



Treasury Management Practices

Executive Portfolio Holder: Peter Seib, Finance and Legal Services
SLT Lead: Karen Watling, Chief Finance Officer
Lead Officer: Paul Matravers, Lead Specialist – Finance
Contact Details: Paul.matravers@southsomerset.gov.uk

Purpose of the Report

1. To request members of the Audit Committee approve the attached Treasury Management Practices (TMPs).

Forward Plan

2. This report appeared on the Audit Committee Forward Plan with an anticipated Committee date of 30th June 2022.

Public Interest

3. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services Code of Practice requires the Council to adopt four clauses. Suitable Treasury Management Practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives and prescribing how it will manage and control those activities is included in the first clause.

Recommendations

4. The Audit Committee is recommended to:
 - Approve the Treasury Management practices;
 - Note that an update will be provided on the revised requirements of the IMP1 introduced in the revised Treasury management code of practice.

Introduction and Background

5. The CIPFA Treasury Management in the Public Services Code of Practice (the Code) requires the setting out of the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management.
6. As in previous versions, the Code recommends the creation and maintenance of suitable Treasury Management Practices setting out the manner in which the organisation will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.



7. The recommended Treasury Management Practices for South Somerset District Council comprise:
 - TMP 1: Risk management
 - TMP 2: Performance measurement
 - TMP 3: Decision-making and analysis
 - TMP 4: Approved instruments, methods and techniques
 - TMP 5: Organisation, clarity and segregation of responsibilities and dealing arrangements
 - TMP 6: Reporting requirements and management information arrangements
 - TMP 7: Budgeting, accounting and audit arrangements
 - TMP 8: Cash and cash flow management
 - TMP 9: Money laundering
 - TMP 10: Training and qualifications
 - TMP 11: Use of external service providers
 - TMP 12: Corporate governance

 - IMP 1: Management Practices for non-treasury investments (Investments that are not part of Treasury Management Activity)

8. The Treasury Management Practices principles and schedules document follows the same format as previous years in that the schedules supporting these practices are at a higher level giving an overview of the processes to be followed. The detail specifying the systems and routines to be employed, the records to be maintained in fulfilling the Council's treasury functions and any other documents supporting the processes are held at an operational level within an operations manual.

Revised CIPFA Treasury Management Code

9. CIPFA published its revised Treasury Management Code on 20th December 2021. The key changes in the code are around knowledge and skills, and the management of non-treasury investments.

10. The attached Treasury Management Practices have been updated to reflect the changes required as a result of the updated code.

11. Of the two changes mentioned, the update to the management of non-treasury investments is the more significant change. An initial investment management practice (IMP1) has been incorporated which replaces TMP13 Non-Treasury Management Investments.

12. The newly created IMP1 is being reviewed to ensure it incorporates the revised requirements of the code. The information included in TMP13 such as risk management, performance measurement and management etc still stand and have been included in IMP1. However, additional items have been introduced



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into the schedules which require details on investment objectives and criteria. A report will be presented to audit committee on the updated IMP1 during the remaining part of 2022/23.

13. It should be noted CIPFA have agreed a soft launch of the provisions of the revised code for the 2022/23 financial year. The code will be fully implemented in the 2023/24 financial year, therefore the Council do not have to amend or revise any treasury management strategies or practices for 2022/23 to incorporate the additional disclosure requirements for investment categories.
14. A summary of the key changes related to skills and knowledge and the management of non-treasury investments are below:

Skills and Knowledge

- Updated specification of expertise, knowledge and skills required including approved training
- Additional requirements on monitoring and review of the knowledge and skills of staff and members

Management of non-treasury investments

- A new clause to be adopted as part of the Council's standing orders, financial regulations, or other formal policy documents
 - Investment management practices relating to non-treasury investments are included within the Treasury Management Practices (TMPs) alongside existing TMPs
 - IMP1 replaces TMP13 Non-Treasury Management Investments
15. For the purposes of reporting under the revised code, any investments that are not taken or held for treasury management purposes should be clearly identified and reported in appropriate categories, which are commercial purposes or service purposes.
 16. It should be noted that the Council will not be undertaking any further investments which fall under the 'investments for commercial purposes' category.

Other changes to Treasury Management Practices

17. The other changes to the TMP's are revisions to wording as per the revisions to the code. The changes are highlighted in yellow in order to focus readers on these changes only. There are no significant changes that require additional commentary in this report.

Risk Management and Interest Rates

18. The management of interest rate risk is a key area that needs focus in 2022/23 due to the anticipated further rise in interest rates. The Bank of England



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increased interest rates by 0.25% in June and further rate rises are anticipated in the near future. The council has a significant borrowing requirement which is anticipated to increase to £145m (currently £128.5m) in 2022/23.

19. The rise in interest rates and the increase in borrowing costs will almost certainly require an increase in the applicable interest budget in respect of borrowing. The Finance team will continue to liaise with our treasury advisors to seek to minimise the cost of borrowing and look at the options available to the Council which are in line with the approved borrowing strategy.

Financial Implications

20. There are no financial implications associated with these recommendations

Council Plan Implications

21. The proposed treasury management practices are part of the treasury management policy statement which aligns with the 2022/23 Capital Programme and the updated Medium Term Financial Plan. The strategy establishes the borrowing and investment limits and the associated policies and objectives of its treasury management activities. Suitable Treasury Management Practices setting out the manner in which the organisation will seek to achieve those policies and objectives is an essential requirement linked to the Council Plan.

Carbon Emission and Climate Change Implications

22. There are no implications arising from this report.

Equality and Diversity Implications

23. There are no implications arising from this report.

Privacy Impact Assessment

24. There is no personal information included in this report

Background Papers

Treasury Management Strategy Statement 2022/23