

ANGUS COUNCIL

FINANCE AND INFORMATION TECHNOLOGY COMMITTEE – 18th June, 2002

POLICY AND RESOURCES COMMITTEE – 25th June, 2002

TREASURY MANAGEMENT – NEW CODE OF PRACTICE

REPORT BY THE DIRECTOR OF FINANCE

ABSTRACT

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities was last updated in 1996 and has been substantially revised in 2001 to reflect developments since then.

This report appraises members of the New CIPFA Treasury Management in the Public Services Code of Practice 2001 which is submitted for consideration by Members with a view to obtaining approval for adoption of the key recommendations by the Council.

As a complementary issue the Council's Financial Regulations, as shown at Appendix 1, have been amended to reflect the requirements of the New Code.

Members should also note that the Treasury Management Systems Document which covers detailed systems and procedures within the Treasury Management Section of the Finance Department has been supplemented by suitable Treasury Management Practices. The Treasury Management Practices set out the manner whereby the policies and objectives may be achieved and set out the manner whereby the policies and objectives may be managed and controlled. The Treasury Management Systems Document and the Treasury Management Practices Document are available to Members on demand.

1. RECOMMENDATION

It is recommended

1. that the Council adopts the key recommendations of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services Code of Practice 2001. As a complementary issue it should be noted that the Council's Financial Regulations, as shown at Appendix 1, have been amended to reflect the requirements of the New Code.
2. that the Council create and maintain as cornerstones for effective treasury management
 - a Treasury Management Policy Statement stating the policies and objectives of its treasury management activities
 - suitable Treasury Management Practices setting out the manner whereby the policies and objectives may be achieved and setting out the manner whereby the policies and objectives may be managed and controlled
3. that the Council continue to receive the following reports on an annual basis:
 - the annual strategy and plan at the commencement of the financial year
 - the annual report after the close of the financial year
4. that the Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Finance and Information Technology Committee

5. that the Council delegates responsibility for the execution and administration of treasury management decisions to the Chief Finance Officer (the Director of Finance)

2. INTRODUCTION AND BACKGROUND

The need to prepare a Treasury Management Policy Statement, Treasury Management Strategy Statement and Treasury Management Annual Report is a requirement of the Code of Practice on Treasury Management in Local Authorities published by the Chartered Institute of Public Finance and Accountancy in May, 1992 and revised in May, 1996. Members are referred to Report Number 254/96 to the Finance and Information Technology Committee dated 30th April, 1996 at which the original Code of Practice was adopted for implementation within Angus Council and Report Number 320/97 to the Finance and Information Technology Committee dated 11th March, 1997 at which the revised Code of Practice was adopted for implementation within Angus Council.

3. CURRENT POSITION

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities was last updated in 1996 and has been substantially revised in 2001 to reflect developments since then. CIPFA believes that this major revision is required for a number of reasons, as follows:

- the increasing size and complexity of public services treasury management activities and the demands placed on them, particularly, with regard to effective risk management, performance measurement and the pursuit of best value
- the growth of cross sectoral partnerships
- the volatility and sophistication of the financial and money markets

In addition various versions of the Code have been issued over time for different sectors in the public service field and it was felt that these should be consolidated into one document encompassing common principles but allowing for variations in their outworking as appropriate to each sector.

A report is, therefore, prepared for Members setting out the clauses which should be formally approved to ensure adoption of the New Code by the Council.

As part of the New Code the Council will continue to receive the following reports on an annual basis:

- the annual strategy and plan at the commencement of the financial year
- the annual report after the close of the financial year

The New Code also requires the Council to draw up a much truncated and more strategic Treasury Management Policy Statement incorporating only a few clauses and a revised definition of treasury management activities.

It should be noted that the Old Code required Chief Finance Officers to draw up a Treasury Management Systems Document to cover how treasury management activities are actually implemented within organisations. The New Code has laid out a framework of Treasury Management Practices to supplement the Treasury Management Systems Document setting out the manner whereby the policies and objectives may be achieved and setting out the manner whereby the policies and objectives may be managed and controlled.

4. TREASURY MANAGEMENT POLICY STATEMENT

The new Treasury Management Policy Statement for the Council is, as follows:

- The Council defines its treasury management activities as the management of the authority's 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 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.
- 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 best value in treasury management and to employing suitable performance measurement techniques within the context of effective risk management.

5. FINANCIAL REGULATIONS

As a complementary issue it should be noted that the Council's Financial Regulations, as shown at Appendix 1, have been amended to reflect the requirements of the New Code.

6. CONCLUSION

It is concluded that members should consider and approve the above report on Treasury Management.

7. HUMAN RIGHTS IMPLICATIONS

There are no Human Rights Implications arising as a result of this report.

8. CONSULTATION

The Chief Executive and the Director of Law and Administration have been consulted in the preparation of this report.

DAVID S SAWERS
DIRECTOR OF FINANCE

NOTE

No background papers as defined by Section 50D of the Local Government (Scotland) Act, 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing this report.

TREASURY MANAGEMENT

ADOPTION OF CIPFA'S CODE OF PRACTICE

The Director of Finance and his staff shall observe the guidance laid down in the CIPFA Treasury Management in the Public Services Code of Practice 2001.

TREASURY MANAGEMENT POLICY STATEMENT

The Director of Finance shall prepare a Treasury Management Policy Statement which shall be adopted by the Council and thereafter shall be implemented and monitored by the Finance and Information Technology Committee.

TREASURY MANAGEMENT REPORTS

At the commencement of the financial year the Director of Finance shall report to the Finance and Information Technology Committee on Treasury Management Strategy for the forthcoming financial year.

Mid way through the financial year the Director of Finance shall report to the Finance and Information Technology Committee on Treasury Management Activities for the preceding financial year.

THE CHIEF FINANCE OFFICER

All money in the hands of the Council shall be under the control of the Officer designated for the purposes of Section 95 of the Local Government (Scotland) Act 1973 referred to in CIPFA's Code of Practice as the Chief Finance Officer. The Chief Finance Officer for this Council is the Director of Finance.

DELEGATED TREASURY MANAGEMENT POWERS

All executive decisions on borrowing, investment or financing shall be delegated to the Director of Finance who shall act in accordance with the Code.

DEPARTURE FROM THE CODE

Should the Director of Finance wish to depart in any material respect from the main principles of the Code, the reasons should be disclosed in a report to the Finance and Information Technology Committee.