

Part 4 - Financial Regulations

Introduction

1. Definitions

In these Regulations:

The “Direct Services” of the Authority include those services provided directly to it by the lead constituent councils responsible for providing the services.

“Delegated Officers” are those officers listed below, together with any other officers or consultants that may be approved by the Authority for the purpose of these regulations:

Head of Paid Service

Chief Finance Officer

Monitoring Officer

Directors

Any duty or power devolving upon a Delegated Officer may (in his or her absence) be exercised by a nominated deputy.

2. Financial Regulations provide the framework for the financial administration of NECA with a view to ensuring that its financial affairs are conducted in a sound and proper manner, constitute value for money and minimise the risk of legal challenge. Financial Regulations are not intended to constitute a set of detailed rules to respond to every contingency. The Regulations allow for variation in detailed controls by the Delegated Officers where justified by local circumstances.

- a) Financial Regulation 1 defines responsibility for financial control.
- b) Financial Regulations 2, 3, and 4 lay down the tasks required of the Authority, joint committee, committee, sub-committee, or Delegated officer for the fundamental financial processes of:
 - (i) forward planning and budgetary strategy.
 - (ii) incurring and controlling revenue spending and income.
 - (iii) incurring and controlling capital spending and income.
- c) Financial Regulation 5 covers the requirements for Risk Management.
- d) Financial Regulations 6 and 7 cover the standards required for:
 - (i) accounting.
 - (ii) internal audit.
- e) Financial Regulation 8 governs procedures for obtaining goods, materials, works and services.

- f) Financial Regulation 9 regulates the 'day to day' financial systems of the Authority. It requires Delegated officers to ensure that prescribed controls are present, but allows them, except where explicitly stated otherwise, to determine the detail of the controls to meet service circumstances.
- 3. All financial decisions and decisions with financial implications must have regard to proper financial control. Any doubt as to the appropriateness of a financial proposal or correctness of a financial action must be clarified in advance of the decision or action.
- 4. Failure by officers to observe Financial Regulations and the codes and guidance issued under them may result in action under the Authority's disciplinary procedures.
- 5. Failure by Members to observe Financial Regulations may amount to a breach of the Code of Conduct for Members.
- 6. Amendments to Financial Regulations require the approval of the Cabinet following a report from the Chief Finance Officer. The Cabinet may amend all other Procedures, Policies, Codes and Checklists referred to in these Financial Regulations. The Chief Finance Officer will review as often as they consider appropriate supporting advice and guidance to the Financial Regulations and report any recommended changes to the Cabinet for approval.
- 7. If any financial issues arise which result in any uncertainty or ambiguity as to the correct procedure to follow under these regulations, then the Chief Finance Officer shall have delegated powers to give a valid direction as to the appropriate procedure to follow.

1. Responsibilities

1.1 Responsibilities to the Authority

All Members, Delegated Officers and Officers of the Authority are responsible for ensuring that they use the resources and assets entrusted to them in a responsible and lawful manner. They should strive to achieve value for money and avoid legal challenge to the Authority. These responsibilities apply equally to Members and Delegated Officers and officers when representing the Authority on outside bodies. Members must also comply with the Code of Conduct for Members.

1.2 Personal Responsibilities

Any person charged with the use or care of the Authority's resources and assets should understand the Authority's requirements under these Financial Regulations. If anyone is in any doubt as to their obligations, then they should seek advice. Unresolved questions of interpretation should be referred to the person providing internal audit services to the Authority.

All Officers (including Officers of lead authorities providing services to the Authority) must report to their manager or supervisor any illegality, impropriety, breach of procedure or serious deficiency in the provision of service. Officers shall be able to do this without fear of recrimination providing they act in good faith, and, in such circumstances, managers must record and investigate such reports and act where appropriate. Compliance with the Authority's Anti-Fraud- and Corruption Policy (see Part 5.4 of the Constitution) and the Code of Conduct for Officers (see Part 5.2 of the Constitution) is mandatory.

