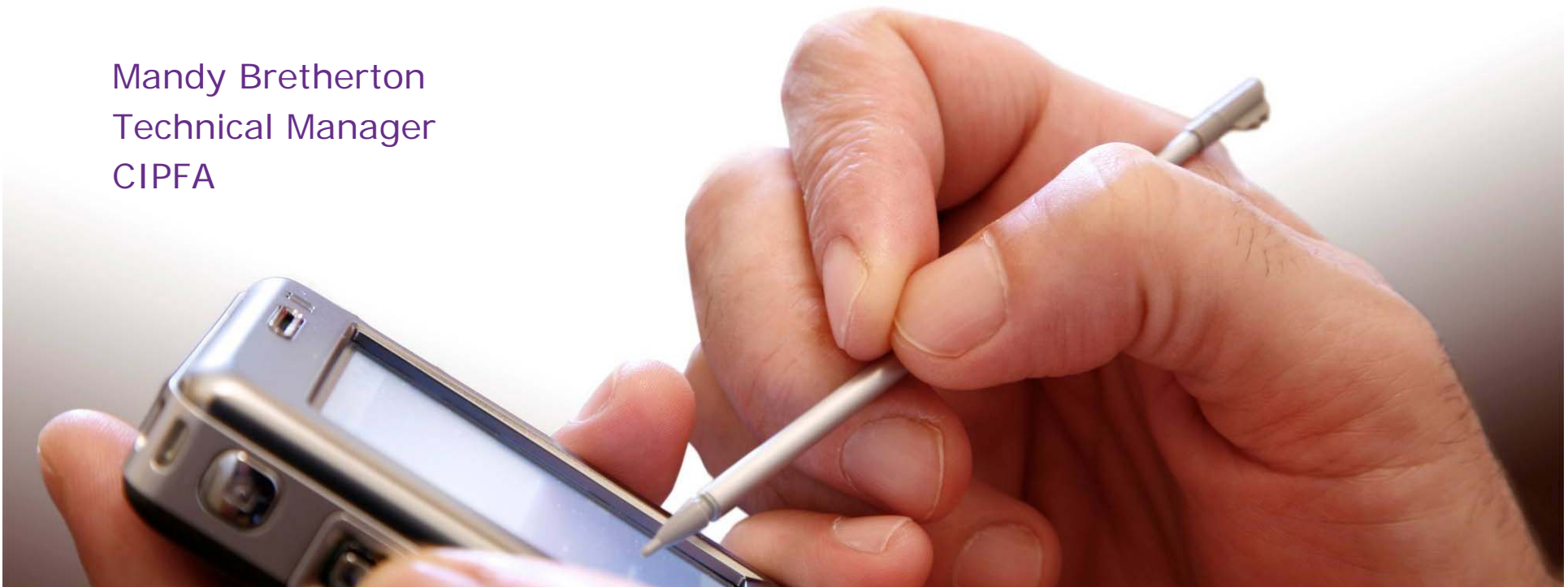


CIPFA

The Chartered Institute of
Public Finance & Accountancy

CIPFA Update

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Contents

- Panel Update
- Prudential Indicator Changes
- Treasury Management Qualification update
- CIPFA Risk Road Map

Panel Update

Name change – now

Treasury and Capital Management Panel

Bulletin will be out shortly

Updated Practitioners Guide to Capital Finance
Involvement in Certainty rate implementation

CIPFA The Chartered Institute of
Public Finance & Accountancy

Practitioners' guide to
capital finance in
local government
2013 edition



Prudential Indicator Changes

In Nov 2011

Comparison of **Net Borrowing to CFR**

Changed to

Comparison of **Net Debt to CFR**

Prudential Indicator Consultation

Proposed further change:

From:

Net debt compared to CFR

To:

Gross debt compared to CFR

Consultation feedback

- 25 responses
- Basic support for change
- Some practical issues, eg where gross debt > CFR
- Requirement that where Debt > CFR this should be detailed in the TM Strategy

What now?

- Change approved by panel and the internal CIPFA approval processes
- Also agreed to remove the Treasury Management indicator comparing gross and net debt
- Changes to be issued as an addendum to the codes with implementation from 2013/14 (or before if LA chooses).

Treasury Management Qualification

There will be no formal replacement to Cert ITM-PF

However, CIPFA have significantly enhanced their offerings:

- Professional qualification now covers more detailed treasury management
- Risk Road Map
- The Network was re-launched and has enhanced its programme and in 2012 introduced “Masterclass” series, eg. investment, borrowing and interest rate risk.



