APPENDIX 2

CIPFA Treasury Management Code of Practice - Revision

Following the collapse of the Icelandic Banks there have been two national reports, one from the Audit Commission and the second from the Communities and Local Government Select Committee. Whilst neither report suggested that the current system was fundamentally flawed, both made recommendations for improvement. These improvements are to be incorporated in the revised Code of Practice and cross-sectoral guidance notes to be published in the autumn.

The proposed key changes to the Code are as follows:

- Enhancement of the role of scrutiny of treasury management strategies and procedures. It will be a public body's responsibility to identify an appropriate body or individual to have responsibility for the scrutiny function which may be a committee such as a finance scrutiny committee or audit committee. This reflects the increased prevalence of Audit Committees and Scrutiny functions across the public services.

- Currently, the Treasury Management Strategy must be approved by full board or council and this is typically done as part of the approval of the budget. The revised Code will allow approval from a relevant committee. Where approval is not by full board or council, the decisions made must be reported to full council. This reflects the evolving political structures within Local Government and ensures that public bodies consider treasury management away from the focus of the budget.

- The requirement for ensuring that staff are appropriately qualified and trained is already contained within the existing Code. The revised Code will require training to be available for relevant board / Council members with responsibility for treasury management. This is to ensure that all those responsible for treasury management are made aware of their responsibilities and have access to suitable training.

- The existing Code requires the Treasury Management Strategy to be approved prior to the start of the financial year and a report presented after the end of the financial year detailing operational activity throughout the year. The revised code will also require an interim or mid-year operational report.

The key changes to the cross-sectoral guidance notes are as follows:

- The emphasis that organisations should not solely rely on credit ratings when choosing a counterparty, but should use all available market information.

- That a sound diversification policy will include country, sector and group limits.

- Clarification that officers involved in treasury management must follow the treasury management policies and procedures.