Note: The Authority's Whistleblowing Policy (see Part 5.5 of the Constitution) for confidential reporting of concerns exists to:

- Make Officers feel confident to raise concerns and to question and act upon concerns about practice.
- Give Officers avenues to raise concerns and receive feedback on any action taken.
- Guarantee that an Officer will receive a response to his or her concerns raised and that he or she is aware of the process to follow if not satisfied.
- Reassure an Officer that he or she will be protected from possible reprisals or victimisation.

1.3 The Cabinet

The Cabinet is responsible for:

- The adoption and revision of these Financial Regulations.
- The determination of the policy framework and annual revenue budget and capital programme.
- Providing the Chief Finance Officer and Delegated Officers with sufficient staff, accommodation, and other resources to carry out their duties.

1.4 Overview and Scrutiny Committee

The Overview and Scrutiny Committee has a monitoring and scrutiny role to help ensure that the Authority's corporate budgets and financial management systems are managed efficiently and are ensuring value for money. The Overview and Scrutiny Committee is responsible for considering and responding to proposals from the Cabinet in respect of the budget and those plans/strategies that fall within the Budget and Policy Framework.

1.5 Audit and Standards Committee

The Audit and Standards Committee is a key component of the Authority's governance arrangements and is responsible for overseeing issues relating to financial probity and the adequacy of the Authority's controls. In accordance with its terms of reference, the Audit and Standards Committee receives interim and end of year reports from both internal and external audit, and other information appropriate to its programme of work.

1.6 Chief Finance Officer

1.6.1 The Authority shall appoint an officer, the Chief Finance Officer, who shall, for the purposes of Section 73 of the Local Government Act 1985, be responsible for ensuring the proper administration of the Authority's financial affairs.

1.6.2 The Chief Finance Officer shall issue, and keep under continuous review, such instructions, advice, or procedures relating to financial matters as he or she considers necessary to secure the proper administration of the Authority's financial affairs.

1.6.3 The Chief Finance Officer is responsible for reporting, where appropriate, breaches of Financial Regulations to the Cabinet.

1.6.4 Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the Cabinet and external auditor where it appears that the Authority or an officer has made, or is about to make, a decision that would involve:

- Unlawful expenditure.
- An unlawful action likely to cause a loss or deficiency.
- An unlawful item of account.
- Proposed expenditure that is more than available resources

Section 114 of the Local Government Finance Act 1988 requires:

- The Chief Finance Officer to nominate a properly qualified member of staff to deputise, should he or she be unable to perform the duties under section 114 personally;
- The Authority to provide the Chief Finance Officer with sufficient staff, accommodation, and other resources, including legal advice where

necessary, to carry out the duties under section 114.

1.6.5 The Chief Finance Officer has responsibility for ensuring compliance with the requirements of the Accounts and Audit Regulations 2015 relating to accounting records, control systems and audit.

1.7 Delegated Officers

Delegated Officers are responsible for ensuring that appropriate staff under their control are aware of the existence of the Authority's Financial Regulations and other regulatory documents and that they are observed throughout all areas under their control and shall:

- Provide the Chief Finance Officer with such information and explanations as the Chief Finance Officer feels is necessary to meet his or her obligations under Financial Regulations.
- Ensure that the Chief Finance Officer has sufficient opportunity to comment on all proposals with unbudgeted financial implications before any commitments are incurred.
- Ensure that the Authority members are advised of the financial implications of all significant proposals and that the financial implications have been agreed by the Chief Finance Officer.
- Inform immediately the Chief Finance Officer of failures of financial control resulting in additional expenditure or liability, or loss of income or assets.
- Inform the Chief Finance Officer where amendment to Financial Regulations is considered necessary; and
- Be responsible for ensuring the legality of all actions.

Note: It is the Monitoring Officer's duty to report to the Authority in respect of any proposed action, decision or omission that is contrary to law, or constitutes maladministration or injustice where the Ombudsman has investigated.

1.8 Exceptions to Financial Regulations

1.8.1 Exceptions to these Financial Regulations shall be made only:

- in cases of urgency or where it is in the interests of the Authority to do so; and
- with the prior written approval of the Chief Finance Officer.

1.8.2 The Chief Finance Officer shall keep a record of all such exceptions and submit an annual report to the Authority summarising the exceptions.

