

TREASURY MANAGEMENT CODE OF PRACTICE UPDATE

AGENDA ITEM NO 12

MEETING: POLICY AND RESOURCES COMMITTEE

DATE: 12TH APRIL 2021

REPORT BY: TOWN CLERK

1.0 Purpose of the Report

- 1.1 Officers are in the process of undertaking the annual review of the Council's Scheme of Administration and Standing Orders, which provide the overall framework and guidelines within which the Council operates, as well as any supporting policies and codes of practice.
- 1.2 The purpose of this report is to set out for the consideration and approval of the Council an update of the Council's Treasury Management Code of Practice.

2.0 Background to the Report

- 2.1 Treasury management covers the borrowing, investment and cash flow activities of the Council and the effective management of the risks in relation to these activities. Treasury management is an important part of the overall management of the Council's financial affairs.
- 2.2 The Council's treasury management activities are controlled by Schedule 1 of the Local Government Act 2003, in relation to Capital Finance for Parish and Community Councils.
- 2.3 Section 15(1) of the Local Government Act 2003 also requires local authorities to have regard to the Statutory Guidance on Local Government Investments issued by the Department for Communities and Local Government (DCLG) where total investments exceed a value of £500,000. This guidance recommends that the council prepares an investment strategy setting out policies for the '*prudent investment of funds that it holds on behalf of the local community*'.
- 2.4 The Council is also required by the Local Authorities Capital Finance and Accounting (England) Regulations 2003 to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) publications; the Treasury Management in the Public Services Code of Practice and the Prudential Code for Capital Finance in Local Authorities in relation to its treasury management activity.
- 2.5 The purpose of the Council's Treasury Management Code of Practice is to put in place a framework setting out formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of the Council's treasury management activities.

3.0 Treasury Management Code of Practice

3.1 CIPFA recommends that the Council adopts a Treasury Management Policy Statement which is supported by a number of Treasury Management Practices (TMP's) prescribing how the Council will manage and control its treasury management activities.

3.2 The Council has previously adopted the CIPFA definition of treasury management activities as its policy statement and it is not recommended that this is changed. The policy statement is as follows:-

1. *The Council defines its treasury management activities as:*

“The management of the organisation’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”.

2. *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 Council, and any financial instruments entered into to manage these risks.*

3. *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 performance measurement techniques, within the context of effective risk management.*

3.3 The supporting Treasury Management Practices then specifically set out how the Council will manage and control its treasury management activities and are set out in detail in the attached Code of Practice.

3.4 There have only been very minor changes to the Treasury Management Code of Practice. These include updating references to the accounting and audit regime for town and parish councils to reflect the latest situation, updating the level of fidelity guarantee insurance cover in line with the current amount of cover, and clarifying that formal 'cash flow forecasts' are only produced as and when required and not as a matter of course.

3.5 The changes are highlighted in yellow in the attached Code of Practice.

4.0 Policy Implications

4.1 The Treasury Management Code of Practice will help contribute to the delivery of the following Strategic Aims of the Council:-

Aim 1 “To provide good quality governance and management of the Council”.

Aim 2 “To manage the Council’s finances and assets in a responsible manner”.

5.0 Staffing Implications

- 5.1 The Finance Manager and staff of the Finance Section will undertake all treasury management activities in accordance with the Code of Practice and this will be monitored and checked by the Internal Auditor.

6.0 Financial Implications

- 6.1 Approval and implementation of the Treasury Management Code of Practice will help the Council to meet all of its statutory responsibilities in relation to its treasury management activities and help secure economy, efficiency and effectiveness in the use of public resources.

7.0 Crime and Disorder Implications

- 7.1 Implementation of the Treasury Management Code of Practice will assist the Council in the prevention and detection of fraud.

8.0 Equal Opportunities Implications

- 8.1 None.

9.0 Environmental Implications

- 9.1 None.

10.0 Risk Assessment

- 10.1 The Treasury Management Code of Practice includes a detailed section on the risk management associated with the Council's treasury management activities.

11.0 Recommendations

- 11.1 That the Council approves the attached update of the Treasury Management Code of Practice.