



Banking & cash management policy

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1. Introduction

- 1.1. The Director of Finance is responsible for ensuring that NHS Lincolnshire Integrated Care Board (the ICB) complies with any Directions issued by the Secretary of State with regards to specified banking facilities for any specified purposes using the minimum number of bank accounts required to run the organisation effectively.
- 1.2. 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 Executive and the Director of Finance are discharged and implemented. (Standing Financial Instructions 5.2).
- 1.3. 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. Purpose / Policy Statement

- 2.1. 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. Remit

- 3.1. This policy applies to all ICB staff (including temporary/ bank/agency staff), contractors engaged by the ICB and staff from other Lincolnshire ICS partnership organisations working on behalf of the ICB.

4. 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 now known as BACS payment schemes limited is the process by which payments are made electronically directly into recipients' bank accounts.
- **Better Payments Practice Code (BPPC)** – this is the 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.
- **Business Intelligence (BI)** - module on ISFE financial ledger providing range of ledger reports.
- **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.
- **ISFE** - Integrated Single Finance Environment, the financial ledger – it uses standard NHS Oracle Release 12 platform to provide a common accounting system with a single Chart of Accounts and standardised processes and reporting to all ICBs.
- **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 finance team in cash drawdown requests.
- **NHS SBS** – NHS Shared Business Services - NHSE mandated provider of ledger system and transactional financial services provider.
- **Purchase Order** - document used to authorise expenditure that is raised in ISFE.
- **Sales Order** – document raised in ISFE to generate an invoice for goods or services supplied.
- **Senior Financial Services Officer** – member of the Finance team, band 8a or above.
- **Schedule of detailed delegated financial limits** - document which shows what authority the Board has delegated to committees or staff under the powers of the Constitution. This is a schedule referred to within the Delegated Financial Authority Limits (chapter 9 of the ICB Governance Handbook).
- **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.

5. Roles and Responsibilities

5.1. Integrated Care Board

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

5.2. Finance and Resource Committee

- 5.2.1. The Finance and Resource 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.

5.3. Director of Finance

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

5.4. Financial Services Team

- 5.4.1. The financial services team is responsible for completing and submitting the monthly (and if necessary, supplementary) cash drawdown requests appropriately authorised in line with the ICB’s schedule of detailed delegated financial limits. These requests are underpinned by maintaining

accurate detailed cashflow forecasts and monitoring actual cash flow requirements against these forecasts.

5.4.2. 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 financial services team can refine the cash requirements considering movements in working capital.

5.4.3. The financial services team 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.

5.4.4. The financial accounts team 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.

5.5. **Budget Holders**

5.5.1. Budget holders can have a significant impact on the cash management and income cycle. Supported by Finance Business Partners, they 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.
- Receipting goods and services and authorising 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 assisting in resolving invoice disputes promptly.
- Working with their finance business partner to provide information on the timing of cash payments especially where they impact on normal anticipated cashflows.

5.6. **NHS SBS Cash Management Team**

5.6.1. 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.

6. **Policy Detail**

6.1. **Bank Account**

6.1.1. The ICB has one bank account held with the NatWest bank. Government Banking Services manage the contract.

6.1.2. The Bank Mandate is to be kept up to date and authorised in line with the ICB's schedule of detailed delegation financial limits. Changes to the bank mandate are reported to the next Audit & Risk Committee meeting.

6.2. **Daily Actions**

6.2.1. NHS SBS provides a daily cashbook and cashflow forecast to the financial services team and the most recent bank statement is available to review through Business Intelligence (BI) on ISFE.

- 6.2.2. The financial services 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.
- 6.2.3. If the ICB has a payment run scheduled SBS will send an email advising the financial services 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 6.3.2. and thereafter the financial services team will use their professional judgement in liaison with a senior financial services officer who will authorise changes to the payment run. At this point the payment run can be submitted to SBS for payment.

6.3. **Monthly Actions**

- 6.3.1. The financial services team 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 senior finance staff (as authorised by the Assistant Director of Finance).
- 6.3.2. The financial services team 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.
- 6.3.3. 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 & Performance Committee and in the ICB's Statutory Accounts.
- 6.3.4. 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. The financial services team should 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 6.3.1 above).
- 6.3.5. The financial services 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 least a week before month end the financial services team will check for unremitted receipts.
- 6.3.7. 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 financial services team 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 a senior financial services officer and a record kept of this authorisation.
- 6.3.8. At month and 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 financial services team will give additional attention to the cashflow forecast towards month end and throughout March leading up to year

end. Where the month or year-end balance is likely to exceed the target or cash is insufficient to meet the final payment run of the month or year the financial services team will work with both customers and suppliers to manage the position using professional judgement in liaison with a senior financial services officer.

6.4. Annual Actions

6.4.1. 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.

6.4.2. ICBs will be required to conduct an Annual Cash Forecast exercise part way through the year, and this is an opportunity for the financial services team to refine cash requirements considering working capital movements. The financial services team will work with their system leads on identifying and signing off any material movement when comparing the Annual Cash Forecast exercise to the Annual Cash Drawdown Requirement.

6.5. Other Considerations

6.5.1. 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.

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

6.5.3. The financial services 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.

6.5.4. The receivable activities listing will be reviewed by the financial services team at least every 6 months to ensure coding and VAT treatment remain accurate and to remove any duplicates.

6.5.5. Cashflow forecasts should accurately reflect the day that payments will clear noting that BACS payments clear on day 3 after the payment run is approved.

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

6.5.7. 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.

6.6. Purchase Card.

6.6.1. The ICB is exploring the possibility of having a 'virtual credit card' but this is still work in progress. Controls will be put in place consistent with the ICB Governance Handbook and in proportion to the risks involved.

7. 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 financial services team will include high level progress on ISFE metrics in financial reporting to each meeting of the Finance & Resource Committee along with a monthly cash flow forecast statement.
- 7.3. High level performance against the BPPC is reported to each meeting of the Finance and Resource Committee and annual performance is disclosed in the ICB Statutory Accounts.

8. 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 Director of Finance 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.

9. Arrangements for Review

- 9.1. This policy will be reviewed no less frequently than every two years. An earlier review will be carried out in the event of any relevant changes in legislation, national or local policy/guidance, organisational change or other circumstances which mean the policy needs to be reviewed.
- 9.2. If only minor changes are required, the sponsoring Committee has authority to make these changes without referral to the Integrated Care Board. If more significant or substantial changes are required, the policy will need to be ratified by the relevant committee before final approval by the Integrated Care Board.

10. Associated Policies, Guidance and Documents

- O2C001 Payments Run process note
- O2C002 Cash drawdown procedure note
- Debtor Management Strategy

11. References

- NHSEI/NHS Shared Business Services – “Business Process Best Practice in the ISFE Environment” – Version 2.0 (March 2022)
- ICB Constitution – available on the Lincolnshire ICB website.
- ICB Governance Handbook – available on the Lincolnshire ICB website.