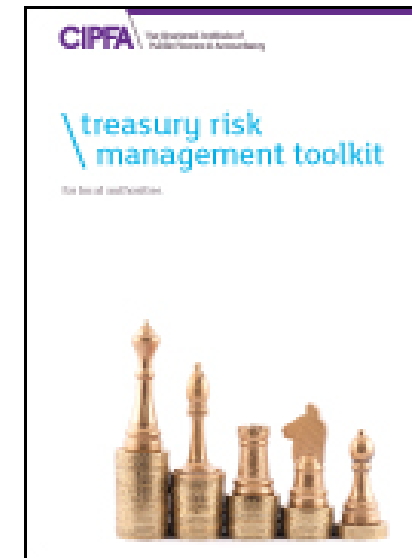
Treasury Management Risk Road Map

3 step process to assisting you
manage your treasury management
risks

Step 1 CIPFA Treasury Risk Management Toolkit

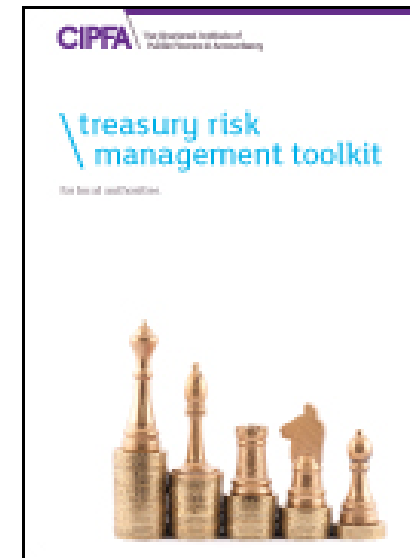
Step 2 National Risk Study

Step 3 TreasuryLive – A cash management and
risk report platform



TREASURY RISK MANAGEMENT TOOLKIT

Purpose: To provide a toolkit of techniques and reports that local authorities can use to identify, benchmark and manage their treasury risks.



Risk Management Methodology

1. Establish the organisation's risk appetite
2. Establish quantified risk benchmarks which represent the agreed risk appetite, against which to measure the level of risk in the portfolio
3. Take treasury decisions and manage the portfolio, relative to the agreed risk benchmarks
4. Review outcomes and performance relative to the risk benchmarks.

Risk Study

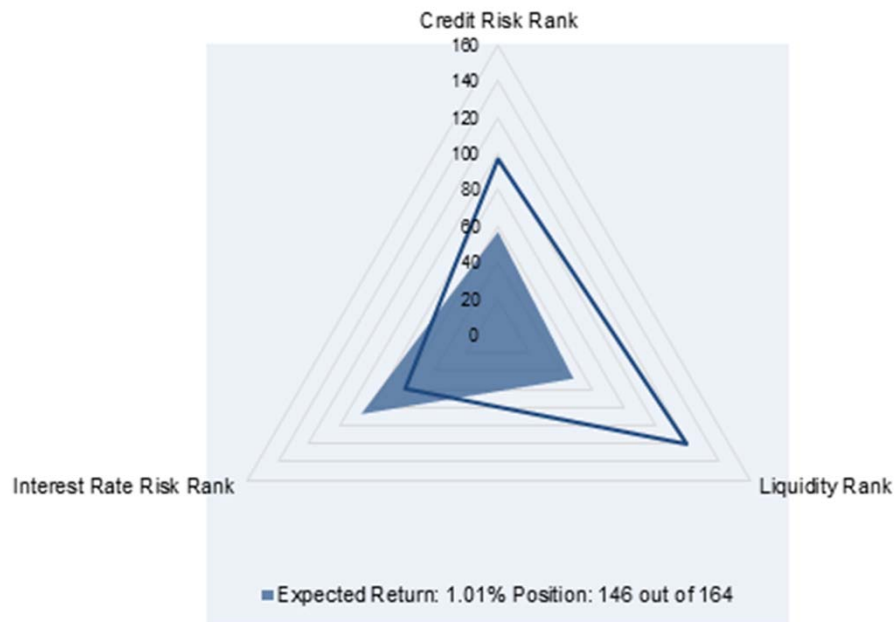
- 3rd Risk study just completed
- 171 responses from England and Wales
- Covered £38bn borrowing and £26bn investments

Key Findings – Investments

- Cash balances are typically not reducing
- Authorities continue to keep investments short
 - 50% of investments mature in less than 1 month
 - 67% of investments are less than 3 months.

