

Cash and Treasury Management Policy

Issue Date	Review Date	Version
May 2019	May 2021	3

Purpose

The purpose of this document is formally to outline the Trust's policy on treasury and cash management within the organisation. The policy identifies the approach that the Trust is expected to follow in this area and establishes an environment in which all objectives and activities are clearly defined.

Who should read this document?

Senior Management Team and Finance Department

Key messages

1. The Trust needs a strong cash and treasury management environment
2. Principles of Trust's cash and treasury management framework and associated controls are outlined

Accountabilities

Owner	Alex Keast – Deputy Director of Finance
Review	Sarah Brampton – Director of Finance
Ratification	Sarah Brampton – Director of Finance
Dissemination (Raising Awareness)	Email sent to required audience. Advertising in Daily e-mail, Available on Trust Intranet (Trust Documents).
Compliance	Review of policy by internal and external audit

Links to other policies and procedures

Standing Orders, Standing Financial Instructions, Scheme of Delegation

Version History

1	February 2013	Document created
2	June 2016	Document reviewed and updated
3	May 2019	Document reviewed and updated

Last Approval	Due for Review
May 2019	May 2021

The Trust is committed to creating a fully inclusive and accessible service. Making equality and diversity an integral part of the business will enable us to enhance the services we deliver and better meet the needs of patients and staff. We will treat people with dignity and respect, promote equality and diversity and eliminate all forms of discrimination, regardless of (but not limited to) age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage/civil partnership and pregnancy/maternity.

An electronic version of this document is available on the Trust Documents Network Share Folder (G:\TrustDocuments). Larger text, Braille and Audio versions can be made available upon request.

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1 Introduction

- 1.1. NHS organisations are expected to operate in a climate of strong corporate governance and to ensure that public monies are used efficiently and effectively. In delivering this expectation the Trust needs to set out formally its approach to managing its treasury function and minimising the risks that the Trust is exposed to in this area.

2 Purpose

- 2.1 The purpose of this document is formally to outline the Trust's policy on treasury and cash management within the organisation. The policy identifies the approach that the Trust is expected to follow in this area and establishes an environment in which all objectives and activities are clearly defined. This covers both its revenue cash position and its funding of the capital programme. The policy also identifies the procedures to be followed in the day to day management of the cash position and processing of debtor and creditor transactions.
- 2.2 This policy is in line with DHSC guidance and the following sources have been considered in drawing up this document:
- Department of Health guidance – Interim Support Finance
 - FMWP (04-05) 12 – 'Cash management in the NHS. Treasury rules and NHS standards including good practice guidance';
 - FMWP (07-08) 01 – 'New capital regime for NHS Trusts';
 - Monitor guidelines – 'Monitoring Operating Cash in NHS Foundation Trusts'; and
 - Monitor consultation 01/06/05 – 'Best Practice Treasury Management for NHS Foundation Trusts'.
 - The Trust's Standing Financial Instructions
- 2.3 This policy has also been developed with reference to internal and external audit standards and the NHS Shared Business Services contract schedules. Input and review has also been obtained from the Trust's Senior Finance Team.
- 2.4 This Policy covers cash management in respect of the Trust's own funds and transactions only. Procedures for charitable funds are subject to separate written guidance. Also, as the Trust's treasury freedoms are different under the current NHS Trust regime compared to a Foundation Trust one, this policy will need to be revised following any successful Foundation Trust application.

3 Definitions and Background

- 3.1 Cash is a key resource and must be managed effectively to ensure that all of the Trust's financial obligations can be met without interruption. Any borrowing or other cash management costs must be minimised through effective forecasting, decision making and monitoring. Where possible, and subject to operational constraints and considerations of risk, short term cash surpluses should be invested to maximise their return.
- 3.2 The regime for NHS Trust's cash and treasury arrangements is broadly consistent with the Foundation Trust (FT) model. Under this, NHS Trusts are allowed to:
- retain cash generated through revenue surpluses for investment in revenue spending in future years, subject to compliance with statutory breakeven duty, or for investment in capital;
 - retain unspent cash associated with the charge for depreciation of existing assets, for capital investment;

