L.N. 323 of 2002

LOCAL COUNCILS ACT
(CAP. 363)

Local Councils (Procedures) (Amendements) (No. 2) Regulations, 2002

IN exercise of the powers conferred by article 72(3) of the Local Councils Act, the Minister for Justice and Local Government with the concurrence of the Minister of Finance has made the following regulations:-

Citation.

L.N. 180 of 1996

1. (1) The title of these regulations is the Local Councils (Procedures) (Amendments) (No.2) Regulations, 2002, and they shall be read and construed as one with the Local Councils (Procedures) Regulations, 1996, hereinafter referred to as "the principal regulations".

2. The Procedures specified in the First Column shall have effect subject to the amendments specified in the Second Column thereof.

FIRST COLUMN PROCEDURES	SECOND COLUMN EXTEND OF AMENDMENT
L.C.P. 1/96 - Local Councils (Financial) Procedures, 1996.	**1.** P1.01 shall be amended as follows: Immediately after item h.06 there shall be added the following: "**h.**07 The depreciation of fixed assets is accounted for through the month-end procedure on a monthly basis. The rates of depreciation are established in Appendix P1.XI.". **2.** P1.02 shall be amended as follows: Immediately after item a.02 there shall be added the following:

"**a.03** Ensuring that every payment and commitment to pay, whether existent or in the future, is registered as required in a cumulative and consolidated format in terms of the established form in Appendix P1. XII, which form shall immediately reveal and also provide a projection of the emerging balance. When such projected balance falls below the level of the benchmark established in terms of regulation 4 of the Financial Regulations, both the Council and the Director shall be immediately informed in order to lay the ground for the commencement of the relative corrective procedure. A copy of this form (Appendix P1. XII) shall accompany the minutes of every Council meeting and shall be referred to Director.".

3. P1.05 shall be amended as follows:

(a) Immediately after d.06 there shall be added the following new paragraphs:

"**d.07** A copy of this report shall be forwarded to the Director within fifteen days of its presentation to the Council as specified in the preceeding paragraph (i.e., by the 30th July, 30th October, 30th January and 30th April of each year).

Should the Council fail to submit such report, the Minister shall, on the advice of the Director, provisionally retain any portion of the allocation of funds approved to the Council, until the Council abides by such obligation.

Provided that the Minister shall only retain such funds following a period of time prescribed in a written notice where the Council is given the opportunity to rectify its failure.

Provided further that the amount so retained shall not exceed 1% of the funds allocated to the Council during the financial year.".

(b) Immediately after g.05, there shall be added the following:

"**h.** The Council shall forward to the Director a copy of the approved minutes of its meetings as well as the minutes of the Finance Committee.

Should the Council fail to submit such minutes within three working days after their approval, the Minister may, on the advice of the Director, provisionally retain any portion of the allocation of funds approved to the Council, until the Council abides by such obligation.

Provided that the amount so retained shall not exceed 1% of the funds allocated to the Council during the financial year.

i. The Financial Situation Indicator of a Council, as defined by regulation 4 of the Financial Regulations, is calculated by taking the total amount of current assets (cash in bank and debtors) and deducting from it the total amount of current liabilities (payments/ creditors falling due in the short and long term), with the exception of long-term financial commitments

approved in writing by the Minister in terms of the Act.

In situations where the Council has an approved loan arrangement, the long term outstanding loan will not be taken into consideration, when calculating the Financial Situation Indicator. However, both the Council and the Director shall ensure that that the loan repayments are in line with the original agreement when the loan was approved and issued.

i.0.1 Should a Local Council have a Financial Situation Indicator with a favourable balance which is less than ten per cent of the allocation which Government would have approved to the Local Council for that same Local Council financial year:

(i) The Director shall issue a notice in writing about this situation to the Local Council. The Council shall thereby be bound to reply in writing so as to state how the next quarterly financial report will be drawn up, how the Council would improve its financial situation and which expenditure cuts the Council was about to effect to achieve the ten per cent mark;

(ii) The Council shall be bound to appoint a Finance Committee which would include as members, the Mayor, another Councillor and the Executive Secretary, and should no person from the Council or the Executive Secretary be a qualified accountant, a qualified accountant shall be appointed by the Council.

