

SOUTH YORKSHIRE MAYORAL COMBINED AUTHORITY

Treasury Management Policy and Practices 2021/22

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The Treasury Management Policy Statement

The treasury management policy statement

South Yorkshire Mayoral Combined Authority (SYMCA) defines its treasury management activities as:

1. The management of the Authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
2. This Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Authority, and any financial instruments entered into to manage these risks.
3. SYMCA acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Clauses to be formally adopted

1. SYMCA will create and maintain, as the cornerstones for effective treasury management:
 - a Treasury Management Policy Statement (TMSS), stating the policies, objectives and approach to risk management of its treasury management activities
 - suitable Treasury Management Practices (TMPs), setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the CIPFA Treasury Management Code (the Code), subject only to amendment where necessary to reflect the particular circumstances of this Authority. Such amendments will not result in the Authority materially deviating from the Code's key principles.

2. SYMCA will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
3. SYMCA delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Group Finance Director, and for the execution and administration of treasury management decisions to the Group Finance Director, who will act in accordance with the Authority's policy statement and TMPs.
4. This Authority nominates the Audit Standards and Risk Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

TMP 1 RISK MANAGEMENT

The responsible officer (in the case of SYMCA, the Group Finance Director) will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Authority's objectives in this respect, all in accordance with the procedures set out in **TMP6** ('Reporting requirements and management information arrangements'). In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

1. Credit and Counterparty Risk Management

Credit and counter-party risk is the risk of failure by a counterparty to meet its contractual obligations to the Authority under an investment, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Authority's capital or current (revenue) resources.

This Authority regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in **TMP4** ('Approved Instruments Methods And Techniques') and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

1.1. Policy on the use of credit risk analysis techniques

- 1.1.1. SYMCA will use credit criteria in order to select creditworthy counterparties for placing investments with.
- 1.1.2. Credit ratings will be used as supplied from all three rating agencies - Fitch, Moodys and Standard & Poors
- 1.1.3. Treasury Management Consultants will provide regular updates of changes to all ratings relevant to SYMCA.
- 1.1.4. The responsible officer will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits. This Authority will use the Link Group creditworthiness service based on using colours determined by minimum combinations of ratings to derive maturity limits as follows: -

Colour Band	Duration
Yellow	5 years *
Dark pink	5 years for Ultra Short Dated Bond Funds with a credit score of 1.25
Light pink	5 years for Ultra Short Dated Bond Funds with a credit score of 1.5
Purple	2 years
Blue	1 year (only applies to nationalised/semi nationalised UK Banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	not to be used

In addition, a credit default swap overlay is used as a further safeguard to give early warning of potential creditworthiness problems which may only belatedly lead to actual changes in credit ratings.

As this methodology is complex, readers are referred to the Suggested Credit List produced by Link Asset Services which lists counterparties by creditworthiness under the Link Group's colour rating scheme. .

- 1.1.5. Credit ratings for individual counterparties can change at any time. The Group Finance Director is responsible for applying approved credit rating criteria for selecting approved counterparties. Treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties.
- 1.1.6. This Authority will not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings it will therefore use other sources of information including: -
 - The quality financial press
 - Market data
 - Information on government support for banks and
 - The credit ratings of that government support
- 1.1.7. Maximum maturity periods and amounts to be placed in different types of investment instrument are shown below. At present the maximum investment period for Specified Investments is 3 months. That limit reflects SYMCA's funding arrangements.
- 1.1.8. Diversification: this Authority will avoid concentrations of lending and borrowing by adopting a policy of diversification. It will therefore use the following: -
 - Maximum amount to be placed with any one institution - limits considered annually having regard to creditworthiness rating and specified in the Investment Strategy .
 - Country limits – a minimum sovereign rating of AA- is required for an institution to be placed on our approved lending list. However, UK banks will be considered regardless of the UK's sovereign rating at the time of investment.
- 1.1.9. Investments will not be made with counterparties that do not have a credit rating in their own right.
- 1.1.10. The definition of 'high credit quality' in order to determine what are specified investments as opposed to non-specified investments which do not have high credit ratings is set out at the end of TMP1 in schedule 1. SYMCA will not use non-specified investments.

1.2 Liquidity Risk Management

This is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Authority's business/service objectives will be thereby compromised.

This Authority will ensure it has adequate cash resources to enable it to discharge its affairs and mitigate insolvency risk. SYMCA will maintain a reserve strategy designed to enable the Authority to react to financial shock.

1.2.1. Amounts of approved minimum cash balances and short-term investments

SYMCA's current accounts with its own bank are interest bearing. SYMCA will aim to hold not less than £1m at any time with its own bank in same day access accounts and will aim to hold not more than £10m to limit its exposure risk. SYMCA recognises that there will be occasions when both aspirations may not be able to be met due to unforeseen cash flow adjustments. In those circumstances SYMCA will redress the situation as soon as practicably possible.