- use capital receipts to finance capital investment in future years. Where the sums are immaterial, NHS trusts will be able to retain the cash locally. Where the sums are material, the DH will take a Public Dividend Capital (PDC) repayment and Capital Resource Limit (CRL) reduction in the year of disposal, and re-provide equivalent PDC and CRL for any planned capital investment within the current 3 year allocation/settlement period;
 - take up revenue support loans and capital loans for additional capital investments. These are on condition that the Trust meets Department of Health (DOH) criteria including ensuring business cases are in place to support the applications, and revenue support may be limited in accordance with Department of Health cash constraints.
- 3.3 Interim financing arrangements are available to NHS Trusts on the following bases.
- Historic temporary borrowing limits have been replaced with a new loan arrangement called the '**Interim Revolving Working Capital Support Facility**'. This facility has an interest charge at 3.5%.
 - Interim cash support through **Revenue Support Loans, Revenue Support PDC, Capital Support Loan and Capital Support PDC**.
 - Long term funding including a **Planned Term Revenue Support Loan or Revenue PDC**. Revenue PDC now has a 1% admin fee. Access to this funding will require an application to the Independent Trust Financing Facility (ITFF) Committee.
- 3.4 Because the Trust operates within the NHS rather than the FT regime, its treasury management options are limited. In particular, surplus cash is required to be invested with the Government Banking System (GBS) account. Investment in commercial banks, or stocks and shares, is not an available option for non-FT trusts.

Objectives

- 3.5 Given that the Trust operates in the NHS Trust finance regime, the key objectives of the Cash and Treasury management policy are outlined below:
- providing accurate cash forecasts;
 - ensuring the availability of adequate levels of funding at all times;
 - identifying and managing the financial risks associated with holding insufficient, or excessive cash balances, and with insufficient or excessive projected cash balances;
 - ensuring all cash transactions are adequately documented and authorised; and
 - managing and maintaining a strong set of relationships with banks which meet current and future banking and funding needs.

Cash and treasury management control environment

3.6 The controls identified in this policy are designed to ensure that the Trust's cash and treasury management objectives are met and activities are undertaken in a controlled and properly reported manner.

3.7 The Trust will create a robust control environment by having:

- clearly defined roles and responsibilities, that are understood by all,
- regular monitoring and reporting of the progress of cash management;
- systems to ensure effective and efficient cash flow, through vigorous management of debtor and creditor transactions;
- strict controls over who can operate bank accounts and authorisation limits;
- proper segregation of duties between the cashier function and those who initiate expenditure and income transactions.

3.6 A rolling cash flow forecast will be used and cash will be managed on a daily and weekly basis to ensure that:

- all financial obligations can be met on, or before, the day they fall due;
- borrowing is a last resort and is only taken when required. The Trust will not borrow in advance of need;
- borrowing costs are held to the minimum;
- surplus cash achieves the best possible rate of return with the proviso that the Trust is obliged to lodge surplus cash with the Government Banking Service (GBS); and
- the Board is kept fully aware of the Trust's on-going cash position and performance against its cash plan.

3.7 The Trust will maintain bank accounts with the Government Banking Service and with a commercial bank, approved by the Board, in line with the Standing Financial Instructions.

3.8 The Trust's cash management procedures will be subject to periodic review by its internal auditors and external auditor as part of their audit undertakings. Any weaknesses, or significant deviations from agreed policies and procedures will be reported to the Audit Committee and, where appropriate, to the Trust Board.

3.9 Detailed operational guidance, for the relevant financial operations, is shown at Appendix 4 to this policy.

4 Duties

The key duties and responsibilities are stated below.

The **Trust Board**, under guidance from the **Audit Committee** will:

- approve the Standing Financial Instructions, Standing Orders and Scheme of Delegated Limits on an annual basis;
- approve the Cash and Treasury Management Policy via the Finance and Investment Committee.
- approve a list of employees authorised to make borrowings on behalf of the Trust. This must include the Chief Executive and the Director of Finance;
- delegate responsibility for cash management operations to the Director of Finance; and

- approve the opening of bank accounts via the Finance and Investment Committee.

