Portfolio Holder Decisions/Leader Decisions

Date: Monday 29 March 2021
Time: 12.00 pm

Membership

Councillor Peter Butlin

Items on the agenda: -

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

Disclaimers

Disclosures of Pecuniary and Non-Pecuniary Interests

Members are required to register their disclosable pecuniary interests within 28 days of their election of appointment to the Council. A member attending a meeting where a matter arises in which s/he has a disclosable pecuniary interest must (unless s/he has a dispensation):

- Declare the interest if s/he has not already registered it
- Not participate in any discussion or vote
- Must leave the meeting room until the matter has been dealt with
- Give written notice of any unregistered interest to the Monitoring Officer within 28 days of the meeting

Non-pecuniary interests must still be declared in accordance with the Code of Conduct. These should be declared at the commencement of the meeting
The public reports referred to are available on the Warwickshire Web
https://democracy.warwickshire.gov.uk/uuCoverPage.aspx?bcr=1

Public Speaking

Any member of the public who is resident or working in Warwickshire, or who is in receipt of services from the Council, may speak at the meeting for up to three minutes on any matter within the remit of the Committee. This can be in the form of a statement or a question. If you wish to speak please notify Democratic Services in writing at least two working days before the meeting. You should give your name and address and the subject upon which you wish to speak. Full details of the public speaking scheme are set out in the Council's Standing Orders.

Portfolio Holder Decision – CIPFA Prudential Code Consultation - Warwickshire County Council's response

Portfolio Holder	**Portfolio Holder for Finance and Property**
Date of decision	**29 March 2021**
	Signed

Decision taken

(1) To approve the County Council's response to the CIPFA consultation on The Prudential Code, as detailed in Appendix 2.

(2) To authorise the Strategic Director for Resources to update the draft response, prior to its submission to CIPFA, subject to any amendments being consistent with the approved framework.

Reasons for decisions

CIPFA have published a consultation on The Prudential Code for Capital Finance in Local Authorities (Prudential Code). The Prudential Code was introduced in 2004, developed as a professional code of practice to support local authorities. The Council, as a local authority, is required by regulation to have regard to the Prudential Code.

Key objectives of the Code are to ensure, within a clear framework, that local authorities' capital investment plans are affordable, prudent and sustainable that treasury management decisions are taken in accordance with good professional practice and that local strategic planning, asset management planning and proper option appraisal are supported.

Since the Prudential Code was last updated in 2017. The landscape for local government investment has seen continuing growth in commercial activity including what CIPFA and the government consider to be excessive activity by a few outlying local authorities in the sector. CIPFA wishes to strengthen the Prudential Code to promote local decision making in line with its key objectives, and ensuring that the code remains fit for purpose.

It is in the interest of the Council to acknowledge and respond to this consultation due to the direct impact any changes would make to current practices. The closing date for responses is the 12 April 2021.

Background information

The Prudential Code Consultation addresses several different aspects of the current code. Appendix 1 includes the full guidance, notes and questions provided by CIPFA for this consultation.

The changes set out in this consultation are to the wording in several paragraphs as follows:

Borrowing in advance of need - in particular the wording within the code to ensure clarity on its meaning and implications (questions 1 and 2);

A potential proportionality objective with regard to commercial investments (questions 3 and 4);

Addition of a sustainability objective and other corporate objectives (such as innovation and diversity) within the code, as well as the relevance of the current objectives (questions 5 to 8);

A requirement for commentary on affordability of commercial activity (question 9);

Improvement to prudential indicators (questions 10 to 15).

Appendix 2 is The Council's draft response to each of these questions. Regarding the wording addressed in questions 1 and 2, we have suggested more clarity in the meaning and definition of the paragraph. For questions 3 to 9 the Council agrees with the proposals set out and has added commentary where relevant. For questions 10 to 15, regarding the indicators, the Council has disagreed with the removal of Gross Debt to Capital Financing Reserve (CFR), and its replacement with the Liability Benchmark, as we do not believe them to be comparable. The response also offers an opinion on the addition of and changes to other indicators as suggested by CIPFA.

Financial implications

There are no financial implications as a result of this report.

Environmental implications

There are no environmental implications as a result of this report.

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Assistant Director	Assistant Director Finance
Lead Director	Strategic Director for Resources
Lead Member	Portfolio Holder for Finance and Property

Urgent matter?	*No*
Confidential or exempt?	*No*
Is the decision contrary to the budget and policy framework?	*No*

List of background papers
None

Members and officers consulted and informed
Portfolio Holder – Councillor Peter Butlin Legal – Jane Pollard Finance – Chris Norton, Andrew Felton, Virginia Rennie Democratic Services – Isabelle Moorhouse Councillors – Warwick, Singh Birdi, Boad, Falp & O'Rouke

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The Chartered Institute of
Public Finance & Accountancy

cipfa.org

The Prudential Code for Capital Finance in Local Authorities

Consultation

CIPFA, registered with the Charity Commissioners of England and Wales No 231060 and the Office of the Scottish Charity Regulator No.SCO37963.
CIPFA Business Limited, the trading arm of CIPFA, registered in England and Wales no.2376684. Registered Office 77 Mansell Street, London E1 8AN.

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money. Further information about CIPFA can found on the CIPFA website.

Any questions arising from this submission should be directed to:

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Contents

Executive Summary

CIPFA is pleased to publish this consultation on the review of *The Prudential Code for Capital Finance in Local Authorities (2017)* (Prudential Code). CIPFA wishes full opportunity for the sector to comment on the proposed changes and offer views to support the strengthening of the Prudential Code.

Since the Prudential Code's last review in 2017, over three years (2016/17 – 2018/19), £6.6bn was spent by councils on commercial property, with £2.3bn of that on retail acquisitions. This represents 14.4 times more spend on commercial property acquisitions when compared with the preceding three years. The further guidance made in the last update to the Prudential Code has not prevented a minority of councils taking disproportionate levels of commercial debt to generate yield, by misinterpreting the code or not having regard to its provisions, which are designed to protect public funds and local decision making.

As guardians of the Prudential Code, CIPFA will ensure the code is strengthened. Following the significant risk taken by a few local authorities with public funds to protect this system. The proposals outlined in this consultation, which clearly address that borrowing for yield only is unambiguously "in advance of need" are necessary. Without these strengthened provisions, local authorities risk further government intervention into the Prudential Framework.