Investment Portfolios – balance of risks

Components of Investment Risk



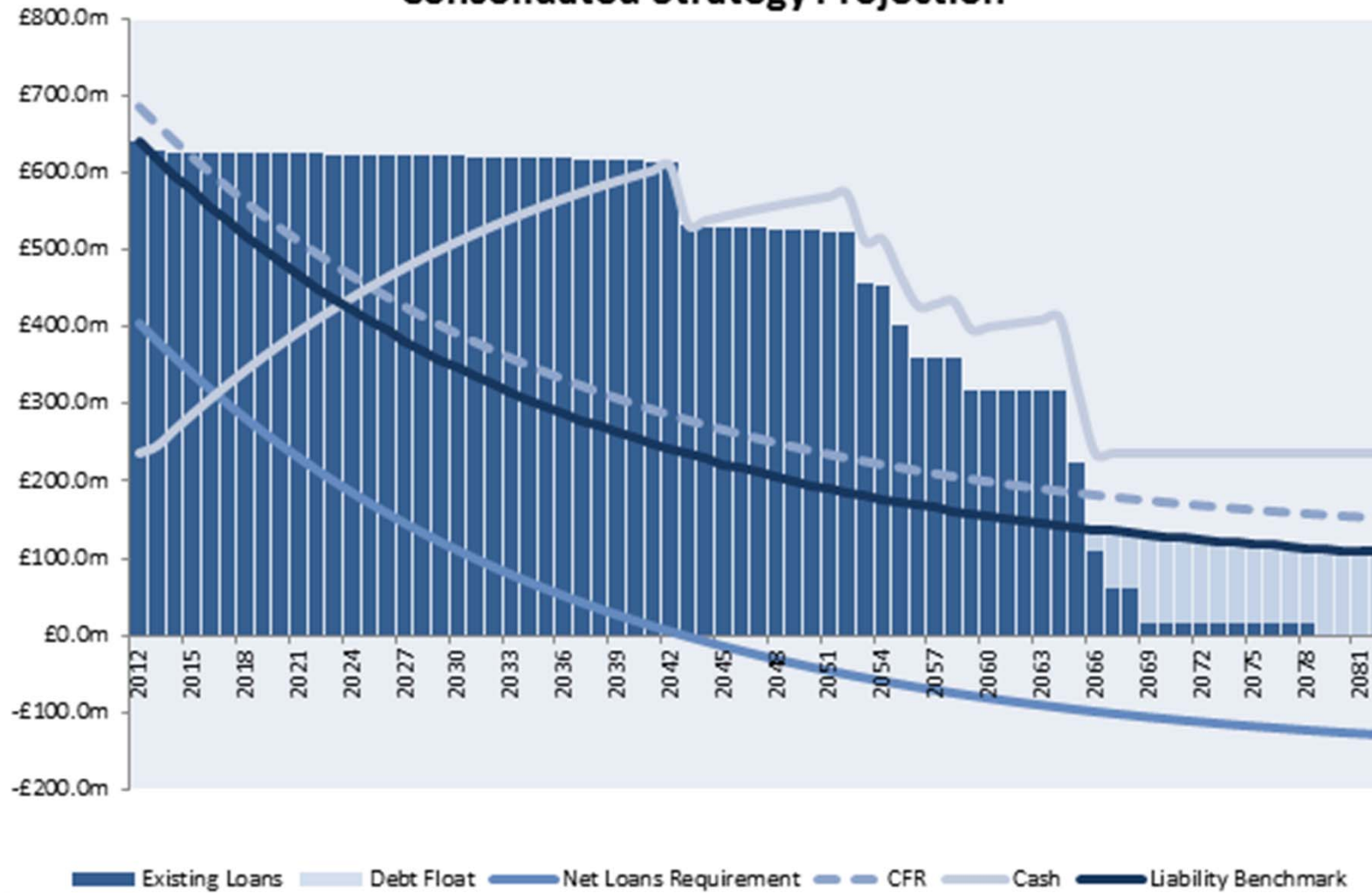
Components of Investment Risk



Key Findings – Borrowing

- Strong relationship between CFR and external loans
- LA's need to understand their on-going position – what is the likely CFR in the future?
- Once this position is understood they can create their liability benchmark rather than simply borrowing up to CFR and then holding investments.
- If CFR doesn't continue to increase, given the long dated portfolios and high repayment costs this will lead to an over borrowed position with increasing cash balances and associated costs of carry and credit risk.

Consolidated Strategy Projection



Treasurylive

- Deal Recording
- Cash flow management
- Market Data
- Risk Management
- Reporting

Questions?

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Toolkit available at: - www.cipfa.org

Details of Treasurylive at: - www.pslive.co.uk

