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SECTION 1

Introduction

This *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* (the Code) represents a revision of the 2011 Code.

This Code has been reviewed and updated following recent developments in the marketplace and the introduction of the Localism Act 2011 for English local authorities.

There is no universally agreed or formal definition of the public services. For the purposes of this Code and its accompanying guidance notes, public services have been taken to include those organisations which are, in terms of government expenditure classification, the public sector, together with certain other organisations which are materially reliant on government funding or subsidy, and/or have significant social, democratic or political influences on their activities.

Specifically, the Code and guidance notes have been designed to be primarily for the use of local, police and fire authorities, registered social landlords or registered providers of social housing under the social housing regulatory framework, higher and further education institutions, and the National Health Service.

Within these organisations, CIPFA recognises that there is a wide range of interpretations of what activities comprise treasury management. For the purposes of this Code and accompanying guidance notes, CIPFA has adopted the following as its definition of treasury management activities:

The management of the organisation's borrowing, 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.

This definition is intended to apply to all public service organisations in their use of capital and project financings, borrowings and all investments.

There are substantial variations between different parts of the public services in the nature of and extent to which they employ treasury management activities and techniques in pursuit of their business and service objectives. These variations are primarily a function of the respective statutory and regulatory regimes under which they operate, the powers they possess in respect of treasury management, and the services and businesses they pursue. Nothing in this Code overrides or should be taken as overriding statutory provision. Nor does the Code make intra vires anything that is otherwise ultra vires.

'Investments' in the definition above covers all the financial assets of the organisation, as well as other non-financial assets which the organisation holds primarily for financial returns, such as investment property portfolios. This may therefore include investments which are not managed as part of normal treasury management or under treasury management

delegations. All investments require an appropriate investment management and risk management framework under this Code.

The essentially more commercial nature of some public service organisations has the potential to create pressures and perhaps conflicts in their treasury management activities. These differences are explained more fully in the sector-specific guidance notes, however the key principle of control of risk and optimising returns consistent with the organisation's risk appetite should be applied across all investment activities, including more commercially based investments.

CIPFA recognises that many organisations will find that certain parts of this publication are not relevant to the scope and nature of their treasury management activities. It believes, however, that the recommendations made in the 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.

The guidance notes serve three functions:

- First, they provide general background and explanatory information on the issues raised and recommendations made in the Code.
- Second, they give suggestions for schedules to accompany the Code's recommended treasury management practices.
- Third, they draw attention to features of treasury management that are particular to those individual parts of the public services covered by the Code.

CIPFA gratefully acknowledges the contributions made by the many organisations and individuals who assisted during the preparation of the Code and guidance notes. Responsibility for their contents rests solely with CIPFA, **and they should not be relied on by any third party in their treasury management dealings with public service organisations, nor as an authoritative interpretation of law.**

While the Code has wide-ranging support of various bodies, the **application and maintenance of these recommendations is the responsibility of the organisations themselves.**