CIPFA is committed to the Prudential Code regime to ensure local decision making is protected and that local authorities can deliver service innovation under a principles-based system. For the sector to continue to enjoy the freedoms of this system, the few outlying councils must end actions which either push the boundaries of the Prudential Code or intentionally misinterpret its provisions. The Prudential system has a key and clear role. As local authorities support the recovery of the impact of COVID-19, there is a need to invest in services, economic regeneration, infrastructure and housing. Should local authorities want to continue with these self-determinations for local investment, for now and for future generations, noncompliance with the code must cease.

Following the NAO Report and recommendation by the Public Accounts Committee in July 2020 that the Prudential Framework should be reviewed, CIPFA is dedicated to delivering on this commitment, to ensure that the Code and its objectives continue to support borrowing and capital investment in the modern era and ensure risks taken with public money are robustly managed and taken appropriately.

The areas we have proposed to strengthen are as follows:

- Further strengthen provisions within paragraph 45 of the Prudential Code to state clearly, that borrowing for debt-for-yield investment is not permissible under the Prudential Code. While recognising that commercial activity is part of regeneration, it does not constitute the primary purpose of investment and unnecessary risk to public funds.
- Any commercial investment undertaken should be consistent with statutory provisions, proportionate to service and revenue budgets and consistent with effective treasury management practice.

- Further strengthening the requirements to assess the affordability of commercial activity within local authorities' capital strategies. CIPFA will also publish, early this year, further guidance on good practice for development of capital strategies.
- The addition of sustainability and ensuring that the capital expenditure is consistent with a local authority's corporate objectives (such as diversity and innovation) to the objectives in the Prudential Code.
- Introduction of new prudential indicators on affordability. External debt to net service expenditure (NSE) ratio, and commercial income to net service expenditure.
- The introduction of the Liability Benchmark to promote good practice and understanding of local authority's debt management in relation to capital investment.

CIPFA welcomes your comments and responses on these proposals and thanks the sector for their time in responding. The consultation on Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes is also available for response and CIPFA recommends responding to both consultations.

Both consultations are open for response for 10 weeks. The closing date for responses is the 12 April 2021.

Introduction

The Prudential Code for Capital Finance in Local Authorities (2017) (Prudential Code) was introduced in 2004. Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003, in Scotland under Part 7 of the Local Government in Scotland Act 2003 and in Northern Ireland under Part 1 of the Local Government Finance Act (Northern Ireland) 2011. The Prudential Code was developed as a professional code of practice to support local strategic planning, asset management planning and proper option appraisal for local authorities when developing their programmes.

Key objectives of the Code are to ensure, within a clear framework, that local authorities' capital investment plans are affordable, prudent and sustainable that treasury management decisions are taken in accordance with good professional practice and that local strategic planning, asset management planning and proper option appraisal are supported.

Since the Prudential Code was last updated in 2017 the landscape for local government investment has seen continuing growth commercial activity by a few outlying local authorities in the sector. The outcomes of the Public Accounts Committee (PAC) report also commented on the increasing trend in purchases of commercial property. One of the PAC recommendations was that the Prudential Framework be reviewed. In its submission to PAC, CIPFA reasserted its commitment to the Prudential Framework. However, CIPFA is committed to strengthening the Prudential Code to promote local decision making in line with its key objectives.

The growing trend in commercial investment was met with intervention from central government through the changes to PWLB lending terms, which CIPFA supports. CIPFA continues to be the guardian of codes of professional practice which enable regeneration and placemaking.

CIPFA intends to review both the Prudential and Treasury Management Codes to ensure that they remain fit for purpose. This consultation is the first of two consultations this year. This first consultation seeks views on a principles basis as to areas where the Prudential Code can be strengthened or amended and for proposals within the consultation to be commented on.

Consultation issues and questions

Borrowing in advance of need

In the last five years there has been an increasing trend for authorities to purchase property solely to make an investment return. Particular concerns arise when these investments have been financed from borrowing especially where this does not accord with paragraph 45 of the Prudential Framework, which states that **"Authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed".**

CIPFA has issued extensive guidance on proper investments into property in its publication *Prudential Property Investment* (CIPFA, 2018) to assist local authorities in investment decisions in this area.

CIPFA is interested in views on the first sentence of paragraph 45 to ensure that local authorities clearly understand its meaning and implications.

CIPFA considers it might be helpful if more guidance to explain the provisions are included in the Prudential Code itself to assist local authorities in their decision making and to underline the importance of the Code's provisions in this area.

CIPFA would note that the provisions paragraph 45 including the new amendments apply equally to financial instruments and property investments.

EXTRACT OF PARAGRAPH 45 FROM THE PRUDENTIAL CODE WITH PROPOSED AMENDMENTS

SECTION SIX

Prudence and prudential indicators for prudence

…

45 **Authorities must not borrow more than or in advance of their needs ~~purely~~ primarily in order to profit from the investment of the extra sums borrowed.** ~~Authorities should also consider carefully whether they can demonstrate value for money in borrowing in advance of need and can ensure the security of such funds.~~ Therefore, local authorities **must** not borrow to fund primarily yield generating investments.

46 This prohibition does not cover borrowing where the primary aim is rooted in the function of the authority and the making of the return is incidental to the function eg regeneration. Authorities should also consider carefully whether they can demonstrate value for money in borrowing and can ensure the security of such funds. For examples how to assess this refer to the Prudential Property Investment Guidance (CIPFA, 2018).

Question 1: CIPFA is interested in stakeholders' views on the first sentence of paragraph 45? What alternatives would you suggest?

Question 2: Do you agree with the changes to paragraph 45 relating to the explanation of the sentence authorities must not borrow more than or in advance of need purely in order to profit from the extra sums borrowed? If not, why not? What alternatives would you suggest?

Objectives of the Code

As set out in the introduction there has been a substantial increase in commercial investment in recent years and it is vital that this investment is consistent with the principles in this Code and the prudential and statutory framework in which local authorities operate.

CIPFA is clear that its statement within the Prudential Code ie that authorities **must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed** (see earlier for more discussion on this issue) must be adhered to and has issued guidance in its publication *Prudential Property Investment.*

Paragraph 25 of the Code already sets out that commercial activity should be proportional to overall resources. However, CIPFA is of the view that to emphasise the importance of proportionality for capital expenditure generally and for commercial investment particularly that this should be explicitly included in the objectives of the Prudential Code. Note that these have been included on a principles' basis and subject to these principles being agreed more detail will be provided in the updated Prudential Code.

