelines.

6.4.3. The financial control team will work alongside the SBS cash management team to resolve any reconciling items that are flagged as amber, or red. Ad hoc calls will be held with the SBS cash receipting team to discuss unallocated cash.

6.4.4. Cashflow forecasts should accurately reflect the day that payments will clear noting that BACS payments clear on day 4 after the payment run is approved.

6.4.5. Invoices should be approved by 4pm at the latest on the day before the relevant payment run.

6.4.6. Pensions and Tax/NI are paid by SBS on 19th and 22nd of the month respectively or the previous working day if these dates fall on a weekend or bank holiday.

7.0 Monitoring Compliance

- 7.1. NHS SBS produce monthly ISFE metrics which monitor performance against best practice in all major areas including cash forecasting. These metrics are shown by category of financial processes and as an overall ranking compared with other ICBs.
- 7.2. The SFA will include high level progress on ISFE metrics in the monthly Statement of Financial Position (SOFP) report, along with other SOFP KPI's.
- 7.3. Monthly cash performance and year to date cash utilisation is reported to the Finance and Performance Committee.
- 7.4. High level performance against the BPPC is reported in the SOFP report which is also included within the Finance and Performance Committee monthly report. The annual performance is disclosed in the ICB Statutory Accounts.

8.0 Staff Training

- 8.1. Line managers must ensure that all relevant staff are aware of the contents of this policy document and the processes required to comply.
- 8.2. The CFO is responsible for ensuring that appropriate training is given to finance staff and budget holders in order that they can fulfil their responsibilities outlined in this policy document. The aged debt will be reviewed by various groups as part of the month end process. This will cover actions being undertaken directly by the Financial Control Team, reviews undertaken by ICB Finance Business Partners and strategic reviews by senior officials.

9.0 Review

This policy will be reviewed annually from the point of implementation.