The **Director of Finance** is responsible to the Board for all aspects of cash management in the Trust. The Director of Finance will:

- ensure that Trust cash management is carried out in line with this policy;
- ensure that any borrowing is necessary and affordable to the Trust in the longer term;
- ensure proper safeguards are in place for ensuring the security of the Trust's funds by ensuring that approved bank mandates are in place for all accounts, and that these are updated regularly for any changes in signatories and authority levels.

The **Deputy Director of Finance** will:

- fulfil the role of the Director of Finance, in respect of the above, in the absence of the Director of Finance;

The **Financial Controller** will:

- ensure that the staff performing the cash management function are adequately experienced, trained and supported to carry out their role;
- have management responsibility and oversee the operational management and performance of the Cash Management service (currently provided by NHS Shared Business Services) and
- oversee the cash management function.

The **Chief Financial Accountant** will:

- manage the cash function, ensuring that policies and procedures are adhered to;
- update cash management policies and procedures, when necessary, for approval by the Audit Committee; and
- make recommendations and escalate issues, when necessary, to the Financial Controller, Director/Deputy Director of Finance.

The **SBS Cash Management Service** will:

- implement the Cash and Treasury Management Policy as approved by the Audit Committee;
- ensure cash management activities are reported on a timely and accurate basis;
- manage, on a day to day basis, the Trust's key banking relationships;
- manage cash activities within the agreed policies and procedures;
- manage and monitor the processes and procedures in place to control Trust debtor and creditor balances;
- ensure accurate and timely recording in the accounting records of all cash transactions, undertake bank reconciliations and match bank statements and confirmations with internal documentation.

Summary of Reporting Lines

Role	Reports to
Director of Finance	Chief Executive / Trust Board
Deputy Director of Finance/Financial Controller	Director of Finance

Chief Financial Accountant

Financial Controller

SBS Cash Management team

Chief Financial Accountant

Conclusion

Treasury management is the efficient management of liquidity, investment, funding and associated financial risks. The actions to manage these risks will vary as their nature changes over time. This policy provides a clearly defined risk management framework for those responsible for treasury operations. In order to realise the benefits fully it is essential that the policy is kept up to date to reflect any changes in the Trust's operations.

5 Key elements

- 5.1 The annual operating cash forecast will be prepared in advance of the start of the financial year. This will be reviewed and updated on a daily basis in conjunction with monitoring of the Trust's bank accounts by SBS. The operating cash forecast will be reviewed on a weekly basis by the Chief Financial Accountant who will determine whether any cash shortfalls are anticipated.
- 5.2 Borrowing requirements will be determined by the Director of Finance or nominated deputy, normally the Deputy Director of Finance or the Financial Controller.
- 5.3 Borrowing will always be a last resort, within the constraint of meeting payment obligations. Any borrowing will be subject to Board, DoH and TDA approval of the selected DoH borrowing facility. Borrowing will be restricted to the minimum required to meet expected shortfalls and will never be taken in advance of need (in line with the DoH minimum cash balance principle).
- 5.4 Cash will never be borrowed with a view to investing.
- 5.5 The Trust will not borrow from any commercial organisation unless the Department of Health specifically allows this. In such circumstances, Department of Health regulations or guidance will be rigorously followed.
- 5.6 Bank accounts will not have overdraft balances.
- 5.7 The Board will not expect to require a guarantee or to use an overdraft facility. In the event that surplus cash is forecast it will be held in the GBS bank account until required to maximise the return from interest. However, the TDA may determine that significant surpluses realised from capital transactions (sales and depreciation) should be used to repay PDC and reduce the CRL.
- 5.8 Investments outside the GBS account will not be made.
- 5.9 In accordance with current Department of Health guidelines, any cleared balances in excess of £20k will be transferred on a monthly basis from the Trust's commercial bank account to its GBS account.
- 5.10 Cash flow will be optimised by good management of working capital. Significant debtor and creditor balance are to be reviewed and not to be accumulated causing future cash flow issues unless completely unavoidable. Large prepayments are to be avoided unless a clear revenue saving can be identified. Stock levels are to be maintained at minimum but safe levels across the Trust.
- 5.11 All staff will support effective cash management in the Trust by ensuring that all invoices for payment receive prompt attention and are passed to the payments team. The payments team will comply with the Better Payment Practice Code, i.e. payment within 30 days of receipt of an invoice or prompt resolution of a query.
- 5.12 In the event of any unavoidable cash shortage, for example if the DoH and TDA do not grant a full level of interim borrowing to maintain all payment terms, or an urgent and

unplanned payment has arisen for any unforeseen reason, the Trust will take the following action:

- a) Ensuring maximum debtor balances are collected
- b) Review of VAT return and associated payment timings
- c) Request short term cash support from the NHSI and DHSC
- d) Maximise contract payment terms with commissioners
- e) Agree extended creditor terms with suppliers wherever possible.
- f) Hold supplier payments. The following policy will be applied to identify those payments which are recommended to be held.
 - i. *Supplier payments only to be held when agreed with the supplier**
 - ii. *Larger suppliers to be held in their entirety for agreed period rather than a smaller delay to all suppliers. This will enable agreements from suppliers to be managed and maximised, reduce risk of any small business not being paid and make administration more manageable.*
 - iii. **Subject to the rest of the points set out above in the event that a payment is to be held for less than 7 days, the Trust will need to retain the flexibility to not have a prior agreement in place.*
 - iv. *Any suppliers identified where delayed payment would lead to supplies being held to be excluded*
 - v. *Any suppliers where difficult relationships exist and payment holds may have an adverse impact are to be excluded.*
- g) As a last resort, it may be necessary to delay the monthly payment of PAYE and NI to HMRC (subject to approval from the Board).

5.13 Staff with a responsibility for providing goods or services to external parties will ensure that invoices are raised promptly in accordance with FMWP(04-05)12 or 'Payment by Results' guidelines if the customer is an NHS organisation. Staff will adhere to procedures prepared and distributed by the Director of Finance when dealing with accounts receivable or payable.

5.14 The Board will receive a report each month detailing the Trust's cash position, performance against plan, forecast year end position and borrowing requirements to date. The Audit Committee and Finance and Investment Committee will seek further explanations or information as required.

6 Overall Responsibility for the Document

6.1 The Director of Finance is responsible for the implementation and review of this policy. This may be delegated to the Deputy Director of Finance or Financial Controller.

7 Consultation and Ratification

7.1 The design and process of review and revision of this policy will comply with The Development and Management of Trust Wide Documents.

7.2 The review period for this document is set as default of three years from the date it was last ratified, or earlier if developments within or external to the Trust indicate the need for a significant revision to the procedures described.

7.3 This document will be approved by the Finance and Investment Committee and ratified by the Director of Finance.

7.4 Non-significant amendments to this document may be made, under delegated authority from the Director of Finance, by the nominated author. These must be ratified by the Director of

Finance and should be reported, retrospectively, to the approving Finance and Investment Committee.

- 7.5 Significant reviews and revisions to this document will include a consultation with named groups, or grades across the Trust. For non-significant amendments, informal consultation will be restricted to named groups, or grades who are directly affected by the proposed changes.

8 Dissemination and Implementation

- 8.1 Following approval and ratification, this policy will be published in the Trust's formal documents library and all staff will be notified through the Trust's normal notification process, currently the 'Vital Signs' electronic newsletter and the Daily e-mail.
- 8.2 Document control arrangements will be in accordance with The Development and Management of Trust Wide Documents.
- 8.3 The document author will be responsible for agreeing the training requirements associated with the newly ratified document with the named Director of Finance and for working with the Trust's training function to arrange for the required training to be delivered.

9 Monitoring Compliance and Effectiveness

- 9.1 The cash and treasury management framework and controls will be subject to regular internal and external audit reviews. Any non-compliance will be reported to the Audit Committee.

