

NORTH LINCOLNSHIRE COUNCIL

COUNCIL

CONSTITUTION ISSUES – FINANCIAL REGULATIONS

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To propose changes to the Constitution – specifically Part D Rule 6 – Financial Regulations following a review of the section and to ensure consistency with Delegations to officers and appointment of proper officers.

2. BACKGROUND INFORMATION

- 2.1 The Local Government Act 2000 requires the council to adopt a Constitution. The Constitution is a "living document" which requires frequent amendment to keep up with legislative requirements, guidance, good governance and management arrangements. The document is published on the Council's website and up dated each time amendments are approved by the Council.

3. ISSUES FOR CONSIDERATION

- 3.1 A review of the Council's Financial Regulations has been undertaken to ensure consistency with the Delegations to Officers and Appointment of Proper Officers and that they reflect proper practice. Some rewording is also proposed to reflect changed circumstances.
- 3.2 In addition the Budget Transfers (Virements) process has been reviewed and changes proposed which aim to improve budget management accountability, maintain appropriate control of policy decisions, reduce administration, improve timeliness, and move budget transfer decisions closer to day-to-day decision making.
- 3.3 The Constitution sets out the procedures of the council and consequently elements of the Constitution within Financial Regulations require amendment.
- 3.4 The appendices detail proposed key changes to the relevant parts of the Constitution -
- (i) Summary of proposed Changes to Constitution (appendix A)
 - (ii) Proposed Constitution Part D Section 6 Updated (appendix B)

3.5 The current Constitution is available on the council's website and can be accessed using the following link <http://www.northlincs.gov.uk/your-council/about-your-council/committees-and-cabinet/the-councils-constitution/>

4. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

4.1 There are no staffing, financial, property or IT implications associated with this report.

5. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

5.1 Not applicable.

6. OUTCOMES OF CONSULTATION

6.1 Not applicable.

7. RECOMMENDATIONS

7.1 That the proposed amendments to the Constitution as outlined in the report and as detailed in Appendix A and B be approved, adopted and published.

DIRECTOR: GOVERNANCE AND PARTNERSHIPS

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Background Papers used in the preparation of this report –

Delegations to Officers and Appointment of Proper Officers (July 2017)

Appendix A

Summary of Changes to Part D Section 6

| Ref | Description |
|---------------------|---|
| 3.2 | Include reports to cabinet member meetings |
| 4.4 | Now refers only to nominated budget holders; budget transfers (virements) authorisation is covered at 4.7 |
| 4.5 | Cabinet Member approval value changed to £350k |
| 4.7 | This paragraph sets out who authorises budget transfers (virements) |
| 4.8/4.10 | Clarifies that reporting of overspends is through established budget monitoring and reporting arrangements |
| 9.2 10.3 15.1 | Change to designated officer/ job title |
| 10.2 | Insurance arrangements amended in line with scheme of delegation |
| 11.3 | Approval for scales of charges updated in line with scheme of delegation |
| 11.4 | Deletion of reference to specimen signatures as now may authorise by e-mail |
| 11.7 | Text updated with reference to national non-domestic rates and deletion of community charge |
| 11.9 | Approval for debt write off updated in line with scheme of delegation |
| 12.1 | Text added to clarify the need for certification of orders |
| 15.3 | Clarifies that cabinet or council can approve pay awards; reference to supplementary estimates no longer relevant and taken out |
| 16.1 | Reference to council houses removed, no longer relevant |

