

Treasury Management in the Public Services: Code of Practice and guidance notes (extracts)

Consultation on code and guidance

Introduction

CIPFA is pleased to publish the consultation on Treasury Management in Public services: Code of Practice following the initial consultation on proposed amendments. CIPFA is grateful to the sector for the healthy response rate, with over 100 responses provided for each code consultation to provide evidence and support for the revised Code.

Following a review of each response we have received, the changes detailed in the code and key changes to the Treasury Management Code Guidance Notes are summarised in the below table:

	Material revisions to the Treasury Management Code	TM Code section
1	Investment Management Practices and other recommendations relating to non-treasury investments in Section 8 are required under the Clauses to be formally adopted	5.
2	Definition of treasury management amended to explicitly include borrowing	6.
3	TMP1 (1) on counterparty credit risk: counterparty policy to set out the organisation's policy and practices relating to environmental, social and governance (ESG) investment considerations	7.
4	Some TMP 1 treasury risks have been renamed to align with general practice	7.
5	TMP 10 on training requires a Knowledge and skills schedule (CQ 1)	7.
6	Section 8 on non-treasury (ie service and commercial) investments definitions updated in line with Prudential Code	8.
7	All reporting under the TM Code to address service and commercial investments in appropriate categories, as well as treasury ones	8.
8	The purposes, objectives and management of each category of service and commercial investment should be described.	8.
9	The risks of commercial investments should be proportionate to the organisation's financial capacity (as per the Prudential Code)	8.
10	Local authorities must not borrow to invest for commercial return; other public service orgs may decide that this principle applies to them also	8.
11	Investment Management Practices for non-treasury investments - updated	8.
	Material Revisions to the Treasury Management Code Guidance Notes for the Prudential Indicators	
G1	A new indicator for the Liability Benchmark, plus guidance on producing and using it	Chapter 3
G2	Annual treasury strategy to analyse the benchmark and how the risks of actual portfolio mismatches will be managed	Chapter 3
G3	Maturity indicator ranges: should relate to the liability benchmark	Chapter 3
G4	Maturity indicator and liability benchmark: show Lender Option Borrower Option contractual arrangements at most probable option call date not first option	Chapter 3

G5	A revised indicator for long term investments: for treasury management investments only, and including investments with no specific maturity	Chapter 3
G6	Interest rate exposures: no specific indicator, but the impact of 1% increase in interest rates is suggested	Chapter 3
G7	Price risk: no specific indicator, but authorities should ensure their investment indicators and reporting cover this risk	Chapter 3

This Consultation asks 11 questions on the material revisions to the code and the table cross references to the page numbers which have been amended. CIPFA thanks you for your time in responding to the Consultation on the Treasury Management Code.

Guidance on the Liability benchmark has also been issued for free for Local Government and CIPFA have developed a module to create a liability benchmark reporting tool which is also free and can be accessed via this [link](#).

The consultation closes on **16 November 2021**.

Questions

Question 1: Do you have any comments or observations on the amendments to the code relating to Investment Management Practices and other recommendations relating to non-treasury investments in Section 8 are required under the Clauses to be formally adopted?

Question 2: Do you have any comments or observations on the amendments to the code relating to the definition of treasury management being amended to explicitly include borrowing?

Question 3: Do you have any comments or observations on the amendments to the code relating to TMP1 (1) on counterparty credit risk: counterparty policy to set out the organisation's policy and practices relating to environmental, social and governance (ESG) investment considerations?

Question 4: Do you have any comments or observations on the amendments to the code relating to TMP 1 treasury risks have been renamed to align with general practice?

Question 5: Do you have any comments or observations on the amendments to the code relating to TMP 10 on training requiring a knowledge and skills schedule?

Question 6: Do you have any comments or observations on the amendments to the code relating to Section 8 on non-treasury (ie service and commercial) investments definitions updated in line with Prudential Code?

Question 7: Do you have any comments or observations on the amendments to the code relating to all reporting under the TM Code to address service and commercial investments in appropriate categories, as well as treasury ones?

Question 8: Do you have any comments or observations on the amendments to the code relating to the purposes, objectives and management of each category of service and commercial investment being described?

Question 9: Do you have any comments or observations on the amendments to the code relating to the risks of commercial investments should be proportionate to the organisation's financial capacity?

Question 10: Do you have any comments or observations on the amendments to the code relating to the Investment Management Practices for non-treasury investments?

Question 11: Do you have any comments or observations on the changes for the new guidance on the treasury management prudential indicators?