

**Resources**  
**7 Newington Barrow Way**  
**London N7 7EP**

**Report of: Corporate Director of Resources**

| Meeting of             | Date              | Agenda Item | Ward(s) |
|------------------------|-------------------|-------------|---------|
| Audit & Risk Committee | 18 September 2023 |             | All     |
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## Updating the Constitution’s Financial Regulations

### 1. Synopsis

- 1.1. This report provides the Audit & Risk Committee with the council’s draft updated Financial Regulations, for review before being presented to Full Council for approval.
- 1.2. The council is undertaking a review of its Constitution to ensure it is fit for purpose, and this includes updating the Financial Regulations. The regulations provide a framework for sound financial management and decision-making, ensuring that resources are used legally, and in accordance with the council’s financial controls. Keeping the regulations up to date will help Members and officers take robust decisions more confidently.
- 1.3. This report sets out the main changes to the Financial Regulations. A full copy of the current draft is provided in Appendix A.

### 2. Recommendations

- 2.1. To recommend for approval by Full Council the proposed changes to the council’s Financial Regulations attached in Appendix A.
- 2.2. To authorise the Corporate Director of Resources to approve minor amendments to the Financial Regulations prior to their submission to Full Council for approval.
- 2.3. To note that any amendments made under 2.2 will be notified to the Audit & Risk Committee.

### **3. Background**

- 3.1. The Constitution sets out how the council operates, how decisions are made and the procedures which are followed to ensure decision-making is efficient, transparent, and accountable to local people.
- 3.2. On 13 March 2023, the Audit & Risk Committee approved Terms of Reference for a review of the Constitution to ensure it is up to date and fit for purpose. This review is being overseen by the Constitution Review Working Group, comprising Legal and Governance officers, the Chair of the Audit Committee and Deputy Leader and the Executive Member (Resources).
- 3.3. Phase 2 of the Constitution review includes updating the council's Financial Regulations, which appear in Part 6 of the Constitution. Financial Regulations provide the framework for managing the council's financial affairs. They are a key component in ensuring the security of the assets under the council's control and for ensuring that the use of these resources is lawful, is properly authorised, and provides value for money.
- 3.4. The Regulations apply to every Member and officer of the council and anyone acting on its behalf. They do not apply to Islington Council's Pension Fund, as management of the pension fund is a non-executive function. Islington Council's schools each have their own separate financial regulations, based on the Schools Model Financial Regulations provided by the council.
- 3.5. The review of the council's Financial Regulations has been led by the Deputy Director of Finance - Corporate, with contributions from key officers across the finance team. The Constitution Review Working Group has received regular updates on progress. The revised Financial Regulations were presented to CMB on 15 August 2023. Further changes were made to the Regulations following CMB's feedback, which are detailed below. The aim is present the revised Regulations to Full Council for approval on 28 September 2023.

#### **Changes to the Financial Regulations**

- 3.6. The Financial Regulations are divided into eight sections and cover both capital and revenue resources. This overall structure remains unchanged. The main changes to the Regulations are:
  - revising the description of the capital budget setting process to include the process for bidding for capital budgets and business case requirements (paragraph 4.2);
  - revising the limit (from £150k to £500k) for the capital expenditure the section 151 officer can approve as an overspend to a capital scheme that cannot be covered within the existing Capital Programme, provided the total approved overspend in any one financial year does not increase the overall budget for the Capital Programme by more than 0.5% (up from 0.1%), to reflect inflation (paragraph 4.7);

- clarifying that capital virements can only be made by Corporate Directors when they are technical in nature and they do not substantially change the value of an individual scheme's budget (paragraph 4.22);
- stating that changes to capital funding that result in an increase in required corporate capital resources of up to £50k can be approved by a Corporate Director, and changes greater than £50k must be approved by the section 151 Officer (previously £500k) (paragraph 4.27);
- specifying that it is the Executive that has the power to grant leases of up to 125 years at or below best consideration to voluntary sector and community bodies, not the section 151 officer (table in paragraph 7.5);
- updating job titles and references to legislation and statutory guidance throughout.

### 3.7 Other minor changes to the Regulations include:

- clarifying that opening a new bank account requires the approval of two authorised signatories (not one) (paragraphs 6.2(iii) and 8.18);
- updating the process for appointing external auditors (paragraphs 8.12 and 8.13);
- adding a description of the role of the Performance and Policy Scrutiny Committee (paragraphs 2.6 – 2.7); and
- rewording the text in places to make it clearer, whilst not changing what it is required by the regulations, e.g. on revenue budget setting (paragraphs 3.1 – 3.7).

### 3.8 The following changes were made to the Regulations following feedback from CMB on 15 August 2023:

- addition of a Scheme of Authorisation as an appendix to the Financial Regulations;
- stating that the Executive can approve changes to the Capital Programme of up to £10M (previously £1m). Changes greater than £10m require Executive and Full Council approval (paragraphs 4.8 and 4.19);
- clarifying that it is the Corporate Director for Community Wealth Building that agrees the allocation to a project of money paid under section 106 agreements or Community Infrastructure Levy contributions, where this does not exceed £1m (paragraph 4.26);
- stating that grants must not be used to procure services where the Procurement Rules apply, and that government grants distributed by the council to third parties must be awarded in accordance with the grant stipulations (paragraphs 5.14 and 5.20);
- revision to the format of the table in paragraph 7.4 which sets out officer delegations for the acquisition and disposal of land assets and leases;
- removing the requirement for consultation with council officers and members or groups within the council about decisions to dispose of freehold interests up to £1.5m, grant leases at a premium up to £1.5m, or grant leasehold interests for terms not exceeding 20 years at an annual rent up to £250k (table in paragraph 7.4);
- clarifying that opening a bank account requires two signatories in line with the scheme of authorisation, but this does not have to include the S151 Officer (paragraphs 6.2(iii) and 8.18).

- 3.9 A full copy of the draft Financial Regulations with tracked changes is provided in Appendix A.

## **4 Implications**

### **Financial Implications:**

- 4.1 There are no direct financial implications as a result of the recommendations in this report.

### **Legal Implications:**

- 4.2 Section 151 of the Local Government Act 1972 requires that the council makes arrangements for the proper administration of its financial affairs.
- 4.3. A periodic review of the Council's Financial Regulations is part of the mechanism of ensuring sound governance arrangements in accordance with good practice. Local authorities are under an explicit duty to ensure that their financial management is adequate and effective and that they have a robust system of internal control and management of financial risk. The measures in this report support that requirement.

### **Environmental Implications and contribution to net zero carbon by 2030.**

- 4.4 There are no environmental impacts arising from this report.

### **Resident Impact Assessment**

- 4.5 The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.
- 4.6 A resident impact assessment has not been carried out since the contents of this report relate to a purely administrative function and there are no direct impacts on residents.

**5 Conclusion and reasons for recommendations:**

5.1 The proposed Financial Regulations will reflect the latest regulatory and statutory requirements and council structure and roles. They provide greater clarity on financial procedures and who takes which decisions.

**Appendices:**

Appendix A – revised draft Financial Regulations, with tracked changes

**Background papers:**

None

Final Report Clearance:

**Signed by:**

Corporate Director of Resources

Date

**Received by:**

Head of Democratic Services

Date

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