

## **20. Financial Regulations**

### **Purpose of Financial Regulations**

Financial Regulations are part of the range of internal control systems which the council puts in place to ensure that risks to the delivery of its objectives are minimised. They set out the roles and responsibilities of the Full Council, the Cabinet and senior officers in respect of financial management and are supported by more specific financial procedures providing guidance to all those involved in financial transactions.

Schools with delegated budgets are subject to a separate framework of regulation.

The detailed [Financial Regulations](#) are approved by the Full Council and are subject to regular review.

### **Budget setting**

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.

Full Council may approve overall capital service allocations but leave the selection of individual schemes to the Cabinet.

Approval of revenue and capital budgets as above confers authority on the Cabinet, and/or Directors to spend up to the net sums specified for each of the services within their remit, as set out within the financial information system.

Changes to the budget may be agreed by Directors in consultation with Cabinet members and the Chief Finance Officer, provided that there is:

- (a) No resulting reduction in the general reserve
- (b) No material reduction in service levels
- (c) No resulting un-financed increase in commitments in future years

Full Council approval is required for other budget changes.

Unspent budgets may be carried forward into the next financial year with the approval of the Chief Finance Officer. Overspendings will be a first call against the following year's budget.

### **Duties and responsibilities of elected councillors**

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 sets the Budget and the Policy Framework. The Cabinet shall receive in-year budget monitoring information and ensures that any remedial action is taken.

The Scrutiny committees have a responsibility to review and assist with resolving the financial issues it regards as most benefiting from its input.

The Scrutiny committees will pursue work programmes developing specific policy and strategic solutions to longer term issues, including those with a financial context.

## **Duties and responsibilities of the Chief Finance Officer**

The Chief Finance Officer has particular statutory and common law responsibilities that are incorporated in the following:

- (a) proper administration of the council's financial affairs
- (b) setting and monitoring compliance with accounting and financial management procedures and standards
- (c) implementing the council's duty to maintain an effective and adequate internal audit
- (d) advising on the corporate financial position, including the robustness of the budget and the adequacy of reserves
- (e) giving financial advice on all reports considered by the Cabinet
- (f) determining financing of capital and revenue budget items in the best financial interests of the council
- (g) prescribing key financial controls and where necessary, the format of the council's financial records
- (h) providing financial information
- (i) co-ordinating forward revenue and capital plans and monitoring delivery
- (j) treasury management and all banking arrangements
- (k) arrangements for the disbursement of the council's payments in respect of creditors, staff and partners
- (l) arrangements for the collection of income due to the council as identified by Directors and their staff
- (m) overall financial administration of the Isle of Wight Pension Fund, including:
  - (i) contributing to the effective leadership of the pension fund, maintaining focus on its strategy through rigorous analysis and challenge
  - (ii) contributing to the effective management of the pension fund, including strategy implementation, cross organisational issues, integrated business and resource planning, risk management and performance management
  - (iii) supporting the effective governance of the pension fund, through development of corporate governance arrangements, risk management and reporting framework and corporate decision making arrangements
  - (iv) leading or promoting change programmes that impact upon the pension fund
  - (v) leading development of a medium term pension fund financial strategy and the annual budgeting process to ensure financial balance and a monitoring process to ensure its delivery
- (n) advising the Pension Fund Committee on its strategy development and implementation responsibilities
- (o) ensuring that members of the Pension Fund Committee have the financial capabilities necessary to effectively perform their own roles

## **Duties and responsibilities of Directors**

This section sets out the financial management responsibilities of Directors. Most or all tasks will be delegated to Assistant Directors and Strategic Managers who may in turn further delegate to more junior staff. 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, Directors remain jointly and severally responsible for compliance. Responsibilities include the following:

- (a) Deploying budget resources to deliver the council's objectives in the most economically advantageous way and reporting on performance as required.

- (b) Ensuring that expenditure and income are monitored on at least a monthly basis and that:
  - (i) service cash limits are not exceeded
  - (ii) future expenditure commitments are constrained to matching resources
  - (iii) an 'exit strategy' is in place for projects funded from non-recurring or declining income streams
  - (iv) potential overspends are reported to the Chief Finance Officer, corporate management team, and the Cabinet if appropriate, together with proposals for remedial action.
- (c) Producing and implementing medium term service plans which incorporate:
  - (i) Revenue and capital bids prioritised in terms of corporate objectives
  - (ii) Least harmful responses to corporate savings requirements
  - (iii) Analysis of risks to service delivery and business continuity planning
  - (iv) Forthcoming procurements and other significant projects. Application of the council's risk assessment and 'gateway' process where appropriate
  - (v) Maximisation of income through charging and trading, as well as any other sources of additional funding
  - (vi) Business cases in support of spend to save and prudential code projects
  - (vii) Contributions to the council's medium term financial plan
- (d) 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.
- (e) Developing partnerships where these provide clear advantages to service quality or efficiency, subject to:
  - (i) Clear definition of the benefits expected
  - (ii) Robust monitoring arrangements
  - (iii) Clarity in the way risk is to be minimised and shared
  - (iv) A viable exit strategy
  - (v) Corporate approval where size or degree of risk warrants
- (f) Maintaining accounting records and audit trails in a form acceptable to the Chief Finance Officer, together with a documented scheme of delegation and authorised signatories. Each account and budget head to have a named responsible officer.
- (g) Ensuring that financial systems in operation, and any changes thereto, are approved by the Chief Finance Officer, and that statutory taxation requirements are adhered to.
- (h) 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:
  - (i) Applying risk management techniques in order to reduce risk to optimal levels
  - (j) Keeping the Chief Finance Officer informed about existing, new or changing risks, both insurable and uninsurable
- (k) 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 statement of internal control.
- (l) Applying the principles of segregation of duties, such that wherever possible, more than one individual is involved in managing the council's financial transactions

## **Other Policies and Guidance**

There are a number of policies and guidance notes that Directors are responsible for drawing to the attention of staff where necessary.