1.9 Arrangements for the discharge of responsibility

1.9.1 Delegated Officers and their staff are required to carry out their tasks in accordance with these Financial Regulations. Delegated Officers may arrange for any of their staff to carry out tasks for which they have responsibility as set down by these Financial Regulations provided that the terms of those delegated arrangements are clearly defined and documented. A record of all such arrangements will be prepared by each Delegated Officer and submitted to the Chief Finance Officer on an annual basis.

1.9.2 Notwithstanding such arrangements, the person making the arrangements remains responsible for compliance with these Financial Regulations.

2. Forward Planning and Budget Strategy

The Cabinet decides on the annual budget; this will include the levy on the constituent authorities as approved by the Joint Transport Committee.

2.1 Delegated Officers shall provide information to the Chief Finance Officer to enable him/her to produce and submit to the Authority annually a medium-term financial forecast and a medium-term capital forecast.

2.2 The Chief Finance Officer shall annually advise the Mayor and Cabinet on:

- Financial planning and budget strategy matters.
- Procedures, timetables and estimated resources for planning revenue and capital spending.
- The annual revenue and capital budget; transport levies.

2.3 Delegated Officers, in consultation with the Chief Finance Officer, shall prepare revenue and capital estimates in accordance with such guidelines as set out by the Authority. In doing so, Delegated Officers shall ensure that:

- The estimated expenditure and income, or the cost of any proposal submitted by them, are as accurate as possible and provide provision for all costs involved.
- The revenue and capital estimates are consistent with Authority policy.
- The revenue implications of capital schemes are fully included in revenue estimates.

3. Incurring and Controlling Revenue Spending and Income

The Authority monitors financial performance during the financial year and considers any significant developments affecting its financial position.

- 3.1 The Chief Finance Officer shall advise the Cabinet, on a quarterly basis, on:
- Progress against the Cabinet approved budget.
 - Significant developments affecting the financial position of the Authority.
- 3.2 The Chief Finance Officer shall:
- Provide guidance on and co-ordinate the budget monitoring process.
 - Prescribe the form, basis, supporting information and timetable for the preparation of final accounts.
 - Within delegated limits approve supplementary estimates and transfers of estimates.
- 3.3 Each Delegated Officer shall:
- 3.3.1 Authorise revenue spending and collect income within the estimates, targets and/or limits approved by the Cabinet provided that:
- The expenditure is lawful.
 - Financial Regulations have been complied with.
 - Expenditure is within approved revenue budget or capital programme provision.
 - Expenditure is in respect of Authority policy.
- 3.3.2 Monitor progress on revenue spending and the collection of income and promptly provide the Chief Finance Officer with such information as requested. They should report on variances within their own areas to the Chief Finance Officer. They should also take any action necessary (without affecting policy) to avoid exceeding their budget allocation, in accordance with the Financial Regulations.
- 3.3.3 Review fees and charges annually and implement changes in accordance with officer delegations or alternatively report them for approval to the Cabinet.
- 3.3.4 Seek, in consultation with the Chief Finance Officer, the approval of the Authority to budgetary changes that would have a significant impact on the nature or level of service provided.
- 3.3.5 Ensure that transfers between budgets (virement) fulfil the following requirements:
- Transfers apply only to the transfer of funds within the delegated budget of the Delegated Officer.
 - The proposal is consistent with Authority policy.
 - Any virement over £10,000 is a significant decision and is therefore approved by the Chief Finance Officer.
 - The total net delegated budget is still within the delegated cost limit.
- 3.4 Transfers from reserves to revenue budgets, other than those covered by the provisions of 3.3.5 above, require the prior written approval of the Chief Finance Officer.

- 3.5 Delegated Officers shall, in an emergency (being a situation which demands action of a nature that could not have been anticipated and for which there is no budget line), and with the prior written approval of both the Chief Finance Officer and the Mayor or Chair of the Cabinet, have authority to incur unbudgeted expenditure.

4 Incurring and Controlling Capital Spending and Income

The Cabinet oversees the capital and leasing programme and approves the award of contracts in accordance with the Procedure for the Commitment of Capital Expenditure (FPN 11).

