

FINANCIAL REGULATIONS and FINANCIAL PROCEDURE RULES

Executive Summary

The report presents an update on the plan and progress to develop an appropriate set of Financial Regulations and Financial Procedure Rules for Wiltshire Council.

The shared aim of the regulations and procedures is to protect and promote the financial interests of Wiltshire Council and therefore of the communities of Wiltshire.

The Financial Regulations provide a framework for Wiltshire County Council to manage its financial affairs. They set out key principles and expectations.

The Financial Procedure Rules form an overview of best practice of how the Council should conduct its financial management. The Rules also outline the responsibilities of Service Directors and the Chief Finance Officer in applying the Rules.

Proposals

At this stage no decisions are required at IE level.

IE is asked to note progress on the areas shown in the report.

IE is asked to note that the revised Financial Regulations and refreshed Financial Procedure Rules will form part of the draft Constitution for Wiltshire Council to be reviewed for approval by IE in January 2009.

IE is asked to note that the Financial Procedure Rules will continue to be reviewed during 2009-10 to reflect the changing service environment following BMP and transition to unitary status.

Reasons For Proposals

To advise and inform IE of the progress towards developing Financial Regulations and Procedures.

SANDRA SCHOFIELD
Chief Finance Officer

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Purpose of the Report

1. The report presents an update on the key issues and progress with the work of the 1C4W Finance Community in developing a set of Financial Regulations and Financial Procedure Rules appropriate for Wiltshire Council.

Main Considerations

Key issues - background

2. Each of the existing authorities coming together to form Wiltshire Council has its own set of Financial Regulations and Financial Procedure Rules, both approved by their own Members and reviewed by external auditors. However, there are significant differences in the financial environments in Districts and the County; for example, the County has an asset base of over £500m while each District has around £40m - £50m (excluding Salisbury's housing); the County's procurement spend is significantly greater than the Districts, but each District has much greater involvement in cash collection and payments – for example council tax, housing benefit and car-parking. This means that the regulations and procedures for the new authority need to be a combination of the existing frameworks, not simply an extension of any one authority's rules.
3. Financial Regulations provide a framework for councils to manage their financial affairs. They set out key principles and expectations in a single document available to Members, officers and the public, and give clarity about the financial accountabilities of individuals – Cabinet Members, the head of paid service, the monitoring officer, the chief finance officer and other chief officers.
4. Financial Procedure Rules shape best practice in how the Council should conduct its financial management. They explain how the Council meets its key principles and expectations as set out in Financial Regulations. The Rules also outline the responsibilities of service directors and the chief finance officer in applying the Rules within their areas of operations.
5. The Financial Procedure Rules are supported outside the Constitution by a comprehensive range of Financial Standards detailing individual operational procedures within finance.

Key issues - purpose

6. The shared aim of the regulations and procedures is to protect and promote the financial interests of Wiltshire Council and therefore of the communities of Wiltshire.
7. To achieve this aim, the regulations and procedures are intended to be comprehensive enough to cover all reasonably-foreseeable circumstances while at the same time concise and clear enough to be in day-to-day use by all who need to use them.

Progress

8. The Better Regulation Executive, part of the DBERR, sets out five principles of good regulation - any regulation should be:

- transparent
- accountable
- proportionate
- consistent
- targeted – only at cases where action is needed.

The finance community is using these five principles, and the associated “Code of Practice on Guidance on Regulation”, to help develop the new financial regulations and procedure rules. (The Code and Guidance is a non-statutory code of practice for UK central government departments, so is being adopted by 1C4W voluntarily as best practice.)

The draft documents are also being reviewed against the CIPFA model of best practice.

9. A working group from the Wiltshire-wide finance community is being set up to review the regulations and procedures of the five Wiltshire authorities. The group will also look at examples of clear ‘best practice’ from other authorities.
10. The working group will produce a set of draft of Financial Regulations by the end of October 2008, for review by the Chief Finance Officers of the current authorities, and will ‘customer test’ the drafts with a range of potential users.
11. As Wiltshire Council will be an evolving entity throughout 2009-10 and for some time afterwards, the working group will carry out a ‘light touch’ review of the Financial Procedure Rules (for example, updating references from “County Treasurer” to “Service Director – Chief Finance Officer”) for the end of October 2008. The refreshed Financial Procedure Rules will then be reviewed by the Chief Finance Officers of the current authorities.
12. A set of Financial Regulations and Financial Procedure Rules approved by Chief Finance Officers will therefore be available by November 2008, ready for the Wiltshire Council constitution to be reviewed by IE in January 2009.
13. During 2009-10 the Financial Procedure Rules will be reviewed in detail to ensure they meet the changing needs of the service environment.

Risk Assessment

14. There are substantial risks involved in running an entity with a gross revenue budget close to £850m and capital to match. However, the appropriate control and mitigation measures sit within a mature framework and are regularly reviewed from officer to Member level. From the 2007-08 financial year the framework is reported in the ‘Annual Governance Statement’ and audited as

part of the annual financial audit process. Financial controls are also assessed as part of the separate 'Use of Resources' audit.

15. Risk is also minimised through the work of the Council's Internal Audit section, which ensures that the Council has good internal controls and proper financial regulations to provide a framework to help deliver proper, economic, efficient and effective use of resources.
16. Members may therefore be assured that there is a robust process in place to review and control financial risk.

Equalities Impact of the Proposal

17. The equality issues arising from financial regulations and financial procedure rules are strengthened by making sure that the regulations and rules are in 'plain English' and are easy to understand without specialist knowledge.

Financial Implications

18. There are no financial issues arising from this report.

Proposals

19. At this stage no decisions are required at IE level.
20. IE is asked to note progress on the areas shown in the report.
21. IE is asked to note that the revised Financial Regulations and refreshed Financial Procedure Rules will form part of the draft Constitution for Wiltshire Council to be reviewed for approval by IE in January 2009.
22. IE is asked to note that the Financial Procedure Rules will continue to be reviewed during 2009-10 to reflect the changing service environment following BMP and transition to unitary status. The IE is asked to note progress in support of the Constitution for Wiltshire Council.

Conclusion

23. This review is to provide Wiltshire Council with a financial framework appropriate to its needs. Work is progressing well to achieve that aim.

SANDRA FARRINGTON
CHIEF FINANCIAL OFFICER

Report Author: Adrian Rutter
1C4W Finance Project Officer

Unpublished documents relied upon in the preparation of this report: NONE

Published documents referred to in the preparation of this report:

Website of the Better Regulation Executive, part of the Department for Business Enterprise and Regulatory Reform <http://www.berr.gov.uk/whatwedo/bre/>

Code of Practice on Guidance on Regulation (BERR Department for Business Enterprise and Regulatory Reform, July 2008)

Summary of CIPFA's Model Set "Modern council – outline financial regulations"
Financial Regulations: A Good Practice Guide for an English Modern Council
(CIPFA, Chartered Institute of Public Finance and Accountancy, 2001)

Environmental impact of the recommendations contained in this report: NONE