1.2.2. Details of:

- a. Standby facilities
SYMCA's investment strategy is designed to ensure it has ready access to sufficient cash balances to both manage its day-to-day business and manage financial shock. SYMCA will retain at least £1m in liquid cash with its own bank at any point.
- b. Bank overdraft arrangements
SYMCA has pooled banking arrangements with Barclays, which involves access to an overdraft facility.
- c. Short-term borrowing facilities
SYMCA has a net overdraft facility on its pooled banking arrangements of £50k. It also has access to the highly liquid inter local authority market, and has access to borrowing for periods of between 1 and 50 years from PWLB (Public Works Loan Board).
- d. Insurance/guarantee facilities
Whilst retaining general insurance provisions, SYMCA does not specifically insure financial transactions nor enter into factoring arrangements. SYMCA's operations are underpinned by an effective guarantee from its four constituent member authorities.

1.3 Interest Rate Risk Management

This represents the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Authority's finances, against which the Authority has failed to protect itself adequately.

For SYMCA, this risk is relatively negligible as its loan portfolio entirely comprises fixed interest rate arrangements. Instead, interest rate fluctuations only impact upon the rate of interest generated on short-term deposits held to manage cash flow.

To limit this exposure, SYMCA takes an extremely prudent view of deposit investment income when setting the budget for the forthcoming year. Accordingly, fluctuations in interest rates and cash balances does not have a material impact upon SYMCA's ability to resource its expenditure plans.

1.3.1 Policies concerning the use of instruments for interest rate management.

- a. forward dealing
Consideration will be given to dealing from forward periods dependent upon market conditions.

b. callable deposits

SYMCA may use callable deposits as part as of its Annual Investment Strategy (AIS).

1.4 Exchange Rate Risk Management

This represents the risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Authority's finances, against which the Authority has failed to protect itself adequately.

SYMCA does not have material expenditure denominated in foreign currencies and does not expect to do so into the future.

1.5 Refinancing Risk Management

SYMCA routinely explores options for repayment of expensive legacy debt, however in the current low interest rate environment the early redemption costs are not considered to represent good value for money. SYMCA, hence the Authority is not exposed to risk around the refinancing of maturing debt.

1.5.1. Debt/Other Capital Financing, Maturity Profiling, Policies and Practices

SYMCA has adopted a minimum revenue provision policy, the aim of which is to ensure that the Authority generates sufficient cash to repay all legacy debt.

1.5.2. Projected Capital Investment Requirements

The Group Finance Director will prepare a three-year plan for capital expenditure for SYMCA. These expenditure plans will be presented to the MCA Board as part of the annual budget report. The Authority will seek to reduce borrowing by maximizing the use of capital grant wherever possible.

The definition of capital expenditure used in the Code will follow recommended accounting practice as per the Code of Practice on Local Authority Accounting.

1.5.3 Policy Concerning Limits on Affordability and Revenue Consequences of Capital Financing

The Authority will agree an annual borrowing limit with HM Treasury. When negotiating the limit, the Authority will have regard to the long-term affordability of its capital expenditure plans.

1.6 Legal and Regulatory Risk Management

This represents the risk that the Authority itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Authority suffers losses accordingly.

This Authority will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may affect with the Authority, particularly with regard to duty of care and fees charged.

This Authority recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably possible to do so, will seek to minimise the risk of these impacting adversely on the Authority.

1.6.1. References to Relevant Statutes and Regulations

The treasury management activities of SYMCA shall comply fully with legal statute, guidance, Codes of Practice and the regulations of SYMCA. These are:

- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if SYMCA is likely to get into a financially unviable position.
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.
- Local Government Act 2003
- S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03
- S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- S.I. 2004 no. 3055 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) (No. 2) Regulations 2004
- S.I. 2006 no. 521 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006
- S.I. 2007 no. 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007
- Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP
- S.I. 2008 no. 414 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2008
- S.I. 2009 no. 321 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2009
- S.I. 2009 no. 2272 The Local Authorities (Capital Finance And Accounting) (England) (Amendment) (No.2) Regulations 2009
- S.I. 2009 no. 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
- S.I. 2010 no. 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010
- Localism Act 2011
- S.I. 2012 no. 265 Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012
- S.I. 2012 No. 711 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2012
- S.I. 2012 No. 1324 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.3) Regulations 2012
- S.I. 2012 No. 2269 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 4) Regulations 2012
- S.I. 2013 no. 476 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013
- S.I. 2015 no. 234 Accounts and Audit Regulations 2015

Guidance and codes of practice

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- CIPFA Prudential Code for Capital Finance in Local Authorities 2018
- CIPFA Treasury Management Code 2017
- CIPFA Treasury Management in the Public Services Guidance Notes for Local Authorities 2018