- 4.1 The Chief Finance Officer shall advise the Cabinet quarterly on:

- Progress on implementation of the Cabinet approved capital and leasing programme.
- Additions and amendments to the Cabinet approved capital and leasing programme.
- The procedure for the commitment of the Cabinet approved capital expenditure.

- 4.2 The Chief Finance Officer shall as appropriate:

- Provide guidance and co-ordinate capital monitoring procedures.
- Certify capital proposals as required by the Procedure for the Commitment of Capital Expenditure.

- 4.3 Delegated Officers shall:

- Authorise capital spending in accordance with the Procedure for the Commitment of Capital Expenditure (FPN11).
- Monitor progress on implementation of the capital and leasing programme and provide the Chief Finance Officer with such information as requested.
- Only commit the Authority to match-funding arrangements for which capital programme approval has been obtained.
- Undertake the disposal of land and buildings in accordance with any scheme of officer delegation approved by the Cabinet or otherwise with express approval of the Cabinet.

- 4.4 Capital expenditure – Definition.

For the purposes of this regulation, capital expenditure is deemed to include the procurement, improvement, or enhancement for the Authority's purposes of land, buildings, vehicles and equipment and the provision of grants to external organisations

to enable the purchase of land, buildings, vehicles, and equipment, regardless of how financed. Capital expenditure also includes the procurement of loans and share capital. Expenditure below the de-minimis sum determined by the Chief Finance Officer is not capital expenditure. If there is doubt whether expenditure is capital, the decision of the Chief Finance Officer is final.

5 Risk management

The importance of risk management to the wellbeing of the Authority is outlined in its Risk Management Policy Framework.

It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational and strategic risks to the Authority. This should include the proactive participation of all those associated with planning and delivering services.

The Cabinet is responsible for reviewing the effectiveness of risk management and for ensuring that proper insurance exists where appropriate. The Chief Finance Officer will advise the Cabinet on proper insurance cover where appropriate.

The Chief Finance Officer will be responsible for the Authority's risk management policy statement, which may be prepared by a nominated officer. The risk management policy framework will be promoted throughout the Authority.

Delegated Officers are responsible for ensuring that risk management is an integral part of their management processes and activities within their respective areas of responsibility.

- 5.1 Delegated Officers will assign clear roles and responsibilities for managing risk.
- 5.2 Delegated Officers are responsible for ensuring that a register of significant risks is maintained, reported, and monitored.
- 5.3 Delegated Officers will:
 - Produce a strategy for the management of risk in their service.
 - Ensure that risk considerations are embedded into planning and decision-making processes.
 - Identify those activities which have or may give rise to significant loss producing events.
 - Measure the impact of potential loss.
 - Take reasonable physical or financial steps to avoid or reduce the impact of potential losses.
 - Allocate risk management resources to areas of identified priority.

- Maximise risk management opportunities that can impact positively on the Authority's reputation, aims and objectives.
- Ensure managers and Officers are equipped with the necessary skills to manage risk effectively.
- Ensure that strategic partners and service providers are aware of the importance of risk management.
- Ensure that the Chief Finance Officer is promptly provided with any information he requires on risk management issues.
- Report the risk implications of recommended strategies, policies, and service delivery options to Members of the Authority.

6 Accounting

6.1 The Chief Finance Officer shall, with respect to the services provided by the constituent council identified by the Head of Paid Service as the lead authority for these roles:

- Determine accounting systems and procedures and the form of financial records and statements.
- Provide guidance and advice on all accounting matters.
- Monitor accounting performance to ensure an adequate standard for all services.
- Certify financial returns, grant claims and other periodic financial reports required of the Authority.

6.2 Each Delegated Officer shall:

- Implement accounting procedures and adopt the form of financial records and statements as determined by the Chief Finance Officer.
- Obtain the prior written approval of the Chief Finance Officer before introducing or changing significantly the form or method of existing accounting systems and procedures, financial records, or statement (see below).
- Complete and pass to the Chief Finance Officer financial returns and other financial reports requiring certification.
- Keep a proper and effective separation of duties for staff with financial responsibilities.

NOTE: Approval procedure for changes to financial systems: Prior approval is to be requested from the Chief Finance Officer in writing. The request must give details of the proposed change and the anticipated benefit from the change, an estimate of the costs involved and the proposed implementation date. Internal Audit advice should be sought for all proposed changes at as early a stage as possible.