AMENDMENTS TO PARAGRAPH 1 OF THE CODE

SECTION TWO

Objectives

1 The framework established by the Prudential Code should support:
(a) local strategic planning
(b) local asset management planning
(c) proper option appraisal including ensuring that capital expenditure <u>is sustainable in accordance with the corporate objectives of the authority.</u>
The objectives of the Prudential Code are to provide a framework for local authority capital finance that will ensure for individual local authorities that:
(d) capital expenditure and investment plans are affordable <u>and proportionate</u>
(e) all external borrowing and other long-term liabilities are within prudent and sustainable levels
<u>(f) any commercial investment undertaken should be consistent with statutory provisions, proportionate to service and revenue budgets and consistent with effective treasury management practice as outlined in (g)</u>
(g) treasury management and other investment decisions are taken in accordance with professional good practice and that in taking decisions in relation to (d) to (f) above the local authority is:
(h) accountable, by providing a clear and transparent framework.
In exceptional circumstances the objective of the Prudential Code is to provide a framework that will demonstrate that there is a danger of not ensuring the above, so that the authority can take timely remedial action.

Question 3: Do you agree with CIPFA's proposal to add proportionality to the objectives within the Prudential Code especially with regard to commercial investments? If not, why not? What alternatives would you suggest?

Question 4: Do you agree with the introduction of an objective in relation to commercial investments? If not, why not? What alternatives would you suggest?

CIPFA would welcome any comments on the objectives in the Prudential Code to ensure that it remains fit for purpose and supports capital expenditure and investment in the 21st century. Sustainability is increasingly important to local authorities; for example, many authorities have declared a climate emergency and therefore it will be important that capital expenditure supports a local authority's climate objectives and that decisions are taken on a sustainable basis. Reference to sustainability has been added to the objectives of the Prudential Code. Again, this is on a principles basis more detail will be included in the updated Prudential Code.

Similarly, local authorities will want to ensure their capital projects are consistent with their corporate objectives such as diversity and innovation. This has therefore been explicitly included in the objectives of the Code. CIPFA would seek stakeholders' views on whether there are other issues which should be added to the objectives to ensure that they remain fit for purpose.

CIPFA would also be interested in views on the efficacy of the Code to ensure that it is able to understand how well the Code works in relation to its objectives but how well it supports local authorities in achieving those objectives.

Question 5: Do you agree with the proposal to add sustainability and ensuring that the capital expenditure is consistent with a local authority's corporate objectives (such as diversity and innovation) to the objectives in the Prudential Code? Please provide a reason for your response.

Question 6: Do you consider the current objectives of the Prudential Code to be relevant? Please provide a reason for your response.

Question 7: Do you consider that the provisions in the Prudential Code achieves these current objectives? If not, why not? Please provide reasons for your response.

Question 8: Do you consider that there are any areas which are not fully covered by these objectives? If yes, please expand, describing how these areas could be covered within the objectives.

Scope and status of the Prudential Code

Section Three of the Prudential Code sets out the scope of how the Code applies to all local authorities, including police, fire, combined and other authorities which:

- in England and Wales are defined in legislation for the purposes of Part 1 of the Local Government Act 2003
- in Scotland are defined in legislation for the purposes of Part 7 of the Local Government in Scotland Act 2003, and
- in Northern Ireland are defined in legislation for the purposes of Part 1 of the Local Government Finance Act (Northern Ireland) 2011.

The executive summary in the Prudential Code covers its status. However, CIPFA is of the view that it would be beneficial to local authorities if the status was also included in the body of the Code itself to underline its importance and role in the statutory framework.

NEW PARAGRAPHS TO BE INTRODUCED TO THE PRUDENTIAL CODE

SECTION THREE
Scope <u>and Status</u>

…

12 The Prudential Code has been developed for local authorities as a CIPFA professional code of practice to support them in taking these decisions.

13 Local authorities are required by statutory provision and regulation to ‘have regard to’ the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003, in Scotland under Part 7 of the Local Government in Scotland Act 2003 and in Northern Ireland under Part 1 of the Local Government Finance Act (Northern Ireland) 2011. Local authorities must therefore ‘have regard to’ the provisions in this Code. It is recognised that local authorities might have individual and local circumstances that need to be taken into account, which may for example require the addition of local indicators and where this is the case this should be clearly reported in the capital strategy.

Question 8: Do you agree with the proposals to include the status of the Prudential Code within the body of the Code itself. If not, why not? What alternatives would you suggest?

Capital strategy

The 2017 edition introduced the requirement to produce a capital strategy. The determination of a capital strategy should ensure that the authority is able to demonstrate that it takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability.

The guidance in Section Five of the Code includes a list of areas that authorities should have regard to in considering how stewardship, value for money, prudence, sustainability and affordability can be demonstrated. This list includes commercial activities.

Following the commentaries in the introduction related to the increase in commercial activities, CIPFA is of the view that it is important to augment this section with a particular focus on affordability and a need to demonstrate an understanding of what the risks are from commercial activities. For the avoidance of doubt this paragraph also includes a cross reference to the requirement in paragraph 45 of the Code, ie that an authority must not borrow in advance of need purely in order to profit from the sums borrowed. This is discussed in more detail at the beginning of the consultation.

AMENDMENTS TO PARAGRAPH 23 OF THE PRUDENTIAL CODE

SECTION FIVE

Process and governance Issues

…
23
…
Commercial activity

- The authority's approach to commercial activities including processes ensuring effective due diligence and defining the authority's risk appetite in respect of these.
- An assessment of affordability and proportionality in respect of overall resources.
- Details of financial and other risks of undertaking commercial activities.
- Requirements for independent and expert advice and scrutiny arrangements.

While business cases may provide some of this material, these will often reflect historical rather than current circumstances so the information contained in them will need to be periodically re-evaluated when it will inform the authority's overall strategy.
[Note that Local authorities will also need to ensure that they comply with paragraph 45 and 46 of this Code.]

Question 9: Do you agree with the proposals to include additional commentary on the assessment of affordability and the details of risks of undertaking commercial activity within the commercial activities section on determining the capital strategy? If not, why not? What alternatives would you suggest?

Prudential indicators

The prudential indicators in the Prudential Code are designed to demonstrate how a local authority is achieving the objectives of the Prudential Code. Prudential indicators required by the Prudential Code are intended to support and record local decision-making in a manner that is publicly accountable on a local and a national basis. The Code suggests that the indicators are not designed to be comparative performance indicators (though obviously they provide internal comparisons for the authority itself). It is important though that the indicators should not solely record local decision making but should support the decisions made throughout local authorities' capital planning processes.

