

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **WEDNESDAY, 17 JULY 2013**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **FINANCIAL PROCEDURE RULES**

1.00 PURPOSE OF REPORT

- 1.01 To provide Audit Committee with the proposed updated Financial Procedure Rules (FPR's) as detailed in Appendix A.
- 2.01 To seek a recommendation to the next available County Council scheduled for 23rd July 2013.

2.00 BACKGROUND

- 2.01 Section 151 of the Local Government Act 1972 and the Accounts and Audit (Wales) Regulations require the Council to make arrangements for the proper administration of its financial affairs.
- 2.02 On 29th June 2011 the Council approved and adopted the current FPR's.
- 2.03 The FPR's state that: 'The Chief Finance Officer is the Officer responsible for the interpretation of these Procedure Rules, responsible for ensuring that they remain appropriate to the Council's activities. An annual review will take place and each individual rule will be reviewed at least every two years. The outcome of each review will be reported to Council, along with any recommendations for changes. Should there be any urgent changes required; these will be recommended to Council between annual reviews.'
- 2.04 This report details the recommended changes following the fifth review. A review was due in 2012; this did not take place due to delays in the implementation of the Finance Function Review.
- 2.05 The proposed changes have been prepared in consultation with the Corporate Finance Management Team, Finance Officers, Internal Audit Officers, Corporate Services Officers and Head of Legal and Democratic Services.

3.00 CHANGES TO EXISTING RULES

3.01 General

The revised regulations reflect the following issues which have arisen since the last review:

- (a) There are amendments to wording throughout the report such as replacing Executive with Cabinet and updating job titles to update the document to reflect the current organisational structure and constitution.
- (b) Issues arising following internal audit work.
- (c) The introduction of the Council's Purchase to Pay system and revised Contract Procedure Rules.
- (d) The Strengthening of budget management arrangements in relation to accountability, forecasting and reporting.
- (e) Updated arrangements in relation to the Council's approach to risk management.
- (f) A Glossary of Terms has been added which covers the technical terms used within the document.

3.02 As reported in the Annual Corporate Governance Statement (identified through the Self Assessment process by each Director) briefing sessions and awareness raising for staff will commence in October 2013.

Once approved the updated FPR's will be published on the Infonet.

The review is a two stage process. The first part of the review has been to update all FPR's to reflect the general issues above and FPR's 2,3,4, 10 and 19 have been considered in greater depth as detailed in 3.03 to 3.07 below.

The second stage will involve an in depth review of the following FPR's:

- FPR 7 – Treatment of Year End Balances
- FPR 16 – Trading Accounts
- FPR 21 – External Funding
- FPR 22 – Value for Money

In addition a new FPR is required on Capital Funding to reflect the ongoing work in relation to the capital strategy.

This work will be completed for approval by Council in September 2014.

It is also recognised that some FPR's are worded as operational procedures and there is lack of consistency in the style of FPR's. A future review will look at ways of modernising the document.

3.03 **FPR 2 – Financial Planning**

The Financial Procedure Rule has been updated to include reference to the Medium Term Financial Strategy and Medium Term Financial Plan in the Council's budget setting process.

The role of the Director of Environment has been reflected in the capital programme.

3.04 **FPR 3 – Budget Management (Revenue & Capital)**

This rule has been substantially rewritten to emphasise that Heads of Service are accountable for monitoring and controlling income and expenditure against the budget heads approved in the annual budget, and clarifies the use of budget action plans.

The changes in Corporate Finance following the Finance Function Review with regard to Directorate based Finance Staff are also reflected.

The changes also outline the responsibilities of the Corporate Management Team; the Council's more modern and corporate approach to budget monitoring and associated risks with the removal of ring fenced budgets.

3.05 **FPR 4 – Budget Virements**

The FPR has been reviewed to provide clarification of what constitutes a budget a budget virement through the use of examples to illustrate.

3.06 **FPR 10 – Risk Management, Business Continuity and Insurance**

The FPR has been revised to reflect the current practice in managing risk and to include the responsibility for reviewing business continuity planning.

3.07 **FPR 19 – Procurement**

This FPR has been reviewed by the Head of Procurement to reflect the introduction of the P2P system and revised Contract Procedure Rules.

4.00 RECOMMENDATIONS

4.01 That Audit Committee approve the updated Financial Procedure Rules and recommend they are submitted to Council.

5.00 FINANCIAL IMPLICATIONS

5.01 The implementation of these rules ensures robust, consistent financial processes across the Authority.

6.00 ANTI POVERTY IMPACT

6.01 None directly as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None directly as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None directly as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None directly as a result of this report.

10.00 CONSULTATION REQUIRED

10.00 All Directorates and Corporate Management Team.

11.00 CONSULTATION UNDERTAKEN

11.01 The proposed changes have been prepared in consultation with the Corporate Finance Management Team, Finance Officers, Internal Audit and Head of Legal and Democratic Services. A draft was submitted for approval to Corporate Management Team in June 2013.

12.00 APPENDICES

12.01 Appendix A – Copy of the updated Financial Procedure Rules.
Appendix B – Glossary of Financial Terms.

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

Flintshire County Council – Constitution
Flintshire County Council – Financial Procedure Rules

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