

Agenda

Name of meeting	AUDIT AND GOVERNANCE COMMITTEE
Date	MONDAY 29 APRIL 2024
Time	10.00 AM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Members of the committee	Cllrs A Garratt (Chairman), V Churchman (Vice-Chairman), C Critchison, C Jarman, K Lucioni, C Quirk and R Redrup
	Democratic Services Officer: Megan Tuckwell democratic.services@iow.gov.uk

1. **Apologies and Changes in Membership (If Any)**

To note any changes in membership of the Committee made in accordance with Part 4B paragraph 5 of the Constitution.

2. **Minutes** (Pages 5 - 10)

To confirm as a true record the Minutes of the meeting held on 18 March 2024.

3. **Declarations of Interest**

To invite councillors to declare any interest they might have in the matters on the agenda.



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This information may be available in alternative formats on request. Please note the meeting will be recorded and the recording will be placed on the website (except any part of the meeting from which the press and public are excluded). Young people are welcome to attend Council meetings however be aware that the public gallery is not a supervised area.



4. **Public Question Time - 15 Minutes Maximum**

Questions may be asked without notice, but to guarantee a full reply, a question must be put (including the name and address of the questioner) in writing or by email to Democratic Services democratic.services@iow.gov.uk, no later than two clear working days before the meeting. The deadline for submitting a written question is Wednesday, 24 April 2024.

5. **Future Governance Report** (Pages 11 - 76)

To receive and consider the report prior to its submission to Full Council on 1 May 2024.

6. **Financial Regulations 2024** (Pages 77 - 194)

To consider the updates to the Financial Regulations (2016), and to consider the principle of an alternative version should the decision by the Full Council to move to a committee system take place.

7. **Governance and the Budget-making Process** (Pages 195 - 196)

To consider and receive a report from the chairman.

8. **Members' Question Time**

Questions may be asked without prior notice, but to guarantee a full reply, a question must be submitted to Democratic Services no later than 10.00am, Thursday, 25 April 2024.

CHRISTOPHER POTTER
Monitoring Officer
19 April 2024

Interests

If there is a matter on this agenda which may relate to an interest you or your partner or spouse has or one you have disclosed in your register of interests, you must declare your interest before the matter is discussed or when your interest becomes apparent. If the matter relates to an interest in your register of pecuniary interests then you must take no part in its consideration and you must leave the room for that item. Should you wish to participate as a member of the public to express your views where public speaking is allowed under the Council's normal procedures, then you will need to seek a dispensation to do so. Dispensations are considered by the Monitoring Officer following the submission of a written request. Dispensations may take up to 2 weeks to be granted.

Members are reminded that it is a requirement of the Code of Conduct that they should also keep their written Register of Interests up to date. Any changes to the interests recorded on that form should be made as soon as reasonably practicable, and within 28 days of the change. A change would be necessary if, for example, your employment changes, you move house or acquire any new property or land.

If you require more guidance on the Code of Conduct or are unsure whether you need to record an interest on the written register you should take advice from the Monitoring Officer – Geoff Wild on (01983) 821000, email geoff.wild@iow.gov.uk, or Deputy Monitoring Officer - Justin Thorne on (01983) 821000, email justin.thorne@iow.gov.uk.

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Minutes

Name of meeting	AUDIT AND GOVERNANCE COMMITTEE
Date and Time	MONDAY 18 MARCH 2024 COMMENCING AT 10.00 AM
Venue	COUNCIL CHAMBER, COUNTY HALL, ISLE OF WIGHT
Present	Cllrs A Garratt (Chairman), V Churchman (Vice-Chairman), C Critchison, C Jarman, K Lucioni, C Quirk and R Redrup
Also Present	Sharon Betts, Jo Cooke, Barry Downer, Debbie Downer, Elizabeth Goodwin, Kerry Hubbleday, Laura Gaudion, Geraint Newton and Megan Tuckwell
Also Present (Virtual)	Cllr P Spink Jason Jones, Kevin Suter, Rumana Rafiq Ullah (Ernst and Young) Wendy Perera, Colin Rowland and Melanie White

43. Apologies and Changes in Membership (If Any)

No apologies or changes in membership had been received.

44. Minutes

RESOLVED:

THAT the minutes of the meeting held on 11 December 2023 be confirmed as a true record.

45. Declarations of Interest

Cllr Chris Jarman declared an interest as the chairman of the Isle of Wight Pension Fund Committee.

Cllr Vanessa Churchman declared an interest as the vice chairman of the Isle of Wight Pension Fund Committee.

Cllr Karen Lucioni declared an interest in any matters relating to her portfolio as Cabinet Member for Regulatory Services, Community Protection, and ICT.

46. Public Question Time - 15 Minutes Maximum

No public questions were received.

47. Reports of the External Auditor

47a Isle of Wight Pension Fund Audit Results Report 2022-23

The External Auditors presented the report which summarised the status and results of the audit. It was advised that the work was substantially finished however the final opinion could not be issued until the audit of the Isle of Wight Council had been completed.

Attention was drawn to the areas of the audit focus, the details of the work performed, and the conclusions reached in relation to fraud risk (misstatements due to fraud or error), significant risk (valuation of level 3 investments) and inherent risk (IAS 26 actuarial present value of promised retirement benefits). Questions were raised around the outstanding response from management for the assurance letter request and it was confirmed that this had now been received.

RESOLVED:

THAT the Isle of Wight Pension Fund's audit results report for the year ended 31 March 2023 be received and noted.

47b Isle of Wight Pension Fund Audit Planning Report 2023-24

The External Auditors presented the report which summarised the proposed approach and scope for the 2023-24 audit. Attention was drawn to the materiality thresholds, which remained unchanged since the prior year. Questions were raised regarding the audit deficit threshold and overall planning materiality. The committee confirmed their understanding of, and agreement to, the materiality and reporting levels.

Comments were made in relation to the upcoming departure of Pension Fund Manager, and it was advised that this was unlikely to have any impact on the planned work as the focus would be on the year ending April 2024. Questions were raised regarding the timeline for appointing a new officer and it was advised that an informal meeting had been arranged for members of the Pension Fund Committee, Local Pension Board, and staff to receive an update on the matter.

RESOLVED:

THAT the Isle of Wight Pension Fund's audit planning report 2023-24 be received and noted.

47c Value for Money Interim Report 2022-23

The External Auditors presented the interim report on the council's value for money arrangements, which summarised the work undertaken during the audit year 2022-23, the findings, and recommendations for improvement. It was advised that the conclusions within the report were likely to remain unchanged however the final version could not be presented until the conclusion of the audit for 2022-23. It was suggested that the committee should meet with the external auditors informally at least once a year. The chairman of the Pension Fund Committee confirmed that information was being sought on recharges made to the pension fund from council.

RESOLVED:

THAT the Value for Money Interim Report 2022-23 be received and noted.

48. **Reports of the Chief Internal Auditor**

48a **Internal Audit Progress Report**

The Chief Internal Auditor presented the report which summarised the results of the audits finalised between December 2023 and March 2024. Attention was drawn to two high-risk areas; the element of the disabled facilities grant which was not used on facility adaptations (where there is a requirement for it to go through an approval regime), and accounts payable (changes to supplier details). It was confirmed that arrangements were in place for both matters and neither were of significant concern.

RESOLVED:

THAT the report be received and noted.

48b **Internal Audit Plan 2024-25**

Consideration was given to the report which set out the Internal Auditors proposed programme of work for 2024-25. It was noted that two corrections to the report would be required; the proposed audit for the better care fund would be a full report (not a follow-up as stated) and the proposed audit for disabled facilities would be moved from the Community Services directorate to Adult Social Care.

Questions were raised regarding any potential issues anticipated as a result of the proposed move to a committee-system of governance. The Chief Internal Auditor advised that there were no significant concerns around the model of decision making itself (as both frameworks had pros and cons) however attention was drawn to the risks associated with the speed of implementation by May 2024.

RESOLVED:

THAT the Internal Audit Plan 2024-25 be approved, subject to the above corrections.

48c **Tax Evasion Policy**

The committee received and considered the policy which had been updated to ensure that the council had fit-for-purpose arrangements in place to prevent tax evasion. No comments or questions were raised at this stage.

RESOLVED:

THAT the Corporate Tax Evasion Policy be approved.

49. **Treasury Management Strategy Annual Report**

Consideration was given to the Treasury Management Strategy for 2024-25. It was noted that the strategy remained substantially similar to that of the previous year,

with the exception of the maximum which could be invested in each money market fund which had been reduced from £16m to £13m. No questions were raised at this stage. It was noted that the strategy was based on a widely used template and assurance was given that this was appropriately edited to reflect the needs of Isle of Wight Council.

RESOLVED:

THAT the Treasury Management Strategy for 2024-25 be adopted.

50. Treasury Management Report (Q3)

The committee received the report which provided an update on treasury management policies, practices, and activities from 1 April 2023 to 31 December 2023. Discussion took place the experiences with using Lloyd's bank and it was advised that the contract did need to be renewed but the council were not actively looking to go elsewhere. Questions were raised around the long-term fixed interest loans.

RESOLVED:

THAT the performance for the nine months to 31 December 2023 against the treasury management indicators be received and noted.

51. The Council's Risk Profile

Consideration was given to the report which summarised the current position regarding the council's strategic risks. Attention was drawn to the new Strategic Risk 19, in relation to coastal erosion; the impact on the Island's infrastructure, roads and utilities, and the financial implications that could bring. Discussion took place regarding the impact this could have on the Highways PFI contract, and it was requested that narrative on this be provided in future.

Discussion took place regarding Strategic Risk 12, particularly in relation to the Energy from Waste plant operating and generating power as the commission tests are worked through. The committee were assured that the final test certification was expected to be achieved by the end of March 2024.

Concerns were raised regarding the performance of cross-Solent ferry operators, and the risks to the Island as a result of disrupted and minimal service. The Chief Executive advised that the Emergency Planning team would be asked to review and refresh the council's contingency plans, and it was requested that a report be provided to the committee at its next meeting. It was noted that the matter would be considered by the Corporate Scrutiny Committee in June 2024.

RESOLVED:

THAT the report be received and noted, and the strategic risks of the council as set out in Appendix 1 of the report be approved.

Following discussion, the committee adjourned for a ten-minute comfort break.

52. Chairman's Annual Report

The chairman presented his annual report which assessed the performance of the committee, how it had complied with the CIPFA position statement, and discharged its responsibilities during 2023-24. No questions were raised, and the committee expressed its thanks to the chairman.

RESOLVED:

THAT the report be received and noted.

53. Future Governance Arrangements:

53a Future Governance - Progress Update

Consideration was given to the report which provided an update on the progress towards the proposal to implement new governance arrangements for the council. The chairman advised that an additional meeting of the committee had been arranged for 29 April 2024, where the final report would be received prior to its consideration by the Full Council in May 2024.

Views and concerns were raised by various members. It was noted that these were not necessarily collectively shared.

A concern was raised in relation to the timescales which were considered challenging, and the risks associated with delivering a change in governance arrangements by May 2024 (particularly the potential for governance failures which could arise due to insufficient time). Concerns were raised around the acceptance that operational efficiencies would be determined post-implementation after May 2024. Concerns were raised that the output from the council would be less under a committee-system of governance.

Views were shared regarding the process for the appointment of chairmen under the new proposals, and it was believed that the chairmen of all committees should always be elected by the Full Council. A view was put that the new Leader of the council should be disconnected from the chairmanship of the Policy, Finance, and Resources Committee, on the basis that these roles required different skill sets.

Discussion took place regarding the implementation date, and whether it would be beneficial to implement a change in governance arrangements during a council term (May 2024) or at the beginning of a new council term following the May 2025 local elections.

It was emphasised that it remained incumbent on all councillors to keep up to date with all documentation and provide feedback where required. As there were a variety of views it was felt best that the views of committee members would be passed on to Full Council ahead of its meeting on Wednesday 20 March 2024.

RESOLVED:

THAT the report be received and noted, and the views of the Audit and Governance Committee members would be shared with the Full Council.

53b **Update on the Review of the Constitution (verbal)**

No updates to report.

53c **Copy of the report to the Corporate Scrutiny Committee on Confidentiality**

The committee received a copy the report on confidentiality which had been presented to the Corporate Scrutiny Committee in January 2024. The chairman advised that this item had been added to the agenda following the last meeting where themes of openness and transparency had been discussed. Discussion took place regarding the process for defining matters as confidential and from which groups.

RESOLVED:

THAT the report be received and noted.

Cllr Jarman raised matters, and sought to present a briefing note, regarding the budget preparation process and access to information. The chairman did not accept the matter as urgent under special circumstances in order to be considered immediately, and it was therefore agreed that the matter would be referred the next meeting of the committee (29 April 2024).

54. **Workplan**

Consideration was given to the committee's workplan, and the chairman reiterated that an additional meeting of the committee had been arranged for 29 April 2024. No comments or questions were raised at this stage.

RESOLVED:

THAT the workplan be received and noted.

55. **Members' Question Time**

Cllr Chris Jarman raised an oral question regarding the process for receiving responses to members' written questions. The chairman advised that any procedural matters could be reviewed within the constitutional amendments.

CHAIRMAN



Purpose: For Noting

Committee Report

ISLE OF WIGHT COUNCIL

Meeting	AUDIT AND GOVERNANCE COMMITTEE
Date	29 APRIL 2024
Title	ISLE OF WIGHT COUNCIL GOVERNANCE ARRANGEMENTS
Report of	CHIEF EXECUTIVE

EXECUTIVE SUMMARY

1. At the Annual Meeting of the Council on 17 May 2023 the Council considered a motion by Councillor Brodie that a Future Governance Working Group (“the FGWG”) be established “*to make recommendations to Full Council [in] January 2024 regarding moving to a Committee system of governance...*”. The motion was referred to Cabinet by Full Council.
2. Cabinet recommended to Full Council at their meeting of 19 July 2023, that Councillor Brodie’s motion should be referred to the Audit and Governance Committee. Full Council considered and resolved at that meeting, to agree an amended motion from Councillor Brodie in the following terms:

“THAT Full Council agrees to establish a politically proportionate 'Future Governance Working Group' to make recommendations to Full Council January 2024 via the Audit and Governance Committee regarding moving to a Committee system of governance (including the future Committee structure, decision-making powers, etc.). The intention being to recommend for approval a formal resolution to that meeting to bring about such a change in governance with effect on and from the Annual Council 2024. The Future Governance Working Group shall consist of ten councillors, namely any 3 councillors from the Alliance Group, any 4 councillors from the Conservative Group, any 1 councillor from the Empowering Islanders Group, any 1 councillor from the Liberal Democrat Group, and any 1 non-aligned councillor, plus staff support. Its terms of reference are to develop a new Committee system of governance for the Isle of Wight Council and to make recommendations for its implementation to Full Council. In so doing, the Future Governance Working Group shall, amongst other things, consider how other local authorities have made a transition back to the Committee system of governance model and what lessons can be learnt from that experience, and shall consider examples of best practice, to inform those recommendations.”

3. The Future Governance Working Group, chaired by Cllr Brodie was established, met, and set up sub-groups of the Future Governance Working Group to inform their work and future recommendations to Full Council on the motion. These sub-groups considered:
 - i. Changes to a committee system elsewhere
 - ii. Views of our senior officers/colleagues and elsewhere
 - iii. Possible structures of a committee system
 - iv. Cabinet based alternatives to committees.
4. At the conclusion of the Future Governance Working Group's deliberations in November 2023, the Audit and Governance Committee at its meeting on 11th December 2023 received a report from Cllr Brodie as chair of the working group, in which it was determined that the working group would recommend to Full Council that it moves towards the introduction of a committee system with effect from May 2024.
5. Full Council at its meeting of 17 January 2024 resolved to note the recommendations of the Future Governance Working Group and that the working group would now work with the Monitoring Officer and senior officers on constitutional and other changes required with a progress report being provided to Full Council in March 2024.
6. As agreed, Full Council received a progress report, via the Audit and Governance Committee on 20th March 2024.
7. On 12th March 2024, Corporate Scrutiny Committee undertook a review of the proposed new governance arrangements and made observations, (see section on scrutiny committee's view section and appendices). The chair of the Future Governance Working Group responded to scrutiny on all the points raised.
8. This report sets out the options for the Council to consider for the future Governance of the Council, bearing in mind the work undertaken and recommendations made by the Future Governance Working Group.
9. There are in essence three available models of governance Councils can follow. These are:
 - a mayor and cabinet
 - a leader and cabinet
 - or the committee system of governance.
10. The options range from the status quo to other models of governance requiring a formal section 9KC resolution in accordance with the Local Government Act 2000.
11. The Council could seek to make a change to its current governance model either through a referendum or through a Council resolution. Should the Council approve a new model of governance, this report also seeks approval for the implementation date of any changes to the current governance model that Council may wish to approve.

RECOMMENDATIONS

That Full Council considers the governance options outlined in the report and resolves either to:

- A. Make no changes to the current governance arrangements and retain the executive model, with Leader and Cabinet form of governance (no change option) **OR**
- B. It considers a changed form of the current Leader and Cabinet model **OR** to cease operating the existing Leader and Cabinet model of Governance and
- C. It resolves to move to a Mayor and Cabinet **OR**
- D. It resolves to move to a Committee system of governance. This is the preferred option of the Future Governance Working Group, and if C or D it:
 - i. passes a resolution under Section 9KC of the Local Government Act 2000 (“9KC”) to make a change to its governance arrangements and move to the preferred option.
 - ii. agrees the date on which the change in governance arrangements will be implemented, which could be either:
 - a) the Annual Council meeting on 15th May 2024 **OR**
 - b) the Annual Council in May 2025.
 - iii. It agrees and adopts the frequency of meetings in the table at paragraph 90 (scenario 5 in **Appendix 3**)
 - iv. It considers the risks associated with a change in governance arrangements outlined in the risk section of this report and at **Appendix 4** of this report.
 - v. It instructs officers, as soon as practicable after passing the resolution to comply with the publication requirements under Section 9KC (b) and to secure that copies of a document setting out the provisions of the arrangements that are to have effect following the resolution are available at its principal office for inspection by members of the public, and published in one or more newspapers circulating in its area a notice with the information specified in Section 9KC (b).
 - vi. Notes that should Full Council pass a formal resolution under Section 9KC, to change the model of governance, a change cannot be made for 5 years, without a referendum.
 - vii. Instructs Audit and Governance Committee to conduct a review of the changed governance system, commencing within six months of implementation with a view to recommending improvements to Full Council as soon as practicable.

viii. Notes that should Full Council resolve to make any governance changes an updated constitution, will be brought to Full Council at the relevant annual council for approval.

ix. Notes that should any governance changes be approved that impact on members roles and responsibilities, an updated, interim Member remuneration scheme will be brought for approval at a relevant council meeting.

E. If the Council resolves to move to the preferred option, it further resolves that:

i. That the appointed Leader of the Council will chair the Policy, Resources and Finance Committee and It agrees and adopts the Committee system Framework at **Appendix 1, or**

ii. That the appointed Leader of the Council will be appointed to the Policy, Resources and Finance Committee and it will be chaired by a councillor appointed to that role and section 2 of Appendix 1, relating to the Leader's role is amended to reflect any necessary changes approved by Council.

BACKGROUND

12. The Local Government Act 2000 brought about fundamental changes to the way local authorities were governed and made decisions. Prior to implementation of this legislation, Full Council as parent body delegated powers to committees; sub committees and officers. The main decision-making committees were politically balanced.

13. The then government's White Paper, 'Modern Local Government: In touch with the People' (1998)', argued that separating executive functions would have advantages in terms of efficiency, transparency, and accountability.

14. It was argued that there would be better transparency because it would be clear to the public who was responsible for many of the more important decisions impacting them. This would be because decision-making would not, according to the White Paper, be dissipated within sometimes opaque committee structures. Formal scrutiny was to be central to this executive model as a check and balance to the extensive powers given to the executive.

15. The White Paper was followed by legislation. The Local Government Act 2000 introduced alternative forms of governance. All councils except small district councils with a population of 85k or below, had to adopt either the Leader and Cabinet, elected Mayor with a Cabinet or elected Mayor with office manager model. The new governance models allowed for certain non-executive functions, often the quasi-judicial functions to be discharged by politically balanced committees. These included for example, Planning, Licensing and Audit and Governance Committees.

16. In recent years there has been a reconsideration of the governance arrangements and further legislation have made changes. The Localism Act 2011 gives councils a wider choice in their governance arrangements and allows councils, amongst other models to implement a committee form of governance.

The current position

17. The Localism Act 2011 introduced statutory provisions into the Local Government Act 2000 (“LGA 2000”). Chapter 1, Section 9B permits councils to have the following models of governance:

- i. Cabinet (for legal purposes referred to as executive arrangements but more widely known as Cabinet) arrangements or,
- ii. A committee system, or
- iii. Prescribed arrangements

18. The above options, allow for the following:

- i. The Status quo, no change option – (**executive**) Leader and Cabinet.
- ii. Change to a hybrid form of (**executive**) Leader and Cabinet governance.
- iii. Change its form of (**executive**) to an elected Mayor and Cabinet.
- iv. Change its form of governance to a **Committee** System.
- v. Propose a novel and different form of governance to the Secretary of State. As there are no current proposals to put to the secretary of state, this is not a realistic option at this stage.

Executive arrangements

19. Section 9C of the LGA 2000 identifies the type of executive arrangements for councils. The executive model may consist of:

- (a) an elected mayor of the authority, and
- (b) two or more councillors of the authority appointed to the executive by the elected mayor.

20. Such an executive model is referred to in this Part as a **mayor and cabinet executive**.

21. **Or** the executive model may consist of:

- (a) a councillor (referred to in this part as the executive leader) elected as leader of the cabinet (executive) by the authority, and
- (b) two or more councillors of the authority appointed to the cabinet (executive) by the Leader. This is the model that the Council currently operates.

22. This model requires the Council to, in addition, operate cross-party, politically balanced committees. These include committees undertaking non-executive functions for example, Planning, Licensing, Audit and Governance and Appointments and Employment Committees.
23. The executive model of governance requires the operation of one or more scrutiny committees. Scrutiny acts as an important counterbalance to the powers of the executive and is made up of cross-party politically balanced committee/s. As well as having the power to Call In cabinet (executive) decisions for review by the cabinet, scrutiny can and does a lot of value-added work by adding capacity to the cabinet (executive), engaging the wider councillor community, engaging other stakeholders, and helping in the process of policy development.
24. Some Councils allow the Leader of the executive to delegate executive powers to individual Cabinet members so that these members can make individual decisions within their remit. Some councils have structured executive decision-making only by Cabinet collectively. Some councils have variations, where the Leader only can make individual decisions, often the larger Key decisions. These arrangements are often contained within constitutional rules; the Leader's scheme of delegations and supported by an officer scheme of delegations.

Status Quo - No Change Option

25. The Council could decide to make no changes to its current model of governance. This is the leader and cabinet model with scrutiny committees and other operating committees. This model has been in operation as the council's governance model since 2001. The system is considered by some, to have worked well during the periods of time where there was a one clear political party majority. However, in more recent times, the landscape for local politics has become much more fragmented. The elections in 2013 and 2021 returned a no overall control Council. There has been an increase in the number of independent candidates standing for election which has resulted in alliances being formed to secure overall control to serve as the administration. That situation has over the period of the last twelve months become more fragmented as councillors have moved away from membership of that alliance, with new groups being established, an increase in the number of Liberal Democrat councillors elected together with single representatives of aligned and non-aligned groups.
26. This means that while there is still an administration that operates the Leader and Cabinet model of governance, the no-overall control situation means that there are challenges for effective decision making under this model of governance. This is particularly apparent where recommendations are made by Cabinet to Full Council on matters reserved for Full Council, such as budget setting. A recent example is the significant political "noise" around the February 2024 Full Council budget setting meeting, which saw the Cabinet's recommended budget not being carried and superseded by the Conservative and Empowering Islanders' budget amendment. Similar happened in 2022. The nature of decision-making under this model and current circumstances is also such that there can be strong disagreement to cabinet decisions from other political or aligned groups which can impact negatively on decision making processes that are not considered to be efficient or cost effective.

27. Given the disparate number of groups (four in total plus one single aligned and one non-aligned councillor) this has also led to a sense of frustration for councillors who do not feel that they have sufficient opportunity to fully represent the views of their constituents and that which allows them to inform strategy and policy decisions for the Council from the current Leader and Cabinet model of governance. While there is opportunity to participate in all the other business committees, including that of policy and scrutiny, there is a belief that this is insufficient to have real opportunity to influence decisions that are important to the Island's communities.
28. It does need to be acknowledged though that no one governance model is necessarily better than the other. The Centre of Governance and Scrutiny outline the importance of values and culture in addressing some of the perceived failures of governance models. In their words: "*A focus on structure risks missing opportunities to think about cultures and values.*" [Centre for Public Scrutiny - Musical Chairs](#) .
29. Whilst the cultural and values points are acknowledged, and that the political make-up of the Council may change in the future along more traditional party lines, the Future Governance Working Group were broadly of the view that to continue with the existing model, given many of the problems outlined above, would only serve to exacerbate a difficult situation and negatively impact effective decision-making for the council. A more consensual approach, engaging councillors fully in various parts of the decision-making process would work better for the fragmented politics that currently and are likely to exist going forwards. Therefore, having carefully considered the benefits and disbenefits of the current Leader and Cabinet model and having acknowledged that any change in governance model would bind the Council for 5 years (without a referendum) the Future Governance Working Group did not support retention Leader Cabinet model of governance.

Hybrid Executive arrangements

30. It is permissible with the executive model of governance to design variations in the make-up of the executive. Some councils follow what has become to be known as hybrid executive models of the Executive and this can be achieved without the need for a formal resolution to change its governance model of Section 9KC as set out in the Local Government Act 2000.
31. This form of executive can be structured in various ways along a spectrum whilst keeping within the legal framework of the executive model. Changes would need to be carefully drafted into the Council's constitution to enable a chosen hybrid model to operate effectively. There are examples of different iterations and innovations from other councils as they have tried in their context, to address some of the perceived weaknesses of their executive model of governance. Like all governance models, this form of governance has its advantages and disadvantages.
32. An example of a Council considering implementing hybrid executive arrangements is Bromsgrove District Council. The Council is proposing to do this by introducing protocols to embed more collegiate working; introducing Cabinet Advisory Panels; improve communication with councillors; Introduce a Memorandum of Understanding between all political group leaders. The [Bromsgrove District Council](#) meeting papers provides more information on the approach being considered.

33. Other models allow for cross party committees (overview and scrutiny) to consider issues in detail and to recommend decisions to Cabinet which can in effect be rubber stamped by Cabinet. Other iterations allow for the involvement of non-executive councillors through Cabinet advisory bodies. The [Rethinking Council Governance](#) report of the Centre for Governance and Scrutiny makes reference to these considerations.
34. A hybrid Executive model would keep significant decision-making powers with the Cabinet or individual members of Cabinet, the detail depending on how the Council structured this model. Cross-party committees, whether scrutiny committees or cabinet advisory committees would not have the formal decision-making powers of the executive. They would act, in effect, as pre-decision-scrutiny committees and would recommend decisions to the executive who could decide to “ratify” these decisions. Whilst the research is relatively old (2012) the [Centre for Governance and Scrutiny](#) outline their scepticism on the effectiveness of this aspect of the model. They state:

“However, when committee decisions take the form of mere recommendations which are then “ratified” by a cabinet, or individual cabinet members, their force and influence will inevitably be diminished – particularly as committee sessions will often be held so close to the making of the decision as to make altering that decision difficult, without implementation delays.”

35. Hybrid executive models can be designed to allow for greater involvement of non-cabinet councillors in the debate and consideration of strategy and policy decisions. However, it remains that the final decision maker will be cabinet or individual cabinet members. As set out above, with many disparate political groups that make up the council, there are difficult challenges identified for effective, representative decision-making which can play out negatively in public meetings. There is the need for more consensual decision making to be secured. Therefore, whilst a hybrid model could be designed to mitigate some of the difficulties in decision making, this approach is not considered sufficient to address the concerns that exist for Isle of Wight councillors to be able to fully participate in important decision-making; to represent the views of their electorates and for especially contentious decisions to be dealt with effectively.

Elected Mayor and Cabinet Form of Executive

36. The Council may choose to change its form of executive arrangement, from the Leader and Cabinet model to that of elected Mayor and Cabinet.
37. Under Section 9C of new Part 1A of the Local Government Act 2000 this option consists of a directly elected Mayor, and a Cabinet composed of between two and nine councillors appointed by the elected Mayor. The decision to move to an elected Mayor form of executive can be made following a referendum that supports change but changes to the law now allow the Council to move to this model of governance by council resolution without a referendum. However, should the Council wish to progress this as an option then implementation of such a model will need to be post an election process and will fit best with Council elections scheduled for next May 2025.

38. The advantage of this model is that there is direct election of a political leader by the electorate and therefore there is a direct link to the leadership of place and the priorities that are important to the Island's communities. It affords very clear and focussed strategic leadership for setting a vision and direction for the Council and transparency and accountability for decision making. The mayor in this form of governance does not have additional executive powers granted to them and it has many similarities with the cabinet form of governance. In this model the key decision-making powers will rest with a select group of councillors and the elected Mayor. This model, in decision-making terms has a lot of similarities to the council's current leader and cabinet model. Given the perceived problems at the Isle of Wight Council with the executive model, primarily arising from the political make-up of the Council, such a model of governance would not address the issues the Isle of Wight Council has with its decision-making challenges.
39. More widely, the evidence suggests that this form of governance has not found support from the relevant electorate. The majority of referendums on creating elected mayors have resulted in 'no' votes. As of May 2023, 14 local authorities have elected mayors and cabinet models. Of the councils that the government required to run a referendum most were rejected by the electorate.¹ In 2005, the Isle of Wight also voted conclusively against the option of a directly elected mayor.

Committee model of Governance

40. The Committee form of governance means the arrangements made by a local authority, in accordance with:
- (a) Part 6 of the Local Government Act 1972, and
 - (b) Part IA of the Local Government Act 2000
41. In this model, Full Council agrees the Policy and Budget Framework and certain mandated decisions either because they need to be made by Full Council by law or out of local choice. Full Council acts as the most senior decision-making body and delegates powers to a number of Service Committees. These committees can be structured in many ways around council functions.
42. The officer/member relationship would continue as currently between officers and cabinet members, except that this would now be with chairs of politically proportionate committees. It is important to acknowledge that under this model of governance, individual councillors are unable, legally, to make formal binding decisions, this power will rest with the relevant committees; Full Council and officers through delegations (as now).
43. This report outlines the Future Governance Working Group's recommendations which propose that the service committees, if the committee form of governance model is adopted, follow very closely the current cabinet/portfolio responsibilities.
44. Committees that currently operate and which make non-executive decisions, for example regulatory committees will continue to operate under this model.

¹ House of commons library Research Briefing 26 July 2023 By Mark Sandford

45. Under this model there is no legal requirement to have an independent scrutiny committee or committees although the Council could as a matter of choice establish them. The [Centre for Governance and Scrutiny](#) advocate for separate scrutiny committees in this model of governance. However, separate scrutiny meetings would impact on the financial model and costs of change as scrutiny meetings would need to be administered and serviced. This is ultimately a matter of local choice whether to form a scrutiny committee or committees.
46. If no specific scrutiny committee is established, this model does allow for committees themselves to undertake scrutiny within their terms of reference. The Future Governance Working Group were of the view that due to the political proportionate nature of each of the committees that there would be sufficient opportunity for councillors to contribute their different points of view as part of the decision making process and would lead to better decisions being made as an outcome whilst recognising that there remained an important element of scrutiny to be undertaken in the delivery of those decisions and to accommodate an appropriate separate element of the meeting for this purpose.
47. More specifically, even in the committee form of governance the Council will retain responsibility for certain mandatory external statutory Scrutiny functions. These functions relating to health; crime and disorder and flood risk.
48. These mandatory obligations could be discharged through the relevant service committees as part of their remit. This is the model being recommended by the Future Governance Working Group and which has been drafted into the committee system framework at Appendix 1.
49. The committee form of governance allows greater participation from different political groups and the make-up of the committees follow political balance rules.
50. However, there are potential disadvantages in that the decision-making can be slower and the accountability for decision-making may be unclear. The Future Governance Working Group considered these issues in more detail and their deliberations are contained below.
51. Pulling this all together the Council has the following options:
 - i. To retain its current form of Executive governance. This is a no change option (no requirement for a 9KC resolution) or
 - ii. Consider changes to its current executive model whilst retaining the Executive model (no requirement for a 9KC resolution) or
 - iii. Resolve to move to a Mayor and Cabinet Executive
 - iv. Resolve to move to a committee form of governance composed of politically balanced memberships.

52. A number of Councils, ranging from Unitary to District Councils have used the powers under the Localism Act 2011 to move to the Committee system of governance designed around their particular local need (Island context is set out in paragraphs 25 and 26). It is necessary therefore, in determining any change to governance arrangements that careful examination is given to the options open to the Council in its decision-making arrangements that will reflect and best serve effective decision making for the Council. As set out earlier in this report, the changing nature in the make of this council, the existing arrangements are considered by elected members to no longer a model that serves the Council well.
53. It is suggested that councils are increasingly exploring new models of governance provided for by the Localism Act 2011, to reflect the changing landscape of local government each with its own strengths depending on the particular context of a council.
54. The Centre for Governance and Scrutiny state:

“With more councils under no overall control and more being regularly contestable (i.e., changing hands between parties regularly). Under these circumstances it seems to be the case that leader-cabinet councils look less attractive to some, and the promises made of the more “consensual” committee system model appear a better fit.” and

“We don’t believe, however, that any one governance model is intrinsically better than any other. Any of the prevailing models – Mayoral, committee, leader/cabinet or a hybrid form – can be made to work. Structures are important and can influence and inform behaviour. But culture – how people are predisposed to behave and think, depending on their roles – is arguably more critical. Without the right attitudes, values and behaviours being in place, a system which looks exceptional on paper could be found wanting in practice. Equally, a governance system which might be robust and effective in one council could be inadequate if transposed wholesale into another authority” [Re-thinking Council Governance refers.](#)

The Council’s internal consideration of possible change

55. The Future Governance Working Group was politically proportionate and therefore allowed a conduit through which the views of each representative group could contribute. Each sub-group established was led/supported by members of the Future Governance Working Group.
56. The Chair of the Future Governance Working Group reported that everyone on the working group had the opportunity to research examples of changes and decisions not to change elsewhere. More generally, the Chief Executive offered some valuable input through Cllr Quirk, the latter also spoke to retired officers elsewhere including another council. Cllrs Garratt and Churchman provided the framework for the recommended future structure of the Council. Cabinet-based alternatives were looked at but did not command majority support.
57. At its meeting in September 2023 there were update reports from the above subgroups and consideration was given to Cabinet alternatives to Committees including consideration of hybrid Cabinet systems.

58. At its 16 October 2023 meeting updates were provided on discussions between members of the Future Governance Working Group with senior officers and discussions with one other Local Authority.
59. One member provided an analysis of the advantages and disadvantages of the various models of governance having taken a view from various sources including from Council colleagues and the Local Government Association. A summary of these advantages and disadvantages is set out below:

Advantages:

- i. **Specialisation:** Committees allow Council members to specialise in the specific areas such as finance, planning or social services, leading to more informed decision making.
- ii. **Inclusivity:** Committees can involve a broader range of voices and perspectives as they often include members from different political parties and backgrounds.
- iii. **Oversight:** Committees provide oversight and scrutiny, helping to ensure transparency and accountability in local government.
- iv. **Expertise:** They allow for the development of expertise over time, as committee members become well-versed in their respective policy areas.
- v. **Efficient Workload:** Committees can handle a variety of issues simultaneously, making it possible for councils to manage their workload effectively.

Disadvantages:

- i. **Decision Delays:** The committee system can lead to slower decision-making processes, as issues may need to go through multiple committee stages before reaching a final decision. When decisions require approval from multiple committees, there is a greater potential for gridlock or disagreement, especially if committees have conflicting priorities or partisan divisions.
- ii. **Complexity:** A proliferation of committees can make the local government structure more complex, potentially leading to confusion for the public.
- iii. **Bureaucracy:** In some cases, committees can become bureaucratic, with lengthy meetings and administrative overheads. A committee system can be less efficient in managing resources and staff as different committees may duplicate efforts or lack co-ordination, leading to inefficiencies in the allocation of resources.
- iv. **Partisanship:** Despite the intention of inclusivity, committees can still be influenced by political party dynamics potentially leading to partisan decision-making.

- v. **Lack of Accountability:** The committee system might dilute accountability, as responsibility can be diffused among multiple committees, making it unclear who is ultimately responsible for specific decisions.
 - vi. **Difficulty in Achieving Consensus:** In a committee system, achieving consensus among committee members can be challenging, potentially leading to watered-down or compromised decisions that do not fully address pressing issues.
60. The risk section of this report considers how disadvantages may be mitigated and detailed in full in Appendix 4. At the conclusion of the Future Governance Working Group's deliberations having considered member views, its members voted to recommend to Full Council that the Council moves to a committee form of governance.
61. The Audit and Governance Committee at its meeting of [11 December 2023](#) received a report from Cllr Brodie as chair of the working group, outlining the Future Governance Working Group's deliberations. The clear recommendation from the Future Governance Working Group was to move to a committee form of governance. This was influenced by the context of the Council, given that it currently is and at the 2013 election was a no overall control council. This was articulated by Cllr Brodie in his report to the Audit and Governance Committee in December 2023.
62. The Council has set up an officer project group to structure and drive any changes to support Council to implement any mandated changes. The Group meets weekly and is sponsored by the Chief Executive and supported by specialist legal advisers.
63. Member input has continued through the Future Governance Working Group which has met on a fortnightly basis since 7 February 2024.
64. The Future Governance Working Group have worked with senior officers and specialist external legal experts to develop and shape a proposed Committee system of governance for the council. The architecture document outlining the design principles of any proposed new committee system is attached at appendix 1.

Design Principles of a possible Committee system

65. Service committees will be set up by virtue of Pat VI of the Local Government Act 1972 and Part 1A of the Local Government Act 2000. The legal requirement is that unless there is unanimity otherwise, the committees must be politically balanced, and their composition must reflect the overall political makeup of the Council.
66. The pace required to move to a new model of governance by 15 May 2024, should that be the wish of full council, does create some risks and the need for compromises to mitigate these risks are considered within the risk section of this report and are also set out in the risk matrix at appendix 4.(see section on Risk below and the risk matrix in appendix 4).

67. To prepare for a tight implementation of this model, specialist external legal advisors have supported the drafting to an amended constitution. The constitution does not technically need to be approved at this stage. The constitution is in an advanced preparation stage and will be ready for adoption at the Annual Council on 15 May 2024, should Full Council determine that a committee form of governance is to be adopted from that date. The amended constitution will operate with the minimal changes required to ensure a smooth and lawful transition to the new model. The constitution will therefore need a more comprehensive review commencing within 6 months of any new model becoming operational.

Service Committees

68. Committees under this model of governance will have decision-making powers within their terms of reference. These Committees will be set up by the parent body, Full Council and their composition and functions can be changed by Full Council.

69. These committees will only make decisions on issues within their terms of reference and delegations granted to them by Full Council. Decisions will need to be made within the budget and policy framework set out by the Full Council.

70. The Policy, Resources and Finance committee under this model will have an overarching responsibility and the most senior committee under this model of governance.

71. It must be acknowledged at the outset that if the Committee form of governance is chosen, with an implementation date of 15 May 2024, this will mean that a restricted approach would have to be adopted to the nature of changes made, and some compromise accepted as a result, compared to what might be achieved by a comprehensive review. Only necessary changes will be proposed to the constitution to make the model work and to enable compliant decision-making from the implementation date. Suggested changes have followed very closely the current cabinet portfolios, so each service committee follows these as closely as possible. It is proposed that should the committee form of governance be adopted a review process will commence within six months from implementation with a backwards look to apply any learning from the operation of the model and a forward look to see how the model can be improved and refined.

