

Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes

Consultation responses and proposed changes

Question 1: Do you agree with the proposal that organisations that have adopted the Treasury Management Code will have to explicitly document a formal and comprehensive knowledge and skills schedule to ensure the effective acquisition and retention of treasury management skills for those responsible for the management, delivery, governance, decision-making and compliance with legislative requirements? If not, why not? What alternatives would you suggest?

What should be included in a knowledge and skill schedule?

Response	Number of responses
Agree	61
Disagree	15
Neutral	11

Total responses: 87

Respondents were invited to comment on the proposal that organisations that have adopted the Treasury Management Code (TM Code) will have to explicitly document a formal and comprehensive knowledge and skills schedule to ensure the effective acquisition and retention of treasury management skills for those responsible for the management, delivery, governance, decision-making and compliance with legislative requirements.

Respondents' comments

Overall respondents are supportive of the expanded policy statement. However, concerns have been raised in relation to scalability and flexibility. Larger authorities with a dedicated treasury function may find it easier, but this is likely to be harder for smaller authorities who do not have a full time treasury manager and only use a small range of products.

CIPFA's response

See CIPFA's response to questions 1 to 4 below.

Question 2: Do you agree with the proposals for what should be included in a knowledge and skills schedule?

Response	Number of responses
Agree	62
Disagree	8
Neutral	15

Respondents' comments

Comments from respondents are in support for the proposal. However, some respondents commented on the need for a tailored, flexible approach. Their view was that this might be a better approach as a one-size fits all approach will not be achievable for some smaller organisations. A balance needs to be struck between setting out a workable regulatory structure without being overly onerous.

Respondents commented that if the intention is for the schedule to be published, the suggested level of detail may be too high and the schedule should direct the reader to where the competencies for each role can be found rather than state them as part of the schedule itself.

Suggestions were made that the TM Code should focus on the objective, rather than prescribing the form in which this objective needs to be met. Some respondents expect the majority of organisations will manage this requirement already and commented that it also may not be solely the responsibility of the treasury function. Their view was that if existing processes already achieve the objective to have the essential skills and knowledge for treasury management, it should not be necessary for those organisations to change or duplicate processes purely to comply with a particular prescribed format.

CIPFA's response

See CIPFA's response to questions 1 to 4 below.

Question 3: Do you agree with the proposals for the monitoring and review of treasury management knowledge and skills? Do you agree that these are best specified in guidance to the Treasury Management Code? If not why, not? What alternatives do you suggest?

Response	Number of responses
Agree	51
Disagree	26
Neutral	10

Respondents' comments

Respondents commenting on the proposals for the monitoring and review of treasury management knowledge and skills were in support of implementing such requirements in the TM Code and Guidance.

A few dissenting respondents suggested that organisations should still have the flexibility to set other objectives via internal appraisal systems where required. To achieve these skills individual local authorities should be free to tailor their approach to suit their specific circumstances and avoid a 'one size fits all' approach. Respondents did however agree that the approach should be documented in the treasury management strategy.

A number of specific references to councillor training were made and there appears to be a consensus that training for councillors should be included. Comments from respondents indicated that local authorities could use this to demonstrate the training to be a mandatory requirement for attendance at the bodies considering treasury management matters in detail. In the absence of an agreement to mandate training, this would allow local authorities to report that they comply with the code with the exception of the councillor training. Respondents indicated that they would therefore wish for this to be implemented on a 'comply or explain' basis.

CIPFA's response

See CIPFA's response to questions 1 to 4 below.

Question 4: Do you agree that guidance to the Treasury Management Code should include specifications on key competencies for treasury management roles?

Response	Number of responses
Agree	22
Disagree	39
Neutral	26

Respondents' comments

Respondents commented that it is important to ensure that the key competencies are held within the organisation but attaching them to specific roles could be problematic for smaller authorities and for recruitment/staff movement.

Respondents accept having some specifications on key competencies for treasury management roles. There needs to be a recognition that this has to be proportionate to the size and scale of the activities that an organisation undertakes.

Respondents noted that it would be helpful to have suggested key competencies that each local authority can then use as a starting point in setting the requirements for their own organisation, specific to the particular treasury management activity that officers and members will be involved with. It would be helpful if CIPFA produced a template 'learning needs analysis' as they do for the governance of local authority pension funds.

