Treasury Management Code of Practice	
Executive Summary	The Chartered Institute of Public Finance & Accountancy (CIPFA) revised its Code of Practice for Treasury Management and recommends the Council formally adopts the clauses identified in this report.
Options considered	The adoption of these Clauses is necessary to comply with the CIPFA Code of Practice for Treasury Management in the Public Services.
Consultation(s)	Cabinet Member Section 151 Officer
Recommendations	That the Governance Risk and Audit Committee recommend that Full Council formally adopt the updated Treasury management Code of Practice.
Reasons for recommendations	The adoption of these Clauses is necessary to comply with the CIPFA Code of Practice for Treasury Management in the Public Services. The 2021 clauses were not formally adopted through Full Council (although enacted) due to vacancies in Finance staff at the time of CIPFA's implementation.
Background papers	Treasury Management Code of Practice 2009 (last CIPFA update).
Wards affected	All
Cabinet member(s)	Cllr Lucy Shires
Contact Officer	Daniel King – Assistant Director Finance & Assets Daniel.King@north-norfolk.gov.uk

Links to key documents:	
Corporate Plan:	The CIPFA code of practice outlines the principles for appropriate treasury management to support the delivery of Corporate Plan objectives.
Medium Term Financial Strategy (MTFS)	Appropriate financial management in line with the MTFS
Council Policies & Strategies	Changes in treasury principles and prudential indicators are set in the annual Treasury Management Strategies.

Corporate Governance:	
Is this a key decision	No

Has the public interest test been applied	Not an exempt item
Details of any previous decision(s) on this matter	N/A

1. Purpose of the Report

1.1 This report informs the Council of the revised Code of Practice for Treasury Management and the accompanying Guidance Notes which were published in December 2021. Mandatory compliance with the 2021 Code applies from 1 April 2023 onwards.

1.2 While the Council's Treasury Management Practices and related policies have not yet been formally updated to reflect the 2021 CIPFA Treasury Management Code of Practice, the principles and requirements of the updated Code have been incorporated into day-to-day treasury operations.

1.3 This report forms part of the Council's process to formalise those updates, ensuring its governance documentation is aligned with established good practice and statutory guidance.

1.4 The CIPFA's current definition of treasury management is "*the management of the local authority's borrowing, investments and cash flows, its banking, money market funds and capital market transactions; the effective control of the risks associate with those activities; and the pursuit of optimum performance consistent with those risks".*

2. Introduction & Background

2.1 The following key updates have been made to the Treasury Management Code of Practice 2021 compared to the prior Code of Practice 2009, below the changes have been outlined, alongside how NNDC have demonstrated compliance with the new code.

2.1.1 CIPFA has strengthened the guidance on borrowing in advance of need. The updated Code reinforces that borrowing solely to profit from the investment of the proceeds is not permitted. Additionally, borrowing for debt-for-yield (commercial) investments is explicitly prohibited under the Prudential Code. This reflects a renewed focus on the principles of security, liquidity, and yield – in that order, making the security of funds the highest priority.

NNDC have demonstrated compliance with this change in the code as no borrowing undertaken was solely for investment, or debt-for-yield investments. The only borrowing undertaken by NNDC was to assist with meeting cashflow demands to deliver the capital programme.

2.1.2 Additional Prudential Indicators have been introduced relating to the use of resources for capital purposes. These include a stronger emphasis on the Capital Financing Requirement (CFR) and indicators around external borrowing. The aim is to ensure that authorities assess the adequacy of resources applied to capital expenditure in relation to their long-term borrowing levels.

NNDC has complied with the updated requirements of the Prudential Code 2021 regarding the use of resources for capital purposes. The Capital Financing Requirement (CFR) and levels of external borrowing have been set and monitored through the approved Prudential Indicators, with regular reporting to the Governance, Risk and Audit Committee and Full Council. The Council remains under-borrowed as part of its prudent approach to managing capital financing and treasury risk.

2.1.3 Capital strategies are now required to categorise investments under three headings: service investments, treasury management investments, and commercial investments. This improves transparency and clarity over the purpose and risk profile of each type of investment.

The Council holds no commercial investments as defined under the CIPFA Prudential Code. All investments are either held for treasury management purposes (to manage cash flow and reserve balances) or to support service delivery, such as loans to affordable housing companies. These are categorised as service investments in line with the Code's requirements.

2.1.4 New Investment Management Practices (IMPs) for non-treasury investments must be incorporated within the authority's Treasury Management Practices (TMPs). The Council's treasury advisors have provided a template to support the inclusion of this new section within its treasury management documentation.

While the Council's Treasury Management Practices (TMPs) have not yet been formally updated to incorporate the new Investment Management Practices (IMPs) for non-treasury investments, as required by the CIPFA Treasury Management Code of Practice 2021, the necessary changes have already been embedded in the Council's day-to-day operational treasury management arrangements. In practice, NNDC has aligned its approach to managing non-treasury investments—such as loans and property holdings—with the expectations of the updated Code. Guidance provided by the Council's treasury advisors has informed internal procedures, and a formal update to the TMP documentation is planned. This report forms part of that process, supporting the Council's transition to full compliance and ensuring its policies reflect established good practice.

2.1.5 The Code introduces the Liability Benchmark as a key indicator. This provides a long-term view of the Council's future borrowing needs and supports decisions about how much and for how long any new external borrowing should be undertaken. The Council's treasury advisors (Mitsubishi UFJ Financial Group) have provided a toolkit to assist in producing and reporting this indicator in the half-yearly and annual treasury management reports.

NNDC has demonstrated substantial compliance with the requirement to consider the Liability Benchmark introduced by the CIPFA Treasury Management Code of Practice 2021. While a formal Liability Benchmark chart has not yet been included in published treasury reports, the Council has worked closely with its treasury advisors, Mitsubishi UFJ Financial Group (MUFG), to understand and apply the underlying principles. These principles have informed the Council's approach to managing its borrowing requirement prudently, particularly in relation to the timing and duration of external borrowing. During the reporting period, the Council undertook limited new borrowing, all of which was short-term or with the PWLB, and its overall debt position remained below the Capital Financing

Requirement (CFR). The Council plans to formally incorporate the Liability Benchmark into its future treasury reporting cycle, supporting long-term financial planning and full compliance with the updated Code.

2.1.6 A new Treasury Management Practice, TMP13: Environmental, Social and Governance (ESG) Risk, has been introduced. This requires authorities to consider ESG factors in their treasury management activities, including in investment decision-making, risk assessment, and policy development.

While full implementation of TMP13: Environmental, Social and Governance (ESG) Risk is still in progress, NNDC has demonstrated substantial compliance in practice. During the period in which the 2021 CIPFA Treasury Management Code has been effective, the Council has not entered into any new long-term investments, thereby limiting ESG exposure in its investment portfolio. Furthermore, all long-term borrowing undertaken has been sourced exclusively from the Public Works Loan Board (PWLB), a government-backed institution with low ESG risk. All short-term borrowing has been conducted solely with other local authorities, which are considered secure and low-risk counterparties under the Code. This cautious and responsible approach ensures that the Council's treasury activity remains aligned with the core ESG principles of security, transparency, and ethical counterparties, pending the full incorporation of ESG criteria into its formal treasury management policies.

2.1.7 The Council is now required to produce and present quarterly treasury management update reports. These updates are intended to enhance member oversight and ensure treasury management activities are monitored throughout the year.

NNDC ensures regular oversight of its treasury management activities through its established budget monitoring process. Treasury activity is reviewed and reported as part of the Council's wider financial performance reporting, which is presented to members on a quarterly basis. These reports include updates on borrowing, investments, interest income and expenditure, and compliance with the approved Treasury Management Strategy and Prudential Indicators.

3. Proposals & Options

3.1 This report supports the Council's commitment to strong financial governance and effective risk management in its treasury operations. It is recommended that the Council formally adopts the updated Treasury Management Practices and fully aligns with the principles set out in the 2021 CIPFA Treasury Management Code of Practice.

4. Corporate Priorities

4.1 The formal implementation of the new code aligns with the following corporate priority: A strong, responsible and accountable Council.

5. Financial and Resource Implications

5.1 Preservation of the capital sums invested is the prime criteria for treasury activities. The strengthening of the Code through CIPFA's updates contributes to good financial practice whilst achieving value for money from treasury activities. The Council is required under Regulations to have regard to the guidance set out in the Code. Non-compliance with the Code is not recommended to help prevent financial loss to the Council.

Comments from the S151 Officer:

This Report provides details of the Treasury Management activity for the year. All activity has complied with the codes of practice and the Council's Treasury Management Strategy.

6. Legal Implications

6.1 The Council is required to adopt the clauses to comply with CIPFA Code of Practice for Treasury Management in the Public Services.

Comments from the Monitoring Officer

The Council needs to ensure compliance, and act in accordance with 2021 CIPFA Treasury Management code of practice, and to keep Members informed.

7. Risks

7.1 The Revised Code emphasises the overriding important of effective risk management as the foundation for treasury management activity.

8. Net Zero Target

None as a direct consequence of this report.

9. Equality and Diversity

None as a direct consequence of this report.

10. Community and Safety Issues

None as a direct consequence of this report.

11. Conclusion and Recommendations

The adoption of these Clauses and Policy Statement is necessary to comply with the CIPFA Code of Practice for Treasury Management in the Public Services. Therefore, it is recommended that Full Council formerly adopts these principles.