7 Internal Audit

The Authority has responsibility for all matters of financial significance including the review of matters arising from audit, both internal and external. The Audit and Standards Committee is responsible for overseeing issues relating to financial probity. Reference should also be made to the Anti-Fraud and Corruption Policy.

7.1 Internal Audit is required to provide an objective audit service in line with the Public Sector Internal Audit Standard and other professional auditing standards. To this end, Internal Audit will have no executive functions that might compromise its objectivity, and the Chief Internal Auditor of the lead constituent council providing the internal audit service shall have direct access to, and the freedom to report to Members and all senior management including the Chief Finance Officer, the Head of Paid Service and the Monitoring Officer to the Authority.

7.2 The Chief Finance Officer shall:

- Maintain an adequate and effective system of internal audit of the accounting records and control systems of the Authority.
- Advise the Authority of material issues of financial control and report to Audit and Standards Committee on the adequacy of the systems of internal control:
- Where evidence of fraud, misappropriation or theft is discovered, decide after consultation with the relevant Delegated Officers(s) and the Monitoring Officer, whether to refer the matter to the Police.

7.3 The Chief Finance Officer or his or her representatives is authorised to:

- Visit any establishment of the Authority.
- Have immediate access to all records and documents.
- Require the immediate production of cash, stores or any other property owned or held by the Authority.
- Require and receive promptly full and accurate explanations to any points requested.

7.4 Each Delegated Officer shall:

- Ensure that all reasonable assistance and co-operation is given to internal auditors.

- Respond fully without undue delay to any enquiries or recommendations made by the Chief Finance Officer.
- Inform the Chief Finance Officer, as soon as possible, of failures of financial control, including matters that involve, or may involve, financial irregularity.

The Chief Finance Officer and each Delegated Officer jointly shall investigate failures of financial control, including matters that involve, or may involve, financial irregularity.

8 Procurement and Contracts

8.1 The Commissioning and Procurement Rules for the Authority for the following exercises shall apply and be followed whenever the Authority wishes to arrange for:

a) The purchase of goods, materials, and related services (that is, services which are integral to the provision of those goods or materials, such as installation, servicing, maintenance etc).

b) The execution of works; or

c) The provision of other services (including consultancy).

8.2 The Commissioning and Procurement Rules of the Authority are part of this Financial Regulation 8 and failure to comply with them shall amount to a breach of financial regulations.

8.3 In addition to the specific provisions of the Commissioning and Procurement Rules, any procurement of goods, materials, works or services shall have regard to and seek to implement the following general principles:

a) The need to ensure the Authority and those within its area obtain good value for money and are properly protected as consumers of the goods, works or services.

b) The need to ensure and demonstrate true and fair competition, without unlawful discrimination.

c) The need to ensure the procurement process is transparent and accountable and susceptible to full audit.

d) The need to ensure the elimination of any opportunities for fraud or corruption.

9 Financial Controls

9.1 As required by Financial Regulation 1.7 the Delegated Officers are, for the areas under their control, responsible for ensuring that the arrangements, guidelines, and procedures for the proper administration of financial affairs are operated in accordance with the appropriate Financial Regulations.

9.2 Delegated Officers are required to ensure that the controls as listed in Financial Procedure Notes issued from time to time are present, although these officers may,

except where explicitly stated otherwise, determine the detail of the controls to meet service circumstances.

9.3 The Financial Procedure Notes issued under this regulation by the Chief Finance Officer are:

- FPN1 Orders for work, goods, and services
- FPN2 Income
- FPN3 Payment for works, goods and services.
- FPN4 Security and control of assets
- FPN5 Insurance
- FPN6 Staffing and payroll.
- FPN7 Reimbursement of expenses and payment of allowances
- FPN8 Banking arrangements and cheques
- FPN 9 Investments and borrowing.
- FPN10 Information technology and data protection
- FPN11 Commitment of Capital Expenditure
- FPN12 External Arrangements

9.4 Further Financial Procedure notes, or amendments, may be made from time to time by the Chief Finance Officer.

9.5 Further advice on all areas of financial control is available from the Chief Finance Officer who may issue detailed guidance notes on specific controls, as necessary. These will be referred to as Financial Best Practice Notes.

