



## FINANCE POLICY & PROCEDURE (FPP No.7)

### Treasury Management Policy – Investment of Surplus Cash

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## **FINANCE POLICY NO. 7**

### **Treasury Management Policy – Investment of Surplus Cash**

This document should be made available to all staff employed by the South Central Ambulance NHS Trust. It sets out the guidance for all staff on the subject of Treasury Management Policy and the Investment of Surplus Cash. Guidance and advice on the application of this procedure should be obtained from the Treasury Manager.

This document is supplemental and subordinate to the South Central Ambulance NHS Trust Standing Orders and Standing Financial Instructions and does not supersede the governance provided by them either in part or in whole.

**(SO 17 and 18)**

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## Treasury Management Policy – Investment of Surplus Cash

### Scope

1. The purpose of this policy is to establish a framework for the placement of surplus cash (defined further on in this policy), that ensures the optimisation of earned income (generally interest) from this placement and identifies the parameters within which the Trust will manage the risks associated with managing its surplus cash. This policy focuses on investments of surplus operating cash that will be needed within 12 months to support SCAS ongoing operations.

### Objectives

2. The investment of surplus cash falls within the remit of the Treasury Management function and must support the Trust's main ongoing obligations, as described in its Financial Strategy. The Treasury Management function will ensure that a competitive rate of return is achieved, on surplus cash that is invested, having due regard to costs of the administration of such investments, whilst ensuring that funds appropriate to Trust needs are available when required. The Trust has a duty to meet its financial obligations, that will include meeting all of its liabilities as they fall due, and avoid the need to borrow, to meet its short term cash requirements.

### Controls

3. Current controls within the Treasury Management function have been designed to ensure the following:
  - clearly defined roles of those involved in Treasury Management with adequate segregation of duties
  - documentation of procedures as they affect the Treasury Management function
  - monthly reporting of the Trust's cash flow position and more frequent reporting if required such as at year end
  - placement of surplus cash in allowable investments (as described in this policy)
  - audit of this function by both internal and external auditors.



## Investment Policy

4. SCAS will take a risk averse approach to investing surplus cash, since the investment of cash is not an end in itself. It is the policy of SCAS to invest in a prescribed range of institutions and investment types subject to the definitions of what constitutes surplus cash (see below). The types of investment are limited to the following which are further defined in Appendix 1:
  - those that meet the permitted rating requirement equivalent to a high street bank
  - those that are held at a permitted institution
  - investments that have a defined maturity date (except Government bonds)
  - sterling
  - interest must be either fixed, floating or discounted

## Identification of Cash Surplus Balances

5. The Treasury Manager monitors daily cash reports that show surplus cash available for investment on that day. Monthly Cash Flow Forecasts are prepared by the Chief Accountant.
6. The Treasury Manager will identify if surplus cash is available by recourse to daily cash reports and the monthly cash flow forecast. The Treasury Manager, prior to recommending an investment to the Chief Accountant, will calculate the level of surplus cash that is available for investment on any one day having taken into the account the following;
  - £250,000 is available instantly over and above planned expenditure levels
  - A further £750,000 is available on 7 days notice without penalty
7. Only surplus cash in excess of the above amounts should be invested in longer term deposits. Investment should be made by comparing the rates achieved on Government sponsored current accounts (Nat West/RBS) as against those rates offered by permitted institutions (see below) on longer terms deposits.



### **Investment of Surplus Cash Balances**

8. The Chief Accountant will identify the most appropriate way to invest surplus funds with the permitted institutions as outlined in Appendix 1. The Treasury Manager must obtain due authorisation for the proposed investment in accordance with the limits in Appendix 2. The Treasury Manager should process the transaction in accordance with the relevant bank mandate and the Trust's authorised signatory schedule.
9. The Trust has adopted the institutions and accounts that meet the "safe harbour criteria" (see Appendix 1). Note that three bank/building societies will be identified, to satisfy the requirements of "safe harbour" criteria 1, for the purpose of short and long term deposit. These adopted institutions should clearly indicate the latest ratings as indicated by Moody's, or a similar rating agency and checked at least twice a month by the Treasury Manager. This list of adopted institutions should be reviewed at least monthly by the Chief Accountant. This review should ensure that the permitted institutions enable a good spread of investment and are providing competitive rates of interest.
10. The Treasury Manager will maintain a record of all such investments in an investment register. These should include movements to and from investments, showing the maturity dates and values of all investments.
11. The Trust's standing instruction is for counterparties to send transaction confirmations directly to the Chief Accountant, not the Treasury Manager. These will be independently checked to the investment register.