10 References and Associated Documentation

- Standing Financial Instructions
- Standing Orders
- DH guidance "Interim Support Finance"
- FMWP (04-05) 12 – 'Cash management in the NHS. Treasury rules and NHS standards including good practice guidance';
- FMWP (07-08) 01 – 'New capital regime for NHS Trusts';
- Monitor guidelines – 'Monitoring Operating Cash in NHS Foundation Trusts'; and
- Monitor consultation 01/06/05 – 'Best Practice Treasury Management for NHS Foundation Trusts'.
- SBS Cash management contract schedule

Core Information				
Document Title	Cash and Treasury Management Policy			
Date Finalised				
Dissemination Lead	Alex Keast			
Previous Documents				
Previous document in use?				
Action to retrieve old copies.	Remove from Trust Documents			
Dissemination Plan				
Recipient(s)	When	How	Responsibility	Progress update
All staff	on approval	Email	Document Control	
All staff	on approval	Add to Trust documents	Document Control	

Review		
Title	Is the title clear and unambiguous?	Y
	Is it clear whether the document is a policy, procedure, protocol, framework, APN or SOP?	Y
	Does the style & format comply?	Y
Rationale	Are reasons for development of the document stated?	Y
Development Process	Is the method described in brief?	Y
	Are people involved in the development identified?	Y
	Has a reasonable attempt has been made to ensure relevant expertise has been used?	Y
	Is there evidence of consultation with stakeholders and users?	Y
Content	Is the objective of the document clear?	Y
	Is the target population clear and unambiguous?	Y
	Are the intended outcomes described?	Y
	Are the statements clear and unambiguous?	Y
Evidence Base	Is the type of evidence to support the document identified explicitly?	Y
	Are key references cited and in full?	Y
	Are supporting documents referenced?	Y
Approval	Does the document identify which committee/group will review it?	Y
	If appropriate have the joint Human Resources/staff side committee (or equivalent) approved the document?	N/A
	Does the document identify which Executive Director will ratify it?	Y
Dissemination & Implementation	Is there an outline/plan to identify how this will be done?	Y
	Does the plan include the necessary training/support to ensure compliance?	Y
Document Control	Does the document identify where it will be held?	Y
	Have archiving arrangements for superseded documents been addressed?	Y
Monitoring Compliance & Effectiveness	Are there measurable standards or KPIs to support the monitoring of compliance with and effectiveness of the document?	Y
	Is there a plan to review or audit compliance with the document?	Y
Review Date	Is the review date identified?	Y
	Is the frequency of review identified? If so is it acceptable?	Y
Overall Responsibility	Is it clear who will be responsible for co-ordinating the dissemination, implementation and review of the document?	Y

Core Information	
Manager	Alex Keast
Directorate	Finance
Date	Feb 2016
Title	Deputy Director of Finance
What are the aims, objectives & projected outcomes?	Review of Cash and Treasury Management policy.
Scope of the assessment	
This policy has limited equalities and human rights impact, all appropriate staff have been consulted and this policy is available in all forms of communication upon request and contains no restriction or prejudice to any group.	
Collecting data	
Race	N/A
Religion	N/A
Disability	N/A
Sex	N/A
Gender Identity	N/A
Sexual Orientation	N/A
Age	N/A
Socio-Economic	N/A
Human Rights	N/A
What are the overall trends/patterns in the above data?	N/A
Specific issues and data gaps that may need to be addressed through consultation or further research	N/A
Involving and consulting stakeholders	
Internal involvement and consultation	N/A
External involvement and consultation	N/A
Impact Assessment	

Overall assessment and analysis of the evidence	N/A			
Action Plan				
Action	Owner	Risks	Completion Date	Progress update

The following guide sets out the cash management operations that the Trust has in place to ensure that it meets the objectives and controls environment outlined in the Cash and Treasury management policy.

It covers the following areas:

- Bank mandates
- Routine cash management procedures
- Debtor management
- Creditor management
- Cash reporting
- Cash flow forecasting

Bank mandates

2. Copies of the bank account mandates are maintained by the Chief Financial Accountant. SBS also hold Government banking mandates for their transactions. The Trust Mandate is reviewed by internal audit and any issues reported to the Audit Committee with regard to signatories and appropriate limits. Copies are sent to all counterparties together with specimen signatures.