- MHCLG Statutory Guidance on Local Authority Investments in England 2018
- MHCLG Statutory Guidance on Minimum Revenue Provision 2018
- Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice
- The Market in Financial Instruments Directive II
- CIPFA Practitioners' Guide to Capital Finance in Local Government 2018
- CIPFA Local Authority Capital Accounting - a reference manual for practitioners 2014 Edition
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2002
- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004
- LAAP Bulletins
- PWLB circulars on Lending Policy
- The Non-Investment Products Code (NIPS) - (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.
- Financial Conduct Authority's Code of Market Conduct
- SYMCA's Standing Orders relating to Contracts
- SYMCA's Financial Regulations
- SYMCA's Scheme of Delegated Functions

1.6.2 Procedures for Evidencing SYMCA's Powers/Authorities to Counterparties

Under the terms of the Devolution Deal SYMCA can extend its borrowing powers to non-transport activity, subject to legislation being laid before Parliament and agreement on an annual borrowing limit with HM Treasury. The Authority will use the legislation as evidence of its borrowing powers, along with its treasury management strategy approved by the MCA Board.

SYMCA will make available on request the scheme of delegation of treasury management activities contained in this document, which states:

- which officers carry out specified duties
- which officers are the authorised signatories

Required Information on Counterparties

Lending shall only be made to counterparties on the Approved Lending list. This list has been compiled using advice from SYMCA's treasury advisers (Link Asset Services) based upon credit ratings supplied by Fitch, Moodys and Standard & Poors.

1.6.3 Statement on SYMCA's Political Risks and Management of Same

The Group Finance Director shall take appropriate action with SYMCA, the Chief Executive Officer and the Chair of SYMCA to respond to and manage appropriately political risks.

1.6.4 Monitoring Officer

It is the duty of the monitoring officer to ensure that the treasury management activities of SYMCA are lawful.

1.6.5. Chief Financial Officer

The Chief Financial Officer is the Group Finance Director, also referred to as the Section 73 Officer. The duty of this officer is to ensure that the financial affairs of SYMCA are conducted in a prudent manner and to make a report to SYMCA if he/she has concerns

as to the financial prudence of its actions or its expected financial position.

1.7 Fraud, Error and Corruption, and Contingency Management

This represents the risk that SYMCA fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

SYMCA will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

SYMCA will therefore:-

- a) Seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal checks which minimises such risks.
- b) Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.
- c) Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.
- d) Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

1.7.1. Details of Systems and Procedures to be Followed, Including Internet Services

Authority

- The Scheme of Delegation to Officers sets out the delegation of duties to officers.
- All investments are negotiated by the responsible officer or authorised persons.

Procedures

- The Barclays.net electronic banking procedures includes internet access to SYMCA's bank account for both account information and payment transactions.
- Access to the Barclays.net system, and all approvals thereon, are secured through biometric scanners unique to the fingerprint of each individual.
- Authorisation of payments, the creation and amendment of bank templates, and administrative changes all require two approvers to consent.
- Individual payment transactions require three individuals: one transaction originator, one transaction processor and one approver.
- Payment files are generated from the Epicor system, downloaded into a secure file, sent via secure email to Sheffield City Council and then uploaded into the Barclays.net system.¹
- Checks are then made against templates to ensure data has not been compromised in transmission.
- Manual bank payments not generated from the Accounts Payable module will be supported by a package of information and electronic signatures from appropriate approvers to mimic the Accounts Payable approval process.

¹ The step in the procedure which refers to SCC Treasury only applies to SYMCA currently; with effect from 1 April 2022 the entire procedure will be managed in-house by Control team, in the same way as SYPTE currently.

Investment transactions

- All investment placements must be pre-approved by two authorised approvers, with transaction templates being completed by a third officer.
- Investment redemptions must be approved by one approver, with transaction templates being completed by a second officer.
- Investment redemptions must only be made into the same account that funds were transmitted from unless prior approval has been secured from two of SYMCA's authorised signatories.
- The Financial Controller will retain access to documentation of all investment decisions held by SCC Treasury, whilst bank transactions will also be retained to show approvals of cash transactions through the Barclays.net system.

Regularity and security

- Investments are only made to institutions on the Approved List of Counterparties.
- Funds available for investment will be swept into a specific Barclays account held by the SYMCA (sweep account). SCC Treasury team will have access to this account in order to make investments on behalf of the Authority, under the terms of its service legal agreement.
- All investments will be returned to SYMCA's sweep account.
- Counterparty limits are set for every institution that SYMCA invests with.
- Brokers, agents, and direct bank contacts have a list of named officials authorised to agree deals.
- There is a separation of duties between dealers and the checking and authorisation of all deals. All deals require pre-approval by two approvers with an independent third check on details.
- SYMCA's bank holds a list of officials who are authorised signatories for treasury management transactions.
- The Barclays.net system can only be accessed via a biometric scanner recognising the unique fingerprint of an authorised user.
- All transactions that involve cash leaving the bank account require two approvers and one transactor who is not an approver.
- All administrative changes within the Barclays.net system require two approvers.
- All inter-account transfers require one approver.
- There is adequate insurance cover for employees involved in loans management and accounting.

