

## CHANGES to FERM'S TERMS OF REFERENCE and a related STANDING ORDER

There is a need to change FERM's Terms of Reference (TOR) and a related Standing Order, as neither are consistent with current practice.

### Terms of Reference (TOR)

FERM's TOR state it will have 6 meetings per year. This is out of date. FERM only meets 5 times per year. Furthermore, I have been reviewing FERM's workload with a view to making our meetings more efficient. The aim is to avoid unnecessary work for the officers without weakening financial control. The notes on pages 2 & 3 map the annual cycle of financing reporting to Full Council, FERM and the Budget Working Group and draw out some observations and recommendations

In summary, I have concluded that FERM should meet 4 times per year and drop its October meeting. This would enable the officers to put more time into preparing for the all-important Budget Working Group in early November. My **recommended** change to FERM's TOR is for the frequency of meetings per year to be: **"4, or as required."**

The attached notes also highlight the possible need to change FERM's TOR where they refer to insurance and project management - we can discuss. We also need to consider the proposal for 6-monthly scrutiny of the Data Protection Risk Register to be rescheduled to FERM's meetings in July and December.

### Standing Orders (SO)

Standing Order 2.2 currently says:

*On a monthly basis, and at each financial year end, the bank reconciliations (for all accounts) together with the bank statements generated by the approved software shall be submitted for approval by FERM Committee and council. The bank statements will be presented at the meeting and signed by the Chair to verify that the statements match the finance reports.*

The above SO is also out of date - FERM and Full Council do not meet every month. These regular checks by councillors – to ensure that bank reconciliations tie in with bank statements - are a very important part of MPC's financial control framework. I suggest this SO be changed to ensure that a verification of bank statements is performed by councillors for every month of the year. The wording needs to be robust enough to cover any changes to the way committee meetings are scheduled in future. Therefore, for those months where there is no Full Council or FERM meeting, I am suggesting the Chair or Vice Chair of FERM should verify the bank statements.

If this is agreed by FERM, my **suggested** re-wording of SO 2.2 is as follows:

For each month of the financial year and at financial year-end, the bank reconciliations (for all accounts) together with the bank statements generated by the approved accounting software shall be submitted for approval by FERM Committee and Full Council in the months when they meet. The bank statements will be presented at the meeting and signed by the Chair to verify that the statements match the finance reports. For those months where there is no FERM or Full Council, the bank statements will be validated by either the Chair or Vice Chair of FERM.

## **THE ANNUAL CYCLE OF FINANCE & GOVERNANCE-RELATED MATTERS @ FULL COUNCIL, FERM & BWG**

All Full Council and FERM meetings receive the full suite of in-year Financial Monitoring Reports and the latest Risk Register. Therefore, only the other cyclical finance/governance-related topics are itemised below for Full Council, FERM and BWG.

<b><u>MONTH</u></b>	<b><u>FULL COUNCIL</u></b>	<b><u>FERM</u></b>	<b><u>BWG</u></b>
<b>Jan</b>	<b>✓week 3</b> Approves NY Budget &Precept CIL& Projects Review		
<b>Feb</b>		<b>✓week 2</b> Review Data Protection Risk Register Review MPC Policies/FRs/SOs	
<b>Mar</b>	<b>✓week 4</b> Review SOs & FRs Review Internal Control Policy Review Asset Register CIL & Projects Review		
<b>Apr</b>		<b>✓week 2</b> Review Final Outturn Review NY Budget Int/Ext Audit Arrangements Review MPC Policies/FRs/SOs	
<b>May</b>	<b>✓week 2</b> Review Final outturn Arrangements for Statutory Annual Return Confirm SOs and FRs Review Insurance arrangements Agree Code of Conduct Agree Annual Governance Statement Agree Committees' TORs Review Bank Signatories Review Subscriptions to Other Bodies		
<b>Jun</b>	<b>✓week 3</b> Receive Internal Audit Report on Last Year's Accounts Approve Last Year's Accounts Agree CIL Statutory Annual Report Agree Statutory Annual Governance and Accountability Return Annual Review of Risk Management Arrangements		
<b>Jul</b>		<b>✓week 3</b> Appoint Internal Auditor Review Business Plan Fete Financial Report Approve Staff Increments	

<u>MONTH</u>	<u>FULL COUNCIL</u>	<u>FERM</u>	<u>BWG</u>
Aug			
Sep	<b>✓week 4</b> CIL Projects Review Approve Business Plan Receive External Audit Report on Last Year's Accounts Renew Insurances		
Oct		<b>✓week 2</b> Review Data Protection Risk Register	
Nov	<b>✓week 3</b> Consider BWG's NY Budget/Precept recommendations Current Year Grants CIL Projects Review		<b>✓week 1</b> Revise CY Budget NY Budget NY Precept
Dec		<b>✓week 2</b> Review next year's draft budget Review MPC Policies/FRs/SOs	

#### OBSERVATIONS/RECOMMENDATIONS

1. Insurance is a responsibility delegated to FERM but everything is being dealt with by Full Council. Do the FERM's TORs need to be changed to reflect this reality?
2. Reports on progress against CIL projects have been dealt with at every meeting of Full Council (except for May), and not at all at FERM. I don't believe MPC needs even more regular reporting on CIL projects than the current 5 reports per year to Full Council, though the present practice is inconsistent with FERM's TORs. – do they need changing to reflect reality?
3. The October meeting of FERM is superfluous. It meets soon after September's Full Council and there is little new to discuss with regard to in-year financial monitoring. More importantly, the October FERM comes just before the BWG that is tasked to fundamentally review the current year budget and draw up a draft budget for the new year. The staff resources currently spent on servicing the October FERM would be better used on preparing for the early November Budget Working Group (BWG).
4. If the October FERM meeting is dropped, I suggest that the twice-yearly reporting to FERM on the Data Protection Risk Register is rescheduled from February and October, to July and December
5. It needs to be remembered that even in those months when there is no FERM or Full Council, the members of FERM receive the full suite of financial reports, for information and to scrutinise. There is no month in the year when councillors do not receive financial monitoring reports.