



Ministry of Housing, Communities & Local Government

**Ministry of Housing, Communities & Local
Government**

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Helen Ellerton

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Dear Helen Ellerton,

Thank you for your correspondence dated 2 March 2026 regarding Treasury Management decisions and ESG reporting.

CIPFA has responsibility for publishing and updating the Treasury Management Code and ensuring that it reflects current best practice. It provides a professional framework which complements the statutory investment guidance. The statutory codes should be consistent and CIPFA and the government work closely in their development. However, they function independently, reflecting their differing objectives, and do not directly derive from one another.

As you note, the Treasury Management Code incorporates Environmental, Social and Governance (ESG) considerations within its risk management practices. This approach is intended to allow authorities to take account of ESG-related risks and opportunities in a manner consistent with their statutory responsibilities. TMP 1 (Risk Management) advises local authorities with an ESG Policy to place it within their risk management and reporting arrangements. It's worth noting that a set of universal objective measures still do not exist to measure a counterparty's environmental impact.

There are also differing investment "styles", such as impact investing – specific projects that have a positive impact and exclusionary – excluding counterparties that finance fossil fuels, weapons etc. Having prescriptive guidance for all authorities, regardless of preferred "style" to follow would likely have unintended consequences. However ESG risk should be considered as part of the wider risk management process. The current review of the Codes in this area has focused primarily on the Prudential Code, in order to address examples of significant losses to the public purse from reckless commercial investments. The final proposals are to be consulted upon later this Spring, and all stakeholders will have an opportunity to respond.

You also rightly refer to the UK Sustainability Reporting Standards, which were published on 25 February 2026, and apply to the corporate sector, but are not currently mandated for local authorities or the wider public sector - although it is worth noting these are not mandatory accounting standards themselves. Under statute, CIPFA remain responsible for publishing the Code of Practice on Local Authority Accounting which, alongside statute, comprises the proper accounting practices for local government.

The CIPFA LASAAC Code board is exploring the introduction of sustainability reporting within the Code of Practice on Local Authority Accounting through the 2027/28 Invitation to Comment. The planned proposal focuses on embedding sustainability reporting based on the Task Force

on Climate-related Financial Disclosures (TCFD), in line with the approach taken by central government. This would primarily address the environmental dimension of ESG through governance, risk management and metrics disclosure, but it is not a fully comprehensive ESG reporting model. Social and wider governance matters continue to be addressed through existing reporting and governance frameworks rather than through dedicated ESG disclosures within the accounts.

It is important that any future approach for the public sector is proportionate, reflects the distinct objectives of public service organisations, and is aligned with existing statutory frameworks. Public sector reporting frameworks require careful consideration and consultation to ensure that they do not impose disproportionate burdens.

Thank you for taking the time to write to us.

Yours sincerely,

Jonathan
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