CIPFA response to questions 1 to 4:

As indicated in the consultation papers it is essential that the treasury management function is supported by appropriate training for local authority members and staff. CIPFA will therefore proceed with the implementation of the Treasury Management Knowledge and Skills framework. CIPFA will add a level of 'scalability' or maturity to ensure flexibility for small to large organisations of various complexity and resources.

CIPFA recognises that certain roles will be fulfilled as part of a job at smaller organisations. However, the purpose of the schedule is to not only recognise the professional role that treasury managers play within an organisation and their importance but also to highlight the need for resources and training where appropriate for organisations.

CIPFA will also provide a template for organisations to produce a 'learning needs analysis' to support the implementation of new requirements and processes under the expanded guidance.

The Panel's views are sought on the proposed approach above.

Question 5: Do you agree with the addition of a new TMP to address environmental, social and governance risks? If not, why not? What alternatives do you suggest?

Response	Number of responses
Agree	15
Disagree	49
Neutral	22

Respondents' comments

Respondents were invited to comment on the addition of a new TMP to address environmental, social and governance risks. Responders overall are opposed to the introduction of a specific TMP to address these issues.

A number of respondents commented that the extent to which an authority wishes to address ESG risks should be based on council policy and objectives. Views showed it may be preferable for any ESG matters to be part of a wider policy framework, as the treasurer or Section 151 officer's responsibilities are first and foremost the protection of public funds (security, liquidity and then yield), in accordance with the current TM Code. Including ESG within a CIPFA Code may conflict with the security, liquidity and yield requirements.

Respondents recognise that while the appetite for ESG risk monitoring may exist in the local authority sector, the market is yet to catch up. It may be prudent to wait a few years before creating a TMP that addresses ESG until ESG is much more embedded in the investment market generally.

Suggestion was instead made that ESG risk management should be added as a sub-category under the risk management TMP1. This would place ESG alongside the other risks facing local authority treasury management, rather than potentially being seen to give it precedence. This will ensure robust due diligence procedures are designed, implemented and monitored to the same professional level subject to the relevant treasury activity for each individual authority.

CIPFA response:

CIPFA recognises the arguments put forward by the respondents and will not at this juncture include a separate TMP for ESG. However, we will incorporate ESG issues as a consideration within TMP1.

Question 6: Do you agree more complex treasury management functions (ie a professional client under MiFID II legislation) means that local authorities would benefit from the support of a dedicated committee to review decisions and strategies and that CIPFA should recommend this in its guidance provided to local authorities? If not, why not? What alternatives would you suggest?

Response	Number of responses
Agree	3
Disagree	69
Neutral	16

Respondents' comments

Respondents' views were that there may be alternative arrangements that would provide greater benefit rather than the proposal for a dedicated committee. They believe that each local authority is best placed to make that decision. Rather than the guidance getting involved in processes such as recommending a particular committee, respondents consider that the guidance should set out the main features of the arrangements and leave it to each local authority to determine what works best in its own circumstances.

Some local authorities already have a dedicated treasury management committee, but some comments indicated that they were of the view that that making it mandatory for the majority of authorities was an unnecessary step. Respondents commented that the TM Code already provides roles for full council, cabinet and an audit or scrutiny committee. Requiring a fourth committee specifically for treasury management is 'a step too far in'.

CIPFA response:

CIPFA recognises the consistent theme within the responses disagreeing with the proposals. It would clarify that the proposal was intended to form part of the guidance as a recommendation to examine the benefits of a separate committee, not to prescribe a specific governance structure. However, it will revisit the proposals to make sure that they take on board the views of respondents while ensuring that appropriate resource is dedicated to the review and scrutiny of treasury management decisions.

Question 7: Do you agree with the removal of the maturity structure of borrowing treasury management indicators on the introduction of the liability benchmark indicator? If not, why not? What alternatives would you suggest?

Response	Number of responses
Agree	18
Disagree	57
Neutral	8

Respondents' comments

Respondents commented that the maturity structure provides a method of mitigating exposure to loan re-financing. It can also be used to plan any new borrowing and help to control any excessive loan maturity spikes in the external loan portfolio.

Their view was that maturity limits are easy to understand and are objective, so this element of the previous indicator might be something which is retained separately.

Respondents commented that if the liability benchmark is introduced then this indicator should be made optional.

CIPFA response:

CIPFA will not remove the maturity structure indicator. However, if the organisation is publishing a liability benchmark then it will consider approaches to make this indicator optional.