PART D RULE 6 – FINANCIAL REGULATIONS

D6.01 RESPONSIBILITY AND COMPLIANCE

- 1.1 The council has appointed the Director: Governance and Partnerships the officer responsible for the proper administration of the council's financial affairs under Section 151 of the Local Government Act 1972.
- 1.2 The following Financial Regulations are based on the requirements of the Accounts and Audit Regulations 1996 and subsequent amendments and all employees of the council are required to comply with the regulations and any detailed manuals of instruction, accounting instructions, or points of procedure, issued by the Director: Governance and Partnerships.
- 1.3 To enable the Director: Governance and Partnerships to meet these responsibilities all members and Directors are required to consult the Director: Governance and Partnerships with respect to any matter which is liable to materially affect the resources of the council, before any commitment is incurred or a report made to any formal decision making process.
- 1.4 Directors are required to take all necessary steps to ensure that all employees are aware of their obligations under Financial Regulations and to apply disciplinary procedures as necessary to enforce compliance.
- 1.5 Prudential Code - When considering capital investment decisions which affect council borrowing the Director: Governance and Partnerships will report to council the indicators required by the Local Government Act 2003 and the CIPFA Prudential Code. This will normally be to the special council meeting which sets the annual budget and council tax. He/she will ensure that these are monitored regularly and revised where necessary. Reports will be made to council or cabinet periodically during the year, and in all cases when changes have been made.

D6.02 APPLICABILITY OF FINANCIAL REGULATIONS

- 2.1 The financial regulations shall apply to all council service outlets and support units, including all trading accounts as defined under the Best Value Accounting Code of Practice, section 2 Annex D with the following exceptions:
- 2.2 Regulations 4.5, 4.7 and 4.8 shall not apply to individual schools operating under the scheme of delegation introduced as a result of the School Standards and Framework Act, 1998, but to the totality of the Individual Schools Budget.

- 2.3 The Director: Governance and Partnerships shall review the regulations and all accounting procedure notes at appropriate intervals and shall report to cabinet on the need for any changes.

D6.03 FINANCIAL ADVICE

- 3.1 The Director: Governance and Partnerships shall be the principal financial advisor to the council, cabinet and all formal decision making processes of the council. He/she shall be represented at all meetings of the council and cabinet, and at such other meetings as he/she considers necessary if it is likely that matters of financial importance are to be discussed.
- 3.2 All officers of the council shall advise the Director: Governance and Partnerships of any reports or statements which they propose to submit, or take to a meeting of cabinet, cabinet member, a committee, or of council, which could have financial implications. This should be in sufficient time for the Director: Governance and Partnerships to be able to make any observations on the financial implications.

D6.04 ESTIMATES AND BUDGETARY CONTROL

- 4.1 Estimates of income and expenditure for periods of one year or longer shall be prepared by Directors in consultation with the Director: Governance and Partnerships for approval by the appropriate service cabinet member, the cabinet and the council.
- 4.2 The Director: Governance and Partnerships shall determine, subject to direction by the council, the form and timing of the estimates.
- 4.3 All budgets will normally be cash limited and spending must remain within the specified limits.
- 4.4 Each Director shall nominate budget holders to be responsible for managing specified budgets.
- 4.5 Where changes to service delivery or new capital schemes are proposed which have financial consequences to the approved estimates in excess of £350,000, they shall be the subject of written reports by the appropriate Director and the Director: Governance and Partnerships to the appropriate service cabinet member. Financial consequences shall include both capital and revenue, and changes to either expenditure or income, or both. This regulation shall be subject both to the cash limits in regulation 4.3 and to the budget transfer requirements in regulation 4.7.
- 4.6 Expenditure may be incurred within the budget approved by the council without further reference to any formal decision making process unless specifically required by cabinet or the appropriate service cabinet member.

- 4.7 The necessary approval for a revenue or capital budget transfer depends on the value of the transfer.

Where cabinet or a cabinet member approves a report, such as a new policy or a staffing review, which requires a budget transfer the budget transfer will be made on the basis of the decision report.