### **Risk Management**

12. Exercise of the controls identified in para 3 should reduce the likelihood of risks in the management of cash. Some of the potential risks that the Trust faces are reproduced below along with the associated control that will mitigate the impact of the risk:
  - failure to identify surplus cash balance with a consequential opportunity cost of reduced investment income mitigated by regular production of cash flow forecasts
  - failure to place surplus cash with allowable investors that provide the highest yields offset by use of an authorised list of deposit takers which are regularly reviewed by the Treasury Manager
  - placement of funds in high risk allowable investments which is limited by the level of funds placed with any one institution and limiting the term of the deposit
  - incurring of excessive costs in placement of any one investment mitigated by placing a minimum level of investment



## **Equality Statement**

The Trust is committed to promoting positive measures that eliminate all forms of unlawful or unfair discrimination on the grounds of age, marital status, disability, race, nationality, gender, religion, sexual orientation, gender reassignment, ethnic or national origin, beliefs, domestic circumstances, social and employment status, political affiliation or trade union membership, HIV status or any other basis not justified by law or relevant to the requirements of the post.

By committing to a policy encouraging equality of opportunity and diversity, the Trust values differences between members of the community and within its existing workforce, and actively seeks to benefit from their differing skills, knowledge, and experiences in order to provide an exemplary healthcare service. The Trust is committed to promoting equality and diversity best practice both within the workforce and in any other area where it has influence.

The Trust will therefore take every possible step to ensure that this procedure is applied fairly to all employees regardless of race, ethnic or national origin, colour or nationality; gender (including marital status); age; disability; sexual orientation; religion or belief; length of service, whether full or part-time or employed under a permanent or a fixed-term contract or any other irrelevant factor.

Where there are barriers to understanding e.g. an employee has difficulty in reading or writing or where English is not their first language additional support will be put in place wherever necessary to ensure that the process to be followed is understood and that the employee is not disadvantaged at any stage in the procedure. Further information on the support available can be sought from the Human Resource Department.



**Criteria for investments to qualify for “safe harbour” status**

**Appendix**

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Factor	Criterion
Permitted rating requirement and recognised rating agency	<p>The short term rating should at least be:</p> <ul style="list-style-type: none"> <li>• A-1 on rating scale of Standard &amp; Poor's or</li> <li>• P-1 on rating scale of Moody's Investors Service or</li> <li>• F1 on rating scale of Fitch Ratings Ltd</li> </ul> <p>Moody's, Standard &amp; Poor's and Fitch Ratings are the three top agencies that deal with credit ratings for the investment world.</p>
Permitted institutions	<p>Permitted institutions comprise:</p> <ul style="list-style-type: none"> <li>• Institutions that have been granted permission, or any European institution that has been granted a passport, by the Financial Services Authority to do business with UK institutions and</li> <li>• 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.</li> </ul>
Maximum maturity date	<p>For UK Government bonds, there is no maximum maturity date, but the investments must be capable of being realized, within three months. For other investments, the maturity date should be before or on the approximate date when the invested funds will be needed, and in any event the maturity should not exceed 12 months.</p>



Preferred concentration limit	<ul style="list-style-type: none"><li>• Surpluses of operating cash as defined in para 7 of the Cash and Investment Policy of under £500,000 – may be invested in one institution</li><li>• Surpluses over £500,000 – should be invested across a number of institutions up to their maximum recommended limit to spread the investment risk</li><li>• Investment limits will be set for permitted institutions based on their credit rating and will be reviewed annually and reset if necessary.<ul style="list-style-type: none"><li>○ GBS is unlimited</li><li>○ Clearing banks have a limit of up to £5m for any one institution</li><li>○ All other Banks rated Aaa by Moody's have a limit of £3m</li><li>○ All other Banks rated Aa1 by Moody's have a limit of £2m</li><li>○ All other Banks rated Aa2 or 3 by Moody's have a limit of £1m</li><li>○ All other Banks rated A1 by Moody's have a limit of £0.5m</li></ul></li></ul>
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Based on guidance issued by Monitor



**Investment Authorisations Required (Appendix 2)**

	Investment Value		
	<£1m	£1m to £5m	>£5m
Investment period			
Overnight	Chief Accountant	Assistant Director of Finance (Financial Control)	Director of Finance
2 days to 1 week	Chief Accountant	Assistant Director of Finance (Financial Control)	Director of Finance
1 week to 4 weeks	Chief Accountant	Assistant Director of Finance (Financial Control)	Director of Finance
4 weeks to 95 days	Chief Accountant	Assistant Director of Finance (Financial Control)	Director of Finance
3 months to 95 days (see note below)	Chief Accountant	Assistant Director of Finance (Financial Control)	Director of Finance
➤ 12 months	Forbidden	Forbidden	Forbidden

**Note**

For all investments with a term period of 95 days to 12 months, authorisation will be as stated above save where any investment sum, at any one time, is likely to exceed 50% of the average rolling 12 month cash flow forecast as presented to the Board. In these instances Board approval will be required.