

To: POLICY & RESOURCES (FINANCE) SUB-COMMITTEE		Subject: ADOPTION OF REVISED CODE OF PRACTICE FOR TREASURY MANAGEMENT IN THE PUBLIC SERVICES
From: DIRECTOR OF FINANCE		
Date: 21 st October,	Ref: GC/DD/1021	

1. Introduction

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) has produced a revised Code of Practice for Treasury Management in the Public Services (the Code) and recommends that Scottish authorities adopt the Code.
- 1.2 The Council adopted the original Code, and it is recommended that the new Code is similarly adopted.

2. Background

- 2.1 The Code of Practice for Treasury Management in the Public Services (the Code), and its accompanying guidance notes represent a substantial revision of previous CIPFA publications on treasury management which, for local authorities, were issued originally in 1992 and updated in 1996, and for the NHS, housing associations and higher education institutions, at various times between these two dates.
- 2.2 There was wide support for the principles and recommendations contained in those publications, and they were adopted and applied in large numbers of the organisations concerned. CIPFA believes that this major revision is timely for a number of reasons. These include:
 - The increasing size and complexity of the public services' treasury management activities and the demands placed on them, particularly with regard to effective risk management, by performance measurement and the pursuit of best value.
 - The growth of public partnership arrangements
 - The complexities of the financial and money markets.
- 2.3 The opportunity has been taken to consolidate the previously sector-specific versions into this one generic volume. CIPFA has produced this Code and the accompanying guidance notes to help satisfy eight main purposes:
 - To assist public service organisations in the development and maintenance of firm foundations and clear objectives for their treasury management activities, and thereby to add to their credibility in the public eye.

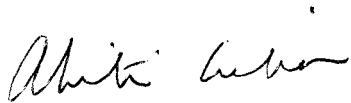
- To emphasise the overriding importance of effective risk management as the foundation for treasury management in all public service bodies.
- To encourage the pursuit of best value in treasury management, and to promote the development of practical measures of performance.
- To enable CIPFA members to fulfil their professional and contractual responsibilities to the organisations they serve and “to maintain and develop the professional competence of both themselves and those they supervise”.
- To help facilitate a standardisation of treasury management policies and practices in the public services.
- To assist those involved in the regulation and review of treasury management in the public services, particularly those charged with the audit process.
- To foster a continuing debate on the relevance and currency of the statutory and regulatory regimes under which treasury management in the various parts of the public services operates.
- To further the understanding and confidence of, and to act as a reference work for, financial and other institutions whose businesses bring them into contact with the treasury management activities of public service organisations.

3. Proposals

- 3.1 North Lanarkshire Council will adopt as part of the Treasury Management Formal Policy documents the undernoted clauses: -
- 3.2 North Lanarkshire Council adopts the key recommendations of CIPFA’s Treasury Management in the Public Services, Code of Practice (the Code), as described in Section 4, Executive Summary and Key Recommendations, of the Code.
- 3.3 Accordingly, North Lanarkshire Council will create and maintain, as the cornerstones for effective Treasury Management;
 - A treasury management policy statement, stating the policies and objectives of its treasury management activities.
 - Suitable treasury management practices (TMPs), setting out the manner in which North Lanarkshire Council will seek to achieve those policies and objectives, prescribing how it will manage and control those activities.
- 3.4 North Lanarkshire Council’s Policy and Resources (Finance) Sub-Committee will continue to receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in the TMPs.
- 3.5 North Lanarkshire Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Policy and Resources (Finance) Sub-Committee, and for the execution and administration of treasury management decisions to the Director of Finance, who will act in accordance with the policy statement and TMPs.

4. Recommendation

- 4.1 It is recommended that the new Code be formally agreed via adoption of the formal clauses in paragraph 3 and by implementing the Treasury Policy Statement detailed in Appendix 1.

A handwritten signature in black ink, appearing to read "Abhi Gupta".

DIRECTOR OF FINANCE

Any queries about the report can be made to George Carson, Treasury Manager, Ext. 2791.

APPENDIX 1

NORTH LANARKSHIRE COUNCIL

TREASURY POLICY STATEMENT

1. North Lanarkshire Council defines its Treasury Management activities as:

“The management of the organisation’s cash flows, its banking, money market and capital market transactions; the effective management of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

2. North Lanarkshire Council regards the successful identification, monitoring and management 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 organization.
3. North Lanarkshire 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