72. The committees proposed are as follows:

- i. Policy, Resources and Finance Committee
- ii. Children's Services, Education and Skills
- iii. Adult Social Care, Public Health, and Housing
- iv. Economy, Regeneration, Transport and Infrastructure
- v. Environment and Community Protection

73. The terms of reference for all the committees are contained in Appendix 1. Together with a mapping of the functions of the Council to the service committees.

74. As well as the above, the current committees will continue. These are: Planning, Licensing, Audit and Governance, Appointments and Employment, Appeals, (including sub-committees), Harbour Committee, Investigatory and Disciplinary Committee, IOW Pension Fund Committee and Local Pension Board.

Role of the Leader

75. If the Council intends to operate a committee system of governance, the Leader and Deputy Leader have no formal legal powers and duties vested in them under the Local Government Act 1972 or the Local Government Act 2000. However, in practice, all local authorities need to appoint a Leader and each Leader will hold the most significant elected councillor role within the Council. The Council's leader will be the political/elected head, the focus for policy direction and community development and the chief advocate and ambassador for the Island. Under a committee system, there is no legal requirement for a Leader.

76. It should be borne in mind that Full Council determines the number and scope of service committees and determines the political proportionality of those committees. Groups then appoint individuals to those seats as allocated. Full Council also elects chairs of committees save that in most Policy, Resources and Finance committee models, that committee is chaired by the Leader who is appointed by Full Council in the knowledge that they would also be the chair of the Policy, Resources and Finance Committee.

77. It is this, that provides the Leader with both the recognition and authority to discharge their role in a committee system, and a reason why that model is both used elsewhere to good effect and recommended by officers in this report as a suitable and effective form of governance for the Council.

78. The Future Governance Working Group having considered the point about the role of the Leader and its linkage to the Policy, Resources and Finance Committee and having taken advice from officers were unable to reach consensus that this was the model to be recommended. The Conservative and Empowering Islanders are of the view that the role of the leader and role of the chair of the Policy, Resources and Finance committee are fundamentally different, thus requiring different skillsets and which would also relieve the demands placed upon the role of the Leader. The Future Governance Working Group therefore have asked that Full Council considers the options for who chairs the Policy, Resources and Finance Committee.

79. Officers have undertaken to map decisions taken by Full Council and Cabinet between the period 1 February 2023 and 31 January 2024 to that of the proposed committees, together with the commencement of mapping the anticipated decisions that will need to be taken over the next twelve months, to allow as far as is possible to consider the required frequency of Committees. Whilst it was the intention to keep any proposal cost-neutral, it is important to acknowledge that there will be a certain level of learning by experience and a further review will inform structures and costs at future council meetings. The preferred approach to frequency of meetings is set out in paragraph 90 and referenced in recommendation D (IV).

80. Officers have also prepared an outline of the political proportionality arrangements with the proposed new committee structure which has been distributed to the Future Governance Working Group to allow for consideration as to the changes that this will bring to the political influence of decision making as well as to assess any risks associated with filling committee places.
81. The schedule of committee meetings for the whole year will ultimately be agreed by the Full Council at the Annual Council meeting.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

Economic Recovery and Reducing Poverty

82. There are no direct implications arising from this report on the council's approach to economic recovery and reducing poverty. Indirect impacts are linked to the reasons that the Council is considering a change, in that should a move to a committee system be agreed, there will be greater inclusivity for councillors in decision making process.

Impact on Young People and Future Generations

83. There are no direct implications arising from this report on the council's approach to young people and future generations. Indirect impacts may arise linked to the reasons that the Council is considering a change, in that should a move to a committee system be agreed, there will be greater inclusivity for councillors in the decision-making process.

Corporate Aims

84. At the heart of the council's corporate plan 2021 – 2025 are the core values of being community focussed; working together; being effective and efficient and being fair and transparent. The Council has been subject to a period of a no overall control administration and is made up of four representative parties or groups and one single aligned and one non-aligned. As set out earlier in this report, this is increasingly challenging for council decision making processes in that with a minority group leader and cabinet system in operation. It is considered that decisions are not being made that fully represents the aspirations of Island residents through involvement of their elected councillors in shaping and participating in decisions. It also has the effect that many councillors feel excluded and unable to fully represent the views of their electorates in key strategy and policy decisions that affect them.
85. It is acknowledged that the current Leader and Cabinet model does allow some wider councillor participation in decision-making. However, this is through non-executive committees, for example regulatory committees and through Scrutiny committees. The Executive under this model is responsible for most of the decisions within the Budget and Policy framework set by Full Council and these can be made without the involvement of wider councillor community i.e., those outside the Executive. The role of scrutiny can be limited in this model because they do not have direct decision-making powers. By proposing a change in the council's

governance arrangements from the current Leader and Cabinet model to that of a Committee system, the introduction of politically proportionate committees will not only allow for greater representation of those views, and real participation in decision making, it provides a means by which the range of skills, experience, and expertise that councillors bring can be fully utilised for the benefit of the Island.

86. No one form of governance can be considered to be better than another, each having its own set of pros and cons. The committee system will not automatically resolve the perceived ability for all councillors to shape decisions as these committees will be made on a politically balanced basis. This means that the majority on the group would carry decisions. However, the disparate political make-up at the Isle of Wight Council would benefit from greater participation of the various groups on decision-making committees.

CONSULTATION/ENGAGEMENT

87. As set out in the update report at the Full Council meeting on 20 March 2024, there is no formal statutory duty for the Council to undertake public consultation in proposing a change in governance arrangements. Engagement with members of the public, elected members of the Isle of Wight Council together with town, parish and community councils is however considered to be a valuable aspect of gathering information to add context. The engagement strategy activities have been undertaken and has included the delivery of:

- A dedicated inbox for anyone whether they be a member of the public, an elected member, partner organisation or a member of staff can provide feedback, ask questions, or present items for consideration. The future governance working group have been provided with the feedback received since inception to help with their thinking.
- Two briefing sessions have been held with town, parish, and community councils, designed to provide an overview of the options open to the Council in its governance arrangements, the proposals to introduce a committee system and opportunity for clarification on any aspect of the proposals.
- A public engagement event to raise awareness of the proposed move towards a committee system and how it is anticipated to be of benefit for the council, and what the key changes would be.
- Three briefing sessions for elected members prior to their extraordinary meeting on 1 May 2024 to raise awareness and better understanding the potential models of governance and considerations that will need to be taken account of in deciding whether to make a formal resolution to make a change to governance arrangements.
- Two briefing sessions for staff to raise awareness of the proposals and to consider the practical aspects of implementation if a decision is taken to proceed with a change in governance arrangements.
- A dedicated Council website page has been created to provide as much information as possible on the proposed changes, and which now includes a

series of frequently asked question, in light of the feedback and comments received on the work to date. An information leaflet has also been prepared and made available via press release and distribution to town, parish, and community councils to keep people informed.

88. It was also reported to Full Council in March 2024, that there is statutory duty for the Council in its role as employer, to consult with any employees affected by the changes, particularly where any proposed changes will alter their terms and conditions or contractual requirements of employment. Thus far, the considerations undertaken by the future governance working group have not presented any specific changes that would trigger the need for any such formal consultation to be initiated or indeed has identified the need for any redundancy procedures to be instigated. In the main, a change in governance arrangements in simple terms means that there is no direct impact other than a different approach to working arrangements and is a matter of cultural change. Should change be agreed, post implementation, there may well be further considerations to take account of and will be undertaken in line with council policy and procedures. The Council’s main recognised trade union has been made aware of the proposed changes and those staff directly affected by them have been kept informed of developments as they arose.

SCRUTINY COMMITTEE VIEW

89. Corporate Scrutiny considered the potential move to a Committee form of governance at its meeting on 12 March 2024. Corporate Scrutiny’s observations and the chair of the Future Governance Working Group’s comments are attached as appendix 2.
90. Observations arising from the consideration of this report at Audit and Governance on 29 April 2024 will be reported to Full Council on 1 May 2024 through separate cover.

FINANCIAL IMPLICATIONS

91. To assess the financial implications of the proposals, a unit cost methodology was applied to existing arrangements, and proposed arrangements. The unit costs were then multiplied by numbers of meetings across a range of scenarios to test the financial impact across key direct cost area’s such as democratic services, facilities, and officer support. The unit costs were compiled in conjunction with relevant staff discussions including some time recording. Details on the scenarios is included in appendix 3. The Future Governance Working Group after deliberation have recommended the adoption of scenario 5 contained within that appendix and which for ease is replicated below.

Scenario 5	Full Council	Policy, Resources & Finance	Childrens, Education & Skills	Adult Social Care, Public Health & Housing	Economy, Regeneration, Transport & Infrastructure	Environment & Community Protection	Total
Frequency per year	6	9	6	6	6	6	39

92. Although the financial margins in the model are of a less material value, there is a risk that after a certain point the ability to absorb any additionality becomes unachievable and an additional resource (commitment to additional staffing budget) would be required. This cannot be determined until full detail on meetings, timings, and support requirements becomes more definitive.
93. Within the model, councillor allowances are assumed to be contained within the existing budget envelope. Whilst it is acknowledged that the service committees will have chairs and vice-chairs, the role of a chair is different from the role of a Cabinet member who would have a greater personal responsibility so the financial value for the role may be less than a cabinet member. This area also remains a risk as roles and responsibilities are defined and ultimately recommendations made by the Independent Remuneration Panel.
94. There are potential for some one-off costs in relation to the proposal, in particular possible technical training (estimated at £4,000). Provision for this is to be allocated against the existing 2024/25 members training budget, other costs may become applicable depending on the complexity and pace of transition.
95. The intention is that any change of governance system from the current Cabinet model shall be cost neutral and therefore designed so that it can be contained within the current budget. If there are any additional resource requirements resulting from additional staffing costs for example, once the practical operational experience becomes available, this will need to be offset by an identified reduction in other budgets to deliver a fully funded new governance system.
96. If additional resource does result, liaison with the Section 151 officer would be required to determine the appropriate route of consideration, through possibly an in year 2024/25 budget amendment, or consideration as part of the 2025/26 budget setting process.
97. To deliver against Full Council's intention to seek a recommendation for a formal resolution to bring about a change in governance with effect from Annual Council 2024, it has been necessary to engage additional specialist governance officer support/advice to allow for the required constitutional changes to be made in readiness to meet the potential for an early implementation date. This capacity was not available internally without disruption to existing council business needs. This was commissioned from a recognised procurement framework and while it is not possible at the time of publication of this report, it is anticipated that the spend will be in the region of £25,000. Funding for this purpose was allocated from the Chief Executive's baseline budget for 2023/24.

LEGAL IMPLICATIONS

98. Statutory provisions to implement a different model of governance have been discussed extensively within the body of this report.
99. The Localism Act 2011 inserted Part 1A into the Local Government Act 2000 ("LGA 2000") and all the key provisions relating to the available governance models are found here.

100. Section 9B of the LGA 2002 outlines the permitted forms of governance for Councils. These are:

- i. “executive arrangements”; or
- ii. “a committee system”, or
- iii. “prescribed arrangements”.

101. Section 9K LGA 2000 provides that a local authority may change from one form of governance to another.

102. S.9KA LGA 2000 allows a local authority operating executive arrangements to vary those arrangements to provide for a different form of executive.

103. S.9KB LGA 2000 allows an authority operating executive arrangements to vary the arrangements so they differ from the existing arrangements but still provide for the same form of executive.

104. S.9KC LGA 2000 states that:

(1) A resolution of a local authority is required in order for the authority to make a change in governance arrangements.

(2) states that as soon as practicable after passing such a resolution a local authority must:

(a) secure that copies of a document setting out the provisions of the arrangements that are to have effect following the resolution are available at its principal office for inspection by members of the public, and

(b) publish in one or more newspapers circulating in its area a notice which—

- i. states that the authority has resolved to make a change in its governance arrangements,*
- ii. states the date on which the change is to have effect,*
- iii. describes the main features of the change,*
- iv. states that copies of a document setting out the provisions of the arrangements that are to have effect following the resolution are available at the authority's principal office for inspection by members of the public, and*
- v. specifies the address of the authority's principal office.*

105. This is a mandatory requirement in order to implement any agreed changed governance arrangements.

106. Should Full Council agree changes resulting in formal change under a Section 9KC resolution, officers will ensure that the Council complies with the statutory publicity requirements.

107. S.9L LGA 2000 deals with implementation of a change in governance arrangements and, in a case where a local authority intends to go from operating executive arrangements to operating a committee system.

108. S.9L(4) LGA 2000 limits the relevant time when the change can take effect to either:

- a) The first annual meeting of the local authority to be held after the resolution to make the change in governance has passed, or
- b) A later annual meeting of the local authority specified in that resolution.

109. The above section has the effect of only enabling a change in governance model to be implemented from the annual council meeting, although the resolution to make a change can be made at any Full Council meeting.

110. Further to Section 9KC. The local authority may not pass another resolution that makes a change in governance arrangements of a kind mentioned in subsection (3) ("Resolution B") before the end of the period of 5 years unless triggered by a referendum.

EQUALITY AND DIVERSITY

111. The Council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.

112. The Council has considered any potential impacts through an equality impact assessment, shown at Appendix 5. The Council's assessment is that implementation of any of the options contained in the report does not, at this stage cause any disproportionate impact on any of the protected characteristics. However, the Council will monitor any new arrangements and review these as part of the post-implementation period.

OPTIONS

113. There are in effect the following options for Full Council which are outlined in the formal recommendations in this report. The body of the report outlines the relevant options together with strengths and weaknesses of each option.

Option 1: To retain its current form of executive Governance. This is a no change option (no requirement for a 9KC resolution) (see recommendation A) **or**

Option 2: Consider changes to its current executive model whilst retaining the executive model (no requirement for a 9KC resolution) (see recommendation B) **or**

Option 3: Resolve to move to a Mayor and Cabinet Executive (see recommendation C) **or**

Option 4: To move to a committee form of governance composed of politically balanced memberships (see recommendation D)

114. If Full Council agrees to move to a committee or mayor and cabinet form of governance, the options for implementation are:

Option 5: Implementation from Annual Council in May 2024 (see recommendation D (ii) a) or

Option 6: Implementation from Annual Council in May 2025 (see recommendation D (ii) b)

RISK MANAGEMENT

115. The risks for a change in governance arrangements for the council, are in the main considered to be those associated with the timescale for implementation should Full Council determine to proceed with a change to its governance arrangements. The decision to make such a change is, in the main a procedural one, and must be undertaken in accordance with the law and its stipulated requirements to determine a change to take effect. There must be a formal Section 9KC resolution, which demonstrates that there has been **an agreement by** councillors to instigate a change, having had due regard to the options open to them in making such a decision and for members to be satisfied that they have sufficiently considered them to make an informed decision based on the information available to them. There are also statutory duties in respect of publication of the new scheme proposals prior to any constitutional amendments being made to implement them.
116. The methodology adopted by the Future Governance Working Group, endorsed by Full Council, has been to consider a possible early implementation date of May 2024. Preparations have therefore been undertaken based on the minimum necessary legal requirements to enable such a change to take place. Full Council during its discussion and debate at both its meeting of 17 January 2024 and 20 March 2024 indicated that a move towards a committee system would resolve what is considered to be a weakness in its current governance arrangements. and in doing so, an urgent move to a change in approach to decision making from May 2024 will further improve that situation. However, some members did raise concerns about the risks arising from the speed of change.
117. It is acknowledged that there are risks associated with an urgent change in governance as there have not been opportunities to test any potential new governance arrangements through shadow arrangements. However, whilst this is not risk free the risks have been mitigated by procuring specialist legal support and capacity to advise the Council and to draft key documents such as the constitution and the changes to the model have been minimised so that the service committees will align to the cabinet portfolios as much as possible and minimal changes to the constitution will be made to enable the model to operate legally. A more comprehensive review of the constitution and the operation of the model will be considered in around six months after change is approved.
118. The main risk with the delivery of a change in governance arrangements for the Council by May 2024 remains that of organisational capacity to adequately prepare all the components necessary to assist in the smooth operation of a new set of governance arrangements which will be unfamiliar to many staff and councillors. Councillors will also need to be assured that they feel sufficiently

confident that they are or will be adequately prepared to fulfil their duties in the operation of a new system of governance. To mitigate this risk, a project plan was put in place and remains an operational roadmap to direct the required activities necessary to prepare as far as is reasonably practical for new arrangements to take effect, and additional capacity/expertise has been brought in to assist with the development of the required governance changes.

119. However there remains a risk with working at pace to deliver a change. Councillors should be satisfied that there will be limitations as to what can be achieved to deliver a new set of arrangements as is set out in this report. The new Constitution that will take effect will allow for the minimum requirements to be in place to facilitate the operation of a committee system. It will not however be a full re-write or address aspects of change/improvement that have already been identified. This will be addressed post any decision to make a change and will also be both a reflective review of the experience gained from operation and a forward-looking view as to potential changes that would be of benefit to the council.
120. Early introduction of a new model will mean that there has been limited opportunity to trial new arrangements and establish a clear understanding of the operational aspects of delivery. To mitigate this, a considerable amount of work has been undertaken to map and anticipate required future business decisions; frequency and length of meetings to conduct such business and the statutory and ordinary scrutiny duties that will be required to be performed, matched against available resources both from officer and councillor perspective. These can however only ever be indicative, until the practical and operational elements can be fully understood, unless shadow arrangements have been put in place to assist with the full understanding of resource and operational requirements.
121. There is a risk that in determining the required number of and length of meetings necessary to facilitate business needs within existing resources may not transpire into workable arrangements in practice. This will need to be kept under close review should an implementation date of May 2024 be determined.
122. There is also the potential for our public to be confused about the changes and what they will mean to them and how the Council is to be operated going forward. A communications and engagement plan is in place as set out earlier in this report to ensure that the changes are carefully communicated to members of the public, our partner organisations, and other stakeholders and that there is appropriate opportunity for engagement in the process.
123. Members will also need to consider what the implications are for not making a change to governance arrangements and opting for the status quo. It is evident that the current model of Executive Leader and Cabinet decision making is one that has its disadvantages in the current position of no-overall political control and as at present four separate representative groups and one single aligned and one non-aligned councillor. It can mean the outcome of decision-making voting will remain unpredictable where matters are for Full Council decision. The nature of decision-making under this model and current circumstances is also such that there can be strong disagreement to cabinet decisions from other political or aligned groups which serves to disrupt decision making processes and is draining on officer resources in their management, thus leading to decision-

making processes that are not considered to be efficient or cost effective. If the status quo is to be retained, then it will be necessary for councillors to determine ways in which cross chamber working can be secured to allow for greater participation and engagement of all elected councillors.

124. Evidence from other local authorities that have instigated such a governance model change have afforded a minimum period of twelve months from the point of passing a Section 9KC resolution to implementation to allow for all the considerations and preparations to take place efficiently and effectively. This allows for all members to be fully engaged in the preparation of the constitutional changes necessary for a change in governance arrangements; refresh elements that require improvement; member and officer familiarisation with new operating procedures through shadow committees.
125. This approach, however, does not guarantee that there will be no imperfections and constitutional amendments and improvement remain an on-going aspect of council. To achieve that ambition, it will be necessary to limit the number of constitutional changes it makes to those which are essential to the introduction of a committee system and to proceed with limited councillor engagement at the initial stage. Councillors will therefore need to accept that much of the current constitutional provisions will remain unchanged and that there will be no opportunity for full engagement in the design of the changes necessary. If a Section 9KC resolution is passed and a change date of May 2024 agreed, there will need to be the instigation of a formal review of constitutional provisions which will take account of experience in the operation of the new system as well as to address the “snagging” list of amendments that are already set to be reviewed.
126. A change to a committee system will introduce a system of decision making that will be new to many councillors and officers. There will be no opportunity to operate shadow committees and as such there is a likelihood that sufficient knowledge and experience cannot be gained by the point of implementation and there is potential for mistakes to be made. Training and information giving sessions will be undertaken as far as is reasonably possible prior to implementation for staff and officers and that will continue post implementation. This will be a learning experience in which there will need to be tolerance of potential unintended mistakes to be made. The committee calendar for the year will also need to be reviewed, with a new set of dates to be determined to accommodate a new committee structure. It is important therefore that there is understanding from everyone involved that current planned diary dates may by necessity be changed.
127. In the light of these issues, it has to be acknowledged that there are risks in implementing a change on 15 May 2024, but there are also advantages to early implementation in that the potential benefits of moving to what is seen as a more consensual and participatory decision-making process will start to be realised this year rather than being deferred for a further twelve months (or later). If the Council resolves in favour of Option 4, then securing these potential advantages in early course will therefore be a factor to weigh in the balance, against the risks, in making the further choice between Option 5 and Option 6.
128. A full risk matrix is set out in Appendix 4.

EVALUATION

129. This report has outlined a number of options available to the Council should it wish to change its model of governance. These range from making no change and continuing with the current Executive model of governance to more comprehensive change options outlined in the recommendations in this report.
130. The work to consider options for the governance was member led by the Future Governance Working Party supported by an officer project board composed of senior officers and specialist support, including external legal support. Scrutiny did consider the potential change in governance and made observations which have been considered and have been responded to by the Future Governance Working Party.
131. The body of the report has outlined the various available models; the advantages and disadvantages of each one and the risks associated with change. This has been assessed from various sources including what some other councils have done or are planning to do to change their governance models.
132. The recommended option from the Future Governance Party is that the Council moves to a committee form of governance. This in their broad view will enable more consensual participation from all councillors in important decision-making which the current model does not fully support. It is anticipated that this would address some of the problems arising from the fragmented political make-up of the current council.
133. As well as risks arising generally from change and more specifically from the level and scope of change a new model of governance will bring, there is also timing risk. Should Full Council determine that the change should be implemented from annual Council on 15 May 2024 that will bring additional risk. However, officers, supported by the Future Governance Working group, have suggested minimal changes to the constitution at this stage to enable the model to be implemented and the design principles of the service committees have followed very closely the current Cabinet portfolio responsibilities. There are also potential advantages to moving to an earlier implementation date because the current fragmented politics impacts on effective decision-making and a new model may address some of the concerns and problems of the current model of governance.
134. A later implementation in May 2025 has the advantages in that there will be more time for councillors and officers to run shadow arrangements, provide a more fundamental constitutional review and enable a backwards review and to apply lessons learn. This would be balanced with the disadvantages of running the current model as set out above.
135. It is outlined in the report that should the Council resolve to pass a Section 9KC resolution to move to a different form of governance, this can only be implemented lawfully from an Annual Council meeting and any such new model cannot be lawfully changed for 5 years, without a referendum supporting change.
136. The risks, legal implications and financial implications are covered comprehensively in the body of the report.

APPENDICES ATTACHED

- 137. Appendix 1- Committee system framework.
- 138. Appendix 2 – Corporate Scrutiny recommendations and response of the Chair of the Future Governance Working Group.
- 139. Appendix 3 – Financial Modelling
- 140. Appendix 4 - Risk matrix
- 141. Appendix 5 – Equality Impact Assessment

BACKGROUND PAPERS

- 142. [Bromsgrove District Council](#)
- 143. [Centre for Governance and Scrutiny](#)

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CLAIRE SHAND
Director of Corporate Services

WENDY PERARA
Chief Executive, Isle of Wight Council

Appendix 1: IOW Governance Architecture: Committee System Framework

Design Principles

1. The design principles underlying the drafting of the constitutional changes have reflected the circumstances including the timing constraint set by the Council. The principles followed have as a result been both based on certain assumptions as to content and process but also set within an overall approach / framework as follows:
 - 1.1 Given the time constraint, the only constitutional changes being proposed at this point are those necessary to allow the adoption of a committee system of governance from May 2024. The decision-making process will need address the risks and the mitigation for those risks arising from a May 2024 implementation.
 - 1.2 As a result:
 - 1.2.1 existing arrangements that do not need be changed to achieve the overriding priority of the adoption of a committee system of governance in May 2024 are unaltered. This includes the non-executive committee's terms of reference and ancillary matters, the scheme of delegation including delegation levels and all non-executive protocols and procedures.
 - 1.2.2 there are constitutional matters previously raised and either already under review or pending consideration that will not be addressed by this current process.
 - 1.2.3 this current process should therefore be seen as the first stage of a larger piece of work to review the Constitution as a whole. That larger piece of work will need to review the new constitutional arrangements and fine tune them. Given the pace that has had to be adopted to deliver this and the limited engagement that has been possible over the details, it is inevitable that fine tuning (at least) will be required; and
 - 1.2.4 as already identified, certain aspects of the constitution that has been lifted and shifted have already been identified as warranting review and should also be reviewed in the larger piece of work.
 - 1.3 As a consequence, the process currently being undertaken to prepare a Committee system of governance for adoption in May 2024 should be seen as a first part of the review of the Council's constitutional settlement that not only accepts the need to review / fine tune the new arrangements but also take time to fully review all of the constitution and address those issues already identified for review that fall outside the changes currently being proposed.

Key Areas for Members

1. The Future Governance (members group) have identified 5 key areas that they wish to be updated upon. These are expressly addressed in this note. Namely:
 - 1.1 Democracy of Committees e.g., election of Chairs, procedural rules
 - 1.2 Terms of Reference of and Decision-Making by Committee, particularly those with statutory responsibilities
 - 1.3 Urgent/Key Decisions and Committee delegating. Local Choice functions
 - 1.4 Any particular role of proposed Policy, Finance & Resources Committee. How does it fit with the rest? Membership?
 - 1.5 Communications Protocol

Leadership

1. Full Council

- Is made up of all 39 of the Councillors to listen to and represent their wards and the people who live within them.
- Agrees the Constitution (i.e., how the Council operates)
- Sets the Scheme of Delegations (i.e., who can make which decisions)
- Undertakes those functions that by law only Full Council can undertake as well as any Local Choice Functions
- Is the forum where all Members steer the overall direction of the Council, set the boundaries within which all the themed committees have to operate (known as the 'budget and policy framework'), and keep oversight of decisions made across the whole system. In exceptional circumstances, can overturn decisions made by Committees.
- Appoints councillors to individual committees, appoints chairs of all committees, and elects the Leader of the Council and the Chairman of the Council.
- Agrees Policies which by law can only be agreed by full council.

2. Leader's Role

- The role of the Leader in a committee system of Governance is very different from that under Executive arrangements with a Leader and Cabinet model, where the Leader appoints their cabinet and determines their portfolios. A Leader under executive arrangements has significant decision-making powers and hence has both legal status and legal powers.
- The position under a committee system is different as the legal decision-making powers are vested in Full Council, Committees, Sub-Committees and officers acting under delegated powers. Nevertheless, the Leader in such a model of governance performs a number of vital roles.
- The Leader shall be recognised and derive their authority to give that political leadership in the following ways:
 - The Leader shall be appointed at the council's Annual Meeting as Leader and hence Chair of the Policy, Resources and Finance Committee.
 - Has the right to attend and speak at any meeting of a committee or sub-committee of the Council, provided that they will only be entitled to vote if appointed as a voting member of that committee or sub-committee.
 - The establishment of policy direction and the council's priorities and the facilitation of discussion thereon.
 - To be principal ambassador for the Council.
 - To represent the Council on any external body, as considered appropriate, and to make decisions and vote on behalf of the Council at meetings of such bodies.
 - Involvement in major emergencies: the Leader and Deputy Leader must be informed if an emergency is likely or has been declared under the Council's emergency planning or business continuity procedures.
 - To promote and uphold high standards of ethical conduct by Members and the Council's equalities policies.

3. Chairman's Role

- Ceremonial 'First Citizen' elected by Full Council representing the Council as a civic body in formal and informal public settings and promoting local causes.
- Chairs Full Council (has a casting vote if votes are tied)

4. Budget and Policy Framework (BPF)

- Required by Local Authorities (Committee System) (England Regs (2012) ("the 2012 Regs)
- Full Council approves the plan strategy or budget. All decisions then made as per BPF unless Full Council agree otherwise.
- P&R (as the overarching Committee) recommend to Full Council the relevant plans and budget in BPF.
- Full Council adopt the statutory minimum of the BPF namely:
 - Budget
 - Annual Library Plan
 - Crime and Disorder Reduction Strategy
 - Development plan and associated documents e.g., Local Plan
 - Licensing Authority Policy Statement
 - Local Transport Plan
 - Sustainable community strategy
 - Youth Justice Plan

Committees

5. Policy Resources and Finance Committee (PR&F)

- Overarching Service Committee
- Develops a Corporate Plan, budget, and other aspects of the Budget & Policy Framework, with input of the other Service Committees, for agreement / endorsement by Full Council and then can only work within those limits agreed by Council.
- Takes strategic decisions and sets the overall work programme for the Service Committees which are each responsible for delivering specific parts of the corporate planning framework.
- Membership is Chairs of all the Service Committees (Chair of Audit and Governance has standing invite) plus others to maintain political proportionality. Chaired by Leader of the Council. Deputy Leader also a member and Vice Chair. Leader may designate members of Policy, Resources and Finance Committee to lead on specific themes e.g., finance.

6. Service Committees

- Decision-making Committees organised by service (Full Council sets exact number, titles, and remits – which may be reviewed and changed at each year's Annual Meeting)
- Work within the Budget, Policy and Strategy Frameworks set by the Full Council
- Service Committees are:
 - Policy Resources and Finance
 - Children's, Education & Skills
 - Adult Social Care, Public Health, and Housing
 - Economy, Regeneration, Transport & Infrastructure
 - Environment and Community Protection
- In certain conditions Committees may establish a limited number of temporary, time-limited Sub- Committees for specific purposes, such as to develop policy on a specific issue.
- Council Procedure Rules will apply to Service Committees (as they currently do for non-executive committees) but with less formality / lighter touch (as now).

7. Other Committees

- A range of existing Committees continue to serve their current functions e.g., Planning, Licensing, Audit and Governance, Appointments and Employment, Appeals (including sub-committees), Harbour Committee, Investigatory and Disciplinary Committee, IOW Pension Fund Committee and Local Pension Board.
- Post implementation, some bodies may / may not need to be reshaped or rethought in order to fit within the new Committee System, such as Health & Wellbeing Board.

8. Sub-Committees

- Committees have the legal power to create sub-committees. The current proposals do not create any new / further sub-committees.

9. Scrutiny

- Whilst there is no legal requirement for separate Scrutiny Committee(s) under the Committee system as cross-party check and challenge (and cross-party policy development) is built into every decision-making Committee and Full Council, some statutory responsibilities remain.

- S19 Police and Justice Act 2006 provides the IOW Council must have a scrutiny committee within the meaning of S9JA Local Government Act 2000. Similar obligations arise under Section 244 National Health Service Act 2006 and the Local Authority (Public Health, Health and Wellbeing Boards and Health Scrutiny) Regulations 2013.
- The Council, having adopted a committee system form of governance intends not to appoint any separate overview and scrutiny committee(s). Therefore, it has no call-in function.
- The statutory overview and scrutiny functions of the authority will be exercised by each Service Committee with regard to the services, functions and partnerships covered by that Committee including P&R Committee in respect of its functions, but P&R shall also undertake overview or scrutiny across Council services covered by more than one Committee.
- The statutory external scrutiny functions of the authority would be exercised by the relevant service committees, are as follows:
 - Health: Adult Social Care, Public Health, and Housing Committee
 - Crime and Disorder: Environment and community Protection Committee
 - Flood risk management: Environment and Community Protection Committee
- The Council's overview and scrutiny procedure rules and Standing Order 25 apply when committees are undertaking their overview and scrutiny function; and the facility for each committee to set up and appoint task-and-finish groups is retained and set out in the constitution.

Engagement and Communication

10. Public Engagement

- A critical ambition for the new governance system is for citizens, communities, and partners to be more effectively engaged, involved and listened to within the decision - making process.
- Decisions, and the processes used to reach decisions, should be easy for anybody to find and understand so that decision-makers are publicly accountable to everyone.
- This objective should be read as running through every single part of this framework.

11. Communications

- The Communications Protocol defines who can make official statements on behalf of the Council under the new Committee System. Typically, each political Group will have a nominated public spokesperson for each committee, but official Council statements are likely to be in the names of the Chairs of the relevant committees and/or the Leader.

Roles and Responsibilities

12. Schemes of Delegation

- All decisions previously made by the Executive will be made at the new Service Committees. Where decisions are made by Officers, the thresholds for this, and mechanisms for transparency and holding decision-makers to account, will be clear in the Constitution.

13. Statutory responsibilities for members

- It will still be a legal requirement that IOW has a Lead Member for Children's Services. This role is usually combined with Chairmanship of the relevant Committee(s), in this case Children's Services Committee. Individual Member decision making is not permitted under the Committee System.

14. Staffing, Relationships and Casework

- The Member Support function will need to be reviewed in line with the new model.
- Various new relationships and ways of working between Members and Officers must be forged.
- Member Casework support mechanisms may need to be reviewed.
- Under the proposed governance model, whilst there is no longer a legal need for a statutory scrutiny officer, there is a need for support for the scrutiny / function / activity now being carried out by the Service Committees.

15. Urgency

- The current scheme of executive and non-executive delegations will be lifted and shifted into the new scheme of delegations and only amended to reflect the new form of governance. Decisions previously made by the Executive will be made at the new Service Committees unless otherwise agreed. Where decisions are made by Officers, the thresholds for this, and mechanisms for transparency and holding decision-makers to account, will be clear in the Constitution.

DRAFT TERMS OF REFERENCE FOR SERVICE COMMITTEES

The Council intends to establish 5 Service Committees aligned with the functions of the Council:

1. Policy, Resources and Finance
2. Children's Services, Education and Skills
3. Adult Social Care, Public Health, and Housing
4. Economy, Regeneration, Transport, and Infrastructure
5. Environment and Community Protection

Matters Reserved to All Service Committees

Within the remit of each Service Committee and subject to decisions being:

- (i) within the approved budget (including any virement)
 - (ii) not contrary to the Budget and Policy Framework
 - (iii) In accordance with the priorities set out in the Council's Corporate Plan, and
 - (iv) any Capital Programme expenditure having been approved by P&R Committee
- the following matters are reserved to Policy Committees:

Policy Resources and Finance (PR&F)

1. To make recommendations as appropriate on matters reserved to Full Council for decision including the Budget and Policy Framework and the overall strategic direction of the Council.
2. To develop and recommend the Corporate Plan to Full Council to provide strategic policy direction and thereafter monitor performance against key indicators.
3. To coordinate the development of the annual budget (and MTFS Plan) to be recommended to Full Council and thereafter monitor financial performance.
4. Set the policy direction for:
 - a) those functions for which the Committee is responsible.
 - b) functions which cut across more than one committee area.
 - c) functions not otherwise specifically reserved to another policy committee.
 - d) matters referred to it for decision by a policy committee.
 - e) where other policy committees are not in agreement.
5. To be responsible for the authority's corporate assets and resources, in particular the financial, regeneration, land and property, and information assets and resources.
6. To ensure the corporate management of the Council, and the efficient and cost-effective delivery of its services to the public.
7. Oversight of the Council's corporate and support functions and activities.
8. To act as Trustee for the Council in respect of such charities as agreed from time to time.

9. To be responsible for any joint arrangements and partnership areas, relevant to the functions of the Committee in which the authority is involved.
10. To be responsible for the overview, service performance and improvement and scrutiny of all functions for which the Committee is responsible, and for functions which cut across more than one committee area.
11. To exercise Powers where relevant for Petitions, and scrutiny of other Public Service Providers, as for example set out in the Local Government and Public Involvement in Health Act 2007.
12. To be responsible for decision-making in matters which cut across the delegation of functions to Committees.
13. To exercise the Council's functions and responsibilities, in relation to any other companies in which the Council holds interests for example as shareholder or sole member.
14. To take decisions on policy matters in functions which have been delegated to another Committee but where a decision is required out of that Committee's normal cycle of meetings.
15. The Committee may take urgent decisions on behalf of Full Council, subject to the function not being reserved by statute to Full Council.
16. The Committee is responsible for delivering the services within the approved revenue and capital budget.

NOTE: The Leader may nominate any other member of Policy, Resources and Finance Committee to lead on and present both to Policy, Resources and Finance Committee and Full Council any Policy Framework Plan or the Budget.

Children's Education and Skills

1. To be the authority's Committee with responsibility for services that relate to the council's children's services functions including education, children's social care and children's health.
2. To be responsible for and take decisions relating to the statutory and non-statutory duties relating to the functions listed below, and to set the policy framework for those functions for which the Committee is responsible:
 - a) Children's education, including standards and school improvement.
 - b) Special educational needs and/or disabilities
 - c) Early Years
 - d) Youth Support Services
 - e) Youth Justice Services
 - f) Early Intervention
 - g) Children's social care including looked-after children, safeguarding and corporate parenting.
 - h) School place planning and admissions
 - i) Post 16 provision including those Not in Education, Employment or Training (NEETs)
 - j) Children's physical and mental health
 - k) Transitions for young people from children to adults' services
 - l) Work with the Youth Council and other bodies representing children, young people, parents, and carers.
3. To consider budget proposals as part of the annual budget setting process, consider any variations to the budget which are not delegated to officers and make recommendations to the Policy, Resources and Finance committee.
4. To be responsible for any joint arrangements and partnerships relevant to the functions of the committee in which the authority is involved.
5. To be responsible for the overview, service performance and improvement and scrutiny of all functions for which the Committee is responsible.
6. To provide a corporate framework for the scrutiny of Children's Services as set out in the Children Act 2004 and to ensure effective accountability for providing a focus on the needs of children across all services of the Council, and the integration of all public services provided to children by the Council, health, and other partners.
7. The Committee is responsible for delivering the services within the approved revenue and capital budget.

Adult Social Care, Public Health, and Housing

1. To be the authority's Adult Social Care Committee.
2. To be responsible for and take decisions relating to the statutory and non-statutory functions relating to the services listed below, and to set the policy framework for those functions for which the Committee is responsible:
 - a) Adult Social Care
 - b) Public Health
 - c) Housing
3. To consider budget proposals as part of the annual budget setting process, consider any variations to the budget which are not delegated to officers and make recommendations to the Policy, Resources and Finance committee.
4. To be responsible for any joint arrangements and partnerships relevant to the functions of the committee in which the authority is involved.
5. To be responsible for the overview, service performance and improvement and scrutiny of all functions for which the Committee is responsible.
6. Specifically, to undertake the health scrutiny functions of the local authority under Section 244 of the National Health Services Act 2006 as amended by Sections 190 and 191 of the Health & Social Care Act 2012.
7. To provide a corporate framework for the scrutiny of the services for which the committee is responsible.
8. The Committee is responsible for delivering the services within the approved revenue and capital budget.

Economy, Regeneration, Transport, and Infrastructure

1. To be responsible for and take decisions relating to the statutory and non-statutory functions relating to the services listed below, and to set the policy framework for those functions for which the Committee is responsible:
 - a) Economic Development and Regeneration
 - b) Skills development and training
 - c) Supporting business.
 - d) Strategic planning
 - e) Transport planning and highways authority responsibilities.
 - f) Highways PFI
 - g) Car Parking and Cowes Floating Bridge
 - f) Rights of Way
2. To consider budget proposals as part of the annual budget setting process, consider any variations to the budget which are not delegated to officers and make recommendations to the Policy, Resources and Finance committee.
3. To be responsible for any joint arrangements and partnerships relevant to the functions of the committee in which the authority is involved.
4. To be responsible for the overview, service performance and improvement and scrutiny of all functions for which the Committee is responsible.
5. To provide a corporate framework for the scrutiny of the services for which the committee is responsible.
6. The Committee is responsible for delivering the services within the approved revenue and capital budget.