Before any decision is taken about any expenditure, the Council shall request the advice in writing of the Finance Committee which would evaluate the proposed expenditure, having regard to the financial situation of the Council;

(iii) Should the Council, by the second quarterly financial report after the Director's letter, fail to make provision for the ten per cent benchmark, the Minister may, on the advice of the Director, withhold the release of such amount from the allocation approved to the Local Council which would be equal to the difference between the actual balance and the ten per cent benchmark. The amount shall be withheld for so long as in any quarterly report made after the withholding of such amount, the ten per cent benchmark is achieved. On such occurrence, the Minister shall authorise the release of such amount to the Council:

Provided that when a Council consistently registers a positive result, the Minister shall remove the application of the requirement of a favourable balance of ten per cent as long as the Council continues to register a positive financial position. The Minister may at any time reactivate the ten per cent requirement in such cases where the financial result or forecasts of the Council would require such measure.

i.02 Should a Council have a Financial Situation Indicator with a negative balance of less than five per cent of the funds, which the Government would have, allocated to

the Local Council for that same Local Council financial year:

(i) The Director shall formally call upon the Mayor and the Executive Secretary within fifteen days from the discovery of the negative balance;

(ii) The Director shall request the Mayor and the Executive Secretary to prepare proposals regarding the removal of the negative balance so that the ten per cent benchmark of favourable balance may be achieved not later than twelve months after such time:

Provided that, should the negative balance in the Financial Situation Indicator be registered at a time during the last year of the term of the Local Council, the ten per cent benchmark of favourable balance shall be achieved within two months from the date of a notice sent by the Director to the Local Council, and by virtue of such notice, the provisions of item (v) shall immediately apply;

(iii) The proposals of the Mayor and of the Executive Secretary shall cover the method and the source of financing of the negative balance, which budget votes are to be used, and which projects would be minimised or terminated;

(iv) Should the Director approve the proposals of the Mayor and of the Executive Secretary, such approved proposals shall in themselves supersede the allocations made in the Council budget and every decision previously taken by the Council;

(v) If the Director does not approve the proposals made by the Mayor and the Executive Secretary, the Minister, on the advice of the Director, shall have the power to withhold from the allocation to the Council an amount of money equal to the difference between the negative balance and the ten per cent mark of favourable balance and to start paying by such sum such amounts as would be due by the Council to third parties;

(vi) Should the Council, within a period of twelve months, fail to achieve the ten per cent benchmark, then there shall apply the provisions of paragraph i.03 of this provision, whatever the favourable or negative balance of the Council may be;

i.03 Should a Local Council have a Financial Situation Indicator with a negative balance in excess of the five per cent of the allocation made by Government for that same Local Council financial year:

(i) Within one month from the date of the resulting negative balance, the Director shall, after consultation with the Council and its accountants and auditors, prepare a financial restructuring plan for the required months or years, depending on the magnitude of the negative balance, which period, however, may not exceed three years.

Should the Director incur any expenses in the preparation of that plan or in the required consultation thereof, such expenses shall be defrayed from the allocation which Government would have made to that Council;

(ii) The plan shall indicate the amount to be used of the allocation to the Local Council for the financing of the financial restructuring plan and, in general terms, which Council votes shall be used for this purpose;

(iii) Prior to the implementation of the restructuring plan the Director shall inform the Minister about the plan, and the Minister shall, before confirming the plan, request and hear the views of the Local Councils Association;

(iv) During the restructuring period, the Council's accounts shall be controlled by the Director who shall have the right to refuse to finance any undertaking of the Council which adversely affects the restructuring plan;

(v) The Council may not enter into any financial undertaking without the approval of the Director.

(vi) Any document relating to a call for public tenders, and any documentation of the Council, including any correspondence which the Council may send, shall include a statement declaring that the Council may not enter into any financial commitment unless it has an agreement to do so in writing with the Director;

(vii) Such funds as are allocated by the Government shall be held by the Director in the name of the Local Council and shall be spent according to approved procedures;

(viii) Within the context of the restructuring plan, the Director shall have the right to pay such amounts as may be due by the Council to third parties.".

