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CHAPTER ONE

Introduction

CIPFA's *Treasury Management in the Public Services: Code of Practice* (the TM Code) was first published in 2001 and was subsequently updated in 2009 and 2011.

While the TM Code acknowledges that there is no formal definition of public services, for the purposes of the TM Code it includes those organisations that are, in terms of government expenditure classification, included in the public sector, together with certain other organisations that are materially reliant on government funding or subsidy, and/or have significant social, democratic or political influences on their activities. The TM Code is applicable to all public sector organisations.

The TM Code and its associated guidance notes have been designed primarily for the use of local, police and fire authorities, registered social landlords or registered providers of social housing, higher and further education institutions, and the NHS. Throughout this publication the term RSL will be used to describe both registered social landlords and registered providers of social housing.

CIPFA recognised in the TM Code the potential difficulties that smaller public service organisations with limited treasury management activities and/or resources might face in implementing the TM Code's recommendations in full. These difficulties were acknowledged both in the TM Code itself and in the sector-specific guidance notes accompanying it. The TM Code's requirements are described in more detail in chapter two.

For the purposes of this publication, the definition of 'smaller' organisation is sector specific, as follows:

- For local authorities¹ it is defined by size (for England, a population of less than 75,000; for Scotland and Wales, less than 100,000).
- For RSLs, it is defined by number of housing units (for England, between 2,000 and 3,000; for Scotland and Wales, 1,500 and over).
- For colleges and universities, it is defined by the amount of cash and levels of annual income (more than £4m surplus cash and annual income around £20m or just above).

More details on the definition of 'smaller' can be found in appendix 1.

An overview of the framework for each of the sectors can be found in chapter three.

In 2004, the CIPFA Treasury Management Panel concluded that it would be helpful to give further guidance to smaller public service organisations about how they might apply the TM Code's recommendations in key areas, without unduly compromising the TM Code's

1. As defined in the Local Government Act 2003, in Scotland in the Local Government in Scotland Act 2003 and in Northern Ireland in the Local Government Finance Act (Northern Ireland) 2011. See chapter three.

underlying principles. In particular, it was stated in the TM Code that no organisation, whatever its size, should compromise the overriding need for effective risk management. This guidance updates the 2004 publication.

In order to produce the original version of this guidance, CIPFA undertook detailed research into the experiences of a broad range of organisations that had applied, or had considered applying, the TM Code to their particular circumstances, and the issues they faced. Chapter four contains the key findings and recommendations resulting from the research.

The research was undertaken by way of a questionnaire and follow-up case studies. The questionnaire itself can be found at appendix 2 and the questionnaire findings and the case studies can be found in chapters five and six respectively. The results of this research are still pertinent today and the conclusions and recommendations flowing from it form the basis of this publication.

It is intended that this publication should:

- provide guidance on the application of the TM Code's recommendations in smaller public service organisations
- encourage as many and as wide as possible a range of smaller public service organisations to appreciate better the relevance and value of the TM Code to the management and control of their treasury activities
- help smaller public service organisations to apply the TM Code's recommendations in a manner that is entirely appropriate to the nature and scope of their particular treasury management resources and activities
- assist financial officers in interpreting and fulfilling their responsibilities under the TM Code
- stimulate debate by comparing the treasury management practices and the differing application of the TM Code by the three sectors of the public services covered by this publication – local authorities (LAs), registered social landlords (RSLs) and colleges.