Environment and Community Protection

1. To be responsible for and take decisions relating to the statutory and non-statutory functions relating to the services listed below, and to set the policy framework for those functions for which the Committee is responsible:
 - a) Matters relating to the IOW as a UNESCO Biosphere, Climate change and sustainability
 - b) Waste management and recycling
 - c) Coastal Protection and Flood Protection
 - d) Leisure, libraries, and culture
 - e) Public Spaces, parks, and beaches
 - f) Community protection, resilience and cohesion
 - g) Bereavement, registration, and coroner
2. To consider budget proposals as part of the annual budget setting process, consider any variations to the budget which are not delegated to officers and make recommendations to the Policy, Resources and Finance committee.

3. To be responsible for any joint arrangements and partnerships relevant to the functions of the committee in which the authority is involved.
4. To be responsible for the overview, service performance and improvement and scrutiny of all functions for which the Committee is responsible.
5. Specifically, to undertake the relevant crime and disorder scrutiny functions of the local authority under S19 Police and Justice Act 2006.
6. Specifically, to review and scrutinise the exercise of flood risk management functions by the lead local authority under Section 9FH of the Local Government Act 2000 (as amended by Schedule 2 to the Localism Act 2011).
7. To provide a corporate framework for the scrutiny of the services for which the committee is responsible.
8. The Committee is responsible for delivering the services within the approved revenue and capital budget.

Map of functions to new service committees

Policy & Resources	Childrens Services	Adult Social Care, public health & housing	Economy, Regeneration, transport & infrastructure	Environment & community protection
<ul style="list-style-type: none"> • Strategic oversight • County Deals & Devolution • Civic Affairs • Communications & Design • HR • Elections • Democratic Services • Legal Services • Finance • Business Centre • Benefits and Grants • Audit • Treasury Management • Property & Asset Management • Commercial Property • Investments • Leasing • Procurement and Contract Management • Business Intelligence • ICT • Emergency Planning 	<ul style="list-style-type: none"> • Adoption • Fostering • Disabled Children Support • Respite Care • Early Help • Care Leavers • Safeguarding • Short Breaks • Youth Service • Youth Council and Youth MP • Special Educational Needs • Alternative Education • Early Years Development • School Improvement • Schools • Home to School Transport 	<ul style="list-style-type: none"> • Integrated Care System • Community Care • Residential Care • Nursing Care • Home Care • Direct Payments • Day Care • Supported Living • Learning Disability Homes • Respite Care • Resettlement • Safeguarding • Domestic Abuse • Early Help Services • Obesity • Social Health • Substance Misuse • 0-19 Services • Homelessness • Rough Sleeping • Housing Related Support • Housing Renewal & Enforcement • Rough Sleeping • Disabled Facilities Grant 	<ul style="list-style-type: none"> • Parking Services • Floating Bridge • Harbours • Concessionary Fares • Subsidised Bus Services • Highway PFI Contract • Highways Authority • Economic Development • Regeneration Projects • Levelling Up, SLEP • Tourism 	<ul style="list-style-type: none"> • Leisure Centres • Sports Development • Libraries • Theatres/Museums • Archaeology • Records Office • Registrars • Allotment's • Playing fields/sports grounds • Planning Services • Local Development Framework • Trees & Landscape Protection • Building Control • Coastal Management • Flood Policy and LLFA • AONB • Countryside Management • Parks and Open Spaces • Beach Huts • Rights of Way • Biosphere • Climate Change • Bereavement Services • Coroner • Licensing • Environmental Health • Trading Standards • Community Safety • Waste Collection • Waste Disposal • Closed Landfill Sites • Littering and Fly tipping

APPENDIX 2

OUTCOMES AND RECOMMENDATIONS ARISING FROM CORPORATE SCRUTINY COMMITTEE HELD ON 12 MARCH 2024

Future Governance

THAT, whilst the committee supports the proposals to move to a committee-system of governance in principle, it has regard to the risks associated with the speed of implementation by May 2024.

THAT the committee requests that the Future Governance Working Group considers the following matters:

- a) The risks regarding the speed of implementation, and to provide frequent updates to the Corporate Scrutiny Committee as progress continues.
- b) A full financial analysis.
- c) Increasing the frequency of Full Council meetings.
- d) Increasing the frequency of service committee meetings, particularly where the committees would be taking on both decision-making and scrutiny functions.
- e) The inclusion of 'Regeneration' within the relevant service committee title.
- f) The function of scrutiny and whether separate scrutiny committees should be implemented.
- g) Reconsider the chairman of the Policy, Finance, and Resources Committee being the new leader of the council by default.
- h) The impact on affected staff, and to consult with those whose job roles would be affected.
- i) The representation from IWALC within the new governance system.

RESPONSE TO SCRUTINY FROM COUNCILLOR BRODIE 19 MARCH 2024 (IN RED)

The recommendations of Tuesday's Corporate Scrutiny Committee were considered by the politically proportionate Future Governance Working Group this afternoon. Our responses are annotated below:

a) THAT, whilst the committee supports the proposals to move to a committee-system of governance in principle, it has regard to the risks associated with the speed of implementation by May 2024.

This goes without saying. We do not treat this lightly.

b) THAT the committee requests that the Future Governance Working Group considers the following matters:

- i. The risks regarding the speed of implementation, and to provide frequent updates to the Corporate Scrutiny Committee as progress continues.

This will of course be done. Full Council has a comprehensive, current progress report for 20 March.

- ii. A full financial analysis.

This is awaited from the Finance Directorate. We recognise how important this is.

- iii. Increasing the frequency of Full Council meetings.

On Officer advice we will still recommend 5 per year.

- iv. Increasing the frequency of service committee meetings, particularly where the committees would be taking on both decision-making and scrutiny functions.

Although continuing to recommend quarterly meetings, there will be constitutional provision for extraordinary meetings when necessary. This would be kept under review post-implementation.

- v. The inclusion of 'Regeneration' within the relevant service committee title.

Agreed.

- vi. The function of scrutiny and whether separate scrutiny committees should be implemented.

All statutory scrutiny will be absorbed into the proposed and relevant service committees. There will be no need for formal scrutiny of executive decisions without an executive.

- vii. Reconsider the chairman of the Policy, Finance, and Resources Committee being the new leader of the council by default.

This will remain as our recommendation, though the Independent Remuneration Panel will be asked to consider an SRA for any member of the Council appointed to lead on Finance if not the Leader.

- viii. The impact on affected staff, and to consult with those whose job roles would be affected.

This is in hand as part of the Communications & Engagement Plan that was presented for your meeting.

- ix. The representation from IWALC within the new governance system.

We propose no changes for the Planning Committee and the Health & Wellbeing Board. Corporate Scrutiny Committee would of course be terminated.

I hope this is helpful.

Geoff
as Chair of the Future Governance Working Group.

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Existing Cabinet System	Full Council	Cabinet	Corporate Scrutiny Committee	Policy & Scrutiny Committee (Childrens Services Education & Skills)	Policy & Scrutiny Committee (Health & Social Care)	Policy & Scrutiny Committee (Neighbourhoods & Regeneration)	TOTAL
Frequency per year	6	10	11		4	5	40
Democratic Services	£3,254	£4,632	£6,166	£1,325	£1,325	£1,656	£18,357
Facilities Support	£498	£830	£693	£252	£252	£315	£2,840
Officer Support	£6,490	£8,730	£9,216	£2,530	£2,530	£3,163	£32,660
Member Responsibility Allowances							£158,455
							TOTAL: £212,313

£1,346

SCENARIO 1

Potential Committee System	Full Council	Policy, Finance & Resources Committee	Childrens Services Committee	Adult Social Care, Public Health & Housing Committee	Economy, Regeneration, Transport & Infrastructure Committee	Environment & Community Protection Committee	TOTAL
Frequency per year	5	9	4	4	4	4	30
Democratic Services	£2,712	£4,169	£1,697	£1,697	£1,697	£1,697	£13,667
Facilities Support	£415	£747	£332	£332	£332	£332	£2,490
Officer Support	£5,409	£14,777	£2,530	£2,530	£2,530	£2,530	£30,307
Member Responsibility Allowances							£158,455
							TOTAL: £204,919

£1,549

+ Additional Cost / - Saving -£7,393

SCENARIO 2

Potential Committee System	Full Council	Policy, Finance & Resources Committee	Childrens Services Committee	Adult Social Care, Public Health & Housing Committee	Economy, Regeneration, Transport & Infrastructure Committee	Environment & Community Protection Committee	TOTAL
Frequency per year	5	8	6	6	6	6	37
Democratic Services	£2,712	£3,705	£2,545	£2,545	£2,545	£2,545	£16,597
Facilities Support	£415	£664	£498	£498	£498	£498	£3,071
Officer Support	£5,409	£13,135	£3,796	£3,796	£3,796	£3,796	£33,726
Member Responsibility Allowances							£158,455
							TOTAL: £211,849

£1,443

+ Additional Cost / - Saving -£463

SCENARIO 3

Potential Committee System	Full Council	Policy, Finance & Resources Committee	Childrens Services Committee	Adult Social Care, Public Health & Housing Committee	Economy, Regeneration, Transport & Infrastructure Committee	Environment & Community Protection Committee	TOTAL
Frequency per year	5	8	6	7	6	7	39
Democratic Services	£2,712	£3,705	£2,545	£2,969	£2,545	£2,969	£17,445
Facilities Support	£415	£664	£498	£581	£498	£581	£3,237
Officer Support	£5,409	£13,135	£3,796	£4,428	£3,796	£4,428	£34,991
Member Responsibility Allowances							£158,455
							TOTAL: £214,129

£1,428

+ Additional Cost / - Saving £1,816

SCENARIO 4

Potential Committee System	Full Council	Policy, Finance & Resources Committee	Childrens Services Committee	Adult Social Care, Public Health & Housing Committee	Economy, Regeneration, Transport & Infrastructure Committee	Environment & Community Protection Committee	TOTAL
Frequency per year	5	8	5	7	5	7	37
Democratic Services	£2,712	£3,705	£2,121	£2,969	£2,121	£2,969	£16,597
Facilities Support	£415	£664	£415	£581	£415	£581	£3,071
Officer Support	£5,409	£13,135	£3,163	£4,428	£3,163	£4,428	£33,726
Member Responsibility Allowances							£158,455
							TOTAL: £211,849

£1,443

+ Additional Cost / - Saving -£463

SCENARIO 5

Potential Committee System	Full Council	Policy, Finance & Resources Committee	Childrens Services Committee	Adult Social Care, Public Health & Housing Committee	Economy, Regeneration, Transport & Infrastructure Committee	Environment & Community Protection Committee	TOTAL
Frequency per year	6	9	6	6	6	6	39
Democratic Services	£3,254	£4,169	£2,545	£2,545	£2,545	£2,545	£17,603
Facilities Support	£498	£747	£498	£498	£498	£498	£3,237
Officer Support	£6,490	£14,777	£3,796	£3,796	£3,796	£3,796	£36,449
Member Responsibility Allowances							£158,455
							TOTAL: £215,744

£1,469

+ Additional Cost / - Saving £3,432

Notes & Assumptions

Excludes ordinary & regulatory committees where there is no direct impact of proposed changes

The existing model is the original planned number of meetings plus the current diary provides for a further x4 meetings (one cabinet, two corporate scrutiny, and one service scrutiny)

The core meeting length is assumed at 3 hours

Member responsibility allowances to be reviewed on separate basis, assumed to be contained within existing budget envelope.

The model does not extend to the full indirect costs of the arrangements (for example call over, which draws on various officers across the council to prepare & review reports)

One-off or interim costs are not assumed in this comparison.

Unplanned additional meetings not in the scenarios will be an additional financial burden on the available resource

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APPENDIX 4: RISK MATRIX

Option 1: No change in governance arrangements		
Risk	Mitigation	Risk RAG
Opportunity lost to improve cross party collaboration to improve efficient decision making	<ul style="list-style-type: none"> Councillors expand the use of appropriate cross party working group activities for key priority areas. 	Likely /Medium
Opportunity lost to have more councillors involved in decision making	<ul style="list-style-type: none"> Councillors expand the use of appropriate cross party working group activities for key priority areas to inform the options to be decided upon. 	Likely /Medium
Negative impact on non-executive decision making in a minority administration causing inefficient decision making and use of available resources	<ul style="list-style-type: none"> Councillors consider how to improve cross-party working arrangements 	Likely /High

Option 2: To approve the change in governance from a cabinet to a committee system		
Risk	Mitigation	Risk RAG
The current council would be committing any incoming new administration in 2025 to a different form of governance, for the next 5 years, which it did not have the opportunity to choose.	<ul style="list-style-type: none"> Retain the current cabinet governance arrangements. Seek to make a change sooner than 5 years by way of a referendum but this would then lock in the new change for 10 years. Also, any subsequent change must then also be by way of a referendum. Ability to apply to the secretary of state to change the governance model. 	Likely /Low
Critical decision-making (e.g., budget setting, major contracts) efficiency may be impacted as a committee system involves more councillors, potentially leading to conflict, longer deliberations and slower decision-making processes.	<ul style="list-style-type: none"> Training and mentoring of councillors and officers to ensure committees carry out business effectively within the terms of reference. Committee work plans to be maintained so there is clarity on future decisions required. Ensure councillors are aware of the committee's responsibilities and deadlines for key decisions. Committees can refer key decisions to the Policy, Resources and Finance committee or Full Council if required. Ensure adequate officer delegations are in place to allow for urgent decisions. Improved relationships between officers and all councillors of the council Arrange 6-month review to assess impact 	Likely /High

Option 2: To approve the change in governance from a cabinet to a committee system

Risk	Mitigation	Risk RAG
<p>There is a risk that accountability and transparency may be negatively impacted as a committee system distributes decision-making authority, which can make accountability less apparent.</p>	<ul style="list-style-type: none"> • Ensure robust reporting mechanisms are in place with regular public updates and transparent decision records. • Ensure the agreed decision-making structure is mapped and understood by all councillors and staff. • Communications protocol in place and committee spokespersons clearly identified. • Arrange 6-month review to assess impact 	<p>Unlikely /Low</p>
<p>Committee recruitment, attendance and active participation may be challenging in a small council of 39 councillors and with small political groups leading to unfilled committee places and inability to make critical decisions</p>	<ul style="list-style-type: none"> • Ensure the commitment required within the role is fully identified and acknowledged to ensure the workload expectations are understood to reduce turnover of membership. • Ensure an appropriate quorum level is agreed for each committee. • Appropriate provision in the constitution to ensure places are filled. • Arrange 6-month review to assess impact. 	<p>Likely /Medium</p>
<p>The statutory scrutiny functions for health, flood risk management and crime and disorder will sit within specific service committees which may significantly increase the workload of these meetings.</p>	<ul style="list-style-type: none"> • Monitoring officer and committee chairs to structure committee meetings to ensure statutory scrutiny functions are covered appropriately. • Explore options of splitting meeting agendas into normal business then statutory scrutiny to ensure both functions are covered appropriately. • Chairs, councillors and officers work on timings of these meetings to ensure sufficient time and appropriate breaks. • Consider provision for daytime meetings. • Arrange 6-month review to assess impact 	<p>Likely /High</p>
<p>Single aligned and/or non-aligned or ungrouped councillors may find themselves excluded from committees through proportionality arrangements during committee appointments.</p>	<ul style="list-style-type: none"> • Work with group leaders to ensure the selection for committee appointments is inclusive. • Ungrouped councillors can join or form a group 	<p>Unlikely /Low</p>

Option 2: To approve the change in governance from a cabinet to a committee system		
Risk	Mitigation	Risk RAG
Critical decision-making will become more siloed within the separate committees with less strategic overview and involvement from other parts of the council	<ul style="list-style-type: none"> Councillor to councillor briefings and sharing of key papers to ensure cross council understanding of linked areas of business. Policy, Resources and Finance committee councillors (made up of the chairs of the other committees) work together on overarching strategy and ensure their committees understand the wider impacts of key decisions. Senior officers work with committee chairs to ensure strategic impacts are understood. Arrange 6-month review to assess impact 	Likely /Medium

Option 3: Committee system implementation from 15 May 2024		
Risk	Mitigation	Risk RAG
There is a risk that as this change has happened at pace a significant issue may have been missed impacting on delivery	<ul style="list-style-type: none"> This risk needs to be accepted. Arrange 6-month review to assess impact. <p>To support the change to date there has been commissioned external governance advice, dedicated internal resources and regular Future Governance Working Group meetings.</p>	Likely /High
There will be insufficient time to hold detailed councillor and officer training including mock committee meetings.	<ul style="list-style-type: none"> This risk needs to be accepted 	Likely /High
The short timescale may mean that councillors feel inadequately supported to operate effectively under the committee system.	<ul style="list-style-type: none"> This risk needs to be accepted. Identify additional funding to secure trained support from within the council or external organisation. 	Likely /High
The short timescale may mean that officers feel inadequately supported to operate effectively under the committee system.	<ul style="list-style-type: none"> This risk needs to be accepted. Identify additional funding to secure trained support from within the council or external organisation. 	Likely /High
Councillors and officers will have short notice of committee dates, which might result in them being unable to attend some meetings.	<ul style="list-style-type: none"> This risk needs to be accepted 	Likely /Medium

Option 3: Committee system implementation from 15 May 2024		
Councillor and officer workloads may be negatively impacted resulting in increased pressure and potentially longer working hours until the new system is embedded.	<ul style="list-style-type: none"> This risk is short term and needs to be accepted 	Likely /High
Councillors and officers will have a limited time (2 weeks) to prep until are the papers for the AGM and ensure all the committee posts are nominated.	<ul style="list-style-type: none"> This risk is short term and needs to be accepted. Prepare as much in advance of Annual Council meeting as possible. Work with group leaders to identify potential nominees in advance of the decision 	Likely / High
Officers may not have enough time in the 2 weeks between decision and implementation to set up all the required processes to run a committee system.	<ul style="list-style-type: none"> This risk is short term and needs to be accepted. Prepare as much in advance of Annual Council as possible. 	Likely /High
Committee meetings may take longer than usual as councillors and officers get used to the new system. This may mean the meetings will run out of time leading to additional meetings being added to the calendar impacting on resources and cost	<ul style="list-style-type: none"> This risk needs to be accepted. Allow additional time for the meetings when planning and advising on dates and times. Chairs will manage agendas appropriately whilst understanding of the new system builds 	Likely /High
The rapid pace of change may lead to confusion amongst councillors, officers and the public. This may increase the workload of key officers and the democratic services team.	<ul style="list-style-type: none"> This risk needs to be accepted 	Likely /High
The council would not be able to change its governance model for a period of 5 years from the 1 May 2024.	<ul style="list-style-type: none"> This risk needs to be accepted 	Unlikely /High
There may be a need for more decisions to be delegated to senior officers in a committee system if an urgent decision is required, especially whilst the new system embeds.	<ul style="list-style-type: none"> Training and mentoring of councillors and officers to ensure committees carry out business effectively within the terms of reference. Committee work plans to be maintained so there is clarity on future decisions required. Ensure the appropriate systems and processes are in place to enable authorised and appropriate office level decisions to be made swiftly. Ensure officers understand the decision-making structure 	Likely/ Medium

Option 4: Committee system implementation from 14 May 2025		
Risk	Mitigation	Risk RAG
The council would not be able to change its governance model for a period of 4 years (5 years from the date of decision).	<ul style="list-style-type: none"> This risk needs to be accepted 	Unlikely /Medium
Committee meetings may take longer than usual as councillors and officers get used to the new system. This may mean the meetings will run out of time leading to additional meetings being added to the calendar impacting on resources and cost	<ul style="list-style-type: none"> This risk needs to be accepted. Allow additional time for the meetings when planning and advising on dates and times. Chairs will manage agendas appropriately whilst understanding of the new system builds. Shadow arrangements can be put in place leading up to the change. 	Likely /High
There may be a need for more decisions to be delegated to senior officers in a committee system if an urgent decision is required, especially whilst the new system embeds.	<ul style="list-style-type: none"> Training and mentoring of councillors and officers to ensure committees carry out business effectively within the terms of reference. Committee work plans to be maintained so there is clarity on future decisions required. Ensure the appropriate systems and processes are in place to enable authorised and appropriate office level decisions to be made swiftly. Ensure officers understand the decision-making structure 	Likely /Medium

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Equality Impact Assessment – Future Governance

Assessor(s) Name and job title:

Claire Shand – Director of Corporate Services

Directorate and Team:

Strategy Directorate – Future Governance programme

Name, aim, objective and expected outcome of the programme/ activity:

Name: Future Governance (proposed change from a cabinet to committee system for the governance of the Isle of Wight Council)

Aims and objectives:

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- 1.1. To bring to a full council meeting, by 1 May 2024 at the latest, a report outlining the options for the future governance model for the Isle of Wight Council. This would fulfil the requirement of the Full Council resolution of [June 2023](#), which set out an intention to receive a report with a recommendation to bring about a change in governance with effect on and from the Annual Council 2024.
 - 1.2. This report will include the option of a politically proportionate committee system which could be implemented from its annual meeting on 15th May 2024. This aim was agreed by Full Council on 17 January 2024 on the recommendation of the member led Future Governance Working Group. (see section 57 [link](#)).
 - 1.3. To have a plan to implement an alternative governance system should a recommendation for a change from the current cabinet system be agreed. This would form a Phase 2 of the project.

Expected outcome:

- 1.4. There will be an evidenced based report that outlines the potential options for future council governance and which will allow Full Council to make a lawful decision on whether to change its governance arrangements.
- 1.5. There will be a plan that covers the implementation, if a change in governance model is agreed, to allow a timely and smooth transition to new arrangements for staff, councillors and the public.
- 1.6. The public, councillors and staff will be kept informed of any potential changes and its impact on them and be given the opportunity to informally contribute feedback on proposals.

Background:

- 1.7. The Council currently operates executive arrangements, meaning there is a leader and cabinet with responsibility for making certain decisions. The executive can comprise of up to ten councillors including the leader but currently comprises of eight councillors including the Leader and each Cabinet member has an individual portfolio.
- 1.8. A politically proportionate councillor led working group chaired by Councillor Geoff Brodie met in September and October 2023 to review the future governance structure and the options open to the council should it wish to make a change. It's report was taken to the 17 January 2024 meeting of Full Council with the proposal to bring to a future Full Council meeting, by 1 May 2024 at the latest a report considering options including recommending a politically proportionate Committee system to be implemented by 15 May 2024. It was resolved that:
- Full Council note the framework recommendations made to the Audit and Governance Committee
 - the Future Governance Working Group work with the Monitoring Officer and Senior officers on constitutional changes
 - a progress report be provided to Full Council in March 2024
- 1.9. Section 9B of the Local Government Act 2000 (LGA 2000) sets out that a local authority in England must operate one of three forms of governance arrangement: executive, committee or hybrid. These are the options the extraordinary meeting report will need to consider in order to change its model of governance. Section 9L(4) LGA 2000 limits the relevant time when a governance change can take effect to a local authorities annual meeting. For the Isle of Wight Council this is at the annual council in May each year. This constraint means if a different model of governance is agreed in at the annual council at the annual council in May 2024, then implementation would have to be at that council meeting or a later annual council meeting.

Reason for Equality Impact Assessment

This is a proposal for a **change** to the governance system functions and is based on the assumption that the council agrees to move to a new form of governance.

The proposed change in the council's model of governance to a committee system is not considered to have a disproportionate impact on any particular protected characteristic group.

Due regard will be given to the public sector equality duties in determining the operational and practical arrangements of the new system from implementation and on an ongoing basis

PROTECTED CHARACTERISTIC – AGE (restrictions / difficulties both younger/older)

<p>Negative, positive or no impact (before mitigation/ intervention) and why?</p>	<p>We do not currently believe that the implementation of this programme has a direct or clear impact on or discriminates against any age groups. It is not proposed to change the operational timings of committee meetings. There may be additional evening/daytime meetings which will need to take into account any potential impacts on those participating in them. Overall, it is expected that there will be a comparable number of meetings and no change to the methods of communication for scheduling, publication of reports etc.</p>
<p>Does the proposal have the potential to cause unlawful discrimination (is it possible that the proposal may exclude/restrict this group from obtaining services or limit their participation in any aspect of public life?)</p>	<p>We do not have any clear evidence to demonstrate any age group would be less able to participate in evening or daytime meetings. We can safely assume that younger age groups may have conflicts with schooling/learning hours during the daytime, those of working age may work a multitude of hours in various shifts and those who are retired may not be keen for evening meetings while they have the day free. Public meetings are now able to be accessed via video link to either watch as the proceedings take place or as recordings after the event at a convenient time.</p>
<p>How will you advance the equality of opportunity and to foster good relations between people who share a protected characteristic and people who do not</p>	<p>Consideration of all protected characteristics is an intrinsic part of the decision-making process of the council, with any potential impacts and their mitigation being an integral element of the decision-making considerations. Consideration of age will be given at all opportunities and appropriate decisions or actions will be taken if any age-related risk and/or need is identified. The council has actively sought to engage with members of the public through communication and engagement activities to ensure that citizens of all ages are aware of the new committee system and how to get involved digitally abled or not.</p>
<p>What concerns have been raised to date during consultation (or early discussions) and what action taken to date?</p>	<p>There has been a range of engagement activity undertaken, via press releases, information leaflets, a dedicated information page on the council's website and a number of briefing sessions for the public, staff, elected members, town, parish and community councils to keep everyone informed. There has also been a dedicated email address/opportunity for written submissions to be made. There</p>

	has been no negative feedback to date from public, staff, councillors or the Members Working Group on age related impacts.
What evidence, analysis or data has been used to substantiate your answer?	Engagement feedback from public, staff, councillors. Young people (aged 0 to 19 years) make up 19.1% of the population of the Island compared to 23.6% in England as a whole. The Island has fewer young working-age people (aged 20 to 44 years) compared to England; 23.6% compared to 32.3%. Older people, aged 70 years and over, make up 21.4% of the population of the Island compared to 13.6% nationally. 1.4% are in the 'oldest old' over 90 years population age group compared to 0.9% in England.
Are there any gaps in evidence to properly assess the impact? How will this be addressed?	We will monitor the success of these arrangements and review as part of the post-implantation review period.
How will you make communication accessible for this group?	There will be no change to the communication methods which are already inclusive and take into account accessibility requirements.
Page 6 What adjustments have been put in place to reduce/ advance the inequality? (Where it cannot be diminished, can this be legally justified?)	The current proposal is for committee meetings to take place on weekdays in the evenings and we will monitor the success of these arrangements and review as part of the post-implementation review period. The current recommendations for the length of committee meetings includes a guillotine clause at 3 hours. This may help councillors, staff and members of the public who are limited in time due to home commitments, learning, school, work, childcare etc.
PROTECTED CHARACTERISTIC – DISABILITY (a) Physical, b) Mental health - must respond to both a & b)	
Negative, positive or no impact (before mitigation/ intervention) and why?	We do not currently believe that the implementation of this programme has a direct or clear impact on or discriminates against people with disabilities. It is not proposed to change the operational timings of committee meetings. There may be additional evening/daytime meetings which will need to take into account any potential impacts on those participating in them. Overall, it is expected that there will be a comparable number of meetings and no change to the methods of communication for scheduling, publication of reports etc.

<p>Does the proposal have the potential to cause unlawful discrimination (is it possible that the proposal may exclude/restrict this group from obtaining services or limit their participation in any aspect of public life?)</p>	<p>No, the proposals will have no discernible impact on any individuals with disabilities. However, this will be monitored on an ongoing basis.</p>
<p>How will you advance the equality of opportunity and to foster good relations between people who share a protected characteristic and people who do not</p>	<p>Consideration of all protected characteristics is an intrinsic part of the decision-making process of the council, with any potential impacts and their mitigation being an integral element of the decision-making considerations. Consideration of disability will be given at all opportunities and appropriate decisions or actions will be taken if any related risk and/or need is identified. The council has actively sought to engage with members of the public through communication and engagement activities to ensure that citizens of all ages are aware of the new committee system and how to get involved digitally abled or not.</p>
<p>What concerns have been raised to date during consultation (or early discussions) and what action taken to date?</p>	<p>There has been a range of engagement activity undertaken, via press releases, information leaflets, a dedicated information page on the council's website and a number of briefing sessions for the public, staff, elected members, town, parish and community councils to keep everyone informed. There has also been a dedicated email address/opportunity for written submissions to be made. There has been no negative feedback to date from public, staff, councillors or the Members Working Group on disability related impacts.</p>
<p>What evidence, analysis or data has been used to substantiate your answer?</p>	<p>Engagement feedback from public, staff, councillors. Responses from the 2021 Census question: "Do you have any long-term illness, health problems or disability which limits your daily activities or work you can do?" - Across the Island, 78.7% of people reported that they did not have any long-term illnesses which limited their daily activities or work. This is lower than the national average of 82.3%. - The percentage of people who said they had a long-term health problem or disability which limited their day-to-day activities a lot was 8.8%, compared to 7.5% nationally. This varied across the Island from its lowest at 5.0% in Carisbrooke East to the highest at 14.7% in Sandown North.</p>
<p>Are there any gaps in evidence to properly assess the impact? How will this be addressed?</p>	<p>We will monitor the success of these arrangements and review as part of the post-implantation review period.</p>

<p>How will you make communication accessible for this group?</p>	<p>There will be no change to the communication methods which are already inclusive and take into account accessibility requirements.</p>
<p>What adjustments have been put in place to reduce/ advance the inequality? (Where it cannot be diminished, can this be legally justified?)</p>	<p>The council already has some provisions in place. Documents and reports are available on-line and printed copies can be supplied. Documents may be requested in other languages, formats, and large print. Public meetings are live streamed.</p>
<p>PROTECTED CHARACTERISTIC – RACE (including ethnicity and nationality)</p>	
<p>Negative, positive or no impact (before mitigation/ intervention) and why?</p>	<p>We do not currently believe that the implementation of this programme has a direct or clear impact on or discriminates against people of different races. It is not proposed to change the operational timings of committee meetings. There may be additional evening/daytime meetings which will need to take into account any potential impacts on those participating in them. Overall, it is expected that there will be a comparable number of meetings and no change to the methods of communication for scheduling, publication of reports etc.</p>
<p>Does the proposal have the potential to cause unlawful discrimination (is it possible that the proposal may exclude/ restrict this group from obtaining services or limit their participation in any aspect of public life?)</p>	<p>No, the proposals have no discernible impact on the race protected characteristic.</p>
<p>How will you advance the equality of opportunity and to foster good relations between people who share a protected characteristic and people who do not</p>	<p>Consideration will be given at all opportunities and appropriate decisions or actions will be taken if any needs are identified.</p>
<p>What concerns have been raised to date during consultation (or early discussions) and what action taken to date?</p>	<p>There has been a range of engagement activity undertaken, via press releases, information leaflets, a dedicated information page on the council's website and a number of briefing sessions for the public, staff, elected members, town, parish and community councils to keep everyone informed. There has also been a dedicated email address/opportunity for written submissions to be made. There has been no direct feedback to date from public, staff, councillors or the Members Working Group on race related impacts.</p>

<p>What evidence, analysis or data has been used to substantiate your answer?</p>	<p>Engagement feedback from public, staff, councillors. The Island's population is less diverse than England as a whole, with 97.0% of residents describing themselves as belonging to White ethnic groups compared to the national average of 81.0%. The diversity of the area's population is increasing. In 2021, 3.0% of the population described themselves as belonging to an ethnic minority group, up from 2.7% in the previous Census.</p>
<p>Are there any gaps in evidence to properly assess the impact? How will this be addressed?</p>	<p>We will monitor the success of these arrangements and review as part of the post-implantation review period.</p>
<p>How will you make communication accessible for this group?</p>	<p>There will be no change to the communication methods which are already inclusive and take into account accessibility requirements.</p>
<p>What adjustments have been put in place to reduce/ advance the inequality? (Where it cannot be diminished, can this be legally justified?)</p>	<p>We do not currently believe that the implementation of this programme has a direct or clear impact on the race protected characteristic.</p>
<p>PROTECTED CHARACTERISTIC – Religion or belief (different faith groups/ those without a faith)</p>	
<p>Negative, positive or no impact (before mitigation/ intervention) and why?</p>	<p>We do not currently believe that the implementation of this programme has a direct or clear impact on the religion or belief characteristic. It is not proposed to change the operational timings of committee meetings. There may be additional evening/daytime meetings which will need to take into account any potential impacts on those participating in them. Overall, it is expected that there will be a comparable number of meetings and no change to the methods of communication for scheduling, publication of reports etc.</p>
<p>Does the proposal have the potential to cause unlawful discrimination (is it possible that the proposal may exclude/ restrict this group from obtaining services or limit their participation in any aspect of public life?)</p>	<p>No the proposals have no discernible impact on this protected characteristic.</p>
<p>How will you advance the equality of opportunity and to foster good relations between people who share a protected characteristic and people who do not</p>	<p>Consideration will be given at all opportunities and appropriate decisions or actions will be taken if any needs are identified.</p>

<p>What concerns have been raised to date during consultation (or early discussions) and what action taken to date?</p>	<p>There has been a range of engagement activity undertaken, via press releases, information leaflets, a dedicated information page on the council's website and a number of briefing sessions for the public, staff, elected members, town, parish and community councils to keep everyone informed. There has also been a dedicated email address/opportunity for written submissions to be made. There has been no direct feedback on this subject to date from public, staff, councillors or the Members Working Group.</p>
<p>What evidence, analysis or data has been used to substantiate your answer?</p>	<p>Engagement feedback from public, staff, councillors. The 2021 Census reports that slightly under half of Isle of Wight residents (49.6%) stated they had a religion, down from 62.2% in 2011; 43.9% no religion (up from 29.6% in 2011) and 6.5% did not say. Of those who stated they had a religion; Christianity was the dominant religion with 47.7% of Island residents reporting to be Christian. 0.4% reported Muslim as their religion; 0.4% Buddhist; 0.2% Hindu; and 0.1% Jewish.</p>
<p>Are there any gaps in evidence to properly assess the impact? How will this be addressed?</p>	<p>We will monitor the success of these arrangements and review as part of the post-implantation review period.</p>
<p>How will you make communication accessible for this group?</p>	<p>There will be no change to the communication methods which are already inclusive and take into account accessibility requirements.</p>
<p>What adjustments have been put in place to reduce/ advance the inequality? (Where it cannot be diminished, can this be legally justified?)</p>	<p>We do not currently believe that the implementation of this programme has a direct or clear impact on the religion or belief protected characteristic.</p>
<p>PROTECTED CHARACTERISTIC – Sex (Including Trans and non-binary – is your language inclusive of trans and non-binary people?)</p>	
<p>Negative, positive or no impact (before mitigation/ intervention) and why?</p>	<p>We do not currently believe that the implementation of this programme has a direct or clear impact on or discriminates.</p>
<p>Does the proposal have the potential to cause unlawful discrimination (is it possible that the proposal may exclude/ restrict this group from obtaining services or limit their participation in any aspect of public life?)</p>	<p>No the proposals have no discernible impact on this protected characteristic.</p>

How will you advance the equality of opportunity and to foster good relations between people who share a protected characteristic and people who do not	Consideration will be given at all opportunities and appropriate decisions or actions will be taken if any needs are identified.
What concerns have been raised to date during consultation (or early discussions) and what action taken to date?	There has been a range of engagement activity undertaken, via press releases, information leaflets, a dedicated information page on the council's website and a number of briefing sessions for the public, staff, elected members, town, parish and community councils to keep everyone informed. There has also been a dedicated email address/opportunity for written submissions to be made. There has been no direct feedback on this subject to date from public, staff, councillors or the Members Working Group.
What evidence, analysis or data has been used to substantiate your answer?	Engagement feedback from public, staff, councillors.
Are there any gaps in evidence to properly assess the impact? How will this be addressed?	We will monitor the success of these arrangements and review as part of the post-implantation review period.
How will you make communication accessible for this group?	There will be no change to the communication methods which are already inclusive and take into account accessibility requirements.
What adjustments have been put in place to reduce/ advance the inequality? (Where it cannot be diminished, can this be legally justified?)	We do not currently believe that the implementation of this programme has a direct or clear impact on the religion or belief protected characteristic.
PROTECTED CHARACTERISTIC – Sexual orientation (is your language inclusive of LGB groups?)	
Negative, positive or no impact (before mitigation/ intervention) and why?	We do not currently believe that the implementation of this programme has a direct or clear impact on or discriminates.
Does the proposal have the potential to cause unlawful discrimination (is it possible that the proposal may exclude/ restrict this group from obtaining services or limit their participation in any aspect of public life?)	No the proposals have no discernible impact on this protected characteristic.