Financial Procedure Note 1 – Orders for Work, Goods and Services

a) Objective

To ensure that work, goods, and services are only ordered for the purposes of the Authority's business and that the resulting expenditure is within budget and complies with the statutory duty of achieving best value in part through economy and efficiency.

b) Application

This Financial Procedure applies in relation to the Direct Services of the Authority and is mandatory for all officers.

c) General

Every officer and Member of the Authority has a responsibility to declare any links, relationships or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Authority, in accordance with the requirements of section 117 of the Local Government Act 1972 and the Authority's own code of conduct.

Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Authority contracts. Staff involved in ordering or otherwise committing expenditure must ensure that there is budgetary provision before an order is placed, and that standing orders with respect to contracts are complied with.

d) Control Checklist

To achieve the above objective, systems should be present to ensure that:

- There is adequate budget provision before committing expenditure.
- Any necessary Authority approvals have been obtained.
- Purchases are in accordance with the Financial Regulation 8.
- That all order documentation used meets the requirements of Financial Regulation 8.

Note: Official Authority orders must:

- Be headed 'NECA' on behalf of the North East Mayoral Combined Authority.
- State 'Official Order.'
- Be numbered.
- Include the name and address of the ordering section, and delivery address if different.

- Show the cost code to be charged.
- Be signed by, and state post of an authorised officer; in accordance with the Financial system in use and delegation embedded in that system.
- Include the information required in Financial Regulation 8, including the Procurement Procedure Rules.

Orders must be approved by staff with proper authorisation (in line with the scheme of delegations at Part 2.7 of this Constitution).

e) Comments

Staff authorised to order work, goods and services must ensure that they are aware of any necessary authorisations required and of the Authority's Purchasing Policy.

The Purchase Order System adopted by the Authority must be used whenever possible as it facilitates compliance with the above requirements and collects data to support development of the Purchasing Policy.

Financial Procedure Note 2 – Income

a) Objective

To ensure that all income due to the Authority is promptly collected, banked, and properly accounted for. It is preferable to obtain income in advance of supplying goods or services as this improves the Authority's cashflow and avoids the time and cost of administering debts.

b) Application

This Financial Procedure applies in relation to the Direct Services of the Authority and is mandatory for all officers.

c) Control Checklist

To achieve the above objective, systems should be present to ensure that:

- Budgeted income is fully and promptly collected.
- The Chief Finance Officer is promptly informed of all new sources of income, the sums anticipated and collection arrangements.
- The advice of the Chief Finance Officer is sought prior to the signing of agreements which provide for variable income.
- The basis and level of fees and charges are regularly reviewed.
- Income is collected in advance of service, or where not possible, by official invoice.
- Money received is acknowledged by the issue of an official receipt, ticket, or voucher. (See (d) below.).
- The transfer of official money between staff is evidenced.
- Income collected is banked promptly (if not via bacs transfer) and held securely prior to banking.
- Money held awaiting banking is insured against theft;
- Money banked is credited to the correct financial account and compared to budget estimate.
- Arrangements for payment by instalment are authorised in advance by the Chief Finance Officer.
- Prior authorisation is obtained to the write-off of uncollectible income by the Chief Finance Officer.
- The Chief Finance Officer must approve claims requiring certification in the name of

the Chief Financial Officer.

d) Special requirements

Personal cheques must not be cashed out of money held on behalf of the Authority.

Financial Procedure Note 3 – Payment for Works, Goods and Services

1. Objective

To ensure that payments are made only for works, goods or services received by the Authority and has been certified as such.

2. Application

This Financial Procedure applies in relation to the Direct Services of the Authority and is mandatory for all officers.

