

CIPFA Revised Treasury Management Code Consultation

Public services, especially local authorities, have had a turbulent time following the collapse of the Icelandic Banks. There have been two national reports as a consequence, one from the Audit Commission¹ and the second from the Communities and Local Government Select Committee². Neither report suggested that the current system was fundamentally flawed, though both made recommendations for improvement. It is important that the lessons learned in local government are applied across all sectors, therefore, following the publication of the revised Treasury Management Code it is intended to update the guidance notes for all sectors. CIPFA was already in the process of updating its local government guidance at the time of the collapse.

It is intended that the revised Code and cross-sectoral guidance notes will be published in the autumn. In order to inform that revision, CIPFA is launching this period of consultation on the proposed changes. This is the second period of consultation; in response to its Treasury Management Bulletin in March 2009, CIPFA sought feedback and is grateful for the comments received at that time. It has taken those comments received into account in either the revised Code or the revised guidance notes.

The key changes to the Code are as follows:

1. Enhancement of the role of scrutiny of treasury management strategies and procedures. It will be a public body's responsibility to identify an appropriate body or individual to have responsibility for the scrutiny function which may be a committee such as a finance scrutiny committee or audit committee. This reflects the increased prevalence of Audit Committees and Scrutiny functions across the public services.
2. Currently the Treasury Management Strategy must be approved by full board or council and this is typically done as part of the approval of the budget. The revised Code will allow approval from a relevant committee. Where approval is not by full board or council, the decisions made must be reported to full council. This reflects the evolving political structures within Local Government and ensures that public bodies consider treasury management away from the focus of the budget.
3. The requirement for ensuring that staff are appropriately qualified and trained is already contained within the existing Code. The revised Code will require training to be available for relevant board / Council members with responsibility for treasury management. This is to ensure that all those responsible for treasury management are aware of their responsibilities and have access to suitable training.

¹ Risk and Return, English local authorities and the Icelandic Banks, March 2009

² Communities and Local Government, Local authority investments, 11 June 2009

4. The existing Code requires the Treasury Management Strategy to be approved prior to the start of the financial year and a report presented after the end of the financial year detailing operational activity throughout the year. The revised code will also require an interim or mid-year operational report.

The key changes to the cross-sectoral guidance notes are as follows:

1. The emphasis that organisations should not solely rely on credit ratings when choosing a counterparty, but should use all available market information.
2. That a sound diversification policy will include country, sector and group limits.
3. Clarification that officers involved in treasury management must follow the treasury management policies and procedures.

The following table provides the detail of the changes to the Code. CIPFA welcome comments all the proposed changes, especially where there may be practical implementation issues.

There are some areas raised in the national reports which are not appropriate for the Code, but will be addressed either in the revised guidance notes or in a Treasury Management Bulletin. Revised guidance is planned for all sectors.

The deadline for responses to the consultation is **Friday 18th September 2009**. Please send your responses to: - mandy.bretherton@cipfa.org.uk

Proposed Key Changes to CIPFA Revised Treasury Management Code

| Area | Proposed Amendment |
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| 1. Scrutiny | The organisation will be expected to name the individual/group of individuals or committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. |
| 2. Approval Process | The annual strategy can be approved by a named relevant committee and does not have to be approved by full board/council. Where approval of the annual strategy is taken by a body other than full board/council, the annual strategy should be reported to full board/council. |
| 3. Training of Board / Council members | The responsible officer should ensure that all board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities. |
| 4. Reporting | In addition to the Annual strategy and year end operation report, a mid year report will be required. This should be presented to full board/council or relevant committee. |