

### Adoption of the revised CIPFA Treasury Management Code of Practice 2009

#### 1. INTRODUCTION

- 1.1 The CIPFA Code of Practice on Treasury Management in Local Authorities was revised in 2009 in the light of the default on investments to Icelandic banks in 2008. The revised Code requires that a report be submitted to the Council, board or other appropriate body, setting out four amended clauses which should be formally passed in order to approve adoption of the new version of the Code of Practice and Cross-Sectoral Guidance Notes.
- 1.2 The revised Code also includes an amended version of the Treasury Management Policy Statement (TMPS) incorporating a revised definition of treasury management activities (please see Appendix F). The Code sets out various requirements, incorporated into the Treasury Management Strategy Statement, which have been summarised in section 7.1 of the report

#### 2. RESOLUTIONS

- 2.1 CIPFA recommends that all public service organisations adopt, as part of their standing orders, financial regulations, or other formal policy documents appropriate to their circumstances, the following four clauses.
1. The Council will create and maintain, as the cornerstones for effective treasury management:
    - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
    - suitable Treasury Management Practices (TMP's), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities These will cover the following Treasury Management activities:
      - TMP1 Risk management;
      - TMP2 Performance management;
      - TMP3 Decision making and analysis;
      - TMP4 Approved instruments, methods and techniques;
      - TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements;
      - TMP6 Reporting arrangements and management information arrangements;
      - TMP7 Budgeting, accounting and audit arrangements;
      - TMP8 Cash and cash flow management;
      - TMP9 Money laundering;
      - TMP10 Training and qualifications;

- TMP11 Use of external service providers;
- TMP12 Corporate governance.

The content of the policy statement and TMP's will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation deviating from the Code's key principles.

2. The Council will receive reports on treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMP's.
3. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Director of Financial Resources, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
4. The Council nominates the Audit and Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

## **Treasury Management Policy Statement**

CIPFA recommends that the Council's Treasury Management Policy Statement adopts the following form of words to define the policies and objectives of its treasury management activities:

- The Council defines its treasury management activities as: The management of the Council'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".
- The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
- The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Council is requested to formally approve this statement.

