



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

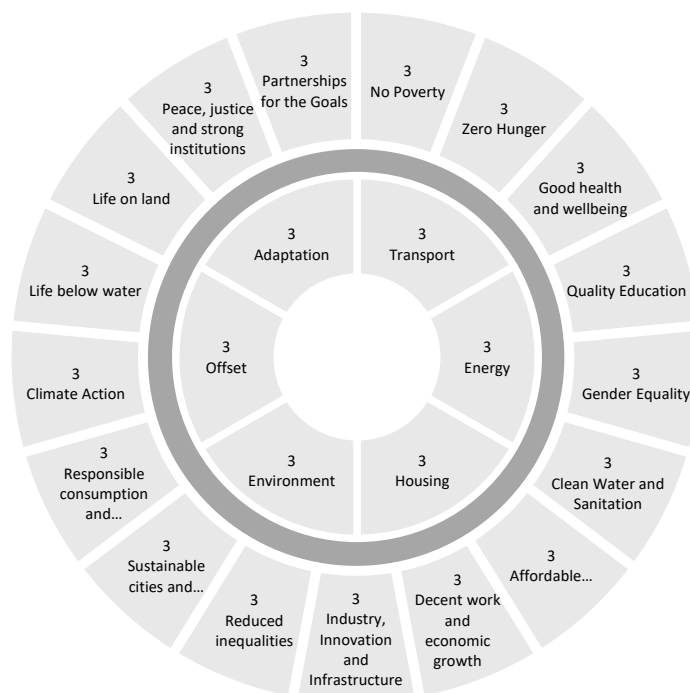
9. The financial regulations have an intrinsic link to the council's constitution and therefore consistency between these core governance documents is essential. Should the council decide to take forward an alternative governance model on a committee system basis the financial regulations need to be 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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