Checks

- The bank reconciliation is carried out monthly from the bank statement to the financial ledger and presented to the Financial Controller for review.
- An analysis of the investment portfolio is prepared to support each investment decision.
- An investment income listing is produced monthly by SCC Treasury and reviewed on a quarterly basis against the budget for interest earnings and debt costs.

Calculations

- The Financial Controller will maintain analysis to ensure investment income paid to SYMCA is correct.

1.7.2. Emergency and Contingency Planning Arrangements Disaster Recovery Plan.

SYMCA's main Business Continuity Plan includes a detailed section covering the essential financial systems and procedures, including banking, payments and revenue collection. All members of the Finance team are familiar with this plan and new members will be briefed on it. The plan is reviewed and updated at regular intervals with both paper and electronic copies being available.

SYMCA's plan is based upon remote working and access to Cloud and web-based systems.

All computer files are backed up in the Cloud to enable files to be accessed from remote sites.

1.7.3. Insurance Cover Details

A full suite of insurance policies is maintained by SYMCA insurance brokers including:

- Premises
- Business Interruption Employers liability
- Legal expenses
- Terrorism
- Directors' and officers' liability
- Employment practices liability
- Corporate legal liability
- Business travel
- Cyber security and
- Professional Indemnity Insurance

1.8 Market Risk Management

This represents the risk that, through adverse market fluctuations in the value of the principal sums an Authority borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

SYMCA will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

1.8.1. Details of Approved Procedures and Limits for Controlling Exposure to Investments Whose Capital Value May Fluctuate (Gilts, CDs, Etc.)

SYMCA will not invest in instruments which are susceptible to capital fluctuations. SYMCA will limit its investments to term deposits and constant and low volatility net asset money market funds.

TMP 2 PERFORMANCE MEASUREMENT

2.1 Evaluation and Review of Treasury Management Decisions

SYMCA has a number of approaches to evaluating treasury management decisions, including:

- a. Weekly review reports from our treasury management consultants detailing current markets, forecasts and model portfolio returns.
- b. Monthly reviews carried out by the Group Finance Director and Financial Controller.
- c. Annual review of performance and strategy with our treasury management consultants.
- d. Comparative reviews.

2.1.2 Reviews with our treasury management consultants

The Financial Controller meets with Link Asset Services every 6 months to review the performance of the investment portfolios and discuss emerging market issues.

2.1.3 Annual Review after the end of the financial year

In addition to the mid-year Treasury Management report to the MCA Board, the end of March out-turn report includes an annual treasury management report which reviews the performance of the investment portfolio. This report contains the following:

- a. total investments at the beginning and close of the financial year and average investment rates
- b. investment strategy for the year compared to actual strategy
- c. explanations for variance between original strategies and actual
- d. actual investment rates available through the year
- e. comparison of return on investments to the investment benchmark
- f. compliance with Prudential and Treasury Indicators

2.1.4 Comparative reviews

When data becomes available, comparative reviews are undertaken to see how the performance of the Authority on investments compares to other comparable authorities. Data can be sourced from CIPFA Treasury Management statistics published each year for the last complete financial year and Link Asset Services' model portfolio.

Any comparative review will note the particular funding arrangements which define SYMCA's approach to cash flow management and its resulting investment strategy.

2.2 Benchmarks and Calculation Methodology:

2.2.1 Investment

The performance of investment earnings will be measured against the suggested target investments returns on short term deposits of c. 3 months duration provided by the Authority's treasury advisors from time to time in their Updated Interest Rate Forecasts.

2.3 Policy concerning methods for testing Value for Money in Treasury Management

2.3.1 Frequency and processes for tendering

SYMCA's bank was appointed on a three-year contract, and its Treasury Advisors on a one-year contract with options for extension. The length of future appointments will be considered at the point of retender exercises.

2.3.2 Banking services

SYMCA's banking arrangements were procured by Sheffield City Council via a competitive tender. SYMCA's bank (Barclays) was appointed in September 2018 for a three-year period which has now been extended for a further year. SYPTE's banking arrangements were procured by officers of SYPTE via a competitive tender. SYPTE's bank (Barclays) was appointed in June 2021 for a 3-year period. The plan is to move SYMCA bank accounts onto the same banking contract as SYPTE for the start of the 2022/23 financial year in readiness for the integration of the two organisations.

2.3.3 Money-broking services

SYMCA may use money broking services in order to make deposits and will establish charges for all services prior to using them. SYMCA will also make use of money-market fund portals, and will review options prior to contracting.

