

Forest Heath District Council

(This report is not a key decision. This report has been subject to appropriate notice of publication under the Council's Access to Information Rules)

Report of the Cabinet Member for Resources, Governance and Performance

CABINET

5 FEBRUARY 2013

CAB13/065

TREASURY MANAGEMENT CODE OF PRACTICE 2013/2014 (Key Decision Reference: FEB13/01)

1. Summary and reasons for recommendation(s)

- 1.1 This report seeks approval for the Treasury Management Code of Practice 2013/2014.

2. Recommendation(s)

- 2.1 That the Cabinet are requested to recommend to Council, the approval of the Treasury Management Code of Practice 2013/2014, as set out in Appendix 1 of this report.**

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3. How will the recommendations help us meet our strategic priorities?

- 3.1 In order for the Council to be able to meet its strategic priorities it is essential that sufficient and appropriate financial resources are available. Optimising returns from investments, without exposing ourselves to an unacceptably high level of risk, increases those financial resources.

4. Key issues

- 4.1 The Treasury Management Code of Practice is continually reviewed to ensure that it complies with CIPFA's "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2011 Edition)" and also with the Local Government Act 2003 which introduced the Prudential Code. It is also continuously reviewed to ensure it complies with operational requirements.

- 4.2 CIPFA has adopted the following as its definition of treasury management:

"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."

- 4.3 Adherence to the principles of this code should ensure that Treasury Management within the authority is adequately controlled, and carried out in accordance with professional guidance of best practice.

Revisions to the Code:

- 4.4 The following revisions have been proposed for the Council's Treasury Management Code of Practice 2013/14 (previous Code approved by Council 1 March 2012):

Credit And Counter Party Policies Risk Management – TMP1(1)

- 4.5 Following the approval by Council on 26 September 2012 the limit for Lloyds Bank/Bank of Scotland has been increased to £6.5m.
- 4.6 The situation regarding interest on call accounts has been clarified. Monthly Interest receipts paid direct into the account by the bank will not be included when considering investment limits.
- 4.7 Following advice from the Council's external fund managers, Tradition (City Deposit Cash Managers), the investment criteria included in the Code of Practice for specified (long term) investments has been changed and the situation regarding the use of Building Societies for long term investments has been clarified. Details regarding these changes have been discussed further in the Treasury Management and Investment Strategy Statement 2013/14 Report CAB13/064 (previous item on this meeting Agenda).

Organisation, Clarity And Segregation Of Responsibilities, And Dealing Arrangements – TMP5

- 4.8 The delegated powers and responsibilities section has been updated following the recent management team restructure.
- 4.9 All references to the Corporate Services Committee have been replaced by Cabinet.
- 4.10 All references to the Strategic Director (Resources) and Head of Finance have been replaced by either Director or Head of Resources and Performance.
- 4.11 The full Treasury Code of Practice 2013/14, is attached at Appendix 1.

5. Other options considered

- 5.1 Not applicable

6. Community impact

- 6.1 **Crime and disorder impact** (*including Section 17 of the Crime and Disorder Act 1998*)

- 6.1.1 Not applicable

- 6.2 **Diversity and equality impact** (*including the findings of the Equality Impact Assessment*)

- 6.2.1 Not applicable

- 6.3 **Sustainability impact** (*including completing a Sustainability Impact Assessment*)

- 6.3.1 Not applicable

- 6.4 **Other impact** (*any other impacts affecting this report*)

- 6.4.1 Not applicable

- 7. **Consultation** (*what consultation has been undertaken, and what were the outcomes?*)

- 7.1 Not applicable

- 8. **Financial and resource implications** (*including asset management implications*)

- 8.1 There are no specific finance, budget or resource implications as a result of this report that have not already been included in the Medium Term Financial Strategy.

- 9. **Risk/opportunity assessment** (*potential hazards or opportunities affecting corporate, service or project objectives*)

- 9.1 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.
- 9.2 The main risks to the Councils treasury activities are:
- Credit and Counterparty Risk – Security of the Council’s Investments
 - Market or Interest Rate Risk – Fluctuations in interest rate levels and thereby in the value of investments
 - Liquidity Risk – Inadequate cash resources
 - Inflation Risk – Exposure to inflation
 - Legal and Regulatory Risk – Non compliance with Statutory and Regulatory requirements and the risk of fraud.
- 9.3 The Council has formally adopted the CIPFA Treasury Management Code of Practice, under which issues of risk are addressed.

10. Legal and policy implications

- 10.1 Adoption of the Code will ensure compliance with relevant legislation and guidance from professional bodies, in terms of best practice.
- 10.2 This Report ensures compliance with the Local Government Act 2003.

11. Ward(s) affected

- 11.1 Not applicable – corporate function

12. Background papers

- 12.1 None

13. Documents attached

- 13.1 Appendix 1 – Revised Treasury Management Code of Practice 2013/2014.
- 13.2 Appendix 2 – List of Approved Organisations for Investments