<p>How will you advance the equality of opportunity and to foster good relations between people who share a protected characteristic and people who do not</p>	<p>Consideration will be given at all opportunities and appropriate decisions or actions will be taken if any needs are identified.</p>
<p>What concerns have been raised to date during consultation (or early discussions) and what action taken to date?</p>	<p>There has been a range of engagement activity undertaken, via press releases, information leaflets, a dedicated information page on the council's website and a number of briefing sessions for the public, staff, elected members, town, parish and community councils to keep everyone informed. There has also been a dedicated email address/opportunity for written submissions to be made. There has been no direct feedback on this subject to date from public, staff, councillors or the Members Working Group.</p>
<p>What evidence, analysis or data has been used to substantiate your answer?</p>	<p>Engagement feedback from public, staff, councillors.</p>
<p>Are there any gaps in evidence to properly assess the impact? How will this be addressed?</p>	<p>We will monitor the success of these arrangements and review as part of the post-implantation review period.</p>
<p>How will you make communication accessible for this group?</p>	<p>There will be no change to the communication methods which are already inclusive and take into account accessibility requirements.</p>
<p>What adjustments have been put in place to reduce/ advance the inequality? (Where it cannot be diminished, can this be legally justified?)</p>	<p>We do not currently believe that the implementation of this programme has a direct or clear impact on the religion or belief protected characteristic.</p>
<p>PROTECTED CHARACTERISTIC – Pregnancy and maternity</p>	
<p>Negative, positive or no impact (before mitigation/ intervention) and why?</p>	<p>We do not currently believe that the implementation of this programme has a direct or clear impact on or discriminates.</p>

<p>Does the proposal have the potential to cause unlawful discrimination (is it possible that the proposal may exclude/ restrict this group from obtaining services or limit their participation in any aspect of public life?)</p>	<p>No the proposals have no discernible impact on this protected characteristic.</p>
<p>How will you advance the equality of opportunity and to foster good relations between people who share a protected characteristic and people who do not</p>	<p>Consideration will be given at all opportunities and appropriate decisions or actions will be taken if any needs are identified.</p>
<p>What concerns have been raised to date during consultation (or early discussions) and what action taken to date?</p>	<p>There has been a range of engagement activity undertaken, via press releases, information leaflets, a dedicated information page on the council's website and a number of briefing sessions for the public, staff, elected members, town, parish and community councils to keep everyone informed. There has also been a dedicated email address/opportunity for written submissions to be made. There has been no direct feedback on this subject to date from public, staff, councillors or the Members Working Group.</p>
<p>What evidence, analysis or data has been used to substantiate your answer?</p>	<p>Engagement feedback from public, staff, councillors.</p>
<p>Are there any gaps in evidence to properly assess the impact? How will this be addressed?</p>	<p>We will monitor the success of these arrangements and review as part of the post-implantation review period.</p>
<p>How will you make communication accessible for this group?</p>	<p>There will be no change to the communication methods which are already inclusive and take into account accessibility requirements.</p>
<p>What adjustments have been put in place to reduce/ advance the inequality? (Where it cannot be diminished, can this be legally justified?)</p>	<p>We do not currently believe that the implementation of this programme has a direct or clear impact on the religion or belief protected characteristic.</p>

PROTECTED CHARACTERISTIC – Marriage and Civil Partnership

<p>Negative, positive or no impact (before mitigation/ intervention) and why?</p>	<p>We do not currently believe that the implementation of this programme has a direct or clear impact on or discriminates.</p>
<p>Does the proposal have the potential to cause unlawful discrimination (is it possible that the proposal may exclude/ restrict this group from obtaining services or limit their participation in any aspect of public life?)</p>	<p>No the proposals have no discernible impact on this protected characteristic.</p>
<p>How will you advance the equality of opportunity and to foster good relations between people who share a protected characteristic and people who do not</p>	<p>Consideration will be given at all opportunities and appropriate decisions or actions will be taken if any needs are identified.</p>
<p>What concerns have been raised to date during consultation (or early discussions) and what action taken to date?</p>	<p>There has been a range of engagement activity undertaken, via press releases, information leaflets, a dedicated information page on the council's website and a number of briefing sessions for the public, staff, elected members, town, parish and community councils to keep everyone informed. There has also been a dedicated email address/opportunity for written submissions to be made. There has been no direct feedback on this subject to date from public, staff, councillors or the Members Working Group.</p>
<p>What evidence, analysis or data has been used to substantiate your answer?</p>	<p>Engagement feedback from public, staff, councillors.</p>
<p>Are there any gaps in evidence to properly assess the impact? How will this be addressed?</p>	<p>We will monitor the success of these arrangements and review as part of the post-implantation review period.</p>
<p>How will you make communication accessible for this group?</p>	<p>There will be no change to the communication methods which are already inclusive and take into account accessibility requirements.</p>
<p>What adjustments have been put in place to reduce/ advance the inequality? (Where it cannot be diminished, can this be legally justified?)</p>	<p>We do not currently believe that the implementation of this programme has a direct or clear impact on the religion or belief protected characteristic.</p>

PROTECTED CHARACTERISTIC – Gender reassignment

<p>Negative, positive or no impact (before mitigation/ intervention) and why?</p>	<p>We do not currently believe that the implementation of this programme has a direct or clear impact on or discriminates.</p>
<p>Does the proposal have the potential to cause unlawful discrimination (is it possible that the proposal may exclude/ restrict this group from obtaining services or limit their participation in any aspect of public life?)</p>	<p>No the proposals have no discernible impact on this protected characteristic.</p>
<p>How will you advance the equality of opportunity and to foster good relations between people who share a protected characteristic and people who do not</p>	<p>Consideration will be given at all opportunities and appropriate decisions or actions will be taken if any needs are identified.</p>
<p>What concerns have been raised to date during consultation (or early discussions) and what action taken to date?</p>	<p>There has been a range of engagement activity undertaken, via press releases, information leaflets, a dedicated information page on the council's website and a number of briefing sessions for the public, staff, elected members, town, parish and community councils to keep everyone informed. There has also been a dedicated email address/opportunity for written submissions to be made. There has been no direct feedback on this subject to date from public, staff, councillors or the Members Working Group.</p>
<p>What evidence, analysis or data has been used to substantiate your answer?</p>	<p>Engagement feedback from public, staff, councillors.</p>
<p>Are there any gaps in evidence to properly assess the impact? How will this be addressed?</p>	<p>We will monitor the success of these arrangements and review as part of the post-implantation review period.</p>
<p>How will you make communication accessible for this group?</p>	<p>There will be no change to the communication methods which are already inclusive and take into account accessibility requirements.</p>
<p>What adjustments have been put in place to reduce/ advance the inequality? (Where it cannot be diminished, can this be legally justified?)</p>	<p>We do not currently believe that the implementation of this programme has a direct or clear impact on the religion or belief protected characteristic.</p>

In order to identify the needs of the groups, you will need to review data, statistics, user feedback, population data, complaints data, staffing data (SAPHRreports@iow.gov.uk), community/client data, feedback from focus groups etc. When assessing the impact, the assessment should come from an evidence base and not through opinion or self-knowledge.

H. Review

How are you engaging people with a wide range of protected characteristics in the development, review and/or monitoring of the programme/activity?

- There has been public engagement on these proposals including press and social media releases with a dedicated email address (future.governance@iow.gov.uk) for feedback and an engagement session to provide information on the proposals.
- The work has been led by a politically proportionate councillor working group who have engaged with and reported back from their groups.
- There have been two Town, Parish and Community Council briefings (27 March 2024 and 4 April 2024) to engage with representatives from these groups and hear feedback on the proposals.
- The wider staff group have been asked for their feedback via the Chief Executive's messages in the Vine and also direct "all staff" emails. Staff have also been invited to briefing sessions on 23 April and 25 April to provide information on the proposals.
- There have been three briefing sessions (24, 25 and 26 April) for elected members prior to their extraordinary Full Council meeting to afford opportunity to clarify and discuss queries on any matters contained within the report.
- There is an officer working group comprising senior managers from Democratic Services and Legal Services as well as other senior leads who may be impacted by the changes.

H. Sign-off

Head of Service sign off & date:

Name: Claire Shand – Director of Corporate Services
Date: 18/04/2024

Legal sign off & date:

Name: Judy Mason - Strategic Manager of Human Resources
Date: 18/04/2024



Purpose: For Decision

Committee Report

ISLE OF WIGHT COUNCIL

Meeting	AUDIT & GOVERNANCE COMMITTEE
Date	29 APRIL 2024
Title	REVISED FINANCIAL REGULATIONS
Report of	DEPUTY LEADER CABINET MEMBER FOR HOUSING & FINANCE

Executive Summary

1. The main purpose of this report is to seek approval for the councils updated Financial Regulations following review during the early part of 2024.
2. An updated set of Financial Regulations will provide a framework for consistent financial management and internal control standards to continue to be in place across the council which will support the internal control systems and help the council manage any risks to the achievement of its control objectives.
3. Furthermore, the report considers the impact on the Financial Regulations of a potential move in governance system to a committee-based arrangement.

Recommendation

4. (a) That the committee approves the Financial Regulations detailed in Appendix 1.
5. (b) That the committee approves the alternative Financial Regulations detailed in Appendix 2, to be used should the council governance model change.

Background

6. The key financial procedure rules for the council are set out in the Constitution and identify the responsibility of Full Council in setting a budget on an annual basis, the responsibility of the cabinet to implement the budget and policy framework once it is in place, and the procedure rules to be followed as part of the internal control systems of the council. They are subject to review by the Audit & Governance Committee and are supported by a range of internal control systems which the council has put in place to ensure the risks of the achievement of its objectives are minimised. The current iteration of the regulations was last approved in 2016.
7. Schools with delegated budgets are subject to a separate framework of regulation through the Scheme for Financing Schools which was last considered by School Forum in March 2023.

Changes to Existing Financial Regulations

8. Although not formally updated since 2016, the financial regulations are well constructed and not influenced significantly by the passage of time. The updates in the proposed regulations provided in appendix 1 can in general be considered as housekeeping.
 - (a) Format changes for presentational improvements.
 - (b) Refreshing references throughout to specific job titles, meetings, and groups to equivalent current terminology.
 - (c) Ensuring consistencies in language and process across the document and in achieving the annual budget setting decision making presented in the February report.

Future Governance Implications

9. The financial regulations have an intrinsic link to the council's constitution and therefore consistency between these core governance documents is essential. Should the council decide to take forward an alternative governance model on a committee system basis the financial regulations need to be updated to reflect the impact.
10. Decision making on proposals to move away from the cabinet-based system is due to take place in May 2024. To ensure the financial regulations remain relevant and compliant through this potential period of change, an alternative version has been prepared and included in appendix 2.
11. The only difference with the alternative version is that reference to Cabinet throughout the document is replaced with Policy, Finance & Resources Committee. No other changes have been made.
12. Any further developments on the financial regulations can of course be covered at any future regular review by the Audit & Governance Committee.

Corporate Priorities and Strategic Context

13. The council's arrangements for financial management support effective service and project delivery across the authority, in turn supporting the key priorities set out in the [Corporate Plan 2021 – 2025](#).
14. The councils annual statement of accounts, budget setting framework, and overall responsibility for the stewardship of public funds form an important part of the broad framework of corporate governance. There is a need for regular review of the Financial Regulations, in line with the Corporate Plan and Medium-Term Financial Strategy, to ensure the key priorities of the council continue to be deliverable within the reduced resources available to the council.
15. The Financial Regulations should be reviewed and updated annually and approved by the Audit & Governance Committee.

Responding to climate change and enhancing the biosphere

16. Through its financial management activity, the council ensures stewardship of significant values of expenditure and income with each decision subject to proportionate analysis to ascertain value for money and transparency of decision making. Those individual decisions may have impacts in this area but are generally outside the scope of the financial regulations.
17. The impact assessment tool was used to assess the recommendations within this report and concluded that the financial regulations have a neutral impact on the climate change and environmental goals of the council.



Economic Recovery and Reducing Poverty

18. Although there is no direct impact within the report the financial regulations enable the council to contribute towards reducing the numbers of residents, and especially children, who are living in poverty.

Impact on Young People and Future Generations

19. Although there is no direct impact within the report the financial regulations enable the council to contribute towards the future sustainability of the council.

Corporate Aims

20. The financial management activity of the council is in alignment with the aspiration of transparency and disclosure of council finances as detailed in the [Corporate Plan 2021 - 2025](#). The recommended regulations support this.

Consultation

21. There has been no external consultation in the preparation of this report, but it has been prepared in consultation with senior key officers of the council including the Section 151 officer, and others as part of the review process in advance of this committee meeting.

Financial / Budget Implications

22. There are no direct financial implications arising from this report. Regular updating of the financial regulations assists in the delivery of consistent financial management and internal control standards.
23. The review has been completed by Finance staff and incurred no additional cost.

Legal Implications

24. The Accounts and Audit Regulations 2015 require the council to ensure that the financial management of the council is adequate and effective, and that the council has a sound system of internal control which facilitates the effective exercise of its functions, and which includes the arrangements for the management of risk. The same regulations also require the responsible finance officer to determine on behalf of the council its accounting records, including the form of accounts and supporting accounting records and control systems. The responsible officer must ensure that the accounting control systems are properly observed and that the accounting records are kept up to date.

Equality and Diversity

25. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do

not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

26. The financial regulations have no implications for any of the protected characteristics.

Property Implications

27. There are no property implications relating to the report or appendices.

Risk Management

28. The key risk relates to not having up to date financial regulations in place which may lead to inconsistent application of financial management and internal control standards across the council. Lack of robust and up to date financial regulations may also lead to the retention of incomplete or inadequate accounting records, failure to observe correct accounting practices and reporting requirements, and ultimately have an impact on the quality of the financial information supporting the statutory statement of accounts for the authority.

Options

29. Option 1: (a) That the committee approves the Financial Regulations detailed in Appendix 1.
30. (b) That the committee approves the alternative Financial Regulations detailed in Appendix 2, to be used should the council governance model change.
31. Option 2: The Committee does not approve the updated financial regulations in either appendix 1 or appendix 2.

Evaluation

32. Option 1 is recommended to ensure business continuity in financial management decision making both for existing arrangements and potential future governance arrangements.

Appendices Attached

33. Appendix 1 – Financial Regulations 2024.
34. Appendix 2 – Alternative Draft Financial Regulations to be used if there is a change in the governance model.

Background Papers

35. Audit Committee 9 May 2016, consideration of existing Financial Regulations
<https://iow.moderngov.co.uk/Data/Audit%20Committee/20160509/Agenda/Paper%20D.pdf>
36. School Forum 23 March 2023 (Item D), consideration of current Scheme for Financing Schools.
<https://www.iow.gov.uk/schools-and-education/school-funding/school-forum-meetings/>

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CHRIS WARD
*Director of Finance
and Section 151 Officer*

COUNCILLOR IAN STEPHENS
*Cabinet Member for Housing
and Finance*

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Cabinet M

Isle of Wight Council Financial Regulations

Document Information

Title:	Financial Regulations
Status:	Draft
Current Version:	1.0
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Consultation:	Director of Finance & S151 Officer, Assistant Director of Finance, Strategic Manager – Finance.
Approved by:	Audit & Governance Committee
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Version History		
Version	Date	Description
1.0	8 April 2024	Format/branding roll forward, housekeeping of terminology, consistency with budget strategy.

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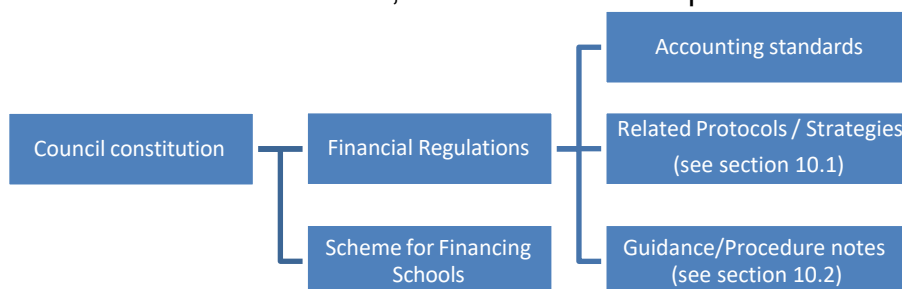
1. Introduction

1.1 Purpose of Financial Regulations

- 1.1.1 These financial regulations provide the framework for managing the council's financial affairs. As such, they apply to every member and officer of the authority and anyone acting on its behalf.
- 1.1.2 They set out the roles and responsibilities of the council, the members, and senior officers in respect of financial management. Financial management covers all financial accountabilities in relation to the running of the authority including the proper exercise of responsibility, accountability, and financial control as set out in the policy framework and budget. It is not possible to draft regulations or rules that cover every eventuality or circumstance. Consequently, the principles of sound financial management, proper exercise of responsibility, and accountability, as set out in financial regulations, should be applied in all circumstances, even where any particular circumstance is not specifically referred to.
- 1.1.3 Financial regulations are subject to annual review and approved by the Audit & Governance Committee.
- 1.1.4 They are supported by a range of internal control systems which the council has put in place to ensure that risks to the delivery of its objectives are minimised.
- 1.1.5 Schools with delegated budgets are subject to a 'Scheme for Financing Schools'. This scheme sets out the financial relationship between the Council and the maintained schools which it funds. It contains requirements relating to financial management and associated issues, binding on both the authority and on schools. It applies to all community, nursery, special, voluntary, foundation (including trust), and foundation special schools, and pupil referral units (PRU's) maintained by the Council. It does not apply to academies. A list of schools maintained by the Council is at: <https://www.iow.gov.uk/schools-and-education/schools/school-contacts/>

1.2 Where Financial Regulations fit in

- 1.2.1 These financial regulations are linked to other internal regulatory documents in particular the council's constitution. The following illustration shows where they fit in the hierarchy of the council's codes and standards, and their relationship to other documents.



1.3 Statement of Principles

1.3.1 The council expects high standards of conduct from its members and officers and those with whom it has dealings, and this expectation is set out in the council's constitution and various codes of conduct. The following statement of principles is the basis for the detailed guidance in the financial regulations:

- the council is responsible for the stewardship of public money and will make arrangements to safeguard the interest of the local residents and other stakeholders.
- the council expects its officers and members to exercise high standards in financial management and administration and aims to stimulate openness and transparency.
- the planning, monitoring and control of the use of resources is of vital importance to the council and it will make arrangements for the activities to be undertaken effectively.
- issues of probity will be dealt with effectively and the council will work to meet its duty to maintain proper accounts and related records.
- value for money is at the core of the council's financial activity and the way in which it administers its financial affairs.
- compliance with statutory requirements, accounting standards and appropriate codes of practice will be inherent in the council's arrangements for financial matters.
- allocation of responsibility and authority in relation to financial matters will be clearly identified.
- the council is a large organisation and is mindful of the need for consistent standards in financial administration and management across all of its operations. It will set in place guidance to be adhered to by all its services. In particular it expects staff to consult with and use all of the expertise in financial matters that it has available and act on advice from such sources.
- the assets and resources of the council must be protected to avoid loss, fraud, or misappropriation.
- identifying and quantifying risks to the council is of key importance and arrangements must be made to reduce, eliminate, or insure against them as appropriate, and
- the accurate, appropriate, and timely payment and collection of monies forms much of the routine financial business of the council and arrangements will be made for its proper administration.

2. Financial Planning

2.1 Duties and Responsibilities

Duties and Responsibilities of Elected Members

- 2.1.1 The cabinet is responsible for proposing a budget and for the strategic delivery of services within approved budgets and the approved policy framework. Full council is responsible for approving the budget as endorsed by the S151 Officer and has a duty to consider the advice of the S151 Officers in relation to all financial matters. The cabinet shall receive in-year budget monitoring information and ensures that any remedial action is taken to manage the budget within the overall resources available.
- 2.1.2 The scrutiny committee has a responsibility to review and assist with resolving the financial issues it regards as most benefiting from its input. It also provides the opportunity for constructive challenge around the robustness/impact of decisions in meeting the longer-term outcomes the council has set itself; in the short-term budget preparation and their potential impact on the longer-term strategy, and in reviewing how well the resources have been used to deliver the council's priorities and the relationship between cost and outturn performance.
- 2.1.3 The scrutiny committee and select committees and their associated sub committees and groups will pursue work programmes developing specific policy and strategic solutions to longer term issues, including those with a financial context. Detail on the decision-making structure is part of the council constitution.

Duties and Responsibilities of the Section 151 officer

- 2.1.4 The Section 151 officer has particular statutory duties in relation to the financial administration and stewardship of the authority as arising from S151 of the Local Government Act 1972. These statutory duties cannot be over ridden. Any reference to the S151 officer in this document relates to whichever postholder is assigned this role rather than a specific individual or post.
- 2.1.5 The statutory duties are incorporated in:
- the proper administration of the council's financial affairs.
 - setting and monitoring compliance with accounting and financial management procedures and standards.
 - implementing the council's duty to maintain an effective and adequate internal audit.
 - advising on the corporate financial position, including the robustness of the budget and the adequacy of reserves.
 - giving financial advice on all reports considered by the cabinet and council.
 - determining financing of capital and revenue budget items in the best financial interests of the council.
 - prescribing key financial controls and where necessary, the format of the council's financial records.

- providing financial information.
- co-ordinating forward revenue and capital plans and monitoring delivery.
- treasury management and all banking arrangements.
- arrangements for the disbursement of the council's payments in respect of creditors, staff, and partners, and
- arrangements for the collection of income due to the council as identified by the chief officers for the council and their staff.

Duties and Responsibilities of the Monitoring Officer

2.1.6 The monitoring officer is a statutory appointment under the provisions of section 5 of the Local Government and Housing Act 1989. Any reference to the monitoring officer in this document relates to whichever postholder is assigned this role rather than a specific individual or post.

2.1.7 The monitoring officer's statutory duties are to:

- Report on contraventions or likely contraventions of the any enactment or rule of law
- Report on any maladministration or injustice where the ombudsman has carried out an investigation.
- Appoint deputy/deputies.
- Report on sufficiency of resources.
- Establish and maintain the register of members interest and the register of gifts and hospitality.
- Receive copies of certificates under the Local Authorities (Contracts) regulations 1997.
- Maintain, monitor, and review the governance arrangements of the authority.
- Support the council to promote and maintain high standards of conduct.
- Consider complaints against members.
- Consulting with, supporting and advising the chief executive and the chief finance officer and on issues of lawfulness and probity.
- Advising the authority on issues of lawfulness and probity.
- Conduct investigations into misconduct.
- Proper officer for access to information.
- Provide advice on vices issues, maladministration, financial impropriety, probity, budget, and policy framework issues to all members.

Duties and Responsibilities of the chief officers for the council

2.1.8 The council is currently going through a period of unprecedented change which regularly alters job functions and titles and the management structure of the organisation. As this document is updated once a year, post titles as well as specific service responsibilities may change and quickly become inaccurate. Levels of responsibility are therefore attributed to tiers of management within the organisation with an acknowledgement that the chief officer or senior manager with responsibility for a specific service will hold the authority for that service area. If there is any degree of uncertainty about where responsibility and authority lie, this should be referred to the S151 officer for clarification.

2.1.9 This section sets out the financial management responsibilities of the chief officers for the council. At the time of this revision, the term ‘chief officers’ is intended to indicate all those senior strategic officers (including chief executive and any directors) who collectively meet as the corporate management team (CMT). Although this title and the make-up of the group may change, the overall roles and responsibilities of the chief officers of the council remain relevant within these regulations.

2.1.10 Most or all tasks will be the responsibility of the chief officers for the council, who may in turn further delegate to senior service managers as they see fit. The general presumption is that decisions should be taken at the lowest appropriate level, but it should be kept in mind that whilst tasks can be delegated, the chief officers for the council remain jointly and severally responsible for compliance.

2.1.11 The chief officers for the council responsibilities include the following:

- deploying budget resources to deliver the council’s objectives in the most economically advantageous way, and reporting on performance as required.
- ensuring that expenditure and income are monitored on at least a monthly basis (via service boards) and that:
 - service cash limits are not exceeded.
 - virements are approved within agreed limits as set out in section 4.2.
 - future expenditure commitments are constrained to matching resources.
 - an ‘exit strategy’ is in place for projects funded from non-recurring or declining income streams.
 - potential overspends are identified at an early stage and reported to the CMT and Cabinet/CMT Corporate Leadership Team (CLT) together with proposals for remedial action, and
 - achieving saving targets assigned to their service areas as agreed by council or Cabinet as part of the council’s overall budget strategy.
- Producing and implementing business plans at service level which incorporate:
 - key responsibilities.
 - service context.
 - budget allocations.
 - key objectives, and
 - associated risks and performance measures.
- Ensuring value for money through delivery of the council’s efficiency savings targets, and by benchmarking unit costs and performance against other organisations on an annual basis where it is appropriate to do so.
- Developing partnership arrangements where these provide clear advantages to service quality or efficiency, subject to:
 - clear definition of the benefits expected.
 - robust monitoring and governance arrangements.
 - clarity in the way risk is to be minimised and shared.
 - a viable exit strategy, and

- corporate approval where size or degree of risk warrants.
- Maintaining accounting records and audit trails in a form acceptable to the S151 officer, together with a documented scheme of delegation and authorised signatories. Each account and budget head to have a named responsible officer.
- Ensuring that financial systems in operation, and any changes thereto, are approved by the S151 officer, and that statutory taxation requirements are adhered to, and
- Minimising the possibility of loss through error, theft or fraud, or misuse of council assets, and the risk of litigation, damage to the council's reputation and its interests. This includes:
 - applying risk management techniques in order to reduce risk to optimal levels.
 - keeping the S151 officer informed about existing, new, or changing risks, both insurable and uninsurable.
 - providing assurance that the system of internal control is operating effectively within their service areas and if not, what remedial action they propose. Such assurance will form the basis of the council's annual governance statement, and applying the principles of segregation of duties, such that wherever possible, more than one individual is involved in managing the council's financial transactions.

2.2 Strategic Planning

2.2.1 The full council is responsible for agreeing the authority's corporate plan and priorities which will be proposed by the cabinet. The corporate plan sets out the long-term vision and outcomes to be achieved and therefore sets the priorities for resource allocation. Whilst they do not amount to an exhaustive list, they should be taken as the definitive list of where resources ultimately will be prioritised. Any programme, project or scheme which is not detailed in the corporate plan, will have to be carefully considered as to whether it contributes to the council's wider stated priorities and also whether there are any statutory requirements for the local authority to deliver such services which may take priority over other non- statutory functions. Failure to meet these tests will mean that resources will not be allocated.

2.2.2 The Joint Strategic Needs Assessment (JSNA) is a document produced by Local Authorities and Clinical Commissioning Groups as required by the Local Government and Public Involvement in Health Act 2007. Its purpose is to pull together in a single ongoing process, all the information which is available on the needs of our local population. It aspires to provide the 'big picture' for health and wellbeing needs, providing the evidence base for service delivery by the public sector to reduce health inequalities on the Island. Based on a Government Outcome Framework currently under consultation and augmented with local information it informs priority and target setting by the Health and Wellbeing Board, as they seek to realise the Government's vision "*to improve and protect the nation's health, and to improve the health of the poorest, fastest.*"

2.2.3 The S151 officer is responsible for producing a 3-year medium term financial strategy

(MTFS). The MTFS provides a financial framework for the council's strategic planning and decision making based on the priorities identified in the corporate plan and the JSNA. It incorporates key factors such as the Government's grant settlement, our spending plans and the level of savings that are likely to be needed to keep council tax affordable. The MTFS enables the council to anticipate financial pressures now, so that we can plan ahead early to meet the significant challenges in a way that ensures financial resources are targeted to the council's highest priorities and with the minimum impact on services.

2.2.4 The S151 officer is also responsible for producing a medium-term financial plan which provides additional details of the allocation of budgets against corporate priorities taking into account the grant settlement, budget pressures, demographic changes, inflationary pressures, capital financing, cash limits and savings plans. It aims to provide a comprehensive picture of the financial position of the council, covering the general fund revenue position, the capital programme and council tax levels. It also comments on the significant risks facing the council in the forthcoming years and explains what the council is doing to reduce those risks.

3. Budget Setting

3.1 Budget setting

- 3.1.1 The approved revenue and capital budgets are the financial expression of the council's service delivery plans. The budgets and associated financing implications are approved each year by full council, on the basis of recommendations from the cabinet, and after having regard to the results of stakeholder consultation.
- 3.1.2 Approval of revenue and capital budgets as above confers authority on the cabinet, and the chief officers for the council to spend up to the net sums specified for each of the services within their remit.
- 3.1.3 Full council approve the capital programme which includes provision for individual schemes. The cabinet are responsible for the delivery of the schemes.
- 3.1.4 Changes to the budget may be agreed by the chief officers for the council in consultation with cabinet members and the S151 officer, provided that there is:
- no resulting reduction in the general reserve.
 - no material reduction in agreed service levels.
 - no resulting un-financed increase in commitments in future years, and
 - changes are within the agreed virement limits outlined in section 4.2.
- 3.1.5 Full council approval is required for other budget changes.
- 3.1.6 Any further savings made arising at year end (after allowing for specific carry forward requests) shall be transferred to the revenue reserve for capital, transformation reserve and general reserves, with the level of each transfer to be determined by the S151 officer.

3.2 Revenue Budget

- 3.2.1 Where the council has costs related to day-to-day provision of services e.g. salaries, supplies and services, utilities, these costs are called revenue expenditure. The council is required to set a balanced budget each year, so the amount of revenue the council can spend depends on the income the council receives from various sources.
- 3.2.2 The S151 officer is responsible for ensuring that a revenue budget for the coming year based on the agreed MTFs and MTFP, is prepared by cabinet and presented to full council in time for budget and council tax setting each year. In preparing the revenue budget, the cabinet will take into account the advice of the S151 officer.

- 3.2.3 Consultation with the local community and other stakeholders will be undertaken as part of this preparation and will inform the budget and council tax setting process.
- 3.2.4 The draft budget should include allocations to different services and projects, proposed sources of funding, proposed taxation levels and contingency funds.
- 3.2.5 The cabinet will then submit a final budget to the full council for approval.
- 3.2.6 The S151 officer is responsible for reporting to full council on the robustness of estimates contained within the budget proposed by cabinet and the adequacy of reserves allowed for in the preparation of the budget.
- 3.2.7 Approved revenue budgets may be amended during a financial year in response to external influences and management of budget pressures in accordance with the virement regulations and authorisation limits.
- 3.2.8 Should changes to service provision or structure be undertaken in year, the chief officers for the council are responsible for ensuring that the impact of such changes on their revenue budget are assessed adequately and reported fully to the cabinet within the limitations of the Budget and Policy Framework Rules outlined in the council's constitution.
- 3.2.9 The council's approved budget may allocate 'corporate growth' budgets to service areas where demographic growth has been identified or where pressure areas identified in previous years have been addressed.
- 3.2.10 The expectation is that such specific growth in service budgets will be utilised for those areas identified within the budget strategy and not vired or used for other service purposes or to be offset against savings targets.

3.3 Capital Budget

3.3.1 Capital expenditure creates or enhances assets that have a life of more than one year, such as buildings, land and equipment. Many of the projects are delivered over a period of years and budgets will be spread across years according to project delivery plans. Capital investment can be paid for from:

- Capital receipts from the sale of assets such as buildings.
- Capital Grants and contributions from government and other agencies.
- Revenue contributions.

If funding is not available from these sources, the council can choose to borrow to fund invest to save capital schemes following the Prudential Borrowing Code.

3.3.2 The cabinet has responsibility for:

- recommending to Full Council any new bids for additional capital resources that arise during a financial year not currently provided for in the approved capital programme.
- recommending to full council the capital programme each year as part of the budget process.

3.3.3 The S151 officer is responsible for

- ensuring that a medium-term capital programme and financing plan is prepared on an annual basis for consideration by the cabinet before submission to the full council in accordance with the budget procedure rules as set out in the constitution.
- Determining how each source of finance is used to fund the overall capital programme and to alter the overall mix of financing as necessary to maximise the flexibility of capital resources used and minimise the ongoing costs of borrowing to the council.
- Releasing capital resources held back for any contingency items that might arise, and for any match funding requirements that may be required of the council in order to secure additional external capital funding (e.g. bids for funding from Government or any other external source) This should be done in consultation with the leader of the council.
- setting up procedures under which capital expenditure proposals are evaluated and appraised to ensure that value for money is being achieved, are consistent with service and asset management objectives and are achievable.
- setting up procedures for corporate monitoring of external sources of capital funding.
- ensuring that expenditure treated as capital expenditure by the council is in accordance with best accounting practice, and
- advising on prudential indicators required to be set in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities and for ensuring that all matters required to be taken into account in setting prudential indicators are reported to the leader and the council.

3.3.4 The chief officers for the council are responsible for ensuring that the procedures in the capital code of practice are followed. This includes:

- ensuring that appropriate options appraisals and business cases are developed for potential capital projects.
- establishing and maintaining suitable project management arrangements and records, and
- carrying out post completion evaluation of projects as required, in order to review performance in implementation of the project against budget and project plans and to evaluate performance of the project in the delivery of expected outcomes.

3.3.5 Virements between capital projects may be made by the chief officers for the council in line with the authorisation limits and within the scope of the programme agreed by the cabinet responsible for the capital programme.

3.4 Reserves and Balances

3.4.1 Councils and other organisations, need financial reserves to help manage unforeseen circumstances and to smooth the impact of spending requirements over time. Reserves enable councils to:

- manage variations between their planned and actual budgets that result from unpredictable spending and income; and
- plan their finances strategically to support their activities over the medium and long term.

- 3.4.2 It is the responsibility of the S151 officer to provide the cabinet with a report on the levels of reserves that are considered prudent, based on an annual risk assessment of the authority's financial position and budget.
- 3.4.3 The S151 officer is also responsible for:
- ensuring that reserves are not only adequate but also necessary.
 - ensuring that there are clear protocols for the establishment and use of each earmarked reserve - reserves should not be held without a clear purpose or without a planned profile of spend and contributions, and
 - ensuring that provisions are set up for any liabilities of uncertain timing or amounts that have been incurred and are required to be recognised when:
 - the council has a present obligation (legal or constructive) as a result of a past event.
 - it is probable that a transfer of economic benefits will be required to settle the obligation, and
 - a reliable estimate can be made of the amount of the obligation. If the council does not yet have an obligation / or expects to have a future obligation as a result of something that has not yet happened, then a reserve should be set up and the regulations above apply.

3.5 Control and Suspense Accounts

- 3.5.1 Suspense accounts are used within the council for collecting transactions which are in suspense i.e. their correct accounting treatment cannot be immediately recognised. Examples include cashier and banking suspense accounts where income is received direct into the council's bank account but cannot be identified and processed automatically. These accounts require manual intervention to review and move transactions to the appropriate profit centre.
- 3.5.2 The council uses control accounts to collect transactional details outside of the main general ledger and reconcile them, for example VAT control accounts collect the various types of input and output VAT for reconciliation prior to completing the monthly VAT return.
- 3.5.3 Both control and suspense accounts require regular review to reconcile and clear balances. This process:
- Enables the early identification of problems, including errors and potential fraud.
 - Gives assurance that the financial information in the general ledger is complete and accurate.
 - Enables year end closedown to be completed quickly and without delay.
 - Ensures that the proper revenue/capital budget bears the charge/credit before carry-overs are finalised.
- 3.5.4 Any control or suspense codes with year-end balances remaining should be fully supported by working papers to justify the amount remaining.

- 3.5.5 Each control or suspense account will be allocated a responsible officer who is responsible for ensuring that reconciliations are completed in line with the agreed frequency, that in exceptional circumstances write offs are appropriately authorised and actioned, and that appropriate year end action is taken to clear down and carry forward balances. Some suspense accounts will be reconciled within finance and some in other service areas, mainly shared services.
- 3.5.6 The frequency of reconciliation will depend on various factors, but more frequent daily or weekly reconciliations will take place where there are:
- High volumes of transactions.
 - High value transactions.
 - Sensitivity/high risk areas.
 - Problems previously encountered.
 - New systems introduced or systems changes.
- 3.5.7 Those reconciliations necessary to achieve the bank reconciliation will be undertaken more frequently. Each responsible officer will maintain suitable working papers.

4. Financial Management

4.1 Budget management and control

4.1.1 The S151 officer is responsible for:

- providing appropriate financial information to enable budgets to be monitored effectively.
- monitoring and controlling overall expenditure against budget allocations, and
- publication of a report to the cabinet on the overall position on a regular basis, drawing attention to overspends, shortfalls in income and underspends including reference to proposed action to deal with any problems.

4.1.2 It is the responsibility of the S151 officer, and the chief officers for the council to:

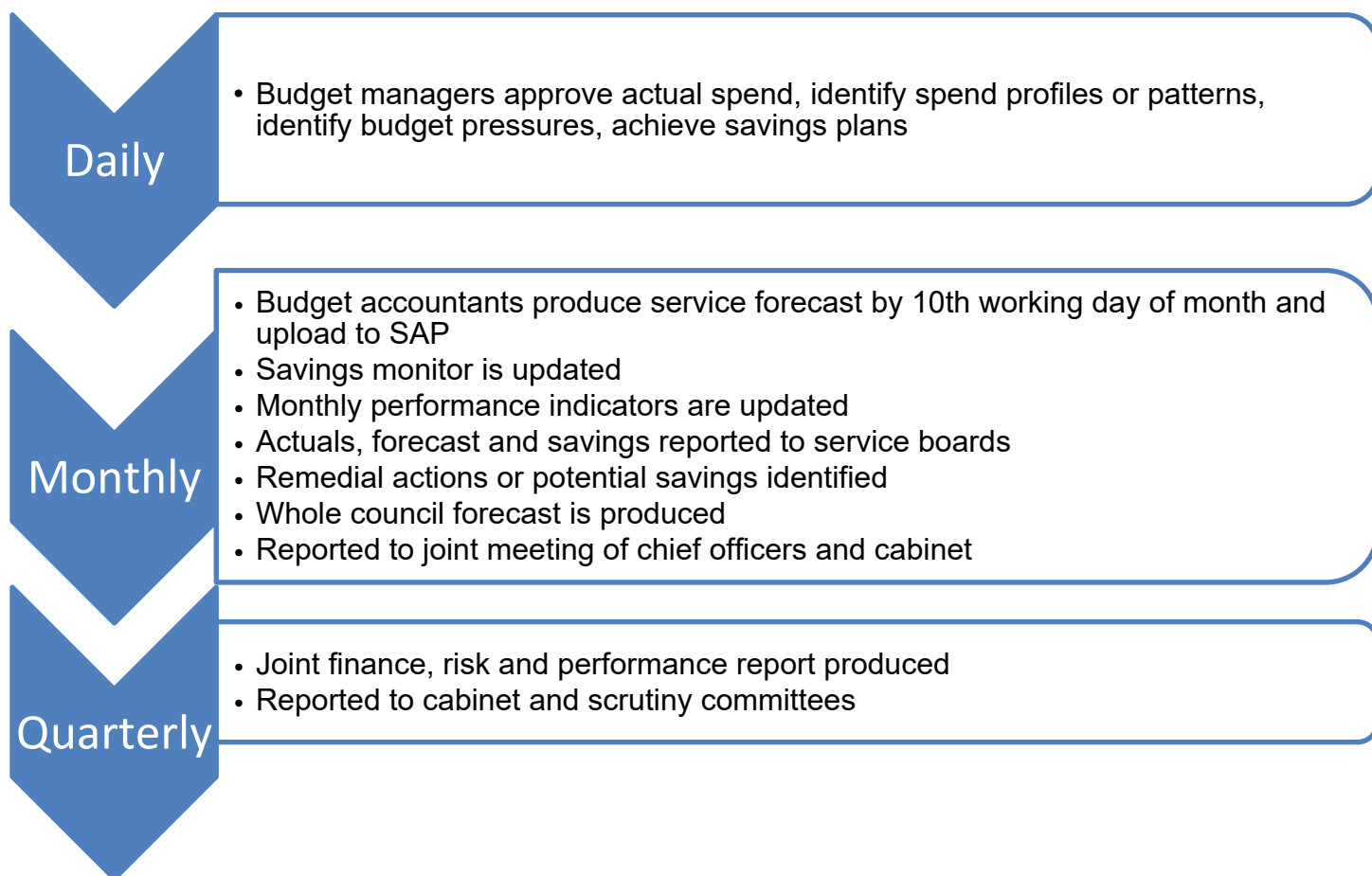
- control income and expenditure within their area and to monitor performance, taking account of financial information and activity data relating to the services they provide.
- have a robust system in place for monitoring activity levels which drive major budget headings or risks.
- report to the S151 officer and to the relevant cabinet member on variances within their own areas.
- ensure that spending remains within the service's overall cash limit, by monitoring the budget headings and taking appropriate corrective action where variations from the approved budget are forecast.
- alert the CMT and Cabinet/to any problems.
- ensure that an accountable budget manager is identified for each item of income and expenditure. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making process that commits expenditure, and
- ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.

4.1.3 New proposals, which fulfil one or more of the following criteria must be considered by the chief officers for the council as a whole before referral to the cabinet or decision-making committee:

- a. create financial commitments in future years in excess of existing budgets.
- b. change existing policies, initiate new policies, or cease existing policies.
- c. materially extend or reduce the authority's services.
- d. exceed the limit defined by the council as a key financial decision.
- e. exceed any limit set by the cabinet as requiring reference to it.

4.1.4 Any such proposals under this regulation shall not have approval to proceed until necessary financial provision is available within approved budgets.

4.1.5 A framework for budget management, reporting and control has been adopted as shown below:



4.2 Virements

4.2.1 A virement is a transfer of budget from one service area to another which represents an adjustment to the budget approved by the council at its budget setting meeting.

4.2.2 Relevant officers, the chief officers for the council and cabinet members have authority to agree virements to the following limits:

Up to £50,000	Officer with formal delegation, agreed in advance with S151 Officer or his authorised officer
Up to £250,000	Officer with formal delegation, agreed in advance with S151 Officer
Up to £500,000	Cabinet member in consultation with S151 Officer and senior service manager
Over £500,000	Cabinet member in consultation with Chief Executive and S151 Officer

- 4.2.3 Transfers of budget from one subjective code to another within a cost centre, or from one cost centre to another within a service budget which do not impact on the overall budgeted approved by the council are not virements, these are budget variations and can be authorised by the senior service manager and his/her officers with delegated authority.
- 4.2.4 The S151 Officer or his authorised officer will also undertake an annual exercise to implement the changes to future years budgets as a result of the approved budget strategy and associated savings strategy for future years. This will not require virement authorisation.
- 4.2.5 The only exception where a budget variation requires agreement with the S151 Officer, or his authorised officer is where there is an adjustment to or from a staffing budget which represents a change in the staffing establishment. This is because there is a need to ensure that the staffing establishment is effectively controlled and that it is not increased or decreased without due regard to the budget or current HR policy.
- 4.2.6 Only staff authorised by the S151 officer may action approved virements on the council's financial management system.