2.3.4 Consultants'/advisers' services

SYMCA retains professional external advice from Link Asset Services.

2.3.5 Policy on External Managers (Other than relating to Superannuation Funds)

SYMCA's policy is not to appoint external investment fund managers.

TMP 3 DECISION-MAKING AND ANALYSIS

3.1 Investment and New Instruments/Techniques:

3.1.1 Records to be kept

The following records will be retained:

- Internal investment decision templates.
- Investment confirmation documentation received from direct investments.
- Broker confirmation slips as necessary.
- Bank approval documentation.

3.1.2 Processes to be pursued

- Cash flow analysis.
- Investment maturity analysis.
- Ledger reconciliation.
- Investment returns review

3.1.3 Issues to be addressed

3.1.3.1. In respect of every treasury management decision made SYMCA will:

- a) Above all, be clear about the nature and extent of the risks to which SYMCA may become exposed
- b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
- c) Ensure that the appropriate internal approvals have been secured
- d) Be content that the documentation is adequate both to deliver SYMCA's objectives and protect SYMCA's interests, and to deliver good housekeeping
- e) Ensure that third parties are judged satisfactory in the context of SYMCA's creditworthiness policies, and that limits have not been exceeded
- f) Be content that the terms of any transactions have been fully checked against the market and have been found to be competitive.

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 Approved Treasury Management Activities

- Investment management
- Cash management, including the management of cash flows
- Bank account management and administration
- Borrowing

4.2 Approved Instruments for Investments

Refer to the Treasury Management Strategy.

4.3 Approved Techniques

- Forward dealing
- The use of structured products such as callable deposits

4.4 Investment Limits

The Treasury Management Strategy Statement sets out the limits and the guidelines for use of each type of investment instrument.

4.5 Borrowing Strategy

The Treasury Management Strategy Statement sets out the Authority's borrowing strategy which, in summary, is to meet any borrowing need for the year internally from treasury investments rather than taking out external borrowing.

TMP 5 Authority, Clarity and Segregation of Responsibilities, and Dealing Arrangements

5.1 Allocation of responsibilities

(i) SYMCA Board

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual treasury management strategy
- approval of capital strategy and capital programme
- approval of annual revenue budget

(ii) Audit & Standards Committee

- recommendation of amendments to the Authority's adopted clauses, treasury management policy statement and treasury management practices
- approval of the division of responsibilities
- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

5.2 Principles and Practices Concerning Segregation of Duties

5.2.1 SYMCA ensures a division of duties in the following manner:

Investment placement – internal parameters

Deals must be pre-approved by two authorised approvers, with documentation reviewed in advance by a third officer.

Investment placement – money market funds

The ICD money market portal is configured to allow for a pool of traders and a pool of approvers. All transactions require one individual from the pool to enter transactions, and one individual from the pool to approve the transaction.

Accounts Payable – payment proposals

Every payment proposal must be proposed by one officer and then approved by a second. One of the Financial Controller, Finance Manager, or Assistant Accountant must then upload the payment file to Barclays.net.

Bank transactions

All transactions must be approved by two authorised approvers, with the bank transaction being entered by a third officer. An approver cannot also be a transactor.

Investment redemption

All redemptions must be pre-approved by one authorised approver, with documentation reviewed in advance by a second officer.

Ledger input

All banking journals require approval from an officer different to he/she who entered the journal.

Bank reconciliations

Bank reconciliations must be approved by the Group Finance Director (or Financial Controller in his/her absence) and be prepared by a second officer.

Bank administration

Bank administration changes can only be proposed by the Group Finance Director or the Financial Controller, and require both officers to approve the transaction.

Authorised officers for account opening

The Group Finance Director, the Monitoring Officer, and the Chief Executive are authorised officers for the purposes of account opening. Changes to account conditions requires approval from those officers signatory to the account opening.

5.3 Treasury Management Authority Chart

Approver Group:

Group FD, Assistant Director, Financial Controller, Senior Finance Business Partner, SCC Treasury

Transaction Group:

Financial Services Manager, Senior Revenues Officer, Accounts Payable Officer

5.4.1. The responsible officer

The responsible officer is the person charged with professional responsibility for the treasury management function and in SYMCA is the Group Finance Director (This post is also the S73 officer.) This officer will carry out the following duties: -

- a) recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- b) submitting cyclical treasury management policy reports
- c) submitting budgets and budget variations
- d) receiving and reviewing management information reports
- e) reviewing the performance of the treasury management function
- f) ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- g) ensuring the adequacy of internal audit, and liaising with external audit
- h) recommending the appointment of external service providers.
- i) The responsible officer has powers to make the most appropriate form of investments in approved instruments.
- j) The responsible officer may delegate his power to invest to members of his staff, principally the Assistant Director of Finance, to act as temporary cover for leave/sickness.
- k) The responsible officer will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
- l) It is also the responsibility of the responsible officer to ensure that SYMCA complies with the requirements of The Non Investment Products Code

(formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

5.4.2. Financial Controller

The responsibilities of this post will be: -

- a) adherence to agreed policies and practices on a day-to-day basis
- b) maintaining relationships with counterparties and external service providers
- c) supervising staff
- d) monitoring performance on a day-to-day basis
- e) submitting management information reports to the responsible officer
- f) identifying and recommending opportunities for improved practices

5.4.3. The Head of the Paid Service – the Chief Executive

The responsibilities of this post will be: -

- a) Ensuring that the system is specified and implemented
- b) Ensuring that the responsible officer reports as required to SYMCA Board and Audit Standards and Risk Committee on treasury policy, activity and performance.

5.4.4. The Monitoring Officer

The responsibilities of this post will be: -

- a) Ensuring compliance by the responsible officer with the treasury management policy statement and treasury management practices and that they comply with the law.
- b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
- c) Giving advice to the responsible officer when advice is sought.

5.4.5. Internal Audit

The responsibilities of Internal Audit will be: -

- a) Reviewing compliance with approved policy and treasury management practices.
- b) Reviewing division of duties and operational practice.
- c) Assessing value for money from treasury activities.
- d) Undertaking probity audit of treasury function.

5.5 Absence Cover Arrangements

The Assistant Director is also the deputy S73 Officer. The Assistant Director will also ensure that cover is available for the Financial Controller role and other officers as necessary.

5.6 Dealing Limits

The following posts are authorised to approve transactions. At all times at least two pre-approvals must be granted to enter into transactions:

- The Group Finance Director
- The Assistant Director
- The Financial Controller
- The Senior Finance Business Partner
- SCC Treasury Team

5.7 Policy on Brokers' Services

It is SYMCA's policy to rotate business between brokers.

5.8 Policy on Taping of Conversations

It is not SYMCA's policy to tape brokers conversations.

5.9 Direct Dealing Practices

SYMCA will deal directly with counterparties if it is appropriate and SYMCA believes that better terms will be available. Direct dealing includes transactions with money market funds and banks through fixed-term deposit accounts.

5.10 Settlement Transmission Procedures

All investments will be settled through Barclays.net using the segregation of duties detailed.

5.11 Documentation Requirements

For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

5.12 Arrangements Concerning the Management of Third-Party Funds.

SYMCA does not currently manage any third-party funds.

5.13 Authorised Signatories

The SYMCA Finance Director (S.73 officer) and Assistant Director (Deputy S.73 officer), are authorized signatories along with senior SCC Finance officers who remain on the bank mandate for the time being to enable SCC to provide treasury services under the SLA.

TMP 6 Reporting Requirements and Management Information Arrangements

6.1 Annual programme of reporting

- a) Annual reporting requirements before the start of the year: -
 - a. review of the Authority's approved clauses, treasury management policy statement and practices
 - b. strategy report on proposed treasury management activities for the year comprising of the Treasury Management Strategy Statement and the Annual Investment Strategy
- b) Mid-year Treasury Management Strategy report
- c) Annual review report after the end of the year within the out-turn Financial Monitoring Report.

6.2 Annual Treasury Management Strategy Statement (TMSS)

- 1. The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the SYMCA Board for approval before the commencement of each financial year.
- 2. The Treasury Management Strategy Statement seeks to ensure that:
 - a) The MCA's overarching Borrowing strategy is appropriate in the context of the current economic climate
 - b) The MCA Group's capital plans are affordable, prudent and sustainable (as measured via a series of prudential indicators);
 - c) Prudent charges are made to revenue for the repayment of debt by adopting a minimum Revenue provision (MRP) policy that is compliant with statutory MRP guidance
 - d) investments and borrowings are organised in accordance with the MCA's risk appetite (as measured via a series of treasury indicators); and
 - e) The MCA Group's investment strategy pays due regard to security (the management of risk and the protection of the principal sums invested) and liquidity (availability of cash to meet liabilities as they fall due) as first priorities and then what level of return (yield) can be obtained based on risk appetite and the contribution each investment activity makes.
- 3. The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable) and highlight sensitivities to different scenarios.

6.3 The Annual Investment Strategy

Included within the Treasury Management Strategy Statement is the report on the Annual Investment Strategy which sets out the following: -

- a) SYMCA's risk appetite in respect of security, liquidity and optimum performance
- b) The definition of high credit quality to determine what are specified investments as distinct from non-specified investments
- c) Which specified and non-specified instruments SYMCA will use – if at all
- d) Whether they will be used by the in-house team, external managers or both (if applicable)

- e) SYMCA's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
- f) Which credit rating agencies SYMCA will use
- g) How SYMCA will deal with changes in ratings, rating watches and rating outlooks
- h) Limits for individual counterparties and group limits
- i) Country limits
- j) Levels of cash balances
- k) Interest rate outlook
- l) Budget for investment earnings
- m) Policy on the use of external service providers

6.4 Policy on Prudential and Treasury Indicators

1. SYMCA approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.
2. The responsible officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to the SYMCA Board

6.5 Mid-year review

SYMCA will review its treasury management activities and strategy on at least a six-monthly basis. This review will consider the following:

- a) activities undertaken
- b) variations (if any) from agreed policies/practices
- c) interim performance report
- d) regular monitoring
- e) monitoring of treasury management indicators for local authorities.