Appendix P1.XI

Depreciation Rates

The depreciation rates that will be applicable are as follows:

	% Rate
Land	0
Buildings	1
Office Furniture and Fittings	7.5
Constructiion Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Trees	0
Plants	100
Litter Bins	100
Playground Furniture	100
Traffic signs	100
Road Signs	100
Street Mirrors	100
Street Lights	100

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1. Consolidated Details of Income and Expenditure

Appendix P1.XII

ACCT NO	DESCRIPTION	QTR NO ACTUAL Lm	QTR NO COMMITTED Lm	QTR NO TOTAL Lm	QTR NO BUDGET Lm	YEAR TO DATE (YEAR) ACTUAL Lm	YEAR TO DATE (YEAR) COMMITTED Lm	YEAR TO DATE (YEAR) TOTAL Lm	YEAR TO DATE (YEAR) BUDGET Lm
2	Income								
0000	Government								
0020	By-laws								
0050	Investment								
0100	General								
	TOTAL								
-	Expenditure								
1000	Personal emoluments								
2000	Operations and maintenance								
7000	Capital expenditure								
	TOTAL								
	Balance								
	Opening Cash and Bank Balances								
LESS	Future Commitments								
Add	Balance (Surplus/(Deficit)								
	Available Funds								
	Allocation for Council's current financial year								
	% Financial Situation Indicator								

Notes

1 The amounts entered in the actual column will be the figures extracted from the Sage Reports
2 The amounts entered in the committed column will be those amounts not yet entered into Sage as Creditors or Accruals in the case of expenditure and any accrued income or amounts due still outstanding
3 Future Commitments will include any tenders which have been awarded which have not yet commenced or which are partly completed The amount committed to the project (not yet utilised) will need to be entered in this part and details given on the projects.

Declaration

The Mayor and the Executive Secretary declare that the above statements show a true and fair view of the Council's position on the signing date and that all commitments have been included in these financial statements.

Mayor

Executive Secretary

Date

1.1 Details of income

ACCT NO	DESCRIPTION	a QTR NO ACTUAL Lm	b ACCRUED Lm	c=(a+b) TOTAL Lm	d BUDGET Lm	e YEAR TO DATE (YEAR) ACTUAL Lm	f ACCRUED Lm	g=(e+f) TOTAL Lm	h BUDGET Lm
2	Income								
0000	Government								
0001	Annual								
0002	Supplementary								
0003	Special needs								
0004	Public/government delegations								
0015	Others								
0020	Bye-Laws								
0021	Community services								
0036	Contravention of bye-laws								
0056	Sponsorships								
0065	General								
0090	Investment								
0091	Bank interest								
0095	Government securities								
0100	General								
0110	Donations								
0120	Contributions								
	TOTAL								

1.2 Details of Expenditure

ACCT NO	DESCRIPTION	a QTR NO ACTUAL Lm	b COMMITTED Lm	b-a TOTAL Lm	BUDGET Lm	c YEAR TO DATE (YEAR) ACTUAL Lm	d COMMITTED Lm	d-c TOTAL Lm	BUDGET Lm
1	**Expenditure**								
1000	Personal Emoluments								
1100	Mayor's allowance								
1200	Employee salaries and wages								
1300	Bonuses								
1400	Income supplements								
1500	Social Security Contributions								
1600	Allowances								
1700	Overtime								
2000	Operations and maintenance								
2100	Utilities								
2200	Materials and supplies								
	Repair and upkeep								
2310	Public Property								
2311	Road and Street Pavements								
2312	Walkways								
2313	Signs								
2314	Road Markings								
2330	Office Furniture and Fittings								
2340	Plant and Equipment								
2360/70	Sundry / Other Repairs & Upkeep								
2375	Council Property								
2400	Rent								
2500	National/International memberships								
2600	Office services								
2700	Transport								
2800	Travel								
2900	Information services								
3000	Contractual services								
3010	Street Lighting								
3020	Lease of Equipment								
3030	Insurance Coverage								
3035	Bank Charges								
3040	Waste Disposal								
3041	Refuse Collection								
3042	Bulky Refuse Collection								
3050	Cleaning Services								
3051	Road and Street Cleaning								
3052	Clean.& Maint.- Non-Urban Rds								
3053	Cleaning of Public Conveniences								
3055	Cleaning Council Premises								
3060	Other Contractual Services								
3061	Clean. & Maint.- Parks & Gardens								
3062	Cleaning & Maint. - Verges								
3063	Clean.& Maint.- Beaches & Coast								
3064	Clean.& Maint.- City N.U. Areas								
3100	Professional services								
3200	Training								
3300	Community and hospitality								
3800	Local Enforcement Expenditure								
3400	Incidental expenses								
7000	Capital expenditure								
7001	Acquisition of property								
7100	Construction								
7200	Improvements								
7300	Equipment								
7500	Special programmes								
	TOTAL								

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