Authorisation levels for other budget transfers are set out below:

| Budget transfer Value | Budget transfer Type | Permissions required |
|--|-----------------------------|---|
| Under £10k | Revenue | Head of Service |
| £10k to £100k | Revenue/Capital | Director in consultation with Accountancy Strategic Lead or Accountancy Shared Services Manager |
| £100k to £350k | Revenue/Capital | S151 Officer |
| Over £350k | Revenue/Capital | Relevant Cabinet Member unless a technical adjustment, which can be S151 Officer |
| A summary of budget movements will be reported as part of the quarterly budget report to Cabinet | | |

- 4.8 Directors shall ensure, so far as practicable, that expenditure in excess of the approved budget is not incurred without prior approval. A report concerning any anticipated or actual overspend shall be made, as part of established budget monitoring and reporting arrangements, by the appropriate Director to the Director: Governance and Partnerships on:

- (i) Overspending of a service divisions revenue budget by more than 5% unless the amount is less than £5,000 or by more than £50,000 if it is less than 5%.
- (ii) Overspending of a capital scheme by more than 5% unless the amount is less than £5,000 or by more than £50,000 if that is less than 5%.

Such reports should give explanations of the overspending and should make appropriate proposals to address the issue in line with regulation 4.7, if budget transfers are required.

- 4.9 For the purposes of financial regulations 4.7 and 4.8 anticipated or actual reductions of income shall be treated as if they were increases in expenditure.

4.10 Directors are also required to report as part of established budget monitoring and reporting arrangements anticipated budget underspends or details of additional income to the Director: Governance and Partnerships on:

- (i) Underspends or additional income of a service division revenue budget by more than 5% unless the amount is less than £5,000 or by more than £50,000 if it is less than 5%.
- (ii) Underspends of a capital scheme by more than 5% unless the amount is less than £5,000 or by more than £50,000 if that is less than 5%.
- (iii) Additional funding of a capital scheme.

Such reports should give an explanation of the budget underspend or reasons for additional income being achieved. Appropriate proposals for the potential use of these additional funds should be outlined in the report.

D6.05 PROCUREMENT AND CONTRACTS

5.1 All procurement carried out by the council, whether undertaken by officers, members or on behalf of third parties, must be conducted in accordance with Contract Procedure Rules as set out in Part D of this Constitution and Part C and Part 1 of the Finance Manual.

D6.06 ACCOUNTING

6.1 Accounting systems and financial records in all services shall be in the form agreed by the Director: Governance and Partnerships.

D6.07 AUDIT

7.1 The Director: Governance and Partnerships shall maintain an adequate and effective audit of the council's accounts, financial procedures, corporate governance arrangements and other processes and policies.

7.2 For this purpose he/she or his/her authorised representative shall have right of access at all reasonable times to all property, accounts and records and shall be given such explanations as he/she deems necessary.

7.3 Directors shall immediately notify the Director: Governance and Partnerships of any circumstances suggesting irregularity affecting the finances or property of the council who shall take such action as is deemed necessary.

D6.08 TREASURY MANAGEMENT

- 8.1 The Director: Governance and Partnerships shall be responsible for all decisions on borrowing, investment or financing and be required to act in accordance with CIPFA's "Code of Practice for Treasury Management".
- 8.2 The Director: Governance and Partnerships shall be responsible for setting out the council's strategy, policies, objectives and risk management arrangements in a "Treasury Policy Statement" (TPS), and for the arrangements for the purchase, security and sale of investments in accordance with the council's policy.
- 8.3 The Director: Governance and Partnerships shall also be responsible for setting out Treasury Management Practices (TMP) the council will adopt. These practices will set out how the council will manage and control its Treasury Management activities.
- 8.4 The contents of the Treasury Policy Statement and Treasury Management Practices will follow the recommendations set out in sections 6 and 7 of the CIPFA Treasury Code.
- 8.5 The Director: Governance and Partnerships shall report to the council each financial year on the treasury management policies, practices and activities. The reports will comprise an annual strategy and plan in advance of the financial year, a mid-year review and an annual report after its close and any further interim reports he/she deems necessary.
- 8.6 The Director: Governance and Partnerships shall be responsible for the implementation and regular monitoring of treasury management policies and practices as set out in the council's TPS and TMPs and reporting on such to Cabinet.
- 8.7 The Director: Governance and Partnerships shall also report to the Audit Committee quarterly sufficient information to enable it to undertake effective scrutiny of the treasury management strategy and policies.
- 8.8 All money in the hands of the council shall be aggregated for the purposes of treasury management under the control of the Director: Governance and Partnerships who will carry out day to day investment and borrowing activity in accordance with approved policies.