Routine cash management procedures

3. The SBS Cash Service will:
 - review the cash requirements on a daily basis, examining cash brought forward, daily transactions and the subsequent cash requirement or availability;
 - review the required movement of funds between bank accounts on a daily basis;
 - ensure that the Trust holds sufficient liquid funds to cover all known commitments;
 - review, where necessary, the draw-down of borrowed funds or payment of interest or capital to lenders;
 - review the debtor and creditor run information, to ensure the Trust maximises its cash position; and
 - ensure all reconciliations and accounting requirements are in place including monthly bank reconciliations, ensuring that the balances are accurate and unallocated items are cleared.
 - These functions are reviewed by the Chief Financial Accountant who will liaise with the SBS service if there are any issues.

Debtor management

4. The following paragraphs are relevant to all goods and services provided by the Trust, subject to the requirements that:
 - where possible payment in advance should be collected for all on-site transactions with patients valued below £100 (for prescriptions, appliances, legal notes requests etc);
 - where possible payment in advance from private patients should be collected for the full value of the treatment, and failing that for a deposit representing the

expected value of the treatment to be provided. Specific arrangements may be required for some health insurance companies; and

- the policy and procedure relating to overpayments of salary, allowances and benefits should be followed where a recovery of debt is required from an employee or ex- employee.
5. Invoices must be raised for goods and services provided by the Trust, including all private patient work.
 6. An invoice against each of the Trust's main commissioner SLAs will be raised on the first day of each month to allow the Trust's main commissioners to make a cash payment to the Trust based on a twelfth of the total contract value.
 7. Other contracts outside the main commissioner SLA contracts will be raised on at least a quarterly basis
 8. Invoices for all other goods and services should be raised within at least 7 working days after the service is performed or the goods sold.
 9. Only approved staff with specific Oracle access can raise sales orders. Sales order limits are set appropriately in accordance with the SBS Oracle scheme of delegation, with any invoice values over the delegated amount needing approval from the operator's line manager. The orders are raised by various operators across the Trust, primarily in the areas below, and records of the requests retained for inspection.
 - a) Finance Support Team
 - b) Private Patient Admin Team
 - c) NCA and Overseas Visitors Office
 - d) Pathology Admin team
 - e) Accommodation office
 10. All requests once approved go to SBS whose team will raise the sales invoice within 2 working days from receipt.
 11. When invoices are raised, credit control will be undertaken by the SBS debt team in line with their debt management policy. If invoices are not settled within the specified time periods the following escalation process will be put into place:

Not settled by due date	1 st Reminder letter Issued
Not settled within a further 10 days	2 nd Reminder letter Issued
Not settled by due date	Collection action will start and SBS will contact the debtor

If any further information from the Trust is required, SBS will raise a Credit Memo request through the Oracle system to the sales order raiser. Once information has been supplied then SBS will resume chasing. If the debtor still refuses payment then SBS will ask the Trust for approval to go to external debt recovery agencies.

12. An Aged Debt Report will be produced by NHS SBS on a monthly basis and reviewed by the Chief Financial Accountant. The report will contain all relevant information e.g. organisation, age of debt, size of debt, type of debt etc. There is a monthly (but sometimes also weekly) call with SBS to discuss the outstanding debts and the action being taken.
13. In addition, a list of monthly debtor accruals will be produced by the management accounts section and will be reviewed by the Chief Financial Accountant on a monthly basis to ensure invoices are being raised as early as possible.