4.3 Carryover of over and underspends

- 4.3.1 The chief officers for the council are responsible for ensuring that service areas remain within their cash limited budget each year.
- 4.3.2 Generally, any overspends will have to be met by offsetting underspends elsewhere within the service budget. This can be achieved by either reducing expenditure or increasing income, the effect on the bottom line is exactly the same. Where overspends are unable to be contained within the cash limit in any given year, the S151 officer may seek to offset the overspend against underspends in other service areas or against general fund balances, provided assurances are available that the overspend will not recur.
- 4.3.3 Similarly, where a service unit has achieved an underspend in a given year, this underspend may be available to be carried forward from one year to another to enhance the following year's budget. This facility may be available where a service and the council as a whole is underspent. It is unlikely that a carryover will be approved for one cost centre within a service if other parts of the service, or the council as a whole, has a net overspend.
- 4.3.4 Carry over of underspends are subject to the approval of the S151 Officer. Any carry over request must be supported by a business case linking it to the achievement of corporate priorities and demonstrating how the budget will provide value for money. However, the general presumption is that carry over of underspends will only be approved in exceptional circumstances. Similarly overspends may be a first call against the following years budget should the council's overall year end position require it.

- 4.3.5 It should be noted that the above procedures apply only where an underspend is due to management action. Where there is a fortuitous benefit to one or more services the available resources will be available to support corporate priorities or the corporate budget savings strategy rather than for reinvestment within a specific service budget.
- 4.3.6 Similarly, where a significant underspend is identified within a service budget as part of the council's regular budget management processes, meaning there is effectively an overprovision of budget for that service area, a reduction to cash limits will be made and the budget will be returned to general fund balances to support corporate priorities or the corporate budget savings strategy.

4.4 Accruals

- 4.4.1 Income and costs should be included in the accounting period in which they are incurred and not the month in which the cash is received or paid i.e. if the council receives goods or services, or provides a service, on or before 31st March each year then we must account for the cost and income in the correct financial year. If this cannot be done by paying an invoice or receiving the income before 31st March, then the amount must be accrued into the correct financial year.
- 4.4.2 The integrated financial management system used by the council will automate much of this process where there are items for which invoices have not been received, but the user has confirmed (receipted) the goods/services. These are called goods received not invoiced (GRNI) accruals and the financial management system will automatically account for the cost in the year that the confirmation/receipt has been entered on the financial management system. It is therefore essential that users confirm goods as received on receipt in order to maximise the operational efficiency of the council's financial systems.
- 4.4.3 The chief officers for the council are responsible for identifying accruals not automatically generated, and notifying the appropriate budget accountant in order that a manual adjustment can be made to the accounts.
- 4.4.5 Documentary evidence should be provided to budget accountants to support the accrual and will be retained as evidence.
- 4.4.6 Accountants may need to make a judgement about materiality of accruals taking into account not only the impact on the council's future years budget as a whole but also on the service areas budget provision for future years.

4.5 In year and on going savings

- 4.5.1 The full council is responsible for approving the budget each year including an indicative savings plan to deliver a robust and sustainable budget as part of the medium-term financial plan. It is the responsibility of the cabinet to implement it and put in place

measures to monitor progress in achieving the budget and savings strategy on a regular basis.

- 4.5.2 The chief officers for the council and their staff are responsible for
- identifying how those savings can be achieved and ensuring that, where the budget strategy has specified a specific spend saving, they are found from appropriate expenditure types e.g. stationery savings should not be made from staffing budgets.
 - ensuring that budget growth allocated to service areas is used for its intended purpose and is not used to offset against savings targets. If not required, growth should be offered back to the overall council budget saving code, and
 - ensuring that savings should not be allocated from service areas where it results in an overspend position.
- 4.5.3 All savings, whether identified by the corporate centre or by services, are deemed to be corporate savings for the purposes of achieving the approved budget strategy and ensuring that resources are directed towards corporate priorities.
- 4.5.4 When transformational business process re-engineering outcomes, as agreed by the chief officers for the council, achieve savings of percentages of full-time equivalents (FTE), then the budget equivalent to that percentage will be transferred to the corporate code. The onus will then be on the service area to reorganise to deliver within the remaining budget.

4.6 Publication of financial information

- 4.6.1 The S151 officer is responsible for the production and publication of the following public documents:
- council tax leaflet – published each spring online and referred to on council tax demands to each household. Includes a summary of the council's approved budget.
 - annual statement of accounts – published each year once approved by external auditors and the council's Audit & Governance Committee, in line with deadlines issued by the Government.
 - budget consultation – usually takes place during the autumn. The results are reported to cabinet and are used to inform the budget setting process in January/February, and
 - transparency data – publication of all council financial transactions. The information is provided on a monthly basis and can be downloaded in excel and CSV formats allowing analysis across expenses type, date, supplier, and service area.

4.7 Trading accounts/business units

- 4.7.1 The S151 officer is responsible for advising on the establishment and operation of trading accounts.

4.7.2 The chief officers for the council are responsible for:

- observing all statutory requirements in relation to trading activity including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs is charged in accordance with the CIPFA Service Reporting Code of Practice (SeRCOP).
- ensuring that the same accounting principles are applied in relation to trading accounts as for other services or business units.

4.8 Journals

4.8.1 Journals are used to:

- move transactions within the accounts where there has been a coding error or a structure change to cost centre or general ledger code set up, and
- recharge costs between cost centres.

4.8.2 The chief officers for the council are responsible for identifying the need for journals in the accounts and providing sufficient evidence of the reason for journals to the budget accountants.

4.8.3 In normal circumstances only budget accountants have authority to post journals up to £1m, with the main control, that a balanced journal is being posted. Any queries about such journals should be resolved with the line manager and/or the budget accountant prior to the journal being processed. In each case an audit trail must be maintained

4.8.4 Journals above £1m should be approved by the relevant service lead accountant or the strategic manager - finance.

4.8.5 In addition, any journal entry in excess of £5m needs to be approved by a second service lead accountant or the strategic manager – finance.

4.8.6 If the journal is for over £10,000,000 and related to a significant policy change, it requires additional authorisation by the S151 officer or – Service Director - Finance.

4.8.7 In certain cases, non-accountancy staff will have the ability to process journal entries for less significant amounts. As in point 4.8.5 the main control is that a balanced journal is being posted, however there is a further control that non-accountancy staff are able to 'park' journals within SAP, which are then reviewed by budget accountants prior to the journal being processed. An audit trail must be maintained by the originator of the journal entry.

4.8.8 As part of the annual closedown process there will be occasions where large corporate finance journals are necessary for the effective closure of the council and pension fund accounts; those journal entries must be agreed in advance by the S151 officer, and in their absence, their authorised representatives per the journal procedure note. In each case an

audit trail must be maintained

4.8.9 It is an expectation that all journal entries will be supported by an adequate working paper and/or an email from a person requesting the journal in order to maintain an audit trail.

4.9 Treasury Management

4.9.1 The S151 officer is responsible for:

- reporting to the Audit & Governance Committee in accordance with CIPFA's code of practice, on the creation and maintenance of suitable treasury management practices, as cornerstones for effective treasury management.
- setting out the manner in which the council will seek to achieve those policies and objectives and prescribing how it will manage and control these activities.
- reporting to the Audit & Governance Committee, cabinet and full council on the treasury management policies, practices, activities, and affordability, including as a minimum, an annual strategy and plan in advance of the year.
- implementing and monitoring the treasury management policies and practices.
- establishing procedures to monitor and report on performance in relation to treasury management prudential indicators set by the council.
- Quarterly reporting to the Audit & Governance Committee on the activities of the treasury management operation, including all decisions on borrowing, investment or financing, and
- ensuring that all borrowing and all investments of money are made in the name of the authority or in the name of an approved nominee.

5. Financial Control and Compliance

5.1 Risk Management

5.1.1 All members and staff need to understand the significant risks that the council faces and be aware of how these risks are managed, support and promote risk management and consider the risks involved in making key decisions. Whilst there will need to be a focus on strategic risks, the council must acknowledge that there will be operational and services risks which will also need to be managed.

5.1.2 The cabinet has responsibility to:

- consider risk as part of key decision making from both negative (threat) and positive (opportunity) perspective, and
- to receive quarterly reports on risk management and performance management in particular risks to strategic objectives where intervention is required at the most senior level.

5.1.3 Audit & Governance Committee will

- receive reports and seek assurance that the arrangements for the management of risk are effective.
- be aware of and challenge significant risks on the strategic or service risk registers, and
- seek assurance that the annual governance statement accurately reflects the council's risk profile.

5.1.4 Scrutiny committee will

- scrutinise the risks involved in making any key decisions.
- identify significant risks to be scrutinised in more detail as part of their annual work programme, as appropriate, and
- recommend any immediate action to be taken to ensure effective management of such risks.

5.1.5 The chief officers for the council are pivotal in the promotion and embedding of risk management by acting as role models for appropriate risk awareness and management and ensuring that others follow suit. They are responsible for managing strategic risks, as well as service (operational) risks in their individual areas of responsibility. The key tasks are to:

- approve the risk management policy and strategy, including the council's 'appetite' for risk.
- ensure that the council manages risk effectively through the development and implementation of the strategy and policy, supporting processes and recommending for approval any subsequent changes.
- support and promote risk management throughout the council.
- consider key risks that need strategic or corporate management.
- actively identify, assess and manage strategic and cross cutting risks.
- determine and prioritise action on strategic and cross cutting risks,

delegating responsibility for control where appropriate.

- assess the wider implications of service (operational) risk assessments and controls.
- monitor progress of risk management activities as part of the performance management framework.
- ensure that, where appropriate 'key decision' reports include consideration of risks either as a threat or arising from opportunities.
- endorse the 'risk appetite' of the council by agreeing the definition of risk for high (red) medium (amber) and low (green) risk.
- champion and oversee the implementation of the risk management strategy and policy.
- champion the risk management processes as good management practice and a valuable management tool.
- ensure that risk management is suitably recognised in the planning process and in the setting and monitoring of budgets, and
- report to members on risk management.

5.1.6 The chief officers for the council will also ensure that the council has arrangements in place to:

- develop and maintain the corporate risk strategy and policy.
- promote, support, and oversee its implementation.
- monitor and review the effectiveness of the policy.
- identify and communicate risk management issues to services.
- arrange for reports on risk management to be available for the chief officers for the council and cabinet.
- assist services in undertaking risk management activity via training, workshops, and direct support.
- provide input into assurance by reports to the Audit & Governance Committee.
- provide expertise, actively support, and be involved in the risk management process.
- provide guidance and advice on risk management and facilitate risk management training where appropriate.
- support risk identification and assessment workshops and assist with coordination of risks across service boundaries.
- provide assurance that risks are effectively assessed and managed by providing appropriate challenge to management, and
- manage and administer the risk register database program.

5.1.7 Service Boards will

- undertake in-year performance management of service-based, operational risks.
- identify where service risks represent cross-cutting issues which need to be managed at a corporate level by reference to the chief officers for the council, and
- ensure that the risk management process is incorporated into the business planning processes, is fed into corporate objectives and is an explicit part of major projects and change management initiatives.

5.1.8 Managers for the council will

- implement the risk management policy and strategy.

- ensure that projects are risk assessed and that a project risk register is maintained.
- identify risks to objectives as part of the business planning process with links to resource allocation.
- maintain, review, and update the service risk register.
- utilise the partnership guidance appropriately so that risks are identified and share relevant information with own staff/managers and colleagues in other service areas.

5.1.9 All Staff will

- manage risk effectively in their job and report opportunities and risks to their service managers.
- participate in risk identification and assessment and action planning where appropriate.
- adhere to council policies and procedures, and
- attend training and development sessions as appropriate.

5.2 Insurance

5.2.1 The chief officers for the council have responsibility for all matters of offsetting risk via the procurement of insurance including the nomination of an appropriate manager to manage insurance arrangements.

5.2.2 All the chief officers for the council are responsible for ensuring that any risk or hazard for which the council is potentially liable is notified to the appropriate manager.

5.2.3 All the chief officers for the council are responsible for identifying any policies, procedures, assets, or activities which may affect the council's liability in respect of injury to staff or the public, loss or damage and notifying the appropriate manager.

5.2.4 The appropriate manager must be notified immediately of any incident, complaint, injury, loss, or damage suffered or caused where a claim may arise against the council.

5.2.5 Any such claims must be forwarded directly to the appropriate manager without entering into correspondence with the claimant. Under no circumstances should an admission of liability on behalf of the council be given without reference to the appropriate manager. Similarly, no compensation payments on an ex-gratia basis should be made without prior reference to the appropriate manager.

5.2.6 Where an indemnity is required by an external third party, no person on behalf of the council should sign any such indemnity or agree to indemnify an external third party without the prior approval of the appropriate manager.

5.2.7 The appropriate manager shall arrange for all council employees to be insured by fidelity guarantee insurance.

5.2.8 All council employees are required to provide any and all necessary documentation, information and explanation required by the appropriate manager or external insurers to defend claims efficiently.

5.3 Internal Control

5.3.1 Internal control refers to the systems of control devised by management to help ensure that the council's objectives are achieved in a manner that ensures as far as is practicable the economical, efficient, and effective use of resources, protects the council from error, fraud and misappropriation and ensures that the council's assets and interests are safeguarded.

5.3.2 The S151 officer is responsible for advising on effective systems of control. These arrangements need to ensure compliance with all applicable statutes and regulations and other relevant statements of best practice.

5.3.3 The chief officers for the council are responsible for establishing sound arrangements for planning, appraising, authorising, and controlling their operations to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial and performance targets.

5.3.4 The chief officers for the council are responsible for ensuring that key controls, audit trails and segregation of duties are maintained that are adequate.

5.3.5 The chief officers for the council are responsible for completing the annual governance statement (AGS) which outlines how the council has complied with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government for the financial year in question. The AGS is required to be published.

5.4 Audit

5.4.1 The council has a statutory responsibility to maintain an effective and adequate system of internal audit. Regulations in this area are therefore important to provide a formal framework for the activities of the internal audit service. There are also statutory requirements in respect of external audit and other inspection agencies.

5.4.2 As required by law, the S151 officer will maintain an internal audit of the council's financial dealings that will follow professional standards and guidelines issued by the Chartered Institute of Public Finance and Accounting (CIPFA) and the Auditing Practices Board.

5.4.4 The S151 officer or authorised representatives may, for the purposes of audit:

- enter any council premises or land and have access to all council

property.

- have access at all times to all records, documents and correspondence relating to all financial and other transactions of the council or non-official funds operated by council staff or relating to private property belonging to vulnerable clients.
- require and receive any explanations/records etc as are necessary in a timely manner.
- require any employee of the council to produce cash, stores, or any other council property or that of an unofficial fund under his or her control, and
- remove records, documents or assets required for further investigation as necessary.

5.4.5 The Council's external auditors are appointed by the Public Sector Audit Appointments (PSAA). In auditing the accounts of a relevant authority, an external auditor must, by examination of the accounts and otherwise, be satisfied that:

- the council's accounts comply with the requirements of the enactments that apply to them,
- proper practices have been observed in the preparation of the statement of accounts, and that the statement presents a true and fair view, and
- the council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.

5.4.6 The council may from time to time be subject to audit, inspection, or investigation by external bodies such as Her Majesty's Revenue and Customs (HMRC) who have statutory rights of access.

5.4.7 The council's Audit & Governance Committee provides independent assurance of the adequacy of the risk management framework and the associated control environment including independent scrutiny of the council's financial and non-financial performance to the extent that it affects the council's exposure to risk and weakens the control environment.

5.4.8 The council's Audit & Governance Committee will receive regular reports from the S151 officer concerning the activities and findings of the council's internal audit service and the results of the external auditor's findings.

5.5 Preventing Irregularities Caused by Error, Fraud or Corruption

5.5.1 The council's expectation on propriety and accountability is that members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures, and practices.

- 5.5.2 It is the responsibility of the chief officers for the council to design systems of control that can prevent, detect, and correct irregularities caused by error, fraud or corruption. However, it is often the alertness of employees and the public to such indicators that enables detection to occur and the appropriate action to take place when there is evidence that irregularities caused by error, fraud or corruption may have occurred.
- 5.5.3 The council's employees are therefore an important element in its stance on preventing irregularities caused by error, fraud or corruption and they are positively encouraged and expected to raise any concerns that they may have on these issues where they are associated with the council's activity. This they can do, in the knowledge that such concerns will be treated in confidence and properly investigated and fairly dealt with. The council has a whistle blowing at work policy and a counter fraud and corruption strategy for such situations. When reporting concerns, employees should feel confident that all matters will be treated in confidence and an expressed wish not to reveal the identity of a complainant will be respected wherever possible. (Concerns expressed anonymously are much less powerful but will be considered at the discretion of the council.) If necessary, a route other than a line manager may be used to raise such concerns.
- 5.5.4 The chief officers for the council are responsible for investigating irregularities caused by error, fraud, or corruption, doing so through clearly defined procedures, and will:
- deal promptly with the matter.
 - record all evidence received.
 - ensure that evidence is sound and adequately documented.
 - ensure security of all evidence collected.
 - put in place systems of control to prevent the irregularity from occurring again.
 - report allegations of fraud to appropriate authorities within the council and as a minimum must report them to either the S151 officer, the Monitoring Officer or the person responsible for managing the council's internal audit function.
 - the S151 officer will, where it is appropriate, provide a confidential briefing to the leader of the council or relevant cabinet member, and
 - implement council procedures where appropriate, including disciplinary procedures if necessary.
- 5.5.5 The chief officers for the council are expected to deal swiftly and firmly with those who defraud or attempt to defraud the council or who are corrupt. The council, including members, will be robust in dealing with financial malpractice.
- 5.5.6 Where there is evidence of fraud committed against the council or where there is evidence of corruption or bribery taking place against the council and the wider public interests, the matter will be referred to the Police and the Crown Prosecution Service. The S151 officer will be informed of any such referral.
- 5.5.7 The council is committed to fostering a culture in which fraud and corruption is never acceptable. The council's policies on anti-money laundering, anti-fraud, whistle blowing, and these financial regulations reflect this commitment to ensure that business the council

conducts is legal and properly managed. They also outline the consequence of breaching the policy for employees.

- 5.5.8 The Bribery Act 2010 and the associated statutory guidance must be always adhered to by this authority to ensure that the authority has adequate procedures in place to prevent bribery occurring in any activity the council performs. Any risk assessment carried out will include an assessment of the likelihood of risk of bribery occurring and actions to prevent this will be proportionate to the risk of it occurring. Risk assessments should therefore reflect what has been considered. Further information and advice can be obtained from the S151 officer or Monitoring Officer.
- 5.5.9 Employees of the council are expected to follow any code of conduct issued by their own professional body and also abide by the council's code of conduct for employees which sets out the council's requirements on personal conduct.
- 5.5.10 Employees are reminded that they must operate within Section 117 of the Local Government Act 1972, regarding the disclosure of personal interests in contracts relating to the council or the non-acceptance of any fees or rewards whatsoever other than their proper remuneration. These requirements are set out in the council's code of conduct for employees, and in more specific operational codes governing contracting procedures, gifts and hospitality, and private work, including the need to register potential conflicts of interest.
- 5.5.11 Members are required to operate within:
- the council's members code of conduct.
 - The Local Government Act 2000 (and any later revisions).
 - The Localism Act 2011, and
 - the council's constitution.

5.6 Anti-Money Laundering

- 5.6.1 This council's anti-money laundering policy applies to all employees of the council including agency, casual and interim staff and sets out the procedures which must be always followed to ensure the council complies with its legal obligations in this area.
- 5.6.2 Failure by an employee to comply with the procedures set out in this policy may lead to disciplinary action and/or a report to the police to consider criminal prosecution being taken against them. Employees should be aware that serious criminal sanctions could be imposed on them as individuals for breaches of the legislation.
- 5.6.3 The chief officers for the council are responsible for ensuring that all employees are aware of this policy and for ensuring it is complied with in their areas of responsibility.
- 5.6.4 All employees should be aware that they will be in breach of the money laundering legislation if they suspect money laundering and either do nothing about those suspicions

or allow themselves to become involved in it in some way. In short, failure to report a suspicion is an offence and this will include circumstances where the employee either knew, suspected or where there were reasonable grounds to suspect that potential money laundering is taking place.

5.6.5 Disclosures of suspected money laundering should be made to the S151 officer and Monitoring Officer who will ensure that the proper investigations and reporting processes are followed.

5.7 Retention of financial records

5.7.1 The chief officers for the council are responsible for ensuring that the records management policy is observed, and that their staff are fully aware of the policy.

5.7.2 Primary responsibility for the management of records lies with the senior service manager responsible for the function which requires the creation and management of those records. Service planning must take account of the need to:

- identify staff as responsible for the management of records and allocate sufficient resources to comply with this policy.
- undertake an initial, and periodic refresh, audit of existing records.
- adopt and adhere to retention schedules and destruction processes.
- adhere to any corporate standards, and
- adopt and adhere to local standards for indexing and creating metadata.

5.7.3 All members of staff are responsible for ensuring that their work is documented appropriately, and that the records which they create, or use are managed correctly and comply with the council's records management policy.

5.8 Assets

5.8.1 The senior manager responsible for property assets is responsible for maintaining a register of all assets including land and property.

5.8.2 The chief officers for the council must notify the senior manager responsible for property assets of all material acquisition or disposal of assets.

5.8.3 The chief officers for the council must also:

- maintain inventories of items of movable property which is valuable or portable under their control.
- mark movable items as the property of the council and secure them to prevent removal where possible.
- ensure that an annual check of such items is carried out.

- maintain detailed records of all stocks and stores under their control and adopt safeguards and procedures to prevent losses from waste, theft, deterioration, or damage.
- submit a stock or stores certificate at least annually.
- maintain proper security at all times for cash under their control.
- consult the senior strategic manager responsible for property assets where security is thought to be defective or where special arrangements may be required.
- agree maximum limits for cash held with the S151 officer.
- agree method and frequency of banking with the S151 officer.
- ensure security of keys to safes etc at all times and report the loss of such keys to the S151 officer, and
- ensure that the manager responsible for insurance is aware of the council's ownership of all assets

5.8.4 All staff must comply with the requirements of the council's asset disposal policy and procedure which seeks to protect the council's interest in assets, and that when disposed of, the council receives best value for them.

6. Incurring Expenditure

6.1 Authority to Incur Expenditure

- 6.1.1 With effect from 1st April 2009, the council implemented a new integrated financial management and information system called SAP which includes a procurement module called SRM.
- 6.1.2 The business unit/organisational structure within SRM refers to the way the council's financial information system has been set up for procurement. It is where all purchasing information is defined. The business units' control who has access to particular budget codes, who a user can shop on behalf of, which service users are linked to, which approvers can authorise which orders, users' ship to addresses, and the users authorisation limits.
- 6.1.3 All managers and their staff should familiarise themselves with their relevant budget codes and individual authorisation limits.

6.2 Procurement

- 6.2.1 The chief officer responsible for procurement is responsible for the procurement code which outlines policy and procedures for the procurement of goods, works and services at the council.
- 6.2.2 All members and officers of the council that are responsible for awarding, managing, and monitoring council contracts must adhere to this code and the following documents and policies:
- contract standing orders.
 - EU procurement directives.
 - contracting policies.
 - guidelines for contract management.
 - value for money strategy.
 - rules and guidance for post tender clarification and negotiation, and
 - transfer of undertakings (protection of employment) regulations 2006.
- 6.2.3 Contractors and partners fulfilling duties on behalf of the council must comply with the procurement and contracts code.
- 6.2.4 When contracting goods, works and services, an estimate of the contract value must be determined. For all contracts the value reported must represent the total potential cost (excluding VAT) over the full term of the agreement. This will determine the methodology by which the procurement must be undertaken, the level of advertising needed, and the number of quotes or tenders required.

6.2.5 Contracts should be awarded in accordance with the Council's Contract Procedure Rules, as follows:

- Most contracts can be let without formal reference to elected members.
- The value of any contract is based on the probable sum payable to the supplier over the term of the contract (exclusive of VAT), calculated by multiplying the annual cost of the contract by the duration in years, or where the duration is uncertain, by multiplying the annual cost by four.
- Where a contract has a whole life value over £1.5m, or is deemed to be of particularly high risk, sensitive or likely to have a substantial impact on the council's corporate priorities or its reputation, consultation with the relevant cabinet member will be required and the cabinet will be required to give its approval prior to the procurement proceeding.
- Any contract to be awarded may be awarded only if there is adequate budget available to allow it to proceed.
- All contracts above £250,000 must be in writing and affixed with the common seal of the council.

6.2.6 Hampshire County Council have been authorised to contract on behalf of the Isle of Wight Council under the terms of strategic partnership arrangements.

6.3 Raising an Order

6.3.1 The S151 officer is responsible for:

- Agreeing the form of official orders and associated terms and conditions

6.3.2 The chief officers of the council are responsible for:

- Ensuring that verbal orders for works, goods or services are only placed exceptionally and are confirmed with a written order via SRM or equivalent system.
- Ensuring that orders are only used for goods and services provided to their service. Individuals must not use official orders to obtain goods or services for their private use.
- Ensuring that orders placed on behalf of the council are in the form agreed by the S151 officer and not in any other format.
- Ensuring that only those staff with approval to do so authorise official orders and to maintain an up-to-date list of such staff, including specimen signatures and identifying in each case the limits of their authority, and
- Ensuring that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, wherever possible, be carried out by a different person from the person who authorised the order.

6.3.3 Orders for works, goods and services must normally be placed on SRM or equivalent system and authorised by someone of at least the seniority set out below:

- Where the order is issued to reflect a procurement decision taken by members then the order may be authorised by the service budget manager.

- Where the above does not apply, and the order will have effect for more than a year and have a whole life value in excess of £50,000 then consultation with the Procurement Board will be required and the Procurement Board will be required to give its approval to the procurement proceeding; all reports to Procurement Board must be authorised by a director or senior service manager.
- In other cases, orders must be authorised in accordance with the table below:

Level	Financial Limit	Minimum Approval Required	Allocated Cost Centres
L7	Over £5m	Chief Executive or S151 Officer and another Director	As defined by Chief Executive via Senior Management Structure
L6	Up to £5m	Directors	As defined by Chief Executive via Senior Management Structure
L5	Up to £1m	Directors and service directors	As defined by Chief Executive via Senior Management Structure
L4	Up to £499,999.99	Strategic Managers	As defined by Director or service director
L3	Up to £249,999.99	Service Budget Managers	As defined by Director or service director
L2	Up to £99,999.99	Officers authorised to act on behalf of Service Budget Managers	As defined by Service Budget Managers
L1	Up to £9,999.99	Other Officers with approval to raise orders	As defined by Service Budget Managers
L0	Up to £200	No approval required	

6.3.4 Purchase orders for more than £5 million cannot be raised in the normal way on SAP as the SRM module is not configured to deal with orders over this value. Also orders above this level will require a higher level of approval than normal as they have a significant impact on the council's accounts and cash flow. The large orders team in the business centre are able to raise large orders in SAP outside the normal SRM process.

6.3.5 In the case of adult social care orders, these are raised and authorised outside of the SAP financial and purchase order system via a specific adult care management and procurement process, but are subject to the same authorisation limits as outlined above. The entry of these orders in the SAP financial and purchase order system is simply an administrative process to enter the information into the council's accounts and facilitate payment to providers and should not require further authorisation.

6.4 Procurement cards

- 6.4.1 Procurement cards have been made available to council staff and members to:
- reduce paperwork and administration time involved in the ordering and invoice process for low value, high volume goods and services, and
 - enable online procurement of goods and services where better value for money can be achieved as a result.
- 6.4.2 They are most commonly used for:
- corporate travel (boat and rail).
 - Accommodation.
 - conference booking.
 - meals and subsistence (where applicable and within the guidelines set down for these claims).
 - internet purchases for ad-hoc items (within procurement card regulations).
 - procuring items in place of the petty cash system, and
 - for multiple low value items (e.g. library books from amazon.co.uk).
- 6.4.3 The chief officers for the council will be responsible for:
- nominating members of staff who should receive a procurement card.
 - ensuring that cards are used in line with the financial procedures and card holder's manual.
 - ensure that VAT receipts are available for transactions and that VAT is claimed where possible, and
 - reviewing and authorising the cardholder's transaction report each month within the agreed time scale as specified in the cardholder's manual.
- The S151 officer retains the right to refuse or withdraw a card.
- 6.4.4 Card holders are responsible for complying with the procedures and requirements of the cardholder's manual specifically, card holders must ensure that:
- transactions are within the transaction limits set for their card.
 - they reconcile the VAT (where a valid receipt is held), gross values and cost codes of all card transactions made against the card for each accounting period and within the required deadlines. Any card holder who repeatedly fails to authorise their transactions within the given timescales may have the use of their card suspended.
 - the card is returned when employment with the council ceases, or during long term sickness or maternity leave, or when a member ceases their role with the council.
 - a receipt is obtained for all purchases and kept by the cardholder's reconciler or their line manager for the required period of time (6 years), and
 - the card provider and the council are notified immediately if the card is lost or stolen.
- 6.4.5 Cards holder must not:
- allow any other person to use the card.
 - use the card to obtain cash (except in exceptional circumstances approved by the senior service manager e.g. obtaining foreign currency whilst abroad);

- use the card to obtain fuel (except in exceptional circumstances approved by the senior service manager).
- use the card for personal purchases, and
- disclose the PIN to anyone.

6.4.6 Misuse of procurement cards will lead to immediate cancellation and will be viewed as a breach of the council's standards of conduct and could result in disciplinary proceedings being taken.

6.5 Payment of accounts

6.5.1 The manager responsible for the payment of accounts is responsible for:

- ensuring that all the council's financial systems and procedures for ordering and paying for works, goods and services are sound and administered properly.
- agreeing, in consultation with the chief officers for the council where appropriate, any changes to existing financial systems and to approve any new systems before they are introduced.
- making payments from the authority's funds on the S151 officer authorisation that the expenditure has been incurred in accordance with financial regulations.
- defining the requirements for the checking and certification of invoices prior to payment to confirm that the goods have been ordered and received, the invoice is in order and in the case of exceptions to the requirement of a purchase order is certified for payment by the nominated budget manager (holder).
- setting and reviewing a value for invoices, currently £200, below which payment will be made upon certification that the goods or services have been received and that the invoice is in order, without the requirement for additional authorisation.
- setting and reviewing a variance level, currently +/-10% of the order value up to a maximum of £50.00, at which invoices will be paid against the 'confirmed' goods receipt without referral to the originating service. Invoices with a variance over this amount will be referred back to the originating service for approval or query with the supplier.
- making payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.
- making payments to contractors on the certificate of an authorised officer, which must include details of the value of work, retention money, amounts previously certified and amounts now certified, and
- agreeing arrangements for exceptions to the standard payment mechanisms to account for self-billing and other invoices such as utilities.

6.5.2 The chief officers for the council are responsible for:

- ensuring that the council's corporate financial systems are used for payment for work, goods, and services except where specialist systems are used in agreement with the S151 officer. Staff should not use personal funds to pay for work, goods or services on behalf of the council, the only exception being out of pocket expenses incurred within the guidelines set down for these claims.

- ensuring that payment is not made unless a proper VAT invoice has been received, which matches the confirmation value on the purchase order, or in the case of expenditure incurred which is deemed an exception from the purchase ordering process, has been coded and certified for payment.
- ensuring that payments are not made in advance of goods being supplied, work done, or services rendered to the council except with the approval of the S151 officer.
- ensuring that payments are approved by staff authorised by the S151 officer and that details of such authorised staff, including specimen signatures and limits of authority, are provided to the service responsible for the payment of accounts.
- ensuring that all undisputed invoices are settled within 20 days from receipt of the invoice; ensuring that the service obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, which are in line with best value principles as contained in the authority's procurement strategy, and
- utilising the purchasing procedures outlined in the authority's procurement and contracts code.

6.6 Petty Cash

- 6.6.1 The S151 officer (or an officer with delegated responsibility) is responsible for authorising advances for imprest accounts.
- 6.6.2 The chief officers for the council should ensure that each imprest account held within the service is uniquely named with reference to the place held or person. They should delegate responsibility for the overall running of the imprest account to a named responsible officer, not necessarily the end-user, who ensures the correct procedures are followed.
- 6.6.3 The responsible officer must ensure that:
- petty cash bank account card holders do not allow any other person to use their card or disclose their PIN to anyone.
 - any cash withdrawn from the petty cash bank account is kept as securely as is reasonably practical.
 - petty cash is only used for council purposes.
 - expenditure on any one item should be limited to £50.00 except where expressly authorised by the manager responsible for the payment of accounts or a person nominated by them.
 - VAT is properly accounted for on the petty cash claim form.
 - VAT receipts must be retained and attached to the office copy of the claim form and retained for 4 years plus current year.
 - petty cash imprest accounts must not be used to reimburse staff travelling and subsistence expenses, and
 - claims are submitted when approximately half the imprest cash has been used.
- 6.6.4 On a change of responsible officer, a final claim should be completed and the entire

imprest account repaid. The successor when known will then be reissued with the total imprest advance.

- 6.6.5 If the imprest account is handed over directly from the current to the new responsible officer, the account need not be repaid provided the new responsible officer is satisfied that the full amount is accounted for. Both officers should sign a change of responsible officer form.

6.7 Value Added Tax (VAT)

- 6.7.1 The Isle of Wight Council must keep VAT records of both invoices received and raised for 4 years plus current. Customs officials will periodically visit the council to inspect their records and check that they have accounted for VAT correctly, issuing penalties where errors are found.
- 6.7.2 The chief officers for the council are responsible for ensuring that suitable VAT documentation is available and submitted to the service responsible for the payment of accounts, for all payments made. Where invoices are raised for services provided by the council, the chief officers for the council are responsible for ensuring that the correct VAT coding is allocated.
- 6.7.3 The chief officers for the council are responsible for ensuring that they comply with the requirements of the councils VAT manual and that all staff are aware of those requirements.
- 6.7.4 Where a service makes VAT errors that are discovered by customs, that service will be responsible for settling any consequent assessment and penalties.

6.8 Vacancy Management

- 6.8.1 A large element of the council's expenditure relates to staff costs. Vacancy management ensures that sound business case principles apply to each and every occasion a manager considers it necessary to recruit to a post, extend an existing fixed term contract of employment or increase the hours of work of an existing post.
- 6.8.2 The chief officers for the council are responsible for compliance with the council's recruitment policy and process.

6.9 Salaries and Pensions

- 6.9.1 The S151 officer and the relevant chief officer (with responsibility for salary payments) will agree on arrangements to pay all salaries, gratuities, compensation, and other emoluments to all employees of the council (and the payment of pensions from the pension fund) unless alternative arrangements have been determined by schools under Department for Education legislation. Where such arrangements have been determined,

they shall be subject to the approval of the S151 officer and relevant chief officer.

- 6.9.2 Managers should notify the S151 officer and the relevant chief officer promptly of all matters relating to the pay and remuneration of employees and in particular:
- appointments, resignations, dismissals, suspensions, secondments, and transfers.
 - absences from duty for sickness or other reason apart from approved leave.
 - changes in remuneration other than normal increments and pay awards and agreements of general applications.
 - information necessary to maintain records relating to pension, income tax, national insurance, etc.
 - time records and other pay documents should be examined for correctness and certified by or on behalf of the appropriate member of the chief officers for the council.
 - no payment will be made unless it has been authorised by an officer on the approved list of authorised officers.
 - all time records or other pay documents shall be in a form prescribed or approved by the S151 officer and strategic manager for human resources.
 - no variation of an individual's rate of remuneration shall be made, except as specifically provided for in the employee's conditions of employment, without prior authorisation by the strategic manager for human resources, and
 - all deductions from remuneration shall be authorised in writing by the employee concerned unless in accordance with their conditions of employment or because of a statutory requirement.

6.10 Travelling, Subsistence, Financial Loss and other Allowances

- 6.10.1 All claims for payment of car allowances, subsistence allowances, travelling and incidental expenses shall be submitted in line with the council's expenses policy which is based on a principle of reimbursement of costs incurred and not as a scheme of allowances that automatically apply in given situations.
- 6.10.2 All claims for payment under this policy shall be submitted online using the employee self-service portal, on the council's intranet site, within the schedule of deadlines circulated annually.
- 6.10.3 Claims shall be authorised by managers on-line using the manager self-service portal, in accordance with the organisational structure, only where valid VAT receipts have been retained by the employee and made available to the manager for confirmation.
- 6.10.4 Certifying officers should satisfy themselves that journeys claimed were authorised, expenses properly and necessarily incurred and that the allowances are properly payable by the council in accordance with the conditions of service applicable at the time. Certifying officers should also confirm that valid VAT receipts are available for all claims.
- 6.10.5 The names of officers authorised to sign such records shall be submitted by each member of the chief officers for the council to the manager responsible for the payment of accounts

with specimen signatures. This list should be reviewed annually, and the list shall be continuously updated by senior service manager.

6.10.6 No payment shall be made unless it has been duly authorised.

6.10.7 All claims should be submitted within three months of the date of the event to which the entitlement relates. Any claims received in respect of the previous financial year received after 31 May will be determined in accordance with directions given by the S151 officer.

6.10.8 Officers' claims submitted more than three months after the expenses were incurred will only be paid with the express approval of the manager responsible for the payment of accounts in consultation with the appropriate senior strategic manager for the council.

6.10.9 Payments to members, including co-opted members of the council or its committees, who are entitled to claim travelling or other allowances, will be made by the manager responsible for the payment of accounts upon receipt of the prescribed form duly completed.

6.10.10 To enable the council to submit a claim to recover VAT incurred by its employees on business mileage, currently it is necessary for a sample exercise to take place each quarter to collect a month's worth of fuel receipts to substantiate the amount of VAT being recovered by the council; to this end an email will be sent to all staff who have claimed mileage in a particular month requesting that valid VAT receipts are produced. It is important that these are provided promptly when requested so that the full amount of VAT can be recovered.

7. Income

7.1 Management of income

- 7.1.1 The management of income, including from fees and charges, should form a key part of the budget and business planning processes of the council. In view of the current financial environment for public services, the proactive management of income as well as expenditure is being integrated into the council's medium-term budget and business planning processes to help deliver specific outcomes and contribute towards local objectives.
- 7.1.2 All fees and charges levied by the council, and concessions available will undergo a robust annual review as part of the budget setting process. As a result, the annual review process must be completed in time to influence the annual budget process and will be led by the relevant chief officer (responsible for the service area) for the council. As a general principle, the annual review of fees and charges will seek to ensure that charges increase at least in line with inflation.
- 7.1.3 In addition to the above, between reviews, the chief officers for the council will have the authority to adjust fees and charges where this is considered necessary to reflect changing circumstances.
- 7.1.4 There are a number of examples of fees and charges that are set nationally by central government e.g. planning applications, registration of births, deaths, and marriages. In such cases, the council's strategy is to levy the fee set by central government, and that such a charge will be made without exceptions. Where the council has control over whether such a charge is levied, and there is no good reason for an exception to be made, it is the council's policy for a charge to be made.

7.2 Charging Principles

- 7.2.1 The council's charging policy is built on six key principles that are applicable to all charges levied, in every service. As stated previously, charges should be made in accordance with statutory requirements and for all discretionary services, and when new services are introduced consideration of charging options should be taken into account.
- 7.2.2 The chief officers for the council are responsible for ensuring that the principles as set out below are applied in their service areas:
- all fees and charges should cover the total costs of providing the service including overheads and capital financing costs (where appropriate), except for those charges agreed to be exempt. The provision of a subsidy for an individual or group should be a conscious choice.
 - charging should contribute towards achievement of the council's priorities.