CIPFA would therefore seek stakeholders' views on the:

- number and usefulness of the indicators used in the prudential code
- where they might be reduced if they are not considered useful
- where new indicators might be needed to support decision making
- where more explanation or description might be needed in the prudential code to ensure that local authorities understand what they measure and why they are included.

Question 10: Please provide any suggestions that you might have for how the prudential indicators could be improved (as outlined above) in order that they might provide additional assurance for public accountability. Please explain your reasoning.

Prudential indicators on affordability

CIPFA has previously mentioned concerns on ensuring that capital expenditure plans should be proportional. Both CIPFA's *Guidance on Prudential Property Investment* (CIPFA, 2018) and the MHCLG's 2018 *Statutory Guidance on Local Government Investments* include provisions on ensuring that capital investment is proportional and therefore CIPFA proposes introducing two new prudential indicators for affordability:

- external debt to net revenue stream ratio, and
- income from commercial and service investments to net revenue stream.

New indicator: External debt to net revenue stream ratio

The external debt to net revenue stream ratio is intended to ensure that the amount of debt incurred is proportionate to a local authority's total service expenditure on a taxation basis and helps a local authority to understand the relationship of debt to an authority's resources used to support services and demonstrate a local authority's financial sustainability.

NEW PARAGRAPHS TO BE INTRODUCED TO THE PRUDENTIAL CODE

SECTION SEVEN

Affordability and prudential indicators for affordability

…

78 Estimates of external debt to revenue stream

79 As a minimum, the local authority will estimate for the forthcoming financial year and the following two financial years the ratio of external debt compared to budgeted net revenue stream. This prudential indicator shall be referred to as estimates of external debt to net revenue stream and shall be expressed as a ratio.

Estimates of external debt to net revenue stream = external debt ÷ net revenue stream expressed as a ratio for years 1, 2 and 3

80 Actual external debt to net revenue stream

81 After the year end, the external debt to net revenue stream ratio shall be calculated from the information in the local authority's outturn reports and balance sheet. This prudential indicator shall be referred to as actual external debt to net revenue stream and be expressed as a ratio.

Actual debt to net service expenditure = actual external debt ÷ actual net revenue stream expressed as a ratio

Question 11: Do you agree with the addition of the new indicator for external debt to net revenue stream to assess proportionality?

New indicator: Net income from commercial and service investments to net revenue stream

This ratio will consider an authority' exposure to risk from commercial and service investment income. It will allow members and the public to assess the authority's total risk exposure as a result of its investment decisions in commercial and service investments compared to the net resources it expends to support services on a taxation basis. Commercial income from fees and charges should be excluded. They should also be excluded from net service expenditure.

NEW PARAGRAPHS TO BE INTRODUCED TO THE PRUDENTIAL CODE

SECTION SEVEN

Affordability and prudential indicators for affordability

…

82 **Estimates of net income from commercial and service investments to net revenue stream**

83 **As a minimum, the local authority will estimate for the forthcoming financial year and the following two financial years the ratio of net income from commercial and service investments compared to budgeted net revenue stream. This prudential indicator shall be referred to as net income from commercial and service investments to net revenue stream and shall be expressed as a ratio.**

Estimates of net income from commercial and service investments to net revenue stream = net income from commercial and service investments ÷ net revenue stream expressed as a ratio for years 1, 2 and 3

84 **Actual net income from commercial and service investments to net revenue stream**

85 **After the year end, the net income from commercial and service investments to net revenue stream ratio shall be calculated from the information in the local authority's outturn. This prudential indicator shall be referred to as actual net income from commercial and service investments to net revenue stream and be expressed as a ratio.**

Actual net income from commercial and service investments to net revenue stream = actual net income from commercial and service investments ÷ actual net revenue stream expressed as a ratio

Question 12: Do you agree with the addition of the new indicators for net income from commercial and service investments to net revenue stream to assess proportionality?

New indicator: Liability benchmark

Affordability is one of the key objectives of the Prudential Code. It is vital that an authority understands the resources it needs and its commitments in terms of borrowing and investment and the impact on services and treasury decisions.

CIPFA is therefore proposing to introduce the liability benchmark as a new indicator to measure borrowing levels and the profile of its debt overtime. This indicator is based on its future cash flows and their forecast minimum revenue payment (MRP) for repayment of debt in the future. If debt exceeds the liability benchmark the authority has a cash surplus and is holding on deposit. It is a measure of an authority's existing (and committed) loans portfolio that is compared with its forecast loan needs. This benchmark should enable the authority to understand and manage its exposure to treasury risks. Using the benchmark maturity profile or net loans benchmark enables the authority to minimise its treasury risks by matching its maturity profile to the liability benchmark.

This new indicator has been introduced because it will assist local authorities with affordability decisions but there are arguments that this indicator might be better placed in the Treasury Management Code as it also assists with treasury management decisions. CIPFA would be interested in stakeholders' views on this issue.

NEW PARAGRAPHS TO BE INTRODUCED TO THE PRUDENTIAL CODE

SECTION SEVEN

Affordability and prudential indicators for affordability

90 The liability benchmark

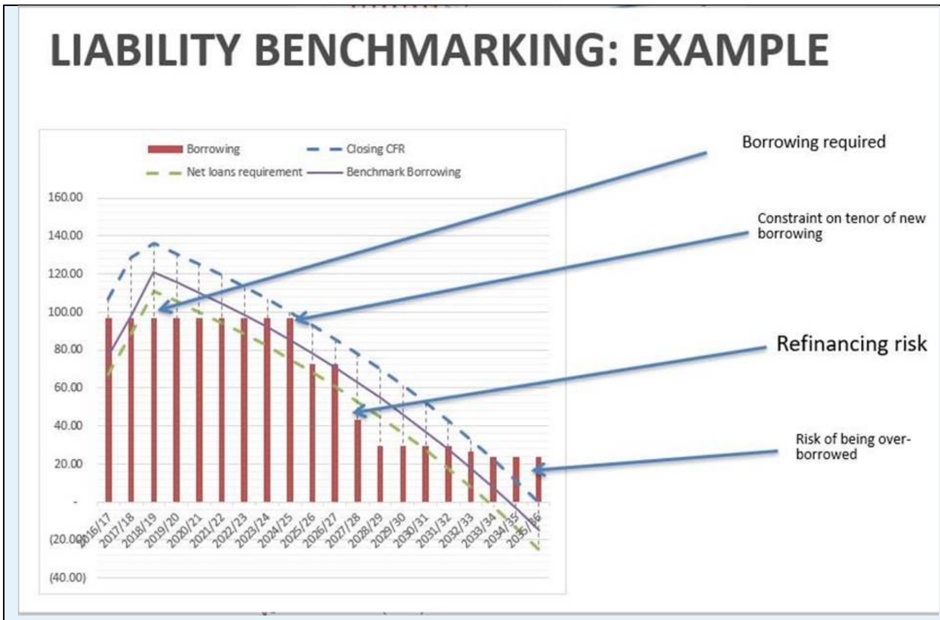
91 As a minimum, the local authority will estimate and measure the liability benchmark for the forthcoming financial year and the following two financial years. However, CIPFA recommends that liability benchmark is produced for at least 10 years and should ideally cover the debt profile of a local authority. The liability benchmark is not a single measure but requires graphical presentation of the net loans requirement and compares this with the Capital Financing Requirement and actual debt.