Creditor management

14. Goods and services must be requisitioned using the official EPROC/Pharmacy/Estates ordering systems, as approved by the Trust. These orders are then placed and approved by the Trust's procurement team.
15. The Trust procurement team has the responsibility for negotiating the best combination of trade discounts and settlement terms.
16. When goods are received Trust staff (usually but not always the Stores team) will receipt the items. The SBS Accounts Payable team will match and record invoices against the orders and receipts using the Oracle system. When this three way match is correct then the invoice is approved for payment automatically. If there are mismatches then notifications will be sent to staff to resolve.
17. Invoices without order numbers ("Non POs") will be electronically scanned upon receipt, with e-mail notification to authorising officers who will then electronically authorise the invoice.
18. All purchase order requisitions and non-purchase invoice approvals are controlled by the Oracle system's authorisation limits hierarchy which is regularly reviewed by the finance department and in line with the Trust's detailed scheme of delegation.
19. Controls that are in place to ensure timeliness in the settlement of debts and to avoid late payment charges include:
 - requirement for all invoices to the Trust to be addressed to SBS rather than the Trust site and the departments to which the goods or services are provided;
 - requirement that that all invoices must identify the name of the department and the authorising officer at the Trust; and
 - monitoring of the promptness of authorisation, with a range of sanctions for authorising officers who fail to process invoice authorisations promptly, leading ultimately to the authority being withdrawn.
20. The SBS payments team create payment runs based on the invoices that have completed the approval and validation process and are due for payment to meet the agreed terms or within thirty days, whichever is the shorter.
21. Creditors will be paid on a twice weekly basis to maximise the flexibility of terms and minimise the need for urgent payment runs. It is the Trust's aim to meet the requirements laid down in the Better Payment Practice Policy.
22. The SBS payments team provide information to the SBS Cash team on weekly run values so they can build this into their operational cash flow forecast.
23. In addition, a list of monthly creditor accruals will be produced by the management accounts section and will be reviewed on a monthly basis by the Chief Financial Accountant to ensure invoice accruals are accurate and realistic.
24. In the event of any unavoidable cash shortage, for example if the DoH and TDA do not grant a full level of interim borrowing to maintain all payment terms, or an urgent and unplanned payment has arisen for any unforeseen reason, the Trust will take the following action:
 - a) Ensuring maximum debtor balances are collected
 - b) Review of VAT return and associated payment timings
 - c) Request short term cash support from the TDA and DoH
 - d) Maximise contract payment terms with commissioners
 - e) Agree extended creditor terms with suppliers wherever possible. The following policy will be applied to identify those payments which are recommended to be held.

- i. *Supplier payments only to be held when agreed with the supplier**
 - ii. *Larger suppliers to be held in their entirety for agreed period rather than a smaller delay to all suppliers. This will enable agreements from suppliers to be managed and maximised, reduce risk of any small business not being paid and make administration more manageable.*
 - iii. **Subject to the rest of the points set out above in the event that a payment is to be held for less than 7 days, the Trust will need to retain the flexibility to not have a prior agreement in place.*
 - iv. *Any suppliers identified where delayed payment would lead to supplies being held to be excluded*
 - v. *Any suppliers where difficult relationships exist and payment holds may have an adverse impact are to be excluded.*
- f) As a last resort, it may be necessary to delay the monthly payment of PAYE and NI to HMRC (subject to approval from the Board).

Cash reporting

25. A daily cashbook is published by the SBS cash team which gives the Trust the daily cash balance and a rolling list of transactions for the last few months. This report is accompanied by a daily cash flow report which updates the SBS operational cash flow forecast. The cash flow projections will distinguish the key areas of expenditure (pay, PAYE, contractual obligations, scheduled payment runs, any PDC transactions) and income (monthly SLA payments and profiled other income receipts.) The operational cash flow report is reviewed by the Chief Financial Accountant and along with other local knowledge these reports are used to determine short-term cash flow requirements.
26. A monthly cash report is included in the balance sheet section of the monthly Finance and Investment Committee report. This includes the following details,
- actual cash performance against the annual cash plan;
 - analysis of cash/borrowings;
 - debtor and creditor positions.
27. Details of the cash position are also included in the monthly Board paper.
28. The monthly Board reporting information and graphs will be supplied by the Chief Financial Accountant within three working days of the monthly closedown.

Cash flow forecasting

29. As mentioned above, as part of the SBS Cash management service, SBS prepare an operational cash flow forecast to the end of the current year. This cash flow includes all the significant monthly cash flow items and is reviewed by the Chief Financial Accountant who will notify SBS of any significant changes in assumptions.
30. Although this is adequate for the day to day cash flow forecasting, it is not linked directly to the Trust's current I&E forecast and the current balance sheet. A separate monthly cash flow forecast is prepared by the Head of Finance/Chief Financial Accountant for this purpose. This forecast picks up the latest management accounts income and expenditure forecast for the year and an indicative income and expenditure position for the following 12 months. The forecast also analyses the current balance sheet balances and capital plan to forecast these items. This forecast is then used to give the Trust a longer term cash flow forecast as a basis for longer term cash planning and management.