- where charges are not made for a service, or reduced below total cost recovery level, the reasons should be reconsidered as part of the annual review process to ensure opportunities for significant income streams are not being lost.
- people receiving adult social care community-based services will be charged according to the national fairer charging policy which relates an individual's ability to pay to the maximum charge which can be levied under the policy.
- the policy should be simple and easy to apply, avoid generating any additional costs for the council, and allow service services the flexibility to shape delivery of the policy to meet the needs of their customers, and
- charges should be reviewed on an annual basis as part of the budget setting process, using clear and transparent data and information as a basis for setting the level of charges.

7.3 Income Collection and Banking

7.3.1 It is the duty of all staff of the council, and the chief officers for the council in particular, to ensure that all income due to the council is collected in line with the sundry income credit procedure. The function and objectives of this credit procedure are to protect the council's investment in debtors by ensuring that:

- invoices are accurate, clearly stating the date of supply of goods/services.
- VAT is accounted for in accordance with statutory requirements.
- the income is credited to the correct budget as soon as the invoice is raised, and
- the invoice is issued within 14 days of the service being provided or within seven days of the issuing service receiving all necessary information.

The procedure also exists to raise awareness of the debt recovery process and the importance of accurate and timely invoicing on the successful collection of income due to the council.

7.3.2 Sources of income include:

- proceeds from sales of goods and services.
- fees and charges.
- rental income.
- grants from external agencies.
- reimbursement of expenditure incurred on behalf of others, and
- taxation.

7.3.3 Income forms a part of each services controllable budget; therefore, it is in the direct interest of each service that income due should be received in full, regularly reconciled to ensure outstanding amounts are identified and followed up, and accounted for in an accurate and timely manner.

7.3.4 The S151 officer has responsibility for arrangements for the collection of income due to the council as identified by the chief officers for the council and their staff.

7.3.5 The constitution empowers the chief officers for the council to make such decisions and to initiate such actions as they deem necessary in the interests of the efficient delivery and improvement of the services which they deliver. Specifically with regard to income generation it states:

- in accordance with council policies, to authorise any increase, or decrease, in fees and charges subject to consultation with the relevant member of the cabinet and the S151 officer, and
- within policy, to make application for any grants or external funding on behalf of the council.

7.3.6 The chief officers for the council also have responsibility for ensuring that:

- expenditure and income are monitored on at least a monthly basis.
- an 'exit strategy' is in place for projects funded from non-recurring or declining income streams.
- maximisation of income through charging and trading, as well as any other sources of additional funding.
- where possible, income should be obtained in advance or at the point of delivery of goods and services. Such an approach minimises the cost of collection and the risk of non-collection and is particularly relevant for small amounts of income.
- at the point at which income is received by a council officer or agent, the person making the payment must be issued with an official receipt or ticket. This practice is for the protection of both the payer and receiver and applies equally to transfers of funds between officers of the council.
- income must be paid into a bank or cash office promptly using official stationery and must be paid in intact and not used to offset payments in order to ensure that gross income and expenditure are properly recorded.
- fees and charges must be applied consistently to all and be in accordance with council policies. Each service must maintain a full list of approved fees and charges which apply to the services it provides. This list should be reviewed annually to ensure it remains current and takes proper account of inflationary increases, other increases in accordance with the budget strategy and new charges.
- systems established for income collection follow the principles set out above.
- income received is promptly processed, regularly reconciled, accurately coded and that outstanding amounts are followed up.
- levels of fees and charges are in accordance with council policies or in accordance with statutory requirements, and
- taxation, and in particular value added tax, is applied appropriately where required by tax regulations and is accounted for correctly.

7.4 Banking Arrangements

- 7.4.1 The following requirements apply to all of the council's bank accounts except in respect of schools delegated budgets in which case the scheme for financing schools will apply:
- bank accounts in respect of council funds shall be opened only by the S151 officer.
 - each account shall include the words 'Isle of Wight Council' in its title.
 - all banking arrangements shall be made by the S151 officer including the ordering, control and issue of cheques and signing thereof.
 - bank account signatories can only be set up/changed with the authorisation of the S151 officer.
 - bank accounts must be operated in accordance with rules or guidance (e.g. year end closedown procedures) issued from time to time by the S151 officer, and
 - council bank accounts must not have overdraft facilities, except in accordance with the council's treasury management strategy and the specific approval of the S151 officer.

7.5 Internal recharges

- 7.5.1 Recharges are carried out to fulfil a number of different requirements to reallocate costs across the council including:
- to apportion or allocate the costs of central support services to other service proportional to the benefit received by those services.
 - to apportion or allocate the costs of individual service management and support costs to other services proportional to the benefits received by those services, and
 - to reallocate costs which have initially been charged to one cost centre, to one or more other cost centres.
- 7.5.2 **Central support recharges** - The S151 officer is responsible for ensuring that appropriate arrangements are made to comply with the SerCOP requirements that front line services carry the full cost of providing those services including the cost of support service activities. This requires the costs of support services to be apportioned against front line services.
- 7.5.3 The S151 officer will agree appropriate apportionment methodologies with the chief officers for the council to enable this apportionment to take place having regard to the SerCOP stated principles of recharging:
- complete recharging of overheads – all relevant attributable costs of a service including support service costs, overheads and capital charges (and the cost of any impairment loss and the amortisation of deferred charges.);
 - correct recipients – any system used must correctly identify who should receive overhead charges.
 - transparency – recipients must be clear about what each recharge covers and be

provided with sufficient information to enable them to challenge the approach being followed.

- flexibility – recharging arrangements must be flexible enough to allow recharges to be made regularly enough and to the level of detail appropriate to meeting both users and provider’s needs.
- reality – recharging arrangements should result in the distribution of actual costs based on fact. Even if the link cannot be direct, reality should be the main aim.
- predictability/stability – recharges should be as predictable as possible, although there will be practical limitations to this, and
- materiality – it is unlikely that a simple system will be adequate to meet all other requirements as above. However due regard should be given to materiality to minimise the costs involved in running the system.

7.5.4 The chief officers for the council have responsibility for ensuring that information required to achieve this apportionment is available as and when required.

7.5.5 **Management and support recharges** - Each service is likely to have management and support costs which are collected on one or more cost centres, but which then need to be cleared-down before year-end to divisions of service. Both budgets and actuals are processed by the relevant budget accountant for each service area. These recharges need to be reviewed on a regular basis to ensure that they take account of restructurings and other changes in management responsibilities.

7.5.6 **Direct recharges** - In certain instances, ‘above line’ recharges may be made by a ‘provider’ service to recover costs incurred over and above their budget. In these cases, the budget for the work performed should be part of the commissioning service budget and any additional expenditure incurred by the provider will be offset by the recharge.

7.5.7 The amounts involved should be agreed in advance and properly authorised by the provider service. It is important that the recharged income and expenditure is treated properly in the coding structure to avoid double-counting.

7.5.8 Certain central services such as postage, courier, printing, and telephones are also treated as ‘direct’ recharges. Care needs to be exercised in the use of relevant GL codes to avoid double-counting. The SAP facility for assessment and distribution should be used where possible if there are regular recharges between cost centres codes for similar monthly values. Also falling into this category are recharges made to capital projects. Caution should be exercised to ensure that the expenditure meets the criteria for capital and that there is a working paper to support the value of the recharge. It is important that any on-going assumptions about recharge budgets made by the provider are supported by approved plans. Recharges are also made internally by services or between services for other costs that require reallocating.

7.5.9 VAT would not be charged on supplies of goods or services to other Isle of Wight Council services or establishments.

7.6 Debts

7.6.1 Debts to the council can normally only be discharged by being paid. However, there may be instances where debts are not pursued:

- Debts may not be invoiced where the debt is for less than £10.00 and where it would be uneconomical to attempt to collect such a small amount. Where this decision is taken, services must maintain lists of debts not invoiced and obtain authorisation in line with the process below.
- Debts may be written off where the debt is due but is deemed irrecoverable or uneconomic to collect as soon as it is evident that the debt is irrecoverable or uneconomic and wherever possible within a maximum of 9 months from issue of the invoice. Write off authorisation forms will be forwarded to the service for authorisation by the relevant person again in line with the process below.

7.6.2 The authorisation for write offs or non-recovery is as follows:

- a) by the senior manager responsible for the payment of accounts and collection of income,
 - receiverships/liquidation/bankruptcy debts as soon as the debt has been registered with the official receiver.
 - write off/non recovery of debits/credits of up to £200 in the interests of good housekeeping, and
 - where the senior management responsible for legal services advises in writing that a debt is irrecoverable at law and the debt is below £5,000.
- b) In all other circumstances the write offs/non recovery between £200 and £5,000 to be authorised by the relevant senior service manager and the senior manager responsible for the payment of accounts and collection of income.
- c) Write offs/non recovery between £5,000 and £25,000 to be authorised by relevant member of the chief officers for the council and S151 officer.
- d) Write offs/non recovery above £25,000 as in (c) plus service cabinet member and cabinet member for finance.

7.6.3 If an invoice should not have been raised in the first place due to error, incorrect liability or incorrect value, a credit note must be raised by the initiating service. The credit note will then be authorised by the senior manager responsible for the payment of accounts and collection of income.

8. External Arrangements

8.1 Partnership arrangements

- 8.1.1 Partnerships now play a key role in delivering community strategies and in helping to promote and to improve the well-being of the area. The council will take an increasingly leading role in mobilising investment, bidding for funds, championing the needs for its area and harnessing the energies and efforts of local people and the community organisations. However suitable financial, performance and governance arrangements need to be considered before entering into such a partnership.
- 8.1.2 The chief officers for the council are responsible for authorising the formation or joining of such a partnership by the council on the basis of the above information provided by the senior service manager.
- 8.1.3 Where the proposed partnership presents a high level of risk or where its formation commits the council to spend which is outside of the agreed cash limited budget or corporate priorities, the decision must be referred to the chief officers for the council and cabinet.
- 8.1.4 Chief officers for the council considering the formation of a partnership are responsible for ensuring that:
- where the partnership wants to use the council's financial, contract-making, and other facilities, and elements of the financial regulations are not appropriate, then dispensation must be sought through delegated decision, or the issue of specific operational instructions, in consultation with the S151 officer.
 - adequate risk management processes are in place to identify and assess and manage all known and reasonably foreseeable risks.
 - project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise.
 - the roles and responsibilities of each partner involved in the project are agreed and formally accepted before the project commences.
 - documentation is in place setting out and limiting the commitments of parties to each other and the project, including an appropriate exit strategy to be followed in the event of a planned or unplanned termination of the arrangement, which must form part of the formal agreement.
 - adequate arrangements are in place to ensure the accountability of other organisations for council moneys, and that such money is only released against proper controls.
 - regular communication is maintained with other partners throughout the project, so that problems can be identified and shared promptly to achieve their successful resolution.
 - the S151 officer has approved the accounting arrangements, and
 - the senior management responsible for legal services has approved the terms of the partnership agreement.

8.1.5 The council has formed strategic partnerships with Hampshire County Council (HCC) for the provision of public health services. Staff continue to be employed by IWC and both they and HCC are required to co-operation in accordance with the IWC constitution, scheme of delegations and policy framework.

8.2 Pooled budgets

8.2.1 Pooled budgets under Section 75 of the National Health Service Act 2006, involve NHS bodies and councils putting money into a dedicated budget to fund one of a wide range of care services. A pooled budget is defined as being 'a mechanism by which the partners to the agreement bring money to form a discrete fund'. The purpose and scope of the fund is agreed at the outset and is then used to pay for the services and activities for the relevant client group.

8.2.2 The aims and resources of the partnership should be set out in an agreement, and the level of contribution to be made by each partner agreed in advance before the budget is approved. The pool is not a separate legal entity, hence all partners in the pool nominate one partner to host the pool, the pool accounts being compiled on an income and expenditure basis and included in, and audited as part of, the host body's accounts. The host body is required to produce a memorandum account of the financial activity of the pool, published as part of the statement of accounts and certified by the host's external auditor.

8.2.3 The S151 officer is responsible for establishing appropriate accounting arrangements for any such pooled budget arrangements where the council is nominated as the host body.

8.3 External funding

8.3.1 A large proportion of the council's income takes the form of grant from central government, European or other bodies. The S151 officer has responsibility for ensuring that suitable arrangements are in place to account for grant income.

8.3.2 The chief officers for the council are responsible for:

- notifying the S151 officer of any bids made for grant income and providing any supporting information.
- notifying the S151 officer of any awards of grant.
- keeping a record of the grant conditions and any audit requirements.
- ensuring that grant is spent in accordance with any conditions and that claims are made in compliance with any deadlines, and
- monitoring receipt of grant claim amounts and allocation to an appropriate income code.

8.4 Work for third parties

8.4.1 The council may under certain circumstances provide services to other local authorities or other external organisations on a commercial basis and subject to a charge. Specific powers to charge for services are contained in a variety of local government statutes as well as more generalised legislation including:

- Local Authorities (Goods and Services) Act 1970 - councils were given powers to enter into agreements with each other and with a long list of other designated public bodies.
- Local Government Act 2003 - enables councils to trade in activities related to their functions on a commercial basis with a view to profit through a company. In addition, the 2003 Act empowers councils to charge for any discretionary services on a cost recovery basis. Originally, trading through a company was confined to certain categories of councils but a Trading Order, in force since October 2009, removed such restrictions.
- General Power of Competence (GPC) contained in the Localism Act 2011 - now sits alongside local government's existing powers to trade and charge. Under the Localism Act 2011 commercial trading through a special purpose trading company is now an option open to many more public bodies including eligible parish councils, fire and rescue authorities, integrated transport authorities, passenger transport executives and economic prosperity boards in England. New powers contained in the Localism Act also provide the ability to charge for discretionary services on a cost recovery basis.

8.4.2 Recognising the council's budgetary pressures this could provide a valuable source of income, but consideration needs to be given to the following issues:

- the need to establish a formal trading arm where appropriate.
- compliance with EU procurement rules if trading with other local authorities
- state aid issues.
- tax implications.
- the capacity to continue to provide statutory functions.
- full cost recovery including central support charges.
- impact on other local island businesses and the economic regeneration role of the council.
- establishing suitable contracts or service level agreements.
- level of risk to which the council will be exposed.
- financial and accounting implications.

8.4.3 The S151 officer is responsible for issuing any more detailed guidance on the financial aspects of contracts with third parties and external bodies.

8.5 Collaborative Working Arrangements

- 8.5.1 The current financial climate will require the council to work increasingly in collaboration with other public sector organisations, parish and town councils and community groups.
- 8.5.2 In achieving greater collaborative working across these sectors, informal or voluntary agreements will no longer suffice, and new explicit formal governance and management arrangements will have to be put in place to provide certainty and direction around:
- structures, governance, and accountability arrangements.
 - redesign of services.
 - information sharing.
 - agreed outcomes.
 - effective use of resources.
 - how the various collaborative organisations will work together, and
 - how the funding should be managed.
- 8.5.3 The chief officers for the council are responsible for
- ensuring that all guidance issued nationally in relation to collaborative working and community budgets is complied with.
 - ensuring that all guidance issued by the S151 officer is complied with and that all agreements and arrangements are properly documented, and
 - the senior management responsible for legal services has approved the terms of the agreements.

8.6 Accountable Body Arrangements

- 8.6.1 The advent of localism, community budgets and pooled budgets, as well as the more traditional partnerships, could result in the council taking on the accountable body role in order to ensure the value for money, scrutiny, and governance of such arrangements. This presents both reputational and financial risks to the authority which need to be considered in agreeing to take on the accountable body role.
- 8.6.2 However, the council is also in a position to be able to support and advance partnership projects to access grant funding which as a local authority we could not, or which smaller non statutory organisations could not. In this capacity, it is important that the council weighs the valuable role it can play in developing partnerships and delivering outcomes to the island against the financial and reputational risks that presents.
- 8.6.3 An accountable body is a legal entity nominated to act on behalf of a partnership to take responsibility for the receipt and use of external funding. It is usual for the partnership member that already has a statutory role, if there is one, to take on the

accountable body function. In many instances this means that the council will take on this role.

- 8.6.4 It is important that all the implications to the council are considered before taking on this role either for a partnership, or for a funding stream. There may be instances where an existing partnership applies for a new grant, and this will expose the council to new or additional commitments or risks which need to be considered before the partnership makes the application. The aim would be to avoid having to refuse a grant offered because the council cannot commit to grant obligations or match funding requirements.
- 8.6.5 Equally, the council has agreed a corporate plan which outlines the key priorities and a medium-term financial strategy which details the way in which financial resources will be applied to deliver those priorities. It is important that where the council agrees to take on accountable body status, it does so in line with our agreed priorities and financial resources, and that partnerships or grants are not developed in isolation.
- 8.6.6 Chief officers for the council are responsible for ensuring that all instances where the council may be required to take on the role of accountable body are notified to the S151 officer for approval.

8.7 Grants

- 8.7.1 The pressure on council budgets and the current financial climate mean that the council is under pressure to maximise income sources and ensure that funding is directed to the key corporate priorities. This may impact on the council's ability, within its restricted resources and capacity, to undertake those one-off projects which in the past have been viewed as adding value or providing additional and possibly non-traditional services to the wider community.
- 8.7.2 The council however can continue to have a role in facilitating those services through partnership and community arrangements, but the obligations placed on the accountable body by grant funding organisations do need to be considered carefully before proceeding to ensure that we understand the longer term implications.
- 8.7.3 In the current financial climate the council needs to both maximise income streams and ensure that all expenditure is focused on key corporate priorities and provides value for money. It may therefore be appropriate to consider the use of 'grant finding' type software to maximise income available, however there needs to be a corporate view of whether the use of any such grant funding contributes to the council's key priorities, or whether it actually creates additional service or one off project commitments which the council would otherwise not have undertaken.
- 8.7.4 Chief officers for the council are responsible for ensuring that all grant applications are approved by the S151 officer prior to applications being submitted.

9. Financial Conduct

9.1 Need for openness and impartiality

9.1.1 This section deals with transactions between the council and members of staff and the need for openness and impartiality. It covers transactions involving sales and purchases or the provision of services. These are areas that require particular attention as often they give rise to actual abuse or allegations of abuse or impropriety, which although mostly unfounded are particularly damaging to the council's reputation.

9.2 Sales and Purchases from staff and members

9.2.1 In order to avoid potential conflicts of interest, sales and purchases of goods and services between members and employees and the council should, as a matter of principle, be avoided except when they occur in the normal course of business and the charge is identical to charges made to the general public.

9.2.2 If there are special reasons for departing from this basic rule in a particular case, then the prior approval of the chief officers for the council must be obtained and the council's contracts procedure rules should be adhered to strictly. In all such cases the chief officers for the council will particularly wish to ensure that the terms of any arrangement are, and are seen to be, established in open competition and represent the best value for the council.

9.2.3 Any proposed transaction between the council and any of its members or any of its staff involving the purchase or sale of goods or the provision of services should be notified in advance to the S151 officer by the initiator unless the payment or charge is in accordance with a scale approved by the council.

9.3 Pecuniary interests, Conflicts of Interest

9.3 The council's procedure for declaring pecuniary interests and conflicts of interest must be complied with. It requires that members and employees of the council declare any interest they may have in any contract or a relationship generally which might cause a conflict between their private interests and the council's best interests. The requirement also applies to an employee's or member's close family, partners, or their firm.

9.3.2 The council's procedure also requires that such registrations are reviewed on an annual basis during the development review process. The chief officers for the council and others with line management responsibilities are required to ensure that this process is carried out. As such, a written record (a suggested format is included within the council's procedure) will be maintained on an employee's development review file.

- 9.3.3 Where a decision is to be made concerning a purchase or sale involving an employee's or member's personal interest, it must be seen to be the case that no favour or advantage accrues to the employee or member. The individual concerned must take no part in the discussion or decision on the issue.
- 9.3.4 In situations where there is a direct interest in a transaction, the council's normal competitive process must be followed. This applies for example to goods and services to be supplied to the council by an employee or member and to situations where the employee or member is to receive goods or services from the council. No advantage or favour must accrue to the employee or member simply because of their position within the council.

9.4 Gifts and Hospitality - requirement to declare

- 9.4.1 The council has a code of practice that deals with the offer and acceptance of gifts and hospitality that must be followed.
- 9.4.2 In the event of uncertainty, employees should consult their senior service manager for advice. Members should consult the council's monitoring officer for advice.
- 9.4.3 The code of practice requires that registers of gifts and hospitality, whether accepted or not, are maintained by each service. Services will register any offers made to them. The chief officers for the council are required to maintain their own registers which will be subject to review by the S151 officer or his authorised representative. Members are required to register offers made to them with the monitoring officer.
- 9.4.4 Registers must be reviewed on a frequent basis. The chief officers for the council will review those of their respective services. The members register will be reviewed by the monitoring officer.

10. Related Strategies and Guidance Notes

10.1 Strategy Documents

10.1.1 The council's strategic financial framework includes a number of related strategy documents as listed below:

Document	Outline	Date	Status
Strategic asset management plan	Strategic framework to ensure that we unlock the opportunities from our assets, dispose of those we don't need, minimise our running costs, and ensure that the assets we do keep are fit for purpose and used effectively in service delivery.	2017	Under revision
Capital strategy	Documents the principles and framework which underpin the council's approach to capital investments and expenditure	2024	Current
Charging policy	Provides a clear and consistent approach to charging, and develops a council-wide basis for determining concessions to ensure that no individual or group is excluded from accessing services due to their personal circumstances	2015	Under revision
Treasury management strategy	Sets out the council's annual strategy with regard to both borrowing and the repayment of external debt	2024	Current
Non-treasury investment strategy	Sets out the council policy for managing its investments and for giving priority to the security and liquidity of those investments	2024	Current
Risk management strategy	Provides the framework for the management of risk across the Isle of Wight Council and guidance to all employees and Isle of Wight councillors relating to their responsibilities in respect of risk management	2023	Current
VFM strategy	Ensures that the council has in place a framework, the necessary activities and monitoring and review processes that enable value for money to be delivered across all council services; and can answer the following questions about our services and activities.	3.09	Under revision
Project management framework	Ensures that all programme and project work is delivered with governance arrangements that are proportionate to size, visibility, and impact.	2022	Current
Vat manual	Manual for any staff dealing with payments or receipts dealing with all aspects of VAT.	2022	Current
Accountable Body Policy	Issues for consideration when the council is required to take on accountable body role.	2015	Current
Grants Policy	Issues for consideration when the council applies for grant funding.	2015	Current

10.1.2 Copies of full policies and procedures can be viewed at <http://www.iwight.com/documentlibrary>

10.2 Accounting Guidance Notes

10.2.1 Financial Management produce a series of accounting guidance notes which are intended for internal use only. These are amended and added to regularly and are currently undergoing a major review alongside a project to consider the future of the councils ERP system. Therefore, the list below is correct only at the time of the approval of these financial regulations:

Note	Subject
Accountancy Guidance Note 1	Virements and variations
Accountancy Guidance Note 2	Journals
Accountancy Guidance Note 3	Recharges
Accountancy Guidance Note 4	Capital Programme
Accountancy Guidance Note 5	Termination Benefits
Accountancy Guidance Note 6	Grants and Contributions year end balances
Accountancy Guidance Note 7	Vacancy Savings Management
Accountancy Guidance Note 8	Pooled Budget Closedown
Accountancy Guidance Note 9	Deferred payments balance sheet
Accountancy Guidance Note 10	Related Party Disclosures
Accountancy Guidance Note 11	Accruals
Accountancy Guidance Note 12	Stocks and Inventories
Accountancy Guidance Note 13	Closedown
Accountancy Guidance Note 14	Treasury Management
Accountancy Guidance Note 15	Income
Accountancy Guidance Note 16	Monthly forecasting process
Accountancy Guidance Note 17	Provision for Doubtful debts
Accountancy Guidance Note 18	Underspends and carry overs
Accountancy Guidance Note 19	Reserves and Provisions
Accountancy Guidance Note 20	Write offs and waived charge credit notes
Accountancy Guidance Note 21	VAT
Accountancy Guidance Note 22	Disposal of buildings and surrender of leases
Accountancy Guidance Note 23	Accounting for Asset Disposals

Isle of Wight Council Financial Regulations

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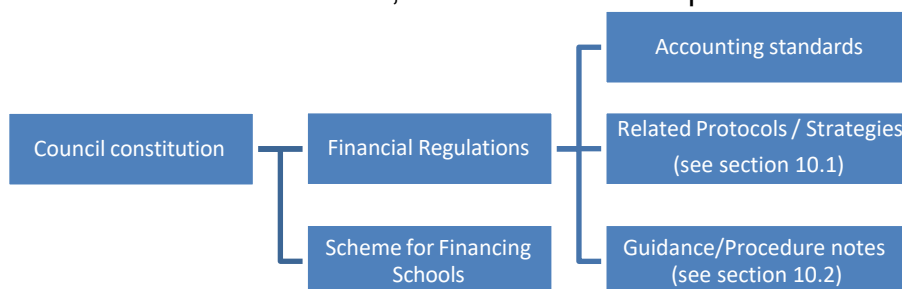
1. Introduction

1.1 Purpose of Financial Regulations

- 1.1.1 These financial regulations provide the framework for managing the council's financial affairs. As such, they apply to every member and officer of the authority and anyone acting on its behalf.
- 1.1.2 They set out the roles and responsibilities of the council, the members, and senior officers in respect of financial management. Financial management covers all financial accountabilities in relation to the running of the authority including the proper exercise of responsibility, accountability, and financial control as set out in the policy framework and budget. It is not possible to draft regulations or rules that cover every eventuality or circumstance. Consequently, the principles of sound financial management, proper exercise of responsibility, and accountability, as set out in financial regulations, should be applied in all circumstances, even where any particular circumstance is not specifically referred to.
- 1.1.3 Financial regulations are subject to annual review and approved by the Audit & Governance Committee.
- 1.1.4 They are supported by a range of internal control systems which the council has put in place to ensure that risks to the delivery of its objectives are minimised.
- 1.1.5 Schools with delegated budgets are subject to a 'Scheme for Financing Schools'. This scheme sets out the financial relationship between the Council and the maintained schools which it funds. It contains requirements relating to financial management and associated issues, binding on both the authority and on schools. It applies to all community, nursery, special, voluntary, foundation (including trust), and foundation special schools, and pupil referral units (PRU's) maintained by the Council. It does not apply to academies. A list of schools maintained by the Council is at: <https://www.iow.gov.uk/schools-and-education/schools/school-contacts/>

1.2 Where Financial Regulations fit in

- 1.2.1 These financial regulations are linked to other internal regulatory documents in particular the council's constitution. The following illustration shows where they fit in the hierarchy of the council's codes and standards, and their relationship to other documents.



1.3 Statement of Principles

1.3.1 The council expects high standards of conduct from its members and officers and those with whom it has dealings, and this expectation is set out in the council's constitution and various codes of conduct. The following statement of principles is the basis for the detailed guidance in the financial regulations:

- the council is responsible for the stewardship of public money and will make arrangements to safeguard the interest of the local residents and other stakeholders.
- the council expects its officers and members to exercise high standards in financial management and administration and aims to stimulate openness and transparency.
- the planning, monitoring and control of the use of resources is of vital importance to the council and it will make arrangements for the activities to be undertaken effectively.
- issues of probity will be dealt with effectively and the council will work to meet its duty to maintain proper accounts and related records.
- value for money is at the core of the council's financial activity and the way in which it administers its financial affairs.
- compliance with statutory requirements, accounting standards and appropriate codes of practice will be inherent in the council's arrangements for financial matters.
- allocation of responsibility and authority in relation to financial matters will be clearly identified.
- the council is a large organisation and is mindful of the need for consistent standards in financial administration and management across all of its operations. It will set in place guidance to be adhered to by all its services. In particular it expects staff to consult with and use all of the expertise in financial matters that it has available and act on advice from such sources.
- the assets and resources of the council must be protected to avoid loss, fraud, or misappropriation.
- identifying and quantifying risks to the council is of key importance and arrangements must be made to reduce, eliminate, or insure against them as appropriate, and
- the accurate, appropriate, and timely payment and collection of monies forms much of the routine financial business of the council and arrangements will be made for its proper administration.

2. Financial Planning

2.1 Duties and Responsibilities

Duties and Responsibilities of Elected Members

- 2.1.1 The Policy, Finance & Resources Committee is responsible for proposing a budget and for the strategic delivery of services within approved budgets and the approved policy framework. Full council is responsible for approving the budget as endorsed by the S151 Officer and has a duty to consider the advice of the S151 Officers in relation to all financial matters. The Policy, Finance & Resources Committee shall receive in-year budget monitoring information and ensures that any remedial action is taken to manage the budget within the overall resources available.
- 2.1.2 The scrutiny function has a responsibility to review and assist with resolving the financial issues it regards as most benefiting from its input. It also provides the opportunity for constructive challenge around the robustness/impact of decisions in meeting the longer-term outcomes the council has set itself; in the short-term budget preparation and their potential impact on the longer-term strategy, and in reviewing how well the resources have been used to deliver the council's priorities and the relationship between cost and outturn performance.
- 2.1.3 The scrutiny function and service committees and their associated sub committees and groups will pursue work programmes developing specific policy and strategic solutions to longer term issues, including those with a financial context. Detail on the decision-making structure is part of the council constitution.

Duties and Responsibilities of the Section 151 officer

- 2.1.4 The Section 151 officer has particular statutory duties in relation to the financial administration and stewardship of the authority as arising from S151 of the Local Government Act 1972. These statutory duties cannot be over ridden. Any reference to the S151 officer in this document relates to whichever postholder is assigned this role rather than a specific individual or post.
- 2.1.5 The statutory duties are incorporated in:
- the proper administration of the council's financial affairs.
 - setting and monitoring compliance with accounting and financial management procedures and standards.
 - implementing the council's duty to maintain an effective and adequate internal audit.
 - advising on the corporate financial position, including the robustness of the budget and the adequacy of reserves.
 - giving financial advice on all reports considered by the Committees and council.
 - determining financing of capital and revenue budget items in the best financial interests of the council.
 - prescribing key financial controls and where necessary, the format of the

- council's financial records.
- providing financial information.
- co-ordinating forward revenue and capital plans and monitoring delivery.
- treasury management and all banking arrangements.
- arrangements for the disbursement of the council's payments in respect of creditors, staff, and partners, and
- arrangements for the collection of income due to the council as identified by the chief officers for the council and their staff.

Duties and Responsibilities of the Monitoring Officer

2.1.6 The monitoring officer is a statutory appointment under the provisions of section 5 of the Local Government and Housing Act 1989. Any reference to the monitoring officer in this document relates to whichever postholder is assigned this role rather than a specific individual or post.

2.1.7 The monitoring officer's statutory duties are to:

- Report on contraventions or likely contraventions of the any enactment or rule of law
- Report on any maladministration or injustice where the ombudsman has carried out an investigation.
- Appoint deputy/deputies.
- Report on sufficiency of resources.
- Establish and maintain the register of members interest and the register of gifts and hospitality.
- Receive copies of certificates under the Local Authorities (Contracts) regulations 1997.
- Maintain, monitor, and review the governance arrangements of the authority.
- Support the council to promote and maintain high standards of conduct.
- Consider complaints against members.
- Consulting with, supporting and advising the chief executive and the chief finance officer and on issues of lawfulness and probity.
- Advising the authority on issues of lawfulness and probity.
- Conduct investigations into misconduct.
- Proper officer for access to information.
- Provide advice on vices issues, maladministration, financial impropriety, probity, budget, and policy framework issues to all members.

Duties and Responsibilities of the chief officers for the council

2.1.8 The council is currently going through a period of unprecedented change which regularly alters job functions and titles and the management structure of the organisation. As this document is updated once a year, post titles as well as specific service responsibilities may change and quickly become inaccurate. Levels of responsibility are therefore attributed to tiers of management within the organisation with an acknowledgement that the chief officer or senior manager with responsibility for a specific service will hold the authority for that service area. If there is any degree of uncertainty about where responsibility and authority lie, this should be referred to the S151 officer for clarification.

2.1.9 This section sets out the financial management responsibilities of the chief officers for the council. At the time of this revision, the term 'chief officers' is intended to indicate all those senior strategic officers (including chief executive and any directors) who collectively meet as the corporate management team (CMT). Although this title and the make-up of the group may change, the overall roles and responsibilities of the chief officers of the council remain relevant within these regulations.

2.1.10 Most or all tasks will be the responsibility of the chief officers for the council, who may in turn further delegate to senior service managers as they see fit. The general presumption is that decisions should be taken at the lowest appropriate level, but it should be kept in mind that whilst tasks can be delegated, the chief officers for the council remain jointly and severally responsible for compliance.

2.1.11 The chief officers for the council responsibilities include the following:

- deploying budget resources to deliver the council's objectives in the most economically advantageous way, and reporting on performance as required.
- ensuring that expenditure and income are monitored on at least a monthly basis (via service boards) and that:
 - service cash limits are not exceeded.
 - virements are approved within agreed limits as set out in section 4.2.
 - future expenditure commitments are constrained to matching resources.
 - an 'exit strategy' is in place for projects funded from non-recurring or declining income streams.
 - potential overspends are identified at an early stage and reported to the CMT and Policy, Finance & Resources Committee together with proposals for remedial action, and
 - achieving saving targets assigned to their service areas as agreed by council or Policy, Finance & Resources Committee as part of the council's overall budget strategy.
- Producing and implementing business plans at service level which incorporate:
 - key responsibilities.
 - service context.
 - budget allocations.
 - key objectives, and
 - associated risks and performance measures.
- Ensuring value for money through delivery of the council's efficiency savings targets, and by benchmarking unit costs and performance against other organisations on an annual basis where it is appropriate to do so.
- Developing partnership arrangements where these provide clear advantages to service quality or efficiency, subject to:
 - clear definition of the benefits expected.
 - robust monitoring and governance arrangements.

- clarity in the way risk is to be minimised and shared.
 - a viable exit strategy, and
 - corporate approval where size or degree of risk warrants.
- Maintaining accounting records and audit trails in a form acceptable to the S151 officer, together with a documented scheme of delegation and authorised signatories. Each account and budget head to have a named responsible officer.
 - Ensuring that financial systems in operation, and any changes thereto, are approved by the S151 officer, and that statutory taxation requirements are adhered to, and
 - Minimising the possibility of loss through error, theft or fraud, or misuse of council assets, and the risk of litigation, damage to the council's reputation and its interests. This includes:
 - applying risk management techniques in order to reduce risk to optimal levels.
 - keeping the S151 officer informed about existing, new, or changing risks, both insurable and uninsurable.
 - providing assurance that the system of internal control is operating effectively within their service areas and if not, what remedial action they propose. Such assurance will form the basis of the council's annual governance statement, and applying the principles of segregation of duties, such that wherever possible, more than one individual is involved in managing the council's financial transactions.

2.2 Strategic Planning

2.2.1 The full council is responsible for agreeing the authority's corporate plan and priorities which will be proposed by the Policy, Finance & Resources Committee. The corporate plan sets out the long-term vision and outcomes to be achieved and therefore sets the priorities for resource allocation. Whilst they do not amount to an exhaustive list, they should be taken as the definitive list of where resources ultimately will be prioritised. Any programme, project or scheme which is not detailed in the corporate plan, will have to be carefully considered as to whether it contributes to the council's wider stated priorities and also whether there are any statutory requirements for the local authority to deliver such services which may take priority over other non- statutory functions. Failure to meet these tests will mean that resources will not be allocated.

2.2.2 The Joint Strategic Needs Assessment (JSNA) is a document produced by Local Authorities and Clinical Commissioning Groups as required by the Local Government and Public Involvement in Health Act 2007. Its purpose is to pull together in a single ongoing process, all the information which is available on the needs of our local population. It aspires to provide the 'big picture' for health and wellbeing needs, providing the evidence base for service delivery by the public sector to reduce health inequalities on the Island. Based on a Government Outcome Framework currently under consultation and augmented with local information it informs priority and target setting by the Health and Wellbeing Board, as they seek to realise the Government's vision "*to improve and protect the nation's health, and to improve the health of the poorest, fastest.*"

- 2.2.3 The S151 officer is responsible for producing a 3-year medium term financial strategy (MTFS). The MTFS provides a financial framework for the council's strategic planning and decision making based on the priorities identified in the corporate plan and the JSNA. It incorporates key factors such as the Government's grant settlement, our spending plans and the level of savings that are likely to be needed to keep council tax affordable. The MTFS enables the council to anticipate financial pressures now, so that we can plan ahead early to meet the significant challenges in a way that ensures financial resources are targeted to the council's highest priorities and with the minimum impact on services.
- 2.2.4 The S151 officer is also responsible for producing a medium-term financial plan which provides additional details of the allocation of budgets against corporate priorities taking into account the grant settlement, budget pressures, demographic changes, inflationary pressures, capital financing, cash limits and savings plans. It aims to provide a comprehensive picture of the financial position of the council, covering the general fund revenue position, the capital programme and council tax levels. It also comments on the significant risks facing the council in the forthcoming years and explains what the council is doing to reduce those risks.

3. Budget Setting

3.1 Budget setting

- 3.1.1 The approved revenue and capital budgets are the financial expression of the council's service delivery plans. The budgets and associated financing implications are approved each year by full council, on the basis of recommendations from the Policy, Finance & Resources Committee, and after having regard to the results of stakeholder consultation.
- 3.1.2 Approval of revenue and capital budgets as above confers authority on the Policy, Finance & Resources Committee, and the chief officers for the council to spend up to the net sums specified for each of the services within their remit.
- 3.1.3 Full council approve the capital programme which includes provision for individual schemes. The relevant Service Committee is responsible for the delivery of the schemes.
- 3.1.4 Changes to the budget may be agreed by the chief officers for the council in consultation with Policy, Finance & Resources Committee chair/members and the S151 officer, provided that there is:
- no resulting reduction in the general reserve.
 - no material reduction in agreed service levels.
 - no resulting un-financed increase in commitments in future years, and
 - changes are within the agreed virement limits outlined in section 4.2.
- 3.1.5 Full council approval is required for other budget changes.
- 3.1.6 Any further savings made arising at year end (after allowing for specific carry forward requests) shall be transferred to the revenue reserve for capital, transformation reserve and general reserves, with the level of each transfer to be determined by the S151 officer.

3.2 Revenue Budget

- 3.2.1 Where the council has costs related to day-to-day provision of services e.g. salaries, supplies and services, utilities, these costs are called revenue expenditure. The council is required to set a balanced budget each year, so the amount of revenue the council can spend depends on the income the council receives from various sources.
- 3.2.2 The S151 officer is responsible for ensuring that a revenue budget for the coming year based on the agreed MTFs and MTFP, is prepared by Policy, Finance & Resources Committee and presented to full council in time for budget and council tax setting each year. In preparing the revenue budget, the Policy, Finance & Resources Committee will take into account the advice of the S151 officer.

- 3.2.3 Consultation with the local community and other stakeholders will be undertaken as part of this preparation and will inform the budget and council tax setting process.
- 3.2.4 The draft budget should include allocations to different services and projects, proposed sources of funding, proposed taxation levels and contingency funds.
- 3.2.5 The Policy, Finance & Resources Committee will then submit a final budget to the full council for approval.
- 3.2.6 The S151 officer is responsible for reporting to full council on the robustness of estimates contained within the budget proposed by Policy, Finance & Resources Committee and the adequacy of reserves allowed for in the preparation of the budget.
- 3.2.7 Approved revenue budgets may be amended during a financial year in response to external influences and management of budget pressures in accordance with the virement regulations and authorisation limits.
- 3.2.8 Should changes to service provision or structure be undertaken in year, the chief officers for the council are responsible for ensuring that the impact of such changes on their revenue budget are assessed adequately and reported fully to the Policy, Finance & Resources Committee within the limitations of the Budget and Policy Framework Rules outlined in the council's constitution.
- 3.2.9 The council's approved budget may allocate 'corporate growth' budgets to service areas where demographic growth has been identified or where pressure areas identified in previous years have been addressed.
- 3.2.10 The expectation is that such specific growth in service budgets will be utilised for those areas identified within the budget strategy and not vired or used for other service purposes or to be offset against savings targets.