6.7 Year-end performance report

A year-end performance report will go to SYMCA Board as part of the year-end outturn report. This report will contain the following information: -

- a) any non-compliance with Prudential limits or other treasury management limits
- b) the position on cash and cash equivalents

6.8 Publication of Treasury Management Reports

The Annual Treasury Management Strategy Statement, the Mid-Year Treasury Management Strategy Update, and the Annual Treasury Management Report is reviewed at the SYMCA Board. Meeting documents are available on SYMCA's website at <https://southyorkshire-ca.gov.uk/governance>

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 Statutory/Regulatory Requirements

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices. SYMCA has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to SYMCA's treasury management activities.

7.2 Sample Budgets / Accounts / Prudential and Treasury Indicators

The Group Finance Director will prepare at least a three-year medium-term financial plan with Prudential and Treasury Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The Group Finance Director will exercise effective controls over this budget and monitoring of performance against Prudential and Treasury Indicators and will report upon and recommend any changes required in accordance with TMP6.

7.3 List of Information Requirements of External Auditors.

- Calculation of interest on working balances
- Interest accrual calculation
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential and Treasury Indicators
- Review of observance of limits set by Prudential and Treasury Indicators
- External fund manager(s) valuations including investment income schedules and movement in capital values (if applicable)

7.4 Monthly Budget Monitoring Report

Monthly Budget Monitoring reports are produced for the Finance Director and are the basis of the financial information provided to Board members and other stakeholders via the Monthly Operating Report.

TMP 8 Cash and Cash Flow Management

8.1 Arrangements for Preparing/Submitting Cash Flow Statements

Cash flow projections are prepared annually and also prepared to support investment decisions. The annual cash flow projections are prepared according to known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

8.2 Bank Statements Procedures

SYMCA reviews its bank accounts on a daily basis, and performs a monthly bank reconciliation exercise. These are prepared by the Finance Officer and reviewed by the Financial Controller.

8.3 Payment Scheduling and Agreed Terms of Trade with Creditors

SYMCA's policy is to pay all creditors within the agreed terms of trading. Standard terms within the MCA's purchase orders are 30 days.

8.4 Arrangements for Monitoring Debtors / Creditors Levels

The Financial Controller is responsible for monitoring the levels of debtors and creditors.

8.5 Procedures for Banking of Funds

SYMCA accepts cash payments via secure on-site retail ticket machines. Collection, carrying, and counting of cash is performed by an outsourced cash processing contractor. Limited volumes of low value cheques are received and banked by a postal service offered by our bankers.

8.6 Practices Concerning Prepayments to Obtain Benefits

SYMCA does not prepay liabilities unless there is a sound business reason that is aligned to SYMCA's risk appetite. Prepayments of liabilities would be authorised by the Financial Controller and where necessary the Group Finance Director.

TMP 9 Money Laundering

9.1 Proceeds of Crime Act 2002

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:

- concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
- being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property
- acquiring, using or possessing criminal property.

These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:

- failure to disclose money-laundering offences
- tipping off a suspect, either directly or indirectly
- doing something that might prejudice an investigation – for example, falsifying a document.

9.2 The Terrorism Act 2000

This act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment.

9.3 The Money Laundering Regulations 2007, 2012 and 2015

Organisations pursuing relevant business (especially those in the financial services industry regulated by the FSA) are required to appoint a nominated officer and implement internal reporting procedures; train relevant staff in the subject; establish internal procedures with respect to money laundering; obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions. In December 2007 the UK Government published the Money Laundering Regulations 2007, which replaced the Money Laundering Regulations 2003.

9.4 Local authorities

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and subsequent Terrorism Acts and may commit most of the principal offences under the POCA, but are not legally obliged to apply the provisions of the Money Laundering Regulations 2007, 2012 and 2015. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly SYMCA will do the following: -

- a) evaluate the prospect of laundered monies being handled by them
- b) determine the appropriate safeguards to be put in place
- c) require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
- d) make all its staff aware of their responsibilities under POCA
- e) appoint a member of staff to whom they can report any suspicions. This person is the Assistant Director
- f) in order to ensure compliance is appropriately managed, SYMCA will require senior management to give appropriate oversight, analysis and assessment of the risks of clients and work/product types, systems for monitoring compliance with procedures and methods of communicating procedures and other information to personnel.
- g) The officer responsible for the creation and monitoring the implementation of a corporate anti money laundering policy and procedures is the Assistant Director and it shall be a requirement that all teams implement this corporate policy and procedures.

