

Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes Consultation: LGA response

November 2021

About the Local Government Association

1. The Local Government Association (LGA) is the national voice of local government. We are a politically led, cross party membership organisation, representing councils from England and Wales.
2. Our role is to support, promote and improve local government, and raise national awareness of the work of councils. Our ultimate ambition is to support councils to deliver local solutions to national problems.
3. This response has been cleared by the LGA's Resources Board.

General points

4. This consultation is the second stage of the process for reviewing the Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes, following in from the consultation in principles undertaken earlier this year, and is being undertaken in parallel with a similar process for the Prudential Code for Capital Finance in Local Authorities. The LGA submitted responses to these consultations ([Prudential Code](#) and [Treasury Management Code](#)) and our comments on the current consultation should be considered in the context of those earlier comments.
5. The consultation ran for an eight-week period ending 16 November. We believe that eight weeks is too short a time for the sector as whole to respond to the consultation, particularly as it goes beyond what was proposed in the earlier consultation and included additional documents. We are grateful for an extension for the LGA's response but believe the consultation period should be twelve weeks as originally planned and it would be in line with the Government's good practice guide on consultations.
6. The earlier consultation concentrated primarily on proposals relating to skills and knowledge on Treasury Management within local authorities. The current consultation follows up on this but covers other areas as well.
7. Alongside the consultation CIPFA has published an additional document "Treasury Management in the public services guidance notes for local authorities". This additional document is the section from the existing guidance notes covering Treasury indicators, with tracked changes compared to the earlier published version. It is clear that this guidance document lays out CIPFA's view of good practice on specific technical matters rather than being part of the code

itself. The consultation document highlights the material changes to the guidance and the final consultation question (11) refers to the changes proposed.

8. The earlier consultation proposed that each local authority should be mandated to set up a dedicated Treasury Management committee. We are pleased that CIPFA has listened to views expressed on this and that this proposal has been dropped.

Individual questions

Question 1: Do you have any comments or observations on the amendments to the code relating to Investment Management Practices and other recommendations relating to non-treasury investments in Section 8 are required under the Clauses to be formally adopted? (Treasury Management Code section 5).

9. This section outlines CIPFA's recommendation of good practice four clauses for local authorities to adopt as part of their standing orders, financial regulations or other policy document. As recommended good practice, the clauses seem reasonable and sufficiently flexible in adoption, but due regard should be given to views expressed by individual local authorities.

Question 2: Do you have any comments or observations on the amendments to the code relating to the definition of treasury management being amended to explicitly include borrowing? (Treasury Management Code section 6)

10. This appears to be reasonable.

Question 3: Do you have any comments or observations on the amendments to the code relating to TMP1 (1) on counterparty credit risk: counterparty policy to set out the organisation's policy and practices relating to environmental, social and governance (ESG) investment considerations? (Treasury Management Code section 7).

Question 4: Do you have any comments or observations on the amendments to the code relating to TMP 1 treasury risks have been renamed to align with general practice? (Treasury Management Code section 7)

Question 5: Do you have any comments or observations on the amendments to the code relating to TMP 10 on training requiring a knowledge and skills schedule? (Treasury Management Code section 7)

11. Questions 3, 4, and 5 all refer to proposals in section 7 of the code. The proposals appear to be sufficiently flexible and as already noted we are pleased that the requirement for all councils to have a Treasury Management Committee has been dropped. As ever due regard should be given to views expressed by individual local authorities on the detailed aspects.

Question 6: Do you have any comments or observations on the amendments to the code relating to Section 8 on non-treasury (ie service and commercial) investments definitions updated in line with Prudential Code? (Treasury Management Code section 8)

Question 7: Do you have any comments or observations on the amendments to the code relating to all reporting under the TM Code to address service and commercial investments in appropriate categories, as well as treasury ones? (Treasury Management Code section 8)

Question 8: Do you have any comments or observations on the amendments to the code relating to the purposes, objectives and management of each category of service and commercial investment being described? (Treasury Management Code section 8)

Question 9: Do you have any comments or observations on the amendments to the code relating to the risks of commercial investments should be proportionate to the organisation's financial capacity? (Treasury Management Code section 8)

Question 10: Do you have any comments or observations on the amendments to the code relating to the Investment Management Practices for non-treasury investments? (Treasury Management Code section 8)

12. Questions 6 to 10 cover amendments to section 8 of the code. By and large these amendments seek to align the new Treasury Management Code with changes proposed for the Prudential Code. While we agree that the two should be aligned, we would refer you to comments we have made in response to the Prudential Code consultation, with particular reference to clarity. In particular, it is not clear how these interrelate with the additional documents published alongside the Prudential Code.

13. The clarity of these definitions in the Treasury Management Code itself could be improved. The opening statement is "The definition of treasury management includes all the investments of the organisation. This may include investment activity which is outside the purposes of normal treasury management". This appears to suggest that "treasury management" and "normal treasury management" may be different things, which is confusing.

14. We have also heard concerns expressed that including treasury management within a definition of commercial investments will restrict councils' options, and have an impact on councils' ability to invest in pooled funds, particularly pooled property funds, while encouraging a short term view and prioritising holding cash.

Question 11: Do you have any comments or observations on the changes for the new guidance on the treasury management prudential indicators? (Treasury Management code Chapter 3)

15. This is a technical area and the views of individual local authorities and of finance and treasury management practitioners within the sector on these proposed changes will be important.