D6.09 BANKING ARRANGEMENTS

- 9.1 The Director: Governance and Partnerships shall make all arrangements regarding the opening and operation of all the bank accounts and use of banking services relating to the council. All bank

accounts shall be in the name of North Lincolnshire Council. The Director: Governance and Partnerships shall be responsible for all negotiations of banking terms.

- 9.2 The Director: Governance and Partnerships shall control the issuing of cheques. They may bear the printed facsimile signature of the Director: Governance and Partnerships. Where he/she considers it necessary cheques shall be signed or initialled by the following officers authorised by him/her: the Head of Financial Services, the Accountancy Shared Service Manager, the Head of Audit and Assurance and Finance Strategic Leads.

D6.10 INSURANCE AND RISK MANAGEMENT

- 10.1 The Director: Governance and Partnerships will make appropriate corporate arrangements for risk management, in accordance with best practice. This will include preparation of a Risk Management Strategy, leading its implementation, the identification of strategic risks and reporting progress to members at appropriate intervals.

Directors will identify and record operational risks in a format determined by the Director: Governance and Partnerships and take necessary actions to manage identified risks in their services.

- 10.2 The Director: Governance and Partnerships shall approve the council's insurance policies and maintain effective insurance cover in consultation, where necessary, with the Cabinet Member Business Transformation and Finance, and take all necessary action regarding insurance, claims and uninsured losses, including accident claims.

- 10.3 Directors shall promptly notify the Director: Governance and Partnerships of:

- (i) Any happenings which may result in a claim against the council and/or its insurers;
- (ii) The terms of any indemnity which the council is required to give;
- (iii) Any new risks which might require to be insured, together with changed circumstances affecting existing risks.

- 10.4 Directors shall be responsible in relation to their service areas for ensuring compliance with time limits imposed by civil justice rules and national pre-action protocols.

- 10.5 The Director: Governance and Partnerships shall settle all claims against the council's insurers, in consultation with other Directors as appropriate.

D6.11 INCOME

- 11.1 Arrangements for the collection of all money due to the council shall be subject to the approval of the Director: Governance and Partnerships.
- 11.2 All money received on behalf of the council, shall, as soon as practicable, be either banked for the credit of the council's account or deposited with the Director: Governance and Partnerships.
- 11.3 Scales of fees and charges for council services shall be set by the relevant Director of the service, subject to consultation with the Director: Governance and Partnerships (see 2.8 Delegations to Officers).
- 11.4 All accounts for income due to the council shall be prepared in a manner approved by the Director: Governance and Partnerships if possible in advance of the date payment would become due, and certainly no later than this date. Directors shall ensure that adequate and accurate information is available to substantiate the income due. Instructions for the cancellation or reduction of accounts for income must be authorised by the appropriate Director or such member of his/her staff specifically designated by him/her for that purpose as agreed with the Director: Governance and Partnerships.
- 11.5 All council employees who receive payments on behalf of the council shall:
 - (i) Immediately record receipt of payments by the issue of an official receipt or ticket approved by the Director: Governance and Partnerships or
 - (ii) By the entry of a payment via a receipting system on to a record retained by the payer and approved by the Director: Governance and Partnerships.
- 11.6 All forms of receipts, tickets or payments records shall be in a form approved by the Director: Governance and Partnerships.
- 11.7 The Director: Governance and Partnerships shall be responsible for collecting all council tax in accordance with the charge fixed by the council and all national non-domestic rating income and shall be responsible for any court action required to secure payment.
- 11.8 The Director: Governance and Partnerships shall be responsible for the sundry debtors system using information provided or input by service divisions and the collection of these debts. Small amounts (under £30) shall be collected by prepayment or payment at time of service whenever possible rather than by the raising of a sundry debtor account.

- 11.9 Proposals to write off debts shall be determined by the Director of the service affected following consultation with the Director: Governance and Partnerships. Where the sum for any one debtor exceeds £5,000 the Director: Governance and Partnerships shall determine write off, in consultation with Cabinet Member Business Transformation and Finance.