9.6 Methodologies for Identifying Deposit Takers

In the course of its treasury activities, SYMCA will only lend money to or invest with those counterparties that are on its approved lending list. These will be local authorities, the DMADF, and authorised deposit takers under the Financial Services and Markets Act 2000. The FSA register can be accessed through their website on www.fca.gov.uk.

All transactions will be carried out through the Barclays.net system.

TMP 10 Training and Qualifications

SYMCA recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity. There are two categories of relevant individuals: -

- a) Finance officers employed by SYMCA
- b) Members charged with governance of the treasury management function

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. SYMCA operates a Personal Development Review system which identifies the training requirements of individual members of staff engaged on treasury related activities.

Additionally, training may also be provided on the job and it will be the responsibility of the Group Finance Director to ensure that all staff under his / her authority receive the level of training appropriate to their duties. This will also apply to those staff who from time to time cover for absences from the treasury management team.

10.1 Details of Approved Training Courses

Treasury management staff and members will go on courses provided by our treasury management consultants, CIPFA, or other relevant bodies.

10.2 Records of Training Received by Treasury Staff

The HR team will maintain records on all staff and the training they receive.

10.3 Record of Secondment of Senior Management

Records will be kept of senior management who are seconded into the treasury management section in order to gain first-hand experience of treasury management operations.

10.4 Statement of Professional Practice (SOPP)

1. Where the Group Finance Director or Assistant Director is/are a member of CIPFA/ICAEW, there is a professional need for both parties to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.
2. All staff involved in treasury management activities must also comply with the SOPP.

10.6 Member training records

Records will be kept of all training in treasury management provided to members.

10.7 Members charged with governance

Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

TMP 11 Use of External Service Providers

11.1 Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants, Advisers

SYMCA will employ the services of other organisations to assist it in the field of treasury management. In particular, it will use external consultants to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this Authority, especially in terms of being objective and free from conflicts of interest.

It will also ensure that the skills of the in-house Finance team are maintained to a high enough level whereby they can provide appropriate challenge to external advice and can avoid undue reliance on such advice.

Finance officers will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding undue reliance.

- The quality financial press
- Market data
- Information on government support for banks
- The credit ratings of that government support

11.1.1 Banking Services

- a) SYMCA's banking provider is Barclays Bank.
- b) Barclays Bank is authorised to undertake banking activities by the FSA.
- c) SYMCA's banking branch address is:
Barclays
Leicester
LE87 2BBB
- d) SYMCA's banking contract commenced in 2018 for a three-year term extended for a further year
- e) The cost of banking services is variable depending on a schedule of tariffs set annually applied to volumes of transactions.
- f) Banking charge payments are due monthly and quarterly.

11.1.2 Money-Broking Services

SYMCA does not use the services of money- brokers.

11.1.3 Consultants'/Advisers' Services

Treasury Consultancy Services

SYMCA will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to put on its approved lending list etc.

The performance of consultants will be reviewed annually by the Group Finance Director to check whether performance has met expectations.

- a) Name of supplier of service is Link Treasury Solutions. Their address is 65 Gresham Street, London, EC2V 7NQ
- b) Regulatory status: investment adviser authorised by the FCA
- c) Contract cost is £2,675 per annum

11.1.4 Procedures and Frequency for Tendering Services

As per SYMCA's contract procedure rules.

TMP 12 Corporate Governance

12.1.1 List of documents to be made available for public inspection

- a. SYMCA is committed to the principle of openness and transparency in its treasury management function and in all of its functions.
- b. It has adopted the CIPFA Code of Practice on Treasury management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.
- c. The following documents are available for public inspection: -
 - Treasury Management Strategy Statement
 - Treasury Manage Practices
 - Annual Statement of Accounts
 - Annual Revenue Budget and MTFS
 - Capital Strategy
 - Minutes of Board / committee meetings
 - Third party expenditure via quarterly corporate spend analysis published on the website to comply with the coalition government's transparency agenda.

TMP 13 Treasury management practices for non-treasury investments

The proposed changes to the Prudential Code and Treasury management Code of Practice which are due to come into effect from 2022/23 define 3 categories of investment;

- Treasury Management investments that arise from cash flows or treasury risk management activity, and ultimately represent balances which need to be invested until the cash is required for use in the course of business
- Service investments held primarily and directly for the delivery of public services (including housing, regeneration and local infrastructure) or in support of joint working with others to deliver such services.
- Commercial investments held primarily for financial return and not linked to treasury management activity or the delivery of services.

SYMCA does not hold or plan to invest in commercial investments.