Liability benchmark = Net loans requirement + short term liquidity allowance compared with capital financing requirement and actual debt

Net loans requirement is Net Loan Debt balance projected into the future based on its forecast cash flows (ie its Net Cash Requirement)

Short-term liquidity allowance means an allowance for a level of excess cash to be invested short term to provide access to liquidity if needed (due to short-term cash flow variations, for example).

92 The liability benchmark should be presented as a graph an example of which is provided below:



[Note that the Prudential Code will cross refer for extra guidance (by means of a footnote) to the *Treasury Risk Management Toolkit for Local Authorities* CIPFA, 2012)]

Question 13: Do you agree with the introduction of the liability benchmark as an affordability indicator?

Question 14: Do you consider that the liability benchmark should be included in the Prudential or Treasury Management Code?

Gross debt and the capital financing requirement

The gross debt and the capital financing requirement indicator is a prudential indicator for prudence which is intended to ensure that medium term debt is only for capital purposes. CIPFA is of the view that the introduction of the liability benchmark which offers information to the authority on both affordability and allows investment decisions to be made prudently then there is no need for an explicit indicator which compares these two items. CIPFA therefore proposes removing this indicator from the Prudential Code (this would require the deletion of paragraph 62 from the Prudential Code).

Question 15: Do you agree with the removal of the prudential indicator gross debt and the capital financing requirement CFR on the basis that it is included as part of the liability benchmark which is to be introduced as a prudential indicator?

Appendix 2
Draft Warwickshire County Council Response to the CIPFA Prudential Code Consultation

Question 1: CIPFA is interested in stakeholders' views on the first sentence of paragraph 45? What alternatives would you suggest?

The borrowing in advance of need paragraph (paragraph 45) is unclear and is open to interpretation. The paragraph should read that borrowing in advance of need is not allowed if the primary objective is to benefit from yield generating investments of any type, rather than only if to profit from the investment of *extra* sums borrowed.

Question 2: Do you agree with the changes to paragraph 45 relating to the explanation of the sentence authorities must not borrow more than or in advance of need purely in order to profit from the extra sums borrowed? If not, why not? What alternatives would you suggest?

Clearer guidance is required on how an authority can define "generation of yield" and when this becomes a primary objective or a by product of a project or investment.

The changes in this sentence focus first on the investment of extra sums, then on yield generating investments. If the purpose of disallowing borrowing in advance of need is to stop profit seeking activities, then the paragraph should highlight this by using "yield generating investments, including investment of extra sums".

Question 3: Do you agree with CIPFA's proposal to add proportionality to the objectives within the Prudential Code especially with regard to commercial investments? If not, why not? What alternatives would you suggest?

Yes, proportionality helps local authorities with the activity scope that can be implemented through their capital programme. Further guidance is needed on the definition of "proportionate" for commercial investments, and whether multiple indicators would be used. Also a clearer definition of "commercial investment" will be needed.

However the reference to commercial investments here also opens up a further level of spending (i.e. that is not always affordable, prudent and sustainable) and should not fall under the same proportionality factors.

Question 4: Do you agree with the introduction of an objective in relation to commercial investments? If not, why not? What alternatives would you suggest?

Yes. Further guidance and clarity is needed on the commercial investment scope before objectives are set.

Question 5: Do you agree with the proposal to add sustainability and ensuring that the capital expenditure is consistent with a local authority's corporate objectives (such as diversity and innovation) to the objectives in the Prudential Code? Please provide a reason for your response.

Yes, however the term sustainability has many interpretations, and its meaning in this case should be specified, for example does this mean financial sustainability, does it mean environmental sustainability, does it mean the objectives of an investment remaining aligned with the objectives of the authority over the whole duration of the investment, etc.

Question 6: Do you consider the current objectives of the Prudential Code to be relevant? Please provide a reason for your response.

Yes. The current objectives are clear, professional and non-political.

Question 7: Do you consider that the provisions in the Prudential Code achieves these current objectives? If not, why not? Please provide reasons for your response.

Yes. The guidance provided within the Prudential Code give local authorities structure and flexibility to set plans, within given constraints.

Question 8: Do you consider that there are any areas which are not fully covered by these objectives? If yes, please expand, describing how these areas could be covered within the objectives.

The current code provides clear objectives.

Question 8.2: Do you agree with the proposals to include the status of the Prudential Code within the body of the Code itself. If not, why not? What alternatives would you suggest?

Yes we agree.

Question 9: Do you agree with the proposals to include additional commentary on the assessment of affordability and the details of risks of undertaking commercial activity within the commercial activities section on determining the capital strategy? If not, why not? What alternatives would you suggest?

Yes, additional commentary on commercial activity would highlight the importance of it.

Question 10: Please provide any suggestions that you might have for how the prudential indicators could be improved (as outlined above) in order that they might provide additional assurance for public accountability. Please explain your reasoning.

Prudential indicators need to be clear and understandable to the reader, who in many cases may not be part of local government finance. In the interest of simplicity, indicators such as Capital Expenditure, Capital Financing Requirement, use of reserves, and costs of finance; provide the most information at a high level. Other detailed indicators could be used where appropriate to the authority and audience.

Question 11: Do you agree with the addition of the new indicator for external debt to net revenue stream to assess proportionality?

No. External debt is not always a relevant indicator because of the other factors driving the authority's finances. CFR spend and budgeting is influenced by all types of debt, not just external, which makes this indicator non comparable.

Gross Debt to CFR, and CFR to net revenue stream, are more relevant indicators as they allows for other types of borrowing or financing (such as internal borrowing) to therefore show the total debt requirements of the authority.

Question 12: Do you agree with the addition of the new indicator for net income from commercial and service investments to net revenue stream to assess proportionality?

Yes. Only as an assessment of how much income is derived from commercial and service investment, and should be kept separate from non-investment related services that generate yield, for example traded services that do not require capital expenditure but generate income.