3. Control Checklist

To achieve the above objective systems should be present to ensure that:

1. Pre-payment checks are undertaken to ensure that:
 - The goods have been received and examined, meet the required specification and work done or services rendered have been satisfactorily carried out.
 - The invoice is in accordance with the contract or order, is arithmetically correct, and has due discounts deducted.
 - The payment has not previously been made.
 - The payment is authorised.
2. The method of payment is appropriate.
 - By use of the corporate creditors system for payment by BACS).
 - By some other means as agreed with the Chief Finance Officer.
3. Payment is timely.
 - To meet supplier/contractor terms of trade and legislative requirements.
 - Justification is provided if urgent payment is required.
4. Transactions are properly accounted for, including:
 - proper use of financial codes.
 - compliance with HM Revenue and Customs regulations.
 - The maintenance of a Register of Contracts by the Chief Finance Officer.

d) **Special Requirements - Advance Payments**

No commitments shall be entered into for goods, work, or services for which the supplier or contractor requires payment in advance until the Delegated Officer has confirmed the financial standing of the payee with the Chief Finance Officer.

Financial Procedure Note 4 – Security and Control of Assets

a) Objective

To ensure the proper use and safeguarding of assets owned by the Authority or for which the Authority has responsibility.

b) Application

This Financial Procedure applies in relation to the Direct Services of the Authority and is mandatory for all officers.

c) Control Checklist

To achieve the above objective systems should be present to ensure that:

- Proper security is maintained at all times.
- Assets are recorded and accounted for.
- The use of assets is restricted to authorised Authority business.
- Surplus assets, except land and buildings, are disposed of in accordance with procedures agreed with the Purchasing Manager of the constituent council identified by the Head of Paid Service as being responsible.

In addition, the following controls apply to land and buildings:

- The Head of Property Services of the constituent council identified by the Head of Paid Service as being responsible for such land and buildings has overall responsibility for advising on land issues.
- The disposal of land and buildings will be carried out under any scheme of delegations or protocol agreed by the Cabinet or otherwise with the express approval of the Cabinet.
- A detailed record of all land and property owned by the Authority shall be maintained by the Head of Property Services of the constituent council identified by the Head of Paid Service as being responsible for such land and buildings.
- The Monitoring Officer shall have custody of all title deeds and be responsible for their security.
- Entry should not be allowed into property of the Authority without the signing of formal documentation. (If a situation should arise where early entry in connection with a major transaction is required, the Head of Property Services of the constituent council identified by the Head of Paid Service as being responsible for such land and buildings will have delegated authority to agree this as appropriate.

d) Comment

This financial procedure note applies to all assets, including stocks, stores equipment and vehicles (with either an individual value of £500 or more or a collective value of £2,000 or more) and all cash, land, and buildings, which are owned by, or are in the possession of the Authority and for which the Authority is responsible. The form and content of the record is for local decision following consultation with the Chief Finance Officer but must be sufficient to allow verification and to support Balance Sheet entries.

Financial Procedure Note 5 – Insurance

a) Objective

To ensure that the Authority manages all potential insurable risks and liabilities with the authority for arranging insurance cover limited to the Chief Finance Officer.

b) Application

This Financial Procedure applies in relation to the Direct Services of the Authority and is mandatory for all officers.

c) Control Checklist

To achieve the above objective, systems should be present to ensure that:

- New risks and any alterations to existing risks are reported to the Chief Finance Officer immediately.
- Authority risks are reviewed annually in accordance with the timetable issued by the Chief Finance Officer.
- Claims are reported in accordance with the guidelines issued by the constituent council identified by the Head of Paid Service as being responsible for insurance and supporting information is provided within required timescales.
- Policy requirements and warranties, notified by the constituent council identified by the Head of Paid Service as being responsible for insurance, are complied with at all times.
- Insurers' loss control requirements are responded to within the relevant timescales.

d) Comment

Each Delegated Officer is responsible for identifying, assessing, and reporting risks to the Chief Finance Officer.

The Chief Finance Officer is responsible for arranging all insurance cover and for ensuring the annual review of insurance cover.

Financial Procedure Note 6 – Staffing and Payroll

a) Objective

To ensure that staff are appointed in accordance with the Authority's Code of Practice on Recruitment and Selection, are paid in accordance with their Contract of Employment and to ensure leavers are removed from the payroll.

b) Application

This Financial Procedure applies in relation to the Direct Services of the Authority and is mandatory for all officers.

c) Control Checklist

To achieve the above objective, systems should be present to ensure that:

- The Policy on Recruitment and Selection is observed in the appointment of staff.
- Amