

## Proposed Changes to Financial Procedure Rules for 2022/23

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### Purpose of the Report

1. This report sets out proposed changes to the Financial Procedure Rules (FPRs) for the rest of the financial year 2022/23.

### Public Interest

2. To conduct its business efficiently a local authority needs to ensure that it has sound financial management policies in place and that they are adhered to. Part of this process is the establishment of Financial Procedure Rules that set out the financial policies of the authority.
3. The Financial Procedure Rules provide clarity about the financial accountabilities of individuals: Elected Members; the District Executive; the Chief Executive; Directors; Section 151 Officer; the Monitoring Officer; other Managers and all other officers of the Council.

### Recommendation

4. That Full Council approve the proposed changes to the Financial Procedure Rules for the rest of the financial year 2022/23.

### Background to the proposals

5. The Financial Procedure Rules (FPRs) outline the financial policies of this authority and the individual financial accountabilities applying to both officers and members. The review of those rules is included within the remit of the Audit Committee under its terms of reference relating to reviewing governance, risk and control arrangements.
6. The S151 Officer is responsible for maintaining a continuous review of the FPRs and submitting any additions or changes necessary to the Audit Committee and then Full Council for approval. The FPRs were last updated in August 2020.
7. A full wholesale review and redrafting of the rules has not been undertaken given that 2022/23 is the last year of SSDC being a sovereign separate council. Some changes however are being proposed particularly in response to:



- An internal audit report undertaken by SWAP (South West Audit Partnership) recommending that virement rules are amended, as they are unclear and inconsistent as written in the current FPRs.
- Requirements under the Section 24 notice issued to all five councils within Somerset to govern expenditure and funding decisions from now to vesting day of the new Somerset Council.
- Updates arising from the investigation undertaken of a previously employed Director.
- General updates to reflect changes in names/nomenclature/responsibilities now used within SSDC.

## Proposed changes

8. The attached document shows revisions to the current approved rules. Green highlights are changes proposed to the wording and/or content of the FPRs. Proposed deletions are crossed out and highlighted in grey.
9. One of the key changes relate to the budget virement rules. A SWAP internal audit report recommended that the rules required clarification. Their report suggested that it is not clear whether the S151 Officer approval is required for all virements or only those relating to the 'employee budget'. Additionally, the summary table shows the responsibilities and the finance approval levels; however, this does not align completely with the associated text, e.g., whilst the text suggests that the District Executive (DX) is responsible for all virements greater than £100,000, the table suggests that approval is provided by the S151 Officer with the DX being notified. These have now been addressed in the proposed text.
10. Other key proposed changes relate to Local Government Reorganisation. A new Somerset Unitary Council will come into existence on the 1 April 2023 and all of the financial resources and commitments from the predecessor Councils will transfer to the new Somerset Council at this date. It is important, therefore, that decisions and actions taken in the existing Councils are made against the background of avoiding adverse financial pressures for the new Council where possible.
11. On the 10 May 2022 the Secretary of State for the Department of Levelling Up, Housing and Communities gave a direction under Section 24 of the Local Government and Public Involvement in Health Act 2007 that the four District Councils in Somerset, including South Somerset District Council, are required to seek the consent of Somerset County Council before they:
  1. Dispose of any land if the consideration for the disposal **exceeds £100,000**.
  2. Enter into any capital contract under which the consideration payable by the relevant authority **exceeds £1,000,000**; or which includes a term allowing the consideration payable by the relevant authority to be varied.



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3. Enter into any non-capital contract under which the consideration payable by the relevant authority **exceeds £100,000**, where:
  - a. the period of the contract extends beyond 1 April 2023; or
  - b. Under the terms of the contract, that period may be extended beyond that date.
13. The Section 24 Direction takes precedence over the Financial Procedure Rules, where applicable, from 16<sup>th</sup> June 2022 and for those instances where Somerset County Council's Executive did not approve prior general consents at their meeting on 15<sup>th</sup> June 2022.
14. The Section 151 Officer will provide advice on any proposal needing County Council Executive consent under the Section 24 Direction.

### Background Papers

"Review of Financial Procedure Rules", SSDC Council report, August 2020

"S24 report" Somerset County Council Executive, June 2022