3.3 Capital Budget

3.3.1 Capital expenditure creates or enhances assets that have a life of more than one year, such as buildings, land and equipment. Many of the projects are delivered over a period of years and budgets will be spread across years according to project delivery plans. Capital investment can be paid for from:

- Capital receipts from the sale of assets such as buildings.
- Capital Grants and contributions from government and other agencies.
- Revenue contributions.

If funding is not available from these sources, the council can choose to borrow to fund invest to save capital schemes following the Prudential Borrowing Code.

3.3.2 The Policy, Finance & Resources Committee has responsibility for:

- recommending to Full Council any new bids for additional capital resources that arise during a financial year not currently provided for in the approved capital programme.

- recommending to full council the capital programme each year as part of the budget process.

3.3.3 The S151 officer is responsible for

- ensuring that a medium-term capital programme and financing plan is prepared on an annual basis for consideration by the Policy, Finance & Resources Committee before submission to the full council in accordance with the budget procedure rules as set out in the constitution.
- Determining how each source of finance is used to fund the overall capital programme and to alter the overall mix of financing as necessary to maximise the flexibility of capital resources used and minimise the ongoing costs of borrowing to the council.
- Releasing capital resources held back for any contingency items that might arise, and for any match funding requirements that may be required of the council in order to secure additional external capital funding (e.g. bids for funding from Government or any other external source) This should be done in consultation with the leader of the council.
- setting up procedures under which capital expenditure proposals are evaluated and appraised to ensure that value for money is being achieved, are consistent with service and asset management objectives and are achievable.
- setting up procedures for corporate monitoring of external sources of capital funding.
- ensuring that expenditure treated as capital expenditure by the council is in accordance with best accounting practice, and
- advising on prudential indicators required to be set in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities and for ensuring that all matters required to be taken into account in setting prudential indicators are reported to the leader and the council.

3.3.4 The chief officers for the council are responsible for ensuring that the procedures in the capital code of practice are followed. This includes:

- ensuring that appropriate options appraisals and business cases are developed for potential capital projects.
- establishing and maintaining suitable project management arrangements and records, and
- carrying out post completion evaluation of projects as required, in order to review performance in implementation of the project against budget and project plans and to evaluate performance of the project in the delivery of expected outcomes.

3.3.5 Virements between capital projects may be made by the chief officers for the council in line with the authorisation limits and within the scope of the programme agreed by the Policy, Finance & Resources Committee responsible for the capital programme.

3.4 Reserves and Balances

3.4.1 Councils and other organisations, need financial reserves to help manage unforeseen circumstances and to smooth the impact of spending requirements over time. Reserves enable councils to:

- manage variations between their planned and actual budgets that result from unpredictable spending and income; and
- plan their finances strategically to support their activities over the medium and long term.

3.4.2 It is the responsibility of the S151 officer to provide the Policy, Finance & Resources Committee with a report on the levels of reserves that are considered prudent, based on an annual risk assessment of the authority's financial position and budget.

3.4.3 The S151 officer is also responsible for:

- ensuring that reserves are not only adequate but also necessary.
- ensuring that there are clear protocols for the establishment and use of each earmarked reserve - reserves should not be held without a clear purpose or without a planned profile of spend and contributions, and
- ensuring that provisions are set up for any liabilities of uncertain timing or amounts that have been incurred and are required to be recognised when:
 - the council has a present obligation (legal or constructive) as a result of a past event.
 - it is probable that a transfer of economic benefits will be required to settle the obligation, and
 - a reliable estimate can be made of the amount of the obligation. If the council does not yet have an obligation / or expects to have a future obligation as a result of something that has not yet happened, then a reserve should be set up and the regulations above apply.

3.5 Control and Suspense Accounts

3.5.1 Suspense accounts are used within the council for collecting transactions which are in suspense i.e. their correct accounting treatment cannot be immediately recognised. Examples include cashier and banking suspense accounts where income is received direct into the council's bank account but cannot be identified and processed automatically. These accounts require manual intervention to review and move transactions to the appropriate profit centre.

3.5.2 The council uses control accounts to collect transactional details outside of the main general ledger and reconcile them, for example VAT control accounts collect the various types of input and output VAT for reconciliation prior to completing the monthly VAT return.

3.5.3 Both control and suspense accounts require regular review to reconcile and clear balances. This process:

- Enables the early identification of problems, including errors and potential fraud.
- Gives assurance that the financial information in the general ledger is complete and accurate.
- Enables year end closedown to be completed quickly and without delay.
- Ensures that the proper revenue/capital budget bears the charge/credit before carry-overs are finalised.

- 3.5.4 Any control or suspense codes with year-end balances remaining should be fully supported by working papers to justify the amount remaining.
- 3.5.5 Each control or suspense account will be allocated a responsible officer who is responsible for ensuring that reconciliations are completed in line with the agreed frequency, that in exceptional circumstances write offs are appropriately authorised and actioned, and that appropriate year end action is taken to clear down and carry forward balances. Some suspense accounts will be reconciled within finance and some in other service areas, mainly shared services.
- 3.5.6 The frequency of reconciliation will depend on various factors, but more frequent daily or weekly reconciliations will take place where there are:
- High volumes of transactions.
 - High value transactions.
 - Sensitivity/high risk areas.
 - Problems previously encountered.
 - New systems introduced or systems changes.
- 3.5.7 Those reconciliations necessary to achieve the bank reconciliation will be undertaken more frequently. Each responsible officer will maintain suitable working papers.

4. Financial Management

4.1 Budget management and control

4.1.1 The S151 officer is responsible for:

- providing appropriate financial information to enable budgets to be monitored effectively.
- monitoring and controlling overall expenditure against budget allocations, and
- publication of a report to the Policy, Finance & Resources Committee on the overall position on a regular basis, drawing attention to overspends, shortfalls in income and underspends including reference to proposed action to deal with any problems.

4.1.2 It is the responsibility of the S151 officer, and the chief officers for the council to:

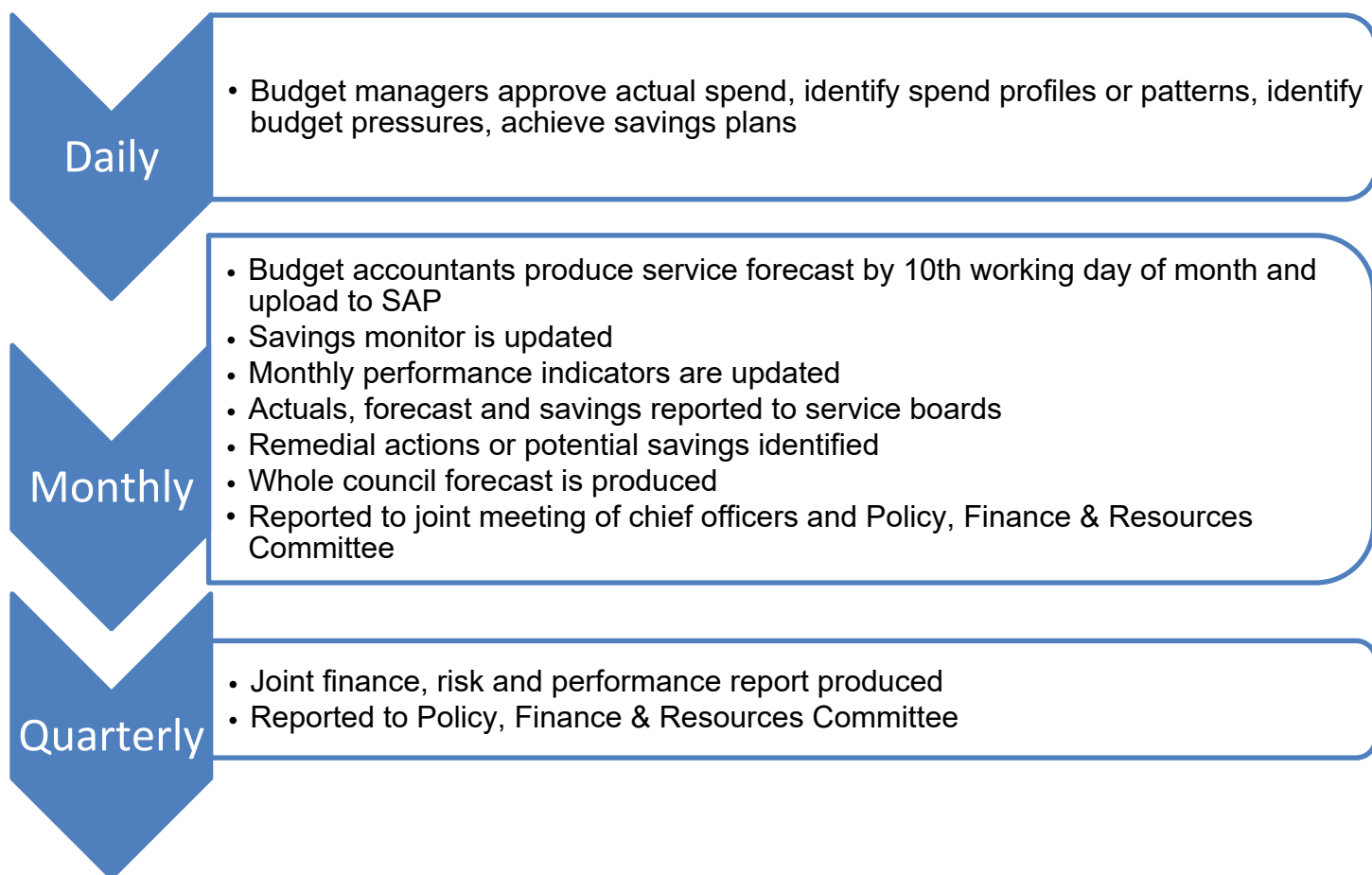
- control income and expenditure within their area and to monitor performance, taking account of financial information and activity data relating to the services they provide.
- have a robust system in place for monitoring activity levels which drive major budget headings or risks.
- report to the S151 officer and to the relevant service committee on variances within their own areas.
- ensure that spending remains within the service's overall cash limit, by monitoring the budget headings and taking appropriate corrective action where variations from the approved budget are forecast.
- alert the CMT and Policy, Finance & Resources Committee to any problems.
- ensure that an accountable budget manager is identified for each item of income and expenditure. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making process that commits expenditure, and
- ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.

4.1.3 New proposals, which fulfil one or more of the following criteria must be considered by the chief officers for the council as a whole before referral to the Policy, Finance & Resources Committee or decision-making committee:

- a. create financial commitments in future years in excess of existing budgets.
- b. change existing policies, initiate new policies, or cease existing policies.
- c. materially extend or reduce the authority's services.
- d. exceed the limit defined by the council as a key financial decision.
- e. exceed any limit set by the Policy, Finance & Resources Committee as requiring reference to it.

4.1.4 Any such proposals under this regulation shall not have approval to proceed until necessary financial provision is available within approved budgets.

4.1.5 A framework for budget management, reporting and control has been adopted as shown below:



4.2 Virements

4.2.1 A virement is a transfer of budget from one service committee to another which represents an adjustment to the budget approved by the council at its budget setting meeting.

4.2.2 Relevant officers, the chief officers for the council and Policy, Finance & Resources Committee members have authority to agree virements to the following limits:

Up to £50,000	Officer with formal delegation, agreed in advance with S151 Officer or his authorised officer
Up to £250,000	Officer with formal delegation, agreed in advance with S151 Officer
Up to £500,000	Policy, Finance & Resources Committee chair/members in consultation with S151 Officer and senior service manager
Over £500,000	Policy, Finance & Resources Committee chair/members in consultation with the Chief Executive and S151 Officer

- 4.2.3 Transfers of budget from one subjective code to another within a cost centre, or from one cost centre to another within a service budget which do not impact on the overall budgeted approved by the council are not virements, these are budget variations and can be authorised by the senior service manager and his/her officers with delegated authority.
- 4.2.4 The S151 Officer or his authorised officer will also undertake an annual exercise to implement the changes to future years budgets as a result of the approved budget strategy and associated savings strategy for future years. This will not require virement authorisation.
- 4.2.5 The only exception where a budget variation requires agreement with the S151 Officer, or his authorised officer is where there is an adjustment to or from a staffing budget which represents a change in the staffing establishment. This is because there is a need to ensure that the staffing establishment is effectively controlled and that it is not increased or decreased without due regard to the budget or current HR policy.
- 4.2.6 Only staff authorised by the S151 officer may action approved virements on the council's financial management system.

4.3 Carryover of over and underspends

- 4.3.1 The chief officers for the council are responsible for ensuring that service areas remain within their cash limited budget each year.
- 4.3.2 Generally, any overspends will have to be met by offsetting underspends elsewhere within the service budget. This can be achieved by either reducing expenditure or increasing income, the effect on the bottom line is exactly the same. Where overspends are unable to be contained within the cash limit in any given year, the S151 officer may seek to offset the overspend against underspends in other service areas or against general fund balances, provided assurances are available that the overspend will not recur.
- 4.3.3 Similarly, where a service unit has achieved an underspend in a given year, this underspend may be available to be carried forward from one year to another to enhance the following year's budget. This facility may be available where a service and the council as a whole is underspent. It is unlikely that a carryover will be approved for one cost centre within a service if other parts of the service, or the council as a whole, has a net overspend.
- 4.3.4 Carry over of underspends are subject to the approval of the S151 Officer. Any carry over request must be supported by a business case linking it to the achievement of corporate priorities and demonstrating how the budget will provide value for money. However, the general presumption is that carry over of underspends will only be approved in exceptional circumstances. Similarly overspends may be a first call against the following years budget should the council's overall year end position require it.

- 4.3.5 It should be noted that the above procedures apply only where an underspend is due to management action. Where there is a fortuitous benefit to one or more services the available resources will be available to support corporate priorities or the corporate budget savings strategy rather than for reinvestment within a specific service budget.
- 4.3.6 Similarly, where a significant underspend is identified within a service budget as part of the council's regular budget management processes, meaning there is effectively an overprovision of budget for that service area, a reduction to cash limits will be made and the budget will be returned to general fund balances to support corporate priorities or the corporate budget savings strategy.

4.4 Accruals

- 4.4.1 Income and costs should be included in the accounting period in which they are incurred and not the month in which the cash is received or paid i.e. if the council receives goods or services, or provides a service, on or before 31st March each year then we must account for the cost and income in the correct financial year. If this cannot be done by paying an invoice or receiving the income before 31st March, then the amount must be accrued into the correct financial year.
- 4.4.2 The integrated financial management system used by the council will automate much of this process where there are items for which invoices have not been received, but the user has confirmed (receipted) the goods/services. These are called goods received not invoiced (GRNI) accruals and the financial management system will automatically account for the cost in the year that the confirmation/receipt has been entered on the financial management system. It is therefore essential that users confirm goods as received on receipt in order to maximise the operational efficiency of the council's financial systems.
- 4.4.3 The chief officers for the council are responsible for identifying accruals not automatically generated, and notifying the appropriate budget accountant in order that a manual adjustment can be made to the accounts.
- 4.4.5 Documentary evidence should be provided to budget accountants to support the accrual and will be retained as evidence.
- 4.4.6 Accountants may need to make a judgement about materiality of accruals taking into account not only the impact on the council's future years budget as a whole but also on the service areas budget provision for future years.

4.5 In year and on going savings

- 4.5.1 The full council is responsible for approving the budget each year including an indicative savings plan to deliver a robust and sustainable budget as part of the medium-term financial plan. It is the responsibility of the Policy, Finance & Resources Committee to

implement it and put in place measures to monitor progress in achieving the budget and savings strategy on a regular basis.

- 4.5.2 The chief officers for the council and their staff are responsible for
- identifying how those savings can be achieved and ensuring that, where the budget strategy has specified a specific spend saving, they are found from appropriate expenditure types e.g. stationery savings should not be made from staffing budgets.
 - ensuring that budget growth allocated to service areas is used for its intended purpose and is not used to offset against savings targets. If not required, growth should be offered back to the overall council budget saving code, and
 - ensuring that savings should not be allocated from service areas where it results in an overspend position.
- 4.5.3 All savings, whether identified by the corporate centre or by services, are deemed to be corporate savings for the purposes of achieving the approved budget strategy and ensuring that resources are directed towards corporate priorities.
- 4.5.4 When transformational business process re-engineering outcomes, as agreed by the chief officers for the council, achieve savings of percentages of full-time equivalents (FTE), then the budget equivalent to that percentage will be transferred to the corporate code. The onus will then be on the service area to reorganise to deliver within the remaining budget.

4.6 Publication of financial information

- 4.6.1 The S151 officer is responsible for the production and publication of the following public documents:
- council tax leaflet – published each spring online and referred to on council tax demands to each household. Includes a summary of the council's approved budget.
 - annual statement of accounts – published each year once approved by external auditors and the council's Audit & Governance Committee, in line with deadlines issued by the Government.
 - budget consultation – usually takes place during the autumn. The results are reported to Policy, Finance & Resources Committee and are used to inform the budget setting process in January/February, and
 - transparency data – publication of all council financial transactions. The information is provided on a monthly basis and can be downloaded in excel and CSV formats allowing analysis across expenses type, date, supplier, and service area.

4.7 Trading accounts/business units

- 4.7.1 The S151 officer is responsible for advising on the establishment and operation of trading accounts.

4.7.2 The chief officers for the council are responsible for:

- observing all statutory requirements in relation to trading activity including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs is charged in accordance with the CIPFA Service Reporting Code of Practice (SeRCOP).
- ensuring that the same accounting principles are applied in relation to trading accounts as for other services or business units.

4.8 Journals

4.8.1 Journals are used to:

- move transactions within the accounts where there has been a coding error or a structure change to cost centre or general ledger code set up, and
- recharge costs between cost centres.

4.8.2 The chief officers for the council are responsible for identifying the need for journals in the accounts and providing sufficient evidence of the reason for journals to the budget accountants.

4.8.3 In normal circumstances only budget accountants have authority to post journals up to £1m, with the main control, that a balanced journal is being posted. Any queries about such journals should be resolved with the line manager and/or the budget accountant prior to the journal being processed. In each case an audit trail must be maintained

4.8.4 Journals above £1m should be approved by the relevant service lead accountant or the strategic manager - finance.

4.8.5 In addition, any journal entry in excess of £5m needs to be approved by a second service lead accountant or the strategic manager – finance.

4.8.6 If the journal is for over £10,000,000 and related to a significant policy change, it requires additional authorisation by the S151 officer or – Service Director - Finance.

4.8.7 In certain cases, non-accountancy staff will have the ability to process journal entries for less significant amounts. As in point 4.8.5 the main control is that a balanced journal is being posted, however there is a further control that non-accountancy staff are able to 'park' journals within SAP, which are then reviewed by budget accountants prior to the journal being processed. An audit trail must be maintained by the originator of the journal entry.

4.8.8 As part of the annual closedown process there will be occasions where large corporate finance journals are necessary for the effective closure of the council and pension fund accounts; those journal entries must be agreed in advance by the S151 officer, and in their

absence, their authorised representatives per the journal procedure note. In each case an audit trail must be maintained

4.8.9 It is an expectation that all journal entries will be supported by an adequate working paper and/or an email from a person requesting the journal in order to maintain an audit trail.

4.9 Treasury Management

4.9.1 The S151 officer is responsible for:

- reporting to the Audit & Governance Committee in accordance with CIPFA's code of practice, on the creation and maintenance of suitable treasury management practices, as cornerstones for effective treasury management.
- setting out the manner in which the council will seek to achieve those policies and objectives and prescribing how it will manage and control these activities.
- reporting to the Audit & Governance Committee, Policy, Finance & Resources Committee and full council on the treasury management policies, practices, activities, and affordability, including as a minimum, an annual strategy and plan in advance of the year.
- implementing and monitoring the treasury management policies and practices.
- establishing procedures to monitor and report on performance in relation to treasury management prudential indicators set by the council.
- Quarterly reporting to the Audit & Governance Committee on the activities of the treasury management operation, including all decisions on borrowing, investment or financing, and
- ensuring that all borrowing and all investments of money are made in the name of the authority or in the name of an approved nominee.

5. Financial Control and Compliance

5.1 Risk Management

5.1.1 All members and staff need to understand the significant risks that the council faces and be aware of how these risks are managed, support and promote risk management and consider the risks involved in making key decisions. Whilst there will need to be a focus on strategic risks, the council must acknowledge that there will be operational and services risks which will also need to be managed.

5.1.2 The Policy, Finance & Resources Committee has responsibility to:

- consider risk as part of key decision making from both negative (threat) and positive (opportunity) perspective, and
- to receive quarterly reports on risk management and performance management in particular risks to strategic objectives where intervention is required at the most senior level.

5.1.3 Audit & Governance Committee will

- receive reports and seek assurance that the arrangements for the management of risk are effective.
- be aware of and challenge significant risks on the strategic or service risk registers, and
- seek assurance that the annual governance statement accurately reflects the council's risk profile.

5.1.4 The scrutiny function will

- scrutinise the risks involved in making any key decisions.
- identify significant risks to be scrutinised in more detail as part of their annual work programme, as appropriate, and
- recommend any immediate action to be taken to ensure effective management of such risks.

5.1.5 The chief officers for the council are pivotal in the promotion and embedding of risk management by acting as role models for appropriate risk awareness and management and ensuring that others follow suit. They are responsible for managing strategic risks, as well as service (operational) risks in their individual areas of responsibility. The key tasks are to:

- approve the risk management policy and strategy, including the council's 'appetite' for risk.
- ensure that the council manages risk effectively through the development and implementation of the strategy and policy, supporting processes and recommending for approval any subsequent changes.
- support and promote risk management throughout the council.
- consider key risks that need strategic or corporate management.
- actively identify, assess and manage strategic and cross cutting risks.
- determine and prioritise action on strategic and cross cutting risks,

delegating responsibility for control where appropriate.

- assess the wider implications of service (operational) risk assessments and controls.
- monitor progress of risk management activities as part of the performance management framework.
- ensure that, where appropriate 'key decision' reports include consideration of risks either as a threat or arising from opportunities.
- endorse the 'risk appetite' of the council by agreeing the definition of risk for high (red) medium (amber) and low (green) risk.
- champion and oversee the implementation of the risk management strategy and policy.
- champion the risk management processes as good management practice and a valuable management tool.
- ensure that risk management is suitably recognised in the planning process and in the setting and monitoring of budgets, and
- report to members on risk management.

5.1.6 The chief officers for the council will also ensure that the council has arrangements in place to:

- develop and maintain the corporate risk strategy and policy.
- promote, support, and oversee its implementation.
- monitor and review the effectiveness of the policy.
- identify and communicate risk management issues to services.
- arrange for reports on risk management to be available for the chief officers for the council and Policy, Finance & Resources Committee.
- assist services in undertaking risk management activity via training, workshops, and direct support.
- provide input into assurance by reports to the Audit & Governance Committee.
- provide expertise, actively support, and be involved in the risk management process.
- provide guidance and advice on risk management and facilitate risk management training where appropriate.
- support risk identification and assessment workshops and assist with coordination of risks across service boundaries.
- provide assurance that risks are effectively assessed and managed by providing appropriate challenge to management, and
- manage and administer the risk register database program.

5.1.7 Service Boards will

- undertake in-year performance management of service-based, operational risks.
- identify where service risks represent cross-cutting issues which need to be managed at a corporate level by reference to the chief officers for the council, and
- ensure that the risk management process is incorporated into the business planning processes, is fed into corporate objectives and is an explicit part of major projects and change management initiatives.

5.1.8 Managers for the council will

- implement the risk management policy and strategy.

- ensure that projects are risk assessed and that a project risk register is maintained.
- identify risks to objectives as part of the business planning process with links to resource allocation.
- maintain, review, and update the service risk register.
- utilise the partnership guidance appropriately so that risks are identified and share relevant information with own staff/managers and colleagues in other service areas.

5.1.9 All Staff will

- manage risk effectively in their job and report opportunities and risks to their service managers.
- participate in risk identification and assessment and action planning where appropriate.
- adhere to council policies and procedures, and
- attend training and development sessions as appropriate.

5.2 Insurance

- 5.2.1 The chief officers for the council have responsibility for all matters of offsetting risk via the procurement of insurance including the nomination of an appropriate manager to manage insurance arrangements.
- 5.2.2 All the chief officers for the council are responsible for ensuring that any risk or hazard for which the council is potentially liable is notified to the appropriate manager.
- 5.2.3 All the chief officers for the council are responsible for identifying any policies, procedures, assets, or activities which may affect the council's liability in respect of injury to staff or the public, loss or damage and notifying the appropriate manager.
- 5.2.4 The appropriate manager must be notified immediately of any incident, complaint, injury, loss, or damage suffered or caused where a claim may arise against the council.
- 5.2.5 Any such claims must be forwarded directly to the appropriate manager without entering into correspondence with the claimant. Under no circumstances should an admission of liability on behalf of the council be given without reference to the appropriate manager. Similarly, no compensation payments on an ex-gratia basis should be made without prior reference to the appropriate manager.
- 5.2.6 Where an indemnity is required by an external third party, no person on behalf of the council should sign any such indemnity or agree to indemnify an external third party without the prior approval of the appropriate manager.
- 5.2.7 The appropriate manager shall arrange for all council employees to be insured by fidelity guarantee insurance.

5.2.8 All council employees are required to provide any and all necessary documentation, information and explanation required by the appropriate manager or external insurers to defend claims efficiently.

5.3 Internal Control

5.3.1 Internal control refers to the systems of control devised by management to help ensure that the council's objectives are achieved in a manner that ensures as far as is practicable the economical, efficient, and effective use of resources, protects the council from error, fraud and misappropriation and ensures that the council's assets and interests are safeguarded.

5.3.2 The S151 officer is responsible for advising on effective systems of control. These arrangements need to ensure compliance with all applicable statutes and regulations and other relevant statements of best practice.

5.3.3 The chief officers for the council are responsible for establishing sound arrangements for planning, appraising, authorising, and controlling their operations to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial and performance targets.

5.3.4 The chief officers for the council are responsible for ensuring that key controls, audit trails and segregation of duties are maintained that are adequate.

5.3.5 The chief officers for the council are responsible for completing the annual governance statement (AGS) which outlines how the council has complied with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government for the financial year in question. The AGS is required to be published.

5.4 Audit

5.4.1 The council has a statutory responsibility to maintain an effective and adequate system of internal audit. Regulations in this area are therefore important to provide a formal framework for the activities of the internal audit service. There are also statutory requirements in respect of external audit and other inspection agencies.

5.4.2 As required by law, the S151 officer will maintain an internal audit of the council's financial dealings that will follow professional standards and guidelines issued by the Chartered Institute of Public Finance and Accounting (CIPFA) and the Auditing Practices Board.

5.4.4 The S151 officer or authorised representatives may, for the purposes of audit:

- enter any council premises or land and have access to all council

property.

- have access at all times to all records, documents and correspondence relating to all financial and other transactions of the council or non-official funds operated by council staff or relating to private property belonging to vulnerable clients.
- require and receive any explanations/records etc as are necessary in a timely manner.
- require any employee of the council to produce cash, stores, or any other council property or that of an unofficial fund under his or her control, and
- remove records, documents or assets required for further investigation as necessary.

5.4.5 The Council's external auditors are appointed by the Public Sector Audit Appointments (PSAA). In auditing the accounts of a relevant authority, an external auditor must, by examination of the accounts and otherwise, be satisfied that:

- the council's accounts comply with the requirements of the enactments that apply to them,
- proper practices have been observed in the preparation of the statement of accounts, and that the statement presents a true and fair view, and
- the council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.

5.4.6 The council may from time to time be subject to audit, inspection, or investigation by external bodies such as Her Majesty's Revenue and Customs (HMRC) who have statutory rights of access.

5.4.7 The council's Audit & Governance Committee provides independent assurance of the adequacy of the risk management framework and the associated control environment including independent scrutiny of the council's financial and non-financial performance to the extent that it affects the council's exposure to risk and weakens the control environment.

5.4.8 The council's Audit & Governance Committee will receive regular reports from the S151 officer concerning the activities and findings of the council's internal audit service and the results of the external auditor's findings.

5.5 Preventing Irregularities Caused by Error, Fraud or Corruption

5.5.1 The council's expectation on propriety and accountability is that members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures, and practices.

- 5.5.2 It is the responsibility of the chief officers for the council to design systems of control that can prevent, detect, and correct irregularities caused by error, fraud or corruption. However, it is often the alertness of employees and the public to such indicators that enables detection to occur and the appropriate action to take place when there is evidence that irregularities caused by error, fraud or corruption may have occurred.
- 5.5.3 The council's employees are therefore an important element in its stance on preventing irregularities caused by error, fraud or corruption and they are positively encouraged and expected to raise any concerns that they may have on these issues where they are associated with the council's activity. This they can do, in the knowledge that such concerns will be treated in confidence and properly investigated and fairly dealt with. The council has a whistle blowing at work policy and a counter fraud and corruption strategy for such situations. When reporting concerns, employees should feel confident that all matters will be treated in confidence and an expressed wish not to reveal the identity of a complainant will be respected wherever possible. (Concerns expressed anonymously are much less powerful but will be considered at the discretion of the council.) If necessary, a route other than a line manager may be used to raise such concerns.
- 5.5.4 The chief officers for the council are responsible for investigating irregularities caused by error, fraud, or corruption, doing so through clearly defined procedures, and will:
- deal promptly with the matter.
 - record all evidence received.
 - ensure that evidence is sound and adequately documented.
 - ensure security of all evidence collected.
 - put in place systems of control to prevent the irregularity from occurring again.
 - report allegations of fraud to appropriate authorities within the council and as a minimum must report them to either the S151 officer, the Monitoring Officer or the person responsible for managing the council's internal audit function.
 - the S151 officer will, where it is appropriate, provide a confidential briefing to the leader of the council or Policy, Finance & Resources Committee members, and
 - implement council procedures where appropriate, including disciplinary procedures if necessary.
- 5.5.5 The chief officers for the council are expected to deal swiftly and firmly with those who defraud or attempt to defraud the council or who are corrupt. The council, including members, will be robust in dealing with financial malpractice.
- 5.5.6 Where there is evidence of fraud committed against the council or where there is evidence of corruption or bribery taking place against the council and the wider public interests, the matter will be referred to the Police and the Crown Prosecution Service. The S151 officer will be informed of any such referral.
- 5.5.7 The council is committed to fostering a culture in which fraud and corruption is never acceptable. The council's policies on anti-money laundering, anti-fraud, whistle blowing, and these financial regulations reflect this commitment to ensure that business the council

conducts is legal and properly managed. They also outline the consequence of breaching the policy for employees.

- 5.5.8 The Bribery Act 2010 and the associated statutory guidance must be always adhered to by this authority to ensure that the authority has adequate procedures in place to prevent bribery occurring in any activity the council performs. Any risk assessment carried out will include an assessment of the likelihood of risk of bribery occurring and actions to prevent this will be proportionate to the risk of it occurring. Risk assessments should therefore reflect what has been considered. Further information and advice can be obtained from the S151 officer or Monitoring Officer.
- 5.5.9 Employees of the council are expected to follow any code of conduct issued by their own professional body and also abide by the council's code of conduct for employees which sets out the council's requirements on personal conduct.
- 5.5.10 Employees are reminded that they must operate within Section 117 of the Local Government Act 1972, regarding the disclosure of personal interests in contracts relating to the council or the non-acceptance of any fees or rewards whatsoever other than their proper remuneration. These requirements are set out in the council's code of conduct for employees, and in more specific operational codes governing contracting procedures, gifts and hospitality, and private work, including the need to register potential conflicts of interest.
- 5.5.11 Members are required to operate within:
- the council's members code of conduct.
 - The Local Government Act 2000 (and any later revisions).
 - The Localism Act 2011, and
 - the council's constitution.

5.6 Anti-Money Laundering

- 5.6.1 This council's anti-money laundering policy applies to all employees of the council including agency, casual and interim staff and sets out the procedures which must be always followed to ensure the council complies with its legal obligations in this area.
- 5.6.2 Failure by an employee to comply with the procedures set out in this policy may lead to disciplinary action and/or a report to the police to consider criminal prosecution being taken against them. Employees should be aware that serious criminal sanctions could be imposed on them as individuals for breaches of the legislation.
- 5.6.3 The chief officers for the council are responsible for ensuring that all employees are aware of this policy and for ensuring it is complied with in their areas of responsibility.
- 5.6.4 All employees should be aware that they will be in breach of the money laundering legislation if they suspect money laundering and either do nothing about those suspicions

or allow themselves to become involved in it in some way. In short, failure to report a suspicion is an offence and this will include circumstances where the employee either knew, suspected or where there were reasonable grounds to suspect that potential money laundering is taking place.

5.6.5 Disclosures of suspected money laundering should be made to the S151 officer and Monitoring Officer who will ensure that the proper investigations and reporting processes are followed.

5.7 Retention of financial records

5.7.1 The chief officers for the council are responsible for ensuring that the records management policy is observed, and that their staff are fully aware of the policy.

5.7.2 Primary responsibility for the management of records lies with the senior service manager responsible for the function which requires the creation and management of those records. Service planning must take account of the need to:

- identify staff as responsible for the management of records and allocate sufficient resources to comply with this policy.
- undertake an initial, and periodic refresh, audit of existing records.
- adopt and adhere to retention schedules and destruction processes.
- adhere to any corporate standards, and
- adopt and adhere to local standards for indexing and creating metadata.

5.7.3 All members of staff are responsible for ensuring that their work is documented appropriately, and that the records which they create, or use are managed correctly and comply with the council's records management policy.

5.8 Assets

5.8.1 The senior manager responsible for property assets is responsible for maintaining a register of all assets including land and property.

5.8.2 The chief officers for the council must notify the senior manager responsible for property assets of all material acquisition or disposal of assets.

5.8.3 The chief officers for the council must also:

- maintain inventories of items of movable property which is valuable or portable under their control.
- mark movable items as the property of the council and secure them to prevent removal where possible.
- ensure that an annual check of such items is carried out.

- maintain detailed records of all stocks and stores under their control and adopt safeguards and procedures to prevent losses from waste, theft, deterioration, or damage.
- submit a stock or stores certificate at least annually.
- maintain proper security at all times for cash under their control.
- consult the senior strategic manager responsible for property assets where security is thought to be defective or where special arrangements may be required.
- agree maximum limits for cash held with the S151 officer.
- agree method and frequency of banking with the S151 officer.
- ensure security of keys to safes etc at all times and report the loss of such keys to the S151 officer, and
- ensure that the manager responsible for insurance is aware of the council's ownership of all assets

5.8.4 All staff must comply with the requirements of the council's asset disposal policy and procedure which seeks to protect the council's interest in assets, and that when disposed of, the council receives best value for them.

6. Incurring Expenditure

6.1 Authority to Incur Expenditure

- 6.1.1 With effect from 1st April 2009, the council implemented a new integrated financial management and information system called SAP which includes a procurement module called SRM.
- 6.1.2 The business unit/organisational structure within SRM refers to the way the council's financial information system has been set up for procurement. It is where all purchasing information is defined. The business units' control who has access to particular budget codes, who a user can shop on behalf of, which service users are linked to, which approvers can authorise which orders, users' ship to addresses, and the users authorisation limits.
- 6.1.3 All managers and their staff should familiarise themselves with their relevant budget codes and individual authorisation limits.

6.2 Procurement

- 6.2.1 The chief officer responsible for procurement is responsible for the procurement code which outlines policy and procedures for the procurement of goods, works and services at the council.
- 6.2.2 All members and officers of the council that are responsible for awarding, managing, and monitoring council contracts must adhere to this code and the following documents and policies:
- contract standing orders.
 - EU procurement directives.
 - contracting policies.
 - guidelines for contract management.
 - value for money strategy.
 - rules and guidance for post tender clarification and negotiation, and
 - transfer of undertakings (protection of employment) regulations 2006.
- 6.2.3 Contractors and partners fulfilling duties on behalf of the council must comply with the procurement and contracts code.
- 6.2.4 When contracting goods, works and services, an estimate of the contract value must be determined. For all contracts the value reported must represent the total potential cost (excluding VAT) over the full term of the agreement. This will determine the methodology by which the procurement must be undertaken, the level of advertising needed, and the number of quotes or tenders required.

6.2.5 Contracts should be awarded in accordance with the Council's Contract Procedure Rules, as follows:

- Most contracts can be let without formal reference to elected members.
- The value of any contract is based on the probable sum payable to the supplier over the term of the contract (exclusive of VAT), calculated by multiplying the annual cost of the contract by the duration in years, or where the duration is uncertain, by multiplying the annual cost by four.
- Where a contract has a whole life value over £1.5m, or is deemed to be of particularly high risk, sensitive or likely to have a substantial impact on the council's corporate priorities or its reputation, consultation with the relevant Policy, Finance & Resources Committee chair/members will be required and the Policy, Finance & Resources Committee will be required to give its approval prior to the procurement proceeding.
- Any contract to be awarded may be awarded only if there is adequate budget available to allow it to proceed.
- All contracts above £250,000 must be in writing and affixed with the common seal of the council.

6.2.6 Hampshire County Council have been authorised to contract on behalf of the Isle of Wight Council under the terms of strategic partnership arrangements.

6.3 Raising an Order

6.3.1 The S151 officer is responsible for:

- Agreeing the form of official orders and associated terms and conditions

6.3.2 The chief officers of the council are responsible for:

- Ensuring that verbal orders for works, goods or services are only placed exceptionally and are confirmed with a written order via SRM or equivalent system.
- Ensuring that orders are only used for goods and services provided to their service. Individuals must not use official orders to obtain goods or services for their private use.
- Ensuring that orders placed on behalf of the council are in the form agreed by the S151 officer and not in any other format.
- Ensuring that only those staff with approval to do so authorise official orders and to maintain an up-to-date list of such staff, including specimen signatures and identifying in each case the limits of their authority, and
- Ensuring that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, wherever possible, be carried out by a different person from the person who authorised the order.

6.3.3 Orders for works, goods and services must normally be placed on SRM or equivalent system and authorised by someone of at least the seniority set out below:

- Where the order is issued to reflect a procurement decision taken by members then the order may be authorised by the service budget manager.

- Where the above does not apply, and the order will have effect for more than a year and have a whole life value in excess of £50,000 then consultation with the Procurement Board will be required and the Procurement Board will be required to give its approval to the procurement proceeding; all reports to Procurement Board must be authorised by a director or senior service manager.
- In other cases, orders must be authorised in accordance with the table below:

Level	Financial Limit	Minimum Approval Required	Allocated Cost Centres
L7	Over £5m	Chief Executive or S151 Officer and another Director	As defined by Chief Executive via Senior Management Structure
L6	Up to £5m	Directors	As defined by Chief Executive via Senior Management Structure
L5	Up to £1m	Directors and service directors	As defined by Chief Executive via Senior Management Structure
L4	Up to £499,999.99	Strategic Managers	As defined by Director or service director
L3	Up to £249,999.99	Service Budget Managers	As defined by Director or service director
L2	Up to £99,999.99	Officers authorised to act on behalf of Service Budget Managers	As defined by Service Budget Managers
L1	Up to £9,999.99	Other Officers with approval to raise orders	As defined by Service Budget Managers
L0	Up to £200	No approval required	

6.3.4 Purchase orders for more than £5 million cannot be raised in the normal way on SAP as the SRM module is not configured to deal with orders over this value. Also orders above this level will require a higher level of approval than normal as they have a significant impact on the council's accounts and cash flow. The large orders team in the business centre are able to raise large orders in SAP outside the normal SRM process.

