

**Trust Board meeting: Wednesday 14 January 2015**  
**TB2015.16**

<b>Title</b>	<b>Investment Policy</b>
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<b>Status</b>	This report proposes an Investment Policy to replace the existing interim Treasury Management Policy approved in January 2014.
<b>History</b>	A paper recommending an Investment Policy to come into force at the date of authorisation as a Foundation Trust. This draft policy has previously been considered by the Audit Committee at its meeting on 19 <sup>th</sup> November 2014.

<b>Board Lead(s)</b>	<b>Mr Mark Mansfield, Director of Finance and Procurement</b>			
<b>Key purpose</b>	Strategy	Assurance	<b>Policy</b>	Performance

**Summary**

1	The aim of the Investment Policy is to provide a framework within which the Trust can manage risk and protect financial assets, and as a subsidiary objective maximise return. This policy is being put in place in advance of a potential change to Foundation Trust status. Once adopted by the Trust, this policy will not come into force until the date of the Trust's licensing as a Foundation Trust. However, work on preparing detailed procedures under this policy, and having them operating on a shadow basis, will be put in place prior to that date.
2	This draft policy was considered by the Audit Committee on 19 November 2014 and they recommended that this be submitted for approval, by Trust Board.
3	<b>Recommendation</b>  <b>The Trust Board is asked to approve the proposed policy.</b>

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## Investment Policy

### 1. Introduction

- 1.1. The aim of the Investment Policy is to provide a framework within which the Trust can manage risk and protect financial assets, and, as a subsidiary objective, maximise return.
- 1.2. The existing Treasury Management Policy does not cover the range of opportunities available to Foundation Trusts and it identifies within section 8 that the Policy will need to change significantly to reflect any move to Foundation Trust status.
- 1.3. The attached policy is designed to cover the opportunities available as a Foundation Trust and it has been completely rewritten based on guidance from Monitor and examples from existing Foundation Trusts.

### 2. Background

- 2.1. Monitor published its guidance on Managing Operating Cash in NHS Foundation Trusts in December 2005. This is the basic guidance that applies to all Foundation Trusts.
- 2.2. However, since then, the operating environment has seen a number of changes including significant change in the credit ratings of individual institutions and concerns identified about 'passported' institutions (which included the Icelandic banks).
- 2.3. The proposed policy has therefore been drafted to take a more prudent approach than that originally outlined by Monitor.
- 2.4. In 2013/14, a change of central policy was introduced which means that any decision to invest needs to take account of the impact on the PDC dividend calculation and demonstrate a higher return than the saving from the dividend payment and the lost interest earned on the deposit had it remained with the Government Banking Service (GBS).
- 2.5. Consequently, it is envisaged that whilst the policy sets out an approach in line with the opportunities available as a Foundation Trust, its application in practice is likely to be even more prudent as the change in central policy, outlined above, has the effect of raising the bar and making it unlikely that the Trust will wish to invest in approved counterparties other than the Government Banking Service (GBS).
- 2.6. Once adopted by the Trust, this policy will not come into force until the date of the Trust's licensing as a Foundation Trust. However, work on preparing detailed procedures under this policy, and having them operating on a shadow basis, will be put in place prior to that date.
- 2.7. The Audit Committee considered the draft policy on 19<sup>th</sup> November and recommended that this be submitted for approval by Trust Board.

**3. Recommendation**

- 3.1. The Trust Board is asked to approve the attached Policy for introduction when the Trust is licensed as a foundation trust.**

**Mr Mark Mansfield  
Director of Finance and Procurement  
January 2015**