D6.12 PAYMENT OF INVOICES

- 12.1 Each Director shall ensure that official orders in a form approved by the Director: Governance and Partnerships are issued for supplies of goods and services in accordance with contract procedure rules and certified in accordance with arrangements approved by the Director: Governance and Partnerships.
- 12.2 Each Director shall ensure that invoices are certified in accordance with arrangements approved by the Director: Governance and Partnerships, who will make payment of all invoices which he/she considers properly payable by the council.
- 12.3 Telephone or internet orders or purchases in person may be placed where this confers some benefit to the council (administrative or financial). Such orders or purchases must be recorded and authorised in a form approved by the Director: Governance and Partnerships. Where payment for such orders is made via electronic methods (e.g. debit or payment cards) authorisation and records must again be maintained in a form approved by the Director: Governance and Partnerships.

D6.13 IMPRESTS

- 13.1 The Director: Governance and Partnerships may make imprest advances to officers to allow them to meet minor expenses, subject to such conditions, as he/she may deem necessary.

D6.14 ASSETS INVENTORIES AND STORES

- 14.1 The Director: Operations shall maintain a full record of all capital assets owned by the council in a form agreed by the Director: Governance and Partnerships.
- 14.2 Each Director shall maintain a written inventory of items of movable property in his/her service that belong to the council and whose individual cost or value exceeds £300.
- 14.3 Each Director shall be responsible for the care, custody and recording (including stocktaking) of stores, cash and documents in his/her service in accordance with procedures agreed by the Director: Governance and Partnerships.

- 14.4 Directors may, with the approval of the Director: Governance and Partnerships arrange for the disposal of unrequired stock or inventory items, up to a limit of estimated value of £10,000 in each case. Above that figure, disposal shall require approval of the appropriate service cabinet member.
- 14.5 The appropriate Director and Director of Governance and Partnerships shall be authorised to write off jointly stock and inventory deficiencies to a limit of £10,000 in each case. Above that figure, approval of the appropriate service cabinet member shall be required.

D6.15 PAY

- 15.1 The Director: Business Development shall make arrangements for payments to all council employees and members as agreed with the Director: Governance and Partnerships.
- 15.2 Directors shall be responsible for the maintenance of records and certification of all amounts properly payable in accordance with these arrangements.
- 15.3 The Director: Business Development shall be authorised to implement national and provincial awards, in consultation with the Director: Governance and Partnerships, subject to the cost of such awards being reported to cabinet or council for approval.
- 15.4 Payments to members of the council, who are entitled to claim expenses or other allowances will be made in accordance with the system prescribed by the Director: Governance and Partnerships.

D6.16 LENDING

- 16.1 The Director: Governance and Partnerships shall be responsible for making loans for house purchase and improvement under the council's scheme of Housing Act Advances subject to available finance.
- 16.2 The relevant Director in consultation with the Director: Governance and Partnerships shall report to the appropriate service cabinet member, any applications for industrial or other loans and shall make appropriate recommendations.

D6.17 SECURITY

- 17.1 Each Director shall maintain adequate arrangements at all times for the security of buildings, stocks, stores, furniture, equipment, vehicles, cash or records under their control. He/she shall consult the Director: Governance and Partnerships in any case where security is thought to

be defective or where it is considered that special security arrangements may be needed.

- 17.2 Maximum limits for cash holdings shall be agreed with the Director: Governance and Partnerships and shall not be exceeded without his/her express permission.
- 17.3 Each Director shall be responsible for maintaining proper security and privacy of information held in any information technology installation within their service. They shall consult the Head of Council Strategy, Information and Outcomes regarding these arrangements. The Head of Council Strategy, Information and Outcomes on behalf of the council shall be the proper officer for purposes of carrying out the duties imposed on the council under the Data Protection Act 1998.

D6.18 SUSPENSION OF FINANCIAL REGULATIONS

- 18.1 These regulations shall only be suspended on the resolution of the cabinet or the council.