6.3.5 In the case of adult social care orders, these are raised and authorised outside of the SAP financial and purchase order system via a specific adult care management and procurement process, but are subject to the same authorisation limits as outlined above. The entry of these orders in the SAP financial and purchase order system is simply an administrative process to enter the information into the council's accounts and facilitate payment to providers and should not require further authorisation.

6.4 Procurement cards

- 6.4.1 Procurement cards have been made available to council staff and members to:
- reduce paperwork and administration time involved in the ordering and invoice process for low value, high volume goods and services, and
 - enable online procurement of goods and services where better value for money can be achieved as a result.
- 6.4.2 They are most commonly used for:
- corporate travel (boat and rail).
 - Accommodation.
 - conference booking.
 - meals and subsistence (where applicable and within the guidelines set down for these claims).
 - internet purchases for ad-hoc items (within procurement card regulations).
 - procuring items in place of the petty cash system, and
 - for multiple low value items (e.g. library books from amazon.co.uk).
- 6.4.3 The chief officers for the council will be responsible for:
- nominating members of staff who should receive a procurement card.
 - ensuring that cards are used in line with the financial procedures and card holder's manual.
 - ensure that VAT receipts are available for transactions and that VAT is claimed where possible, and
 - reviewing and authorising the cardholder's transaction report each month within the agreed time scale as specified in the cardholder's manual.
- The S151 officer retains the right to refuse or withdraw a card.
- 6.4.4 Card holders are responsible for complying with the procedures and requirements of the cardholder's manual specifically, card holders must ensure that:
- transactions are within the transaction limits set for their card.
 - they reconcile the VAT (where a valid receipt is held), gross values and cost codes of all card transactions made against the card for each accounting period and within the required deadlines. Any card holder who repeatedly fails to authorise their transactions within the given timescales may have the use of their card suspended.
 - the card is returned when employment with the council ceases, or during long term sickness or maternity leave, or when a member ceases their role with the council.
 - a receipt is obtained for all purchases and kept by the cardholder's reconciler or their line manager for the required period of time (6 years), and
 - the card provider and the council are notified immediately if the card is lost or stolen.
- 6.4.5 Cards holder must not:
- allow any other person to use the card.
 - use the card to obtain cash (except in exceptional circumstances approved by the senior service manager e.g. obtaining foreign currency whilst abroad);

- use the card to obtain fuel (except in exceptional circumstances approved by the senior service manager).
- use the card for personal purchases, and
- disclose the PIN to anyone.

6.4.6 Misuse of procurement cards will lead to immediate cancellation and will be viewed as a breach of the council's standards of conduct and could result in disciplinary proceedings being taken.

6.5 Payment of accounts

6.5.1 The manager responsible for the payment of accounts is responsible for:

- ensuring that all the council's financial systems and procedures for ordering and paying for works, goods and services are sound and administered properly.
- agreeing, in consultation with the chief officers for the council where appropriate, any changes to existing financial systems and to approve any new systems before they are introduced.
- making payments from the authority's funds on the S151 officer authorisation that the expenditure has been incurred in accordance with financial regulations.
- defining the requirements for the checking and certification of invoices prior to payment to confirm that the goods have been ordered and received, the invoice is in order and in the case of exceptions to the requirement of a purchase order is certified for payment by the nominated budget manager (holder).
- setting and reviewing a value for invoices, currently £200, below which payment will be made upon certification that the goods or services have been received and that the invoice is in order, without the requirement for additional authorisation.
- setting and reviewing a variance level, currently +/-10% of the order value up to a maximum of £50.00, at which invoices will be paid against the 'confirmed' goods receipt without referral to the originating service. Invoices with a variance over this amount will be referred back to the originating service for approval or query with the supplier.
- making payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.
- making payments to contractors on the certificate of an authorised officer, which must include details of the value of work, retention money, amounts previously certified and amounts now certified, and
- agreeing arrangements for exceptions to the standard payment mechanisms to account for self-billing and other invoices such as utilities.

6.5.2 The chief officers for the council are responsible for:

- ensuring that the council's corporate financial systems are used for payment for work, goods, and services except where specialist systems are used in agreement with the S151 officer. Staff should not use personal funds to pay for work, goods or services on behalf of the council, the only exception being out of pocket expenses incurred within the guidelines set down for these claims.

- ensuring that payment is not made unless a proper VAT invoice has been received, which matches the confirmation value on the purchase order, or in the case of expenditure incurred which is deemed an exception from the purchase ordering process, has been coded and certified for payment.
- ensuring that payments are not made in advance of goods being supplied, work done, or services rendered to the council except with the approval of the S151 officer.
- ensuring that payments are approved by staff authorised by the S151 officer and that details of such authorised staff, including specimen signatures and limits of authority, are provided to the service responsible for the payment of accounts.
- ensuring that all undisputed invoices are settled within 20 days from receipt of the invoice; ensuring that the service obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, which are in line with best value principles as contained in the authority's procurement strategy, and
- utilising the purchasing procedures outlined in the authority's procurement and contracts code.

6.6 Petty Cash

- 6.6.1 The S151 officer (or an officer with delegated responsibility) is responsible for authorising advances for imprest accounts.
- 6.6.2 The chief officers for the council should ensure that each imprest account held within the service is uniquely named with reference to the place held or person. They should delegate responsibility for the overall running of the imprest account to a named responsible officer, not necessarily the end-user, who ensures the correct procedures are followed.
- 6.6.3 The responsible officer must ensure that:
- petty cash bank account card holders do not allow any other person to use their card or disclose their PIN to anyone.
 - any cash withdrawn from the petty cash bank account is kept as securely as is reasonably practical.
 - petty cash is only used for council purposes.
 - expenditure on any one item should be limited to £50.00 except where expressly authorised by the manager responsible for the payment of accounts or a person nominated by them.
 - VAT is properly accounted for on the petty cash claim form.
 - VAT receipts must be retained and attached to the office copy of the claim form and retained for 4 years plus current year.
 - petty cash imprest accounts must not be used to reimburse staff travelling and subsistence expenses, and
 - claims are submitted when approximately half the imprest cash has been used.
- 6.6.4 On a change of responsible officer, a final claim should be completed and the entire

imprest account repaid. The successor when known will then be reissued with the total imprest advance.

- 6.6.5 If the imprest account is handed over directly from the current to the new responsible officer, the account need not be repaid provided the new responsible officer is satisfied that the full amount is accounted for. Both officers should sign a change of responsible officer form.

6.7 Value Added Tax (VAT)

- 6.7.1 The Isle of Wight Council must keep VAT records of both invoices received and raised for 4 years plus current. Customs officials will periodically visit the council to inspect their records and check that they have accounted for VAT correctly, issuing penalties where errors are found.
- 6.7.2 The chief officers for the council are responsible for ensuring that suitable VAT documentation is available and submitted to the service responsible for the payment of accounts, for all payments made. Where invoices are raised for services provided by the council, the chief officers for the council are responsible for ensuring that the correct VAT coding is allocated.
- 6.7.3 The chief officers for the council are responsible for ensuring that they comply with the requirements of the councils VAT manual and that all staff are aware of those requirements.
- 6.7.4 Where a service makes VAT errors that are discovered by customs, that service will be responsible for settling any consequent assessment and penalties.

6.8 Vacancy Management

- 6.8.1 A large element of the council's expenditure relates to staff costs. Vacancy management ensures that sound business case principles apply to each and every occasion a manager considers it necessary to recruit to a post, extend an existing fixed term contract of employment or increase the hours of work of an existing post.
- 6.8.2 The chief officers for the council are responsible for compliance with the council's recruitment policy and process.

6.9 Salaries and Pensions

- 6.9.1 The S151 officer and the relevant chief officer (with responsibility for salary payments) will agree on arrangements to pay all salaries, gratuities, compensation, and other emoluments to all employees of the council (and the payment of pensions from the pension fund) unless alternative arrangements have been determined by schools under Department for Education legislation. Where such arrangements have been determined,

they shall be subject to the approval of the S151 officer and relevant chief officer.

- 6.9.2 Managers should notify the S151 officer and the relevant chief officer promptly of all matters relating to the pay and remuneration of employees and in particular:
- appointments, resignations, dismissals, suspensions, secondments, and transfers.
 - absences from duty for sickness or other reason apart from approved leave.
 - changes in remuneration other than normal increments and pay awards and agreements of general applications.
 - information necessary to maintain records relating to pension, income tax, national insurance, etc.
 - time records and other pay documents should be examined for correctness and certified by or on behalf of the appropriate member of the chief officers for the council.
 - no payment will be made unless it has been authorised by an officer on the approved list of authorised officers.
 - all time records or other pay documents shall be in a form prescribed or approved by the S151 officer and strategic manager for human resources.
 - no variation of an individual's rate of remuneration shall be made, except as specifically provided for in the employee's conditions of employment, without prior authorisation by the strategic manager for human resources, and
 - all deductions from remuneration shall be authorised in writing by the employee concerned unless in accordance with their conditions of employment or because of a statutory requirement.

6.10 Travelling, Subsistence, Financial Loss and other Allowances

- 6.10.1 All claims for payment of car allowances, subsistence allowances, travelling and incidental expenses shall be submitted in line with the council's expenses policy which is based on a principle of reimbursement of costs incurred and not as a scheme of allowances that automatically apply in given situations.
- 6.10.2 All claims for payment under this policy shall be submitted online using the employee self-service portal, on the council's intranet site, within the schedule of deadlines circulated annually.
- 6.10.3 Claims shall be authorised by managers on-line using the manager self-service portal, in accordance with the organisational structure, only where valid VAT receipts have been retained by the employee and made available to the manager for confirmation.
- 6.10.4 Certifying officers should satisfy themselves that journeys claimed were authorised, expenses properly and necessarily incurred and that the allowances are properly payable by the council in accordance with the conditions of service applicable at the time. Certifying officers should also confirm that valid VAT receipts are available for all claims.
- 6.10.5 The names of officers authorised to sign such records shall be submitted by each member of the chief officers for the council to the manager responsible for the payment of accounts

with specimen signatures. This list should be reviewed annually, and the list shall be continuously updated by senior service manager.

6.10.6 No payment shall be made unless it has been duly authorised.

6.10.7 All claims should be submitted within three months of the date of the event to which the entitlement relates. Any claims received in respect of the previous financial year received after 31 May will be determined in accordance with directions given by the S151 officer.

6.10.8 Officers' claims submitted more than three months after the expenses were incurred will only be paid with the express approval of the manager responsible for the payment of accounts in consultation with the appropriate senior strategic manager for the council.

6.10.9 Payments to members, including co-opted members of the council or its committees, who are entitled to claim travelling or other allowances, will be made by the manager responsible for the payment of accounts upon receipt of the prescribed form duly completed.

6.10.10 To enable the council to submit a claim to recover VAT incurred by its employees on business mileage, currently it is necessary for a sample exercise to take place each quarter to collect a month's worth of fuel receipts to substantiate the amount of VAT being recovered by the council; to this end an email will be sent to all staff who have claimed mileage in a particular month requesting that valid VAT receipts are produced. It is important that these are provided promptly when requested so that the full amount of VAT can be recovered.

7. Income

7.1 Management of income

- 7.1.1 The management of income, including from fees and charges, should form a key part of the budget and business planning processes of the council. In view of the current financial environment for public services, the proactive management of income as well as expenditure is being integrated into the council's medium-term budget and business planning processes to help deliver specific outcomes and contribute towards local objectives.
- 7.1.2 All fees and charges levied by the council, and concessions available will undergo a robust annual review as part of the budget setting process. As a result, the annual review process must be completed in time to influence the annual budget process and will be led by the relevant chief officer (responsible for the service area) for the council. As a general principle, the annual review of fees and charges will seek to ensure that charges increase at least in line with inflation.
- 7.1.3 In addition to the above, between reviews, the chief officers for the council will have the authority to adjust fees and charges where this is considered necessary to reflect changing circumstances.
- 7.1.4 There are a number of examples of fees and charges that are set nationally by central government e.g. planning applications, registration of births, deaths, and marriages. In such cases, the council's strategy is to levy the fee set by central government, and that such a charge will be made without exceptions. Where the council has control over whether such a charge is levied, and there is no good reason for an exception to be made, it is the council's policy for a charge to be made.

7.2 Charging Principles

- 7.2.1 The council's charging policy is built on six key principles that are applicable to all charges levied, in every service. As stated previously, charges should be made in accordance with statutory requirements and for all discretionary services, and when new services are introduced consideration of charging options should be taken into account.
- 7.2.2 The chief officers for the council are responsible for ensuring that the principles as set out below are applied in their service areas:
- all fees and charges should cover the total costs of providing the service including overheads and capital financing costs (where appropriate), except for those charges agreed to be exempt. The provision of a subsidy for an individual or group should be a conscious choice.
 - charging should contribute towards achievement of the council's priorities.

- where charges are not made for a service, or reduced below total cost recovery level, the reasons should be reconsidered as part of the annual review process to ensure opportunities for significant income streams are not being lost.
- people receiving adult social care community-based services will be charged according to the national fairer charging policy which relates an individual's ability to pay to the maximum charge which can be levied under the policy.
- the policy should be simple and easy to apply, avoid generating any additional costs for the council, and allow service services the flexibility to shape delivery of the policy to meet the needs of their customers, and
- charges should be reviewed on an annual basis as part of the budget setting process, using clear and transparent data and information as a basis for setting the level of charges.

7.3 Income Collection and Banking

7.3.1 It is the duty of all staff of the council, and the chief officers for the council in particular, to ensure that all income due to the council is collected in line with the sundry income credit procedure. The function and objectives of this credit procedure are to protect the council's investment in debtors by ensuring that:

- invoices are accurate, clearly stating the date of supply of goods/services.
- VAT is accounted for in accordance with statutory requirements.
- the income is credited to the correct budget as soon as the invoice is raised, and
- the invoice is issued within 14 days of the service being provided or within seven days of the issuing service receiving all necessary information.

The procedure also exists to raise awareness of the debt recovery process and the importance of accurate and timely invoicing on the successful collection of income due to the council.

7.3.2 Sources of income include:

- proceeds from sales of goods and services.
- fees and charges.
- rental income.
- grants from external agencies.
- reimbursement of expenditure incurred on behalf of others, and
- taxation.

7.3.3 Income forms a part of each services controllable budget; therefore, it is in the direct interest of each service that income due should be received in full, regularly reconciled to ensure outstanding amounts are identified and followed up, and accounted for in an accurate and timely manner.

7.3.4 The S151 officer has responsibility for arrangements for the collection of income due to the council as identified by the chief officers for the council and their staff.

7.3.5 The constitution empowers the chief officers for the council to make such decisions and to initiate such actions as they deem necessary in the interests of the efficient delivery and improvement of the services which they deliver. Specifically with regard to income generation it states:

- in accordance with council policies, to authorise any increase, or decrease, in fees and charges subject to consultation with the Policy, Finance & Resources Committee chair/members and the S151 officer, and
- within policy, to make application for any grants or external funding on behalf of the council.

7.3.6 The chief officers for the council also have responsibility for ensuring that:

- expenditure and income are monitored on at least a monthly basis.
- an 'exit strategy' is in place for projects funded from non-recurring or declining income streams.
- maximisation of income through charging and trading, as well as any other sources of additional funding.
- where possible, income should be obtained in advance or at the point of delivery of goods and services. Such an approach minimises the cost of collection and the risk of non-collection and is particularly relevant for small amounts of income.
- at the point at which income is received by a council officer or agent, the person making the payment must be issued with an official receipt or ticket. This practice is for the protection of both the payer and receiver and applies equally to transfers of funds between officers of the council.
- income must be paid into a bank or cash office promptly using official stationery and must be paid in intact and not used to offset payments in order to ensure that gross income and expenditure are properly recorded.
- fees and charges must be applied consistently to all and be in accordance with council policies. Each service must maintain a full list of approved fees and charges which apply to the services it provides. This list should be reviewed annually to ensure it remains current and takes proper account of inflationary increases, other increases in accordance with the budget strategy and new charges.
- systems established for income collection follow the principles set out above.
- income received is promptly processed, regularly reconciled, accurately coded and that outstanding amounts are followed up.
- levels of fees and charges are in accordance with council policies or in accordance with statutory requirements, and
- taxation, and in particular value added tax, is applied appropriately where required by tax regulations and is accounted for correctly.

7.4 Banking Arrangements

- 7.4.1 The following requirements apply to all of the council's bank accounts except in respect of schools delegated budgets in which case the scheme for financing schools will apply:
- bank accounts in respect of council funds shall be opened only by the S151 officer.
 - each account shall include the words 'Isle of Wight Council' in its title.
 - all banking arrangements shall be made by the S151 officer including the ordering, control and issue of cheques and signing thereof.
 - bank account signatories can only be set up/changed with the authorisation of the S151 officer.
 - bank accounts must be operated in accordance with rules or guidance (e.g. year end closedown procedures) issued from time to time by the S151 officer, and
 - council bank accounts must not have overdraft facilities, except in accordance with the council's treasury management strategy and the specific approval of the S151 officer.

7.5 Internal recharges

- 7.5.1 Recharges are carried out to fulfil a number of different requirements to reallocate costs across the council including:
- to apportion or allocate the costs of central support services to other service proportional to the benefit received by those services.
 - to apportion or allocate the costs of individual service management and support costs to other services proportional to the benefits received by those services, and
 - to reallocate costs which have initially been charged to one cost centre, to one or more other cost centres.
- 7.5.2 **Central support recharges** - The S151 officer is responsible for ensuring that appropriate arrangements are made to comply with the SerCOP requirements that front line services carry the full cost of providing those services including the cost of support service activities. This requires the costs of support services to be apportioned against front line services.
- 7.5.3 The S151 officer will agree appropriate apportionment methodologies with the chief officers for the council to enable this apportionment to take place having regard to the SerCOP stated principles of recharging:
- complete recharging of overheads – all relevant attributable costs of a service including support service costs, overheads and capital charges (and the cost of any impairment loss and the amortisation of deferred charges.);
 - correct recipients – any system used must correctly identify who should receive overhead charges.
 - transparency – recipients must be clear about what each recharge covers and be

provided with sufficient information to enable them to challenge the approach being followed.

- flexibility – recharging arrangements must be flexible enough to allow recharges to be made regularly enough and to the level of detail appropriate to meeting both users and provider’s needs.
- reality – recharging arrangements should result in the distribution of actual costs based on fact. Even if the link cannot be direct, reality should be the main aim.
- predictability/stability – recharges should be as predictable as possible, although there will be practical limitations to this, and
- materiality – it is unlikely that a simple system will be adequate to meet all other requirements as above. However due regard should be given to materiality to minimise the costs involved in running the system.

7.5.4 The chief officers for the council have responsibility for ensuring that information required to achieve this apportionment is available as and when required.

7.5.5 **Management and support recharges** - Each service is likely to have management and support costs which are collected on one or more cost centres, but which then need to be cleared-down before year-end to divisions of service. Both budgets and actuals are processed by the relevant budget accountant for each service area. These recharges need to be reviewed on a regular basis to ensure that they take account of restructurings and other changes in management responsibilities.

7.5.6 **Direct recharges** - In certain instances, ‘above line’ recharges may be made by a ‘provider’ service to recover costs incurred over and above their budget. In these cases, the budget for the work performed should be part of the commissioning service budget and any additional expenditure incurred by the provider will be offset by the recharge.

7.5.7 The amounts involved should be agreed in advance and properly authorised by the provider service. It is important that the recharged income and expenditure is treated properly in the coding structure to avoid double-counting.

7.5.8 Certain central services such as postage, courier, printing, and telephones are also treated as ‘direct’ recharges. Care needs to be exercised in the use of relevant GL codes to avoid double-counting. The SAP facility for assessment and distribution should be used where possible if there are regular recharges between cost centres codes for similar monthly values. Also falling into this category are recharges made to capital projects. Caution should be exercised to ensure that the expenditure meets the criteria for capital and that there is a working paper to support the value of the recharge. It is important that any on-going assumptions about recharge budgets made by the provider are supported by approved plans. Recharges are also made internally by services or between services for other costs that require reallocating.

7.5.9 VAT would not be charged on supplies of goods or services to other Isle of Wight Council services or establishments.

7.6 Debts

7.6.1 Debts to the council can normally only be discharged by being paid. However, there may be instances where debts are not pursued:

- Debts may not be invoiced where the debt is for less than £10.00 and where it would be uneconomical to attempt to collect such a small amount. Where this decision is taken, services must maintain lists of debts not invoiced and obtain authorisation in line with the process below.
- Debts may be written off where the debt is due but is deemed irrecoverable or uneconomic to collect as soon as it is evident that the debt is irrecoverable or uneconomic and wherever possible within a maximum of 9 months from issue of the invoice. Write off authorisation forms will be forwarded to the service for authorisation by the relevant person again in line with the process below.

7.6.2 The authorisation for write offs or non-recovery is as follows:

- a) by the senior manager responsible for the payment of accounts and collection of income,
 - receiverships/liquidation/bankruptcy debts as soon as the debt has been registered with the official receiver.
 - write off/non recovery of debits/credits of up to £200 in the interests of good housekeeping, and
 - where the senior management responsible for legal services advises in writing that a debt is irrecoverable at law and the debt is below £5,000.
- b) In all other circumstances the write offs/non recovery between £200 and £5,000 to be authorised by the relevant senior service manager and the senior manager responsible for the payment of accounts and collection of income.
- c) Write offs/non recovery between £5,000 and £25,000 to be authorised by relevant member of the chief officers for the council and S151 officer.
- d) Write offs/non recovery above £25,000 as in (c) plus the Policy, Finance & Resources Committee.

7.6.3 If an invoice should not have been raised in the first place due to error, incorrect liability or incorrect value, a credit note must be raised by the initiating service. The credit note will then be authorised by the senior manager responsible for the payment of accounts and collection of income.

8. External Arrangements

8.1 Partnership arrangements

- 8.1.1 Partnerships now play a key role in delivering community strategies and in helping to promote and to improve the well-being of the area. The council will take an increasingly leading role in mobilising investment, bidding for funds, championing the needs for its area and harnessing the energies and efforts of local people and the community organisations. However suitable financial, performance and governance arrangements need to be considered before entering into such a partnership.
- 8.1.2 The chief officers for the council are responsible for authorising the formation or joining of such a partnership by the council on the basis of the above information provided by the senior service manager.
- 8.1.3 Where the proposed partnership presents a high level of risk or where its formation commits the council to spend which is outside of the agreed cash limited budget or corporate priorities, the decision must be referred to the chief officers for the council and Policy, Finance & Resources Committee.
- 8.1.4 Chief officers for the council considering the formation of a partnership are responsible for ensuring that:
- where the partnership wants to use the council's financial, contract-making, and other facilities, and elements of the financial regulations are not appropriate, then dispensation must be sought through delegated decision, or the issue of specific operational instructions, in consultation with the S151 officer.
 - adequate risk management processes are in place to identify and assess and manage all known and reasonably foreseeable risks.
 - project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise.
 - the roles and responsibilities of each partner involved in the project are agreed and formally accepted before the project commences.
 - documentation is in place setting out and limiting the commitments of parties to each other and the project, including an appropriate exit strategy to be followed in the event of a planned or unplanned termination of the arrangement, which must form part of the formal agreement.
 - adequate arrangements are in place to ensure the accountability of other organisations for council moneys, and that such money is only released against proper controls.
 - regular communication is maintained with other partners throughout the project, so that problems can be identified and shared promptly to achieve their successful resolution.
 - the S151 officer has approved the accounting arrangements, and
 - the senior management responsible for legal services has approved the terms of the partnership agreement.

8.1.5 The council has formed strategic partnerships with Hampshire County Council (HCC) for the provision of public health services. Staff continue to be employed by IWC and both they and HCC are required to co-operation in accordance with the IWC constitution, scheme of delegations and policy framework.

8.2 Pooled budgets

8.2.1 Pooled budgets under Section 75 of the National Health Service Act 2006, involve NHS bodies and councils putting money into a dedicated budget to fund one of a wide range of care services. A pooled budget is defined as being 'a mechanism by which the partners to the agreement bring money to form a discrete fund'. The purpose and scope of the fund is agreed at the outset and is then used to pay for the services and activities for the relevant client group.

8.2.2 The aims and resources of the partnership should be set out in an agreement, and the level of contribution to be made by each partner agreed in advance before the budget is approved. The pool is not a separate legal entity, hence all partners in the pool nominate one partner to host the pool, the pool accounts being compiled on an income and expenditure basis and included in, and audited as part of, the host body's accounts. The host body is required to produce a memorandum account of the financial activity of the pool, published as part of the statement of accounts and certified by the host's external auditor.

8.2.3 The S151 officer is responsible for establishing appropriate accounting arrangements for any such pooled budget arrangements where the council is nominated as the host body.

8.3 External funding

8.3.1 A large proportion of the council's income takes the form of grant from central government, European or other bodies. The S151 officer has responsibility for ensuring that suitable arrangements are in place to account for grant income.

8.3.2 The chief officers for the council are responsible for:

- notifying the S151 officer of any bids made for grant income and providing any supporting information.
- notifying the S151 officer of any awards of grant.
- keeping a record of the grant conditions and any audit requirements.
- ensuring that grant is spent in accordance with any conditions and that claims are made in compliance with any deadlines, and
- monitoring receipt of grant claim amounts and allocation to an appropriate income code.

8.4 Work for third parties

8.4.1 The council may under certain circumstances provide services to other local authorities or other external organisations on a commercial basis and subject to a charge. Specific powers to charge for services are contained in a variety of local government statutes as well as more generalised legislation including:

- Local Authorities (Goods and Services) Act 1970 - councils were given powers to enter into agreements with each other and with a long list of other designated public bodies.
- Local Government Act 2003 - enables councils to trade in activities related to their functions on a commercial basis with a view to profit through a company. In addition, the 2003 Act empowers councils to charge for any discretionary services on a cost recovery basis. Originally, trading through a company was confined to certain categories of councils but a Trading Order, in force since October 2009, removed such restrictions.
- General Power of Competence (GPC) contained in the Localism Act 2011 - now sits alongside local government's existing powers to trade and charge. Under the Localism Act 2011 commercial trading through a special purpose trading company is now an option open to many more public bodies including eligible parish councils, fire and rescue authorities, integrated transport authorities, passenger transport executives and economic prosperity boards in England. New powers contained in the Localism Act also provide the ability to charge for discretionary services on a cost recovery basis.

8.4.2 Recognising the council's budgetary pressures this could provide a valuable source of income, but consideration needs to be given to the following issues:

- the need to establish a formal trading arm where appropriate.
- compliance with EU procurement rules if trading with other local authorities
- state aid issues.
- tax implications.
- the capacity to continue to provide statutory functions.
- full cost recovery including central support charges.
- impact on other local island businesses and the economic regeneration role of the council.
- establishing suitable contracts or service level agreements.
- level of risk to which the council will be exposed.
- financial and accounting implications.

8.4.3 The S151 officer is responsible for issuing any more detailed guidance on the financial aspects of contracts with third parties and external bodies.

8.5 Collaborative Working Arrangements

- 8.5.1 The current financial climate will require the council to work increasingly in collaboration with other public sector organisations, parish and town councils and community groups.
- 8.5.2 In achieving greater collaborative working across these sectors, informal or voluntary agreements will no longer suffice, and new explicit formal governance and management arrangements will have to be put in place to provide certainty and direction around:
- structures, governance, and accountability arrangements.
 - redesign of services.
 - information sharing.
 - agreed outcomes.
 - effective use of resources.
 - how the various collaborative organisations will work together, and
 - how the funding should be managed.
- 8.5.3 The chief officers for the council are responsible for
- ensuring that all guidance issued nationally in relation to collaborative working and community budgets is complied with.
 - ensuring that all guidance issued by the S151 officer is complied with and that all agreements and arrangements are properly documented, and
 - the senior management responsible for legal services has approved the terms of the agreements.

8.6 Accountable Body Arrangements

- 8.6.1 The advent of localism, community budgets and pooled budgets, as well as the more traditional partnerships, could result in the council taking on the accountable body role in order to ensure the value for money, scrutiny, and governance of such arrangements. This presents both reputational and financial risks to the authority which need to be considered in agreeing to take on the accountable body role.
- 8.6.2 However, the council is also in a position to be able to support and advance partnership projects to access grant funding which as a local authority we could not, or which smaller non statutory organisations could not. In this capacity, it is important that the council weighs the valuable role it can play in developing partnerships and delivering outcomes to the island against the financial and reputational risks that presents.
- 8.6.3 An accountable body is a legal entity nominated to act on behalf of a partnership to take responsibility for the receipt and use of external funding. It is usual for the partnership member that already has a statutory role, if there is one, to take on the

accountable body function. In many instances this means that the council will take on this role.

- 8.6.4 It is important that all the implications to the council are considered before taking on this role either for a partnership, or for a funding stream. There may be instances where an existing partnership applies for a new grant, and this will expose the council to new or additional commitments or risks which need to be considered before the partnership makes the application. The aim would be to avoid having to refuse a grant offered because the council cannot commit to grant obligations or match funding requirements.
- 8.6.5 Equally, the council has agreed a corporate plan which outlines the key priorities and a medium-term financial strategy which details the way in which financial resources will be applied to deliver those priorities. It is important that where the council agrees to take on accountable body status, it does so in line with our agreed priorities and financial resources, and that partnerships or grants are not developed in isolation.
- 8.6.6 Chief officers for the council are responsible for ensuring that all instances where the council may be required to take on the role of accountable body are notified to the S151 officer for approval.

8.7 Grants

- 8.7.1 The pressure on council budgets and the current financial climate mean that the council is under pressure to maximise income sources and ensure that funding is directed to the key corporate priorities. This may impact on the council's ability, within its restricted resources and capacity, to undertake those one-off projects which in the past have been viewed as adding value or providing additional and possibly non-traditional services to the wider community.
- 8.7.2 The council however can continue to have a role in facilitating those services through partnership and community arrangements, but the obligations placed on the accountable body by grant funding organisations do need to be considered carefully before proceeding to ensure that we understand the longer term implications.
- 8.7.3 In the current financial climate the council needs to both maximise income streams and ensure that all expenditure is focused on key corporate priorities and provides value for money. It may therefore be appropriate to consider the use of 'grant finding' type software to maximise income available, however there needs to be a corporate view of whether the use of any such grant funding contributes to the council's key priorities, or whether it actually creates additional service or one off project commitments which the council would otherwise not have undertaken.
- 8.7.4 Chief officers for the council are responsible for ensuring that all grant applications are approved by the S151 officer prior to applications being submitted.

9. Financial Conduct

9.1 Need for openness and impartiality

9.1.1 This section deals with transactions between the council and members of staff and the need for openness and impartiality. It covers transactions involving sales and purchases or the provision of services. These are areas that require particular attention as often they give rise to actual abuse or allegations of abuse or impropriety, which although mostly unfounded are particularly damaging to the council's reputation.

9.2 Sales and Purchases from staff and members

9.2.1 In order to avoid potential conflicts of interest, sales and purchases of goods and services between members and employees and the council should, as a matter of principle, be avoided except when they occur in the normal course of business and the charge is identical to charges made to the general public.

9.2.2 If there are special reasons for departing from this basic rule in a particular case, then the prior approval of the chief officers for the council must be obtained and the council's contracts procedure rules should be adhered to strictly. In all such cases the chief officers for the council will particularly wish to ensure that the terms of any arrangement are, and are seen to be, established in open competition and represent the best value for the council.

9.2.3 Any proposed transaction between the council and any of its members or any of its staff involving the purchase or sale of goods or the provision of services should be notified in advance to the S151 officer by the initiator unless the payment or charge is in accordance with a scale approved by the council.

9.3 Pecuniary interests, Conflicts of Interest

9.3 The council's procedure for declaring pecuniary interests and conflicts of interest must be complied with. It requires that members and employees of the council declare any interest they may have in any contract or a relationship generally which might cause a conflict between their private interests and the council's best interests. The requirement also applies to an employee's or member's close family, partners, or their firm.

9.3.2 The council's procedure also requires that such registrations are reviewed on an annual basis during the development review process. The chief officers for the council and others with line management responsibilities are required to ensure that this process is carried out. As such, a written record (a suggested format is included within the council's procedure) will be maintained on an employee's development review file.

- 9.3.3 Where a decision is to be made concerning a purchase or sale involving an employee's or member's personal interest, it must be seen to be the case that no favour or advantage accrues to the employee or member. The individual concerned must take no part in the discussion or decision on the issue.
- 9.3.4 In situations where there is a direct interest in a transaction, the council's normal competitive process must be followed. This applies for example to goods and services to be supplied to the council by an employee or member and to situations where the employee or member is to receive goods or services from the council. No advantage or favour must accrue to the employee or member simply because of their position within the council.

9.4 Gifts and Hospitality - requirement to declare

- 9.4.1 The council has a code of practice that deals with the offer and acceptance of gifts and hospitality that must be followed.
- 9.4.2 In the event of uncertainty, employees should consult their senior service manager for advice. Members should consult the council's monitoring officer for advice.
- 9.4.3 The code of practice requires that registers of gifts and hospitality, whether accepted or not, are maintained by each service. Services will register any offers made to them. The chief officers for the council are required to maintain their own registers which will be subject to review by the S151 officer or his authorised representative. Members are required to register offers made to them with the monitoring officer.
- 9.4.4 Registers must be reviewed on a frequent basis. The chief officers for the council will review those of their respective services. The members register will be reviewed by the monitoring officer.

10. Related Strategies and Guidance Notes

10.1 Strategy Documents

10.1.1 The council's strategic financial framework includes a number of related strategy documents as listed below:

Document	Outline	Date	Status
Strategic asset management plan	Strategic framework to ensure that we unlock the opportunities from our assets, dispose of those we don't need, minimise our running costs, and ensure that the assets we do keep are fit for purpose and used effectively in service delivery.	2017	Under revision
Capital strategy	Documents the principles and framework which underpin the council's approach to capital investments and expenditure	2024	Current
Charging policy	Provides a clear and consistent approach to charging, and develops a council-wide basis for determining concessions to ensure that no individual or group is excluded from accessing services due to their personal circumstances	2015	Under revision
Treasury management strategy	Sets out the council's annual strategy with regard to both borrowing and the repayment of external debt	2024	Current
Non-treasury investment strategy	Sets out the council policy for managing its investments and for giving priority to the security and liquidity of those investments	2024	Current
Risk management strategy	Provides the framework for the management of risk across the Isle of Wight Council and guidance to all employees and Isle of Wight councillors relating to their responsibilities in respect of risk management	2023	Current
VFM strategy	Ensures that the council has in place a framework, the necessary activities and monitoring and review processes that enable value for money to be delivered across all council services; and can answer the following questions about our services and activities.	3.09	Under revision
Project management framework	Ensures that all programme and project work is delivered with governance arrangements that are proportionate to size, visibility, and impact.	2022	Current
Vat manual	Manual for any staff dealing with payments or receipts dealing with all aspects of VAT.	2022	Current
Accountable Body Policy	Issues for consideration when the council is required to take on accountable body role.	2015	Current
Grants Policy	Issues for consideration when the council applies for grant funding.	2015	Current

10.1.2 Copies of full policies and procedures can be viewed at <http://www.iwight.com/documentlibrary>

10.2 Accounting Guidance Notes

10.2.1 Financial Management produce a series of accounting guidance notes which are intended for internal use only. These are amended and added to regularly and are currently undergoing a major review alongside a project to consider the future of the councils ERP system. Therefore, the list below is correct only at the time of the approval of these financial regulations:

Note	Subject
Accountancy Guidance Note 1	Virements and variations
Accountancy Guidance Note 2	Journals
Accountancy Guidance Note 3	Recharges
Accountancy Guidance Note 4	Capital Programme
Accountancy Guidance Note 5	Termination Benefits
Accountancy Guidance Note 6	Grants and Contributions year end balances
Accountancy Guidance Note 7	Vacancy Savings Management
Accountancy Guidance Note 8	Pooled Budget Closedown
Accountancy Guidance Note 9	Deferred payments balance sheet
Accountancy Guidance Note 10	Related Party Disclosures
Accountancy Guidance Note 11	Accruals
Accountancy Guidance Note 12	Stocks and Inventories
Accountancy Guidance Note 13	Closedown
Accountancy Guidance Note 14	Treasury Management
Accountancy Guidance Note 15	Income
Accountancy Guidance Note 16	Monthly forecasting process
Accountancy Guidance Note 17	Provision for Doubtful debts
Accountancy Guidance Note 18	Underspends and carry overs
Accountancy Guidance Note 19	Reserves and Provisions
Accountancy Guidance Note 20	Write offs and waived charge credit notes
Accountancy Guidance Note 21	VAT
Accountancy Guidance Note 22	Disposal of buildings and surrender of leases
Accountancy Guidance Note 23	Accounting for Asset Disposals

1. At its meeting of 18 March 2024, Audit and Governance Committee agreed that a matter relating to budget preparation and access to information be referred to its next meeting.
2. This paper provides information to assist with discussion.

BUDGET PREPARATION

3. The Council operates an executive model of governance. Full Council elects a Leader of the Council. The Leader appoints an executive (the Cabinet).
4. Approving a budget is a non-executive function and so is a function of the Full Council.
5. The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 set out what is and what is not a responsibility of the executive.
6. The Explanatory Notes to the 2000 Regulations sets out that:

“Paragraphs (9) to (11) of regulation 4 allocate responsibility for various aspects of functions relating to council tax, precepts and other calculations under the Local Government Finance Act 1992. To the extent that the function relates to the preparation and revision of estimates and other amounts for consideration by an authority it is to be the responsibility of an authority's executive. Other aspects of the function, such as the setting of an amount of council tax for a financial year, are to be the responsibility of the authority. The Council’s constitution sets out the procedure for approving a budget.”

7. This is reflected in the Council’s constitution as follows:

at page 104, “The Cabinet undertakes all Executive functions ... including:
(a) proposing plans and strategies, including the overall Budget...”

at page 31, setting out the functions of Full Council: “(b) adopts or amends the Budget and Policy Framework following recommendation from the Cabinet...”

8. At page 139 onwards, the constitution sets out the procedures for Budget Meetings, including:
 - (a) The Leader will be asked to move (with no debate at this stage) all approved Budget proposals that have been submitted, and these will be seconded.

(e) Full Council will then debate all the budget options as one debate, with the Leader speaking first and then the leaders (or their nominees) of each political group will be invited to speak for 15 minutes each. The order for speeches will be the order in which any alternative budgets were submitted to the Chief Finance Officer and then at the discretion of the chairman.

(h) The Leader will then be invited to formally move their recommended Budget, and this will be seconded. Those councillors who submitted alternative Budget proposals will then be invited (in the order in which the proposals were submitted) to move their proposals as an amendment, and without further debate those amendments will be voted on in turn. If an amendment is agreed, then this becomes part of the original motion.

(i) The process detailed in paragraph (h) will continue until all Budget proposals have been considered.

(j) Then the council will vote on the substantive budget recommendation (i.e., that moved by the Leader, including any amendments that the council might have agreed).

ACCESS TO INFORMATION

9. The protocol for councillors' rights to information is set out in the constitution at page 187 and onwards.

10. At page 223, the constitution in the protocol for member/officer/staff relations it sets out the following, in relation to budget proposals:

(a) The Leader and Cabinet are entitled to confidential information and discussions with officers regarding options and proposals. These will remain confidential until determined by the Executive or until published in advance of Cabinet/Committee/Council meetings, whichever is the earlier; and

(b) Opposition groups are also entitled to confidential information and discussions with officers to enable them to formulate alternative budget proposals. These will remain confidential until determined by the respective political groups or until published in advance of Cabinet/Committee/Council meetings, whichever is the earlier. Officers giving such advice must not be named in public.