

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

Consultation

February 2017

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance.

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Introduction

1. The first version of the *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* (Treasury Management Code) was published in 2001 with a recommended start date of 1 April 2002. While the Treasury Management Code covers all public services, it is primarily designed for the use of local authorities (including police and fire authorities), providers of social housing, higher and further education institutions and the National Health Service. Local authorities in England, Scotland and Wales are required to “have regard” to the Treasury Management Code.
2. The Treasury Management Code defines treasury management as follows:
The management of the organisation’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.
3. The Treasury Management Code was last updated in 2011. Since then the landscape for public services has changed significantly following the sustained period of reduced public spending and the developing localism agenda. There are significant treasury management portfolios within the public services; for example, as at 31 March 2016 UK local authorities had outstanding borrowing of £88bn and investments of £32bn.
4. It is therefore an appropriate time for the Treasury Management Code to be reviewed and views sought as to areas where it can be strengthened or amended.

Who is this consultation aimed at?

5. Views are sought from any public service organisation, however, responses are specifically welcomed from local authorities, providers of social housing, higher and further education institutions and the National Health Service.

Scope

6. Local authorities are required to “have regard” to the Treasury Management Code. CIPFA believes that the recommendations made in the Treasury Management Code provide a basis for **all** public service organisations to create clear treasury management objectives and to structure and maintain sound treasury management policies and practices. CIPFA would like to understand through this consultation the extent to which the Treasury Management Code is adopted by public service organisations and if there are specific barriers to its adoption.

Consultation Question 1 Has your public service organisation adopted the Treasury Management Code?

If yes, please detail any practical implementation issues you have experienced, along with any suggestions for improvement.

If not, please explain why not and identify any specific barriers along with any suggestions you may have to remove the barriers.

Key principles of the Treasury Management Code

7. The following are the three key principles identified in the Treasury Management Code:

Key principle 1

Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

Key principle 2

Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing funds.

Key principle 3

They should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

8. Given the changing environment within which the Treasury Management Code operates this consultation is seeking views on the ongoing relevance of these principles.

Consultation Question 2 Do you consider that the three principles of the Treasury Management Code are relevant to your organisation?

If not, please explain why and provide any suggestions to make them more relevant.

Consultation Question 3 Do you consider that there any areas which are not fully covered by these principles?

If yes, please expand, describing how these areas could be covered within the principles.

The consultation process

9. Responses to this consultation should be returned to mandy.bretherton@cipfa.org by 21 April 2017.
10. The Treasury and Capital Management Panel will consider the consultation responses and then hold a further formal consultation on proposed changes to the Treasury Management Code over the summer. It is anticipated that the revised Treasury Management Code will be published in time for implementation in 2018/19.
11. The Treasury and Capital Management Panel is also seeking views on the [Prudential Code for Capital Finance in Local Authorities](#). The two consultations are being run to the same timescales.