Question 13: Do you agree with the introduction of the liability benchmark as an affordability indicator?

Not as an affordability indicator. It is a short term indicator that does not take into account the longevity of a local authorities debt profile. As an indicator it could be a useful tool for shorter termed debt and management of cash flows, but is not relevant or useful to all local authority financial situations.

Question 14: Do you consider that the liability benchmark should be included in the Prudential or Treasury Management Code?

To be used as a forecasting tool, it should sit in the TM code.

Question 15: Do you agree with the removal of the prudential indicator gross debt and the capital financing requirement CFR on the basis that it is included as part of the liability benchmark which is to be introduced as a prudential indicator?

No, this should not be removed. Gross debt is inclusive of several options available to authorities and removing these would change the fundamental financial picture of the authority under other indicators.

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Portfolio Holder Decision – CIPFA Treasury Management Code Consultation - Warwickshire County Councils response

Portfolio Holder	**Portfolio Holder for Finance and Property**
Date of decision	**29 March 2021**
	Signed

Decision taken

(1) To approve the County Council's response to the CIPFA consultation on Treasury Management Code, as detailed at Appendix 2.

(2) To authorise the Strategic Director for Resources to update the draft response, prior to its submission to CIPFA, subject to any amendments being consistent with the approved framework.

Reasons for decisions

Local authorities in England, Scotland and Wales are required to "have regard" to the Treasury Management Code, first published by CIPFA in 2001. The code provides a basis for organisations to create clear treasury management objectives, and to structure and maintain sound treasury management policies and practices.

The Treasury Management Code was last updated in 2017 and since then there have been many changes in the public service landscape. These changes include the impact of the Covid-19 pandemic, an increasing requirement for greater disciplines and skills within Treasury Management and in the complexity of transactions, as well as the rise in the extent of commercial non-treasury investment activity.

The consultation affects public service organisations including local authorities. It is in the interest of The Council to acknowledge and respond, where appropriate, to the changes suggested as the impact of these changes will affect Treasury Management practice.

The closing date for responses is 12 April 2021.

Background information

The Treasury Management Code Consultation addresses several different aspects of the current code. Appendix 1 includes the full guidance, notes and questions provided by CIPFA for this consultation.

The scope of this consultation covers; the training and qualifications required within the Treasury Management practice followed by officers (questions 1 to 4); the introduction of Environmental, Social and Governance (ESG) Risk Management into the Treasury Management Code (question 5); introduction of guidance to have a dedicated committee for Treasury activities (question 6); and finally the change of Treasury Management indicators to remove “maturity structure of borrowing” (question 7).

Training
CIPFA are suggesting documentation of a formal and comprehensive knowledge and skills schedule for the acquisition and retention of treasury management skills within the Council. The Council agree with this approach but have highlighted the importance of key competencies rather than specific requirements, to allow for variety and flexibility within roles.

Environmental Social and Governance (ESG)
CIPFA suggest an addition of a section relating to ESG into Treasury Management Practices (TMP). Whilst ESG is important to the Council, we have queried whether or not it fits best with TMP or would be best covered elsewhere.

Governance
A requirement for organisations to have dedicated treasury committees has been suggested in this consultation. The Council has responded that appropriate level of governance should be in place but additional layers should be to support the current Treasury Management team and not be an additional reporting or administration overhead.

Indicators
CIPFA have suggested the removal of “maturity structure of borrowing”, in line with a Liability Benchmark Indicator being introduced (this is subject to another current CIPFA consultation). The Council does not believe the liability benchmark indicator covers some of the useful functionality of the existing indicators and therefore disagrees with this change.

Financial implications

There are likely to be resource implications as a result of the proposed changes made to the Treasury Management Code. Specifically, the additional workload brought on by additional reporting requirements (ESG, governance, training requirements). Until the consultation concludes and final recommendations are known, it will not be possible to quantify these implications.

Environmental implications

There are no environmental implications as a result of this report.

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Assistant Director	Assistant Director Finance
Lead Director	Strategic Director for Resources
Lead Member	Portfolio Holder for Finance and Property

Urgent matter?	*No*
Confidential or exempt?	*No*
Is the decision contrary to the budget and policy framework?	*No*

List of background papers
None

Members and officers consulted and informed
Portfolio Holder – Councillor Peter Butlin Legal – Jane Pollard Finance – Andrew Felton, Chris Norton Democratic Services – Isabelle Moorhouse Councillors – Warwick, Singh Birdi, Boad, O'Rouke & Falp

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The Chartered Institute of
Public Finance & Accountancy

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

Consultation

CIPFA, registered with the Charity Commissioners of England and Wales No.231060 and the Office of the Scottish Charity Regulator No.SCO37963.
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CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money. Further information about CIPFA can found on the CIPFA website.

Any questions arising from this submission should be directed to:

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Contents

Introduction

The first version of the *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* (Treasury Management Code) was published in 2001 with a recommended start date of 1 April 2002. While the Treasury Management Code covers all public services, it is primarily designed for the use of local authorities (including police and fire and rescue authorities), providers of social housing, higher and further education institutions and the National Health Service. Local authorities in England, Scotland and Wales are required to "have regard" to the Treasury Management Code.

The Treasury Management Code defines treasury management as follows:

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.

Treasury management is therefore a vital function of a local authority it ensures an organisation's cash values are maintained and, particularly important in a pandemic, it ensures that local authorities understand their cash flows and have the monies available to meet the emergency situations that arise.

The Treasury Management Code was last updated in 2017. Since then the landscape for public services has changed. The increasing profile of the role of treasury management as a result of the pandemic, the disciplines and skills required to meet the advances brought forward by issues such as the Markets in Financial Instruments Directive, known as MIFID II, and the increasing complexity of transactions in the sector all underline the importance of the Treasury Management Code and its guidance. In addition, the rise in commercial non-treasury investments is a contributing factor behind the need to strengthen its provisions to ensure that they are fit for the 21st century.

The Prudential Code of Capital Finance in Local Authorities, CIPFA 2017 (Prudential Code), is currently also under review and we recommend responding to both consultations. This is the first of two consultations this year, on a principles basis with more details following in the second consultation.

It should be noted that changes to the Prudential Code may also lead to changes in Section 8 (Investments that are not part of treasury management activity) of the Treasury Management Code.

Who is this consultation aimed at?

Views are sought from any public service organisation; however, responses are specifically welcomed from local authorities, providers of social housing, higher and further education institutions and the NHS.

Scope

Local authorities are required to “have regard” to the Treasury Management Code. CIPFA believes that the provisions in the Treasury Management Code provide a basis for all public service organisations to create clear treasury management objectives and to structure and maintain sound treasury management policies and practices. CIPFA would like to invite comments on the proposals within this consultation on the adoption of new recommended policies and practices.

Consultation issues and questions

Treasury management practices (TMP) – TMP 10 Training and Qualifications

The Treasury Management Code recommends that an organisation produces and follows a list treasury management practices (TMPs) relevant to its treasury management powers and the scope of its treasury management activities.

One of the TMPs (TMP 10) explicitly deals with training and qualifications. CIPFA is particularly concerned that, in order to meet the needs of modern professional practices, both officers and board or council members have the skills to ensure that those responsible for the management, delivery and governance are able to understand the significance and complexities of the transactions undertaken – and are able to take effective decisions.

CIPFA therefore proposes augmenting TMP 10 Training and Qualifications to ensure that the organisation recognises the importance of all staff and board/council members having the required skills and knowledge to be able to undertake their duties and responsibilities and being clear that the training required is specified as a part of the TMP. TMP 10 already requires that the training and qualifications schedule documents these requirements.

Extract from the Treasury Management Code

SECTION 7

Treasury management practices

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TMP10 TRAINING AND QUALIFICATIONS

This organisation recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements, <u>including the specification of the expertise, knowledge and skills required by each role/member of staff</u>.

The responsible officer will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The present arrangements, the knowledge and skills schedule, are detailed in the schedule to this document.

Question 1: Do you agree with the proposal that organisations that have adopted the Treasury Management Code will have to explicitly document a formal and comprehensive knowledge and skills schedule to ensure the effective acquisition and retention of treasury management skills for those responsible for the management, delivery, governance, decision-making and compliance with legislative requirements? If not, why not? What alternatives would you suggest?

What should be included in a knowledge and skill schedule?

CIPFA is of the view that the schedule should be described as the knowledge and skills schedule and would recommend that this would include the following (note that this will be included in future guidance to the Treasury Management Code):

- The aims and objectives of the knowledge and skills schedule.
- Relevant legislation, guidance and other specifications (eg MIFID II, CIPFA Treasury Management Code of Practice, statutory investment guidance issued by government) that must be understood and complied with to ensure that staff or board/council members are able to fulfil their roles.
- The staff/role or board/council members to whom the policy applies.
- The relevant competencies for each role.
- How the training will be delivered, eg in house training, external courses (specifying the type course followed), the need for formal qualifications), this would include induction requirements.
- How the regularly the training will need to be provided.
- How the training will be recorded.
- How the knowledge or skills will be monitored, including gaps is training or requisite knowledge will be determined.
- How, where and when reports will be provided on the monitoring and review of the requirements of the knowledge and skills schedule.

Question 2: Do you agree with the proposals for what should be included in a knowledge and skills schedule?

Monitoring and review of knowledge and skills

CIPFA is of the view that ensuring objectives relating to knowledge and skills are being met is important. Organisations should consider how to assess whether treasury management staff and board/council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date. As a minimum, CIPFA proposes authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Regular communications with officers and board/council members encouraging them to highlight training needs on an ongoing basis.

Again, CIPFA is of the view that it will include provisions on guidance on recording and monitoring knowledge and skills capabilities in guidance to the Treasury Management Code.

Question 3: Do you agree with the proposals for the monitoring and review of treasury management knowledge and skills? Do you agree that these are best specified in guidance to the Treasury Management Code? If not why, not? What alternatives do you suggest?

Competencies for treasury management roles

As a part of ensuring that treasury management staff and board/council members have the requisite knowledge and skills, it will be important that the organisation specifies the competencies for each role.

At a minimum the organisation should specify the competencies for the roles listed below:

- the treasury manager
- the responsible officer
- chief finance officers (in local authorities, section 151/section 95 officers)
- board/council members.

CIPFA has included the competencies for the first of these roles in Annex 1 to this consultation paper and subject to the consultation process intends to specify the competencies for each of these roles in guidance to the Treasury Management Code.

Question 4: Do you agree that guidance to the Treasury Management Code should include specifications on key competencies for treasury management roles?

TMP 13 Environmental, Social and Governance Risk Management (ESG Risk Management)

Local authority and other public sector stakeholders are increasingly interested in environmental and social issues. Substantial numbers (around 75%) of local authorities have declared climate emergencies. Similarly, recent events have meant that social issues such as diversity and modern slavery have also increased the need for social awareness and demonstration of this awareness in local authority policies. More financial investments and institutions offer incentives for green criteria. Local authorities and their stakeholders are increasingly aware of the importance of these issues and the significance that investing in these areas will have.

The risks associated with environmental, social and governance (ESG) related investments must be understood and managed by local authorities; for example, these include climate and carbon related risks and might for example focus on high energy sectors. Building ESG risk management into treasury management is an essential part of future proofing its processes and supporting social and environmental change.

CIPFA considers that it is timely therefore to introduce a new treasury management practice into the Code which will establish, implement, and monitor the arrangements for the identification, management and control of ESG risks. The new TMP is included in Annex 2 to this consultation paper.

Question 5: Do you agree with the addition of a new TMP to address environmental, social and governance risks? If not, why not? What alternatives do you suggest?

Local authority treasury management governance

Local authorities are entering into increasingly complex treasury management functions and decisions.

There are also substantial corporate responsibilities that have been introduced as a result of MIFID II, which came into force in January 2018.

Numerous local authorities have taken up the option of professional client status. This category applies to a client who possesses the experience, knowledge and expertise to make its own investment decisions and assess the risks those investment decisions incur. This impacts on the knowledge and skills schedule discussed earlier in this consultation, but it will be important that those charged with governance have the opportunity to review those decisions.

TMP 12 Corporate Governance includes specification and guidance on the relevant issues, and this is supported by guidance in the Treasury Management Code. The Treasury Management Code establishes a robust framework to establish proper governance of the issues.

CIPFA is of the view, however, that the importance, and the additional and complex responsibilities facing local authorities might benefit from both specialised and specific committees to deal with those issues.

This might for example be a treasury management board made up of senior and cross-party membership, including senior officers of the council with the appropriate knowledge and skills to review the treasury management policies and monitor and review decisions made. CIPFA anticipates issuing guidance to this effect in its publication *Treasury Management in the Public Services Guidance Notes for Local Authorities including Police Forces and Fire and Rescue Authorities*

Question 6: Do you agree more complex treasury management functions (ie a professional client under MiFID II legislation) means that local authorities would benefit from the support of a dedicated committee to review decisions and strategies and that CIPFA should recommend this in its guidance provided to local authorities? If not, why not? What alternatives would you suggest?

Local authority treasury management indicators – maturity structure of borrowing

Local authority treasury management indicators are included in CIPFA's *Treasury Management in the Public Services, Guidance Notes for Local Authorities Including Police Forces and Fire and Rescue Authorities*, 2018 Edition. On the introduction of the liability benchmark to the Prudential Code, CIPFA recommends the removal of the maturity structure of borrowing treasury management indicators.

Question 7: Do you agree with the removal of the maturity structure of borrowing treasury management indicators on the introduction of the liability benchmark indicator? If not, why not? What alternatives would you suggest?

Annex 1

Knowledge and skills competencies

Treasury management function knowledge and skills competencies (as applicable to local authorities)

This guidance provides a sample framework of competencies required for committee members, responsible officers, S151 officers and treasury managers. The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise their delegated responsibility on behalf of the authority.

It will be a decision for each authority to consider what the appropriate competencies are for their treasury management function, and the level of knowledge required for each individual.

The levels of knowledge in this section have been split into the following categories (in ascending order of the level of knowledge required):

For committee members:

- An awareness – ie recognition that the subject matter exists.
- A general understanding – ie understanding the basics in relation to the subject matter.
- A strong understanding – ie a good level of knowledge in relation to the subject matter (but not necessary at detailed level).
- For officers:
- A strong understanding – ie a good level of knowledge in relation to the subject matter (but not necessary at detailed level).
- Detailed knowledge – ie detailed knowledge in relation to the subject matter.
- Expert knowledge – ie expert knowledge in relation to the subject matter.

Part 1 – Treasury managers' competencies

General competencies

- Detailed knowledge of developing investment and treasury management strategies and investment processes.
- Detailed knowledge of the key risks that the authority is exposed to and how a local authorities' investment/treasury management strategy should be considered in conjunction with these risks.
- Detailed knowledge of the risk and return characteristics of the main asset classes (deposits, pooled funds, bonds, property), and the need to balance risk versus reward when determining the investment strategy.
- Detailed knowledge of the local authorities' cashflow requirements and how this impacts on the types on investments considered.

Financial markets

- A strong understanding of the primary importance of the investment strategy decisions.
- A strong understanding of the workings of the financial markets and of the investment vehicles available to the local authority and the nature of the associated risks.
- A strong understanding knowledge of the restrictions placed by regulation or case law, on the investment activities of local authorities.

Statutory and legislative frameworks

- A strong understanding of MIFID II requirements.
- A strong understanding of MHCLG *Statutory Guidance on Local Government Investments* (and the equivalent guidance in Wales).
- A strong understanding of *Statutory Guidance on Minimum Revenue Provision* (note that this would need to be relevant to the jurisdiction in which a treasury manger operates).
- A strong understanding of CIPFA's *Treasury Management In the Public Services Code Of Practice And Cross-Sectoral Guidance Notes* (CIPFA 2017) and the *Treasury Management Code of Practice and Treasury Management in the Public Services Guidance Notes for Local Authorities Including Police Forces and Fire and Rescue Authorities 2018 Edition*.
- A strong understanding of the *Prudential Code for Capital Finance in Local Authorities*, 2017 Edition and The *Prudential Code for Capital Finance in Local Authorities, Guidance Notes for Practitioners, 2018 Edition.*

Annex 2

TMP 13 Environmental, Social and Governance Risk Management

General statement

This organisation regards a key objective of its treasury management activities to be the regard of the impact of Environmental, Social and Governance risks on the principle sums it invests. Accordingly, it will ensure that a framework for due diligence cover all external investment.

The responsible officer will establish, implement and monitor all arrangements for the identification, management and control of Environmental, Social and Governance risks, will report at least annually on adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation’s objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements.

The organisation has arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

ESG counterparty risk management

This organisation will ensure that its counterparty lists and limits consider Environmental, social and Governance risks attributed to organisations with whom funds may be deposited and will manage exposure to such risk.

It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations with whom it may enter into other financing or derivative arrangements.

Appendix 2

Draft Warwickshire County Council Response to the CIPFA Treasury Management Code Consultation

Question 1: Do you agree with the proposal that organisations that have adopted the Treasury Management Code will have to explicitly document a formal and comprehensive knowledge and skills schedule to ensure the effective acquisition and retention of treasury management skills for those responsible for the management, delivery, governance, decision-making and compliance with legislative requirements? If not, why not? What alternatives would you suggest?

Yes

Question 2: Do you agree with the proposals for what should be included in a knowledge and skills schedule?

Yes. We would emphasise that training should be tailored to each role, with there being potential for a variety of roles at both officer and member level.

Question 3: Do you agree with the proposals for the monitoring and review of treasury management knowledge and skills? Do you agree that these are best specified in guidance to the Treasury Management Code? If not why, not? What alternatives do you suggest?

Yes. We would point out that there are limits on how much assurance can be taken from self-assessment.

Question 4: Do you agree that guidance to the Treasury Management Code should include specifications on key competencies for treasury management roles?

No. Requirements may vary between authorities depending on their organisational arrangements. The TM Code could include guidance on key competencies, rather than requirements as this would give flexibility. Any criteria, whether guidance or requirements would need to be restricted to core competencies so that it could be widely applicable.

Question 5: Do you agree with the addition of a new TMP to address environmental, social and governance risks? If not, why not? What alternatives do you suggest?

We believe that ESG is important and should be regarded but we do not have a view on whether that end is best serviced by inclusion as a new TMP or by some other mechanism.

Question 6: Do you agree more complex treasury management functions (ie a professional client under MiFID II legislation) means that local authorities would benefit from the support of a dedicated committee to review decisions and strategies and that CIPFA should recommend this in its guidance provided to local authorities? If not, why not? What alternatives would you suggest?

There should be appropriate governance of treasury activity, but any additional layers would need to support and enable the Treasury Management team and not become an additional reporting or administrative overhead / burden. Local government legislation does not allow for the establishment of formal committees composed of members and officers and local authorities already have a number of formal committees with oversight in this area. Therefore we do not consider such an arrangement should be a requirement.

Question 7: Do you agree with the removal of the maturity structure of borrowing treasury management indicators on the introduction of the liability benchmark indicator? If not, why not? What alternatives would you suggest?

We disagree with the removal of this indicator as it provides a useful tool to monitor exposure and future forecast financing options. Its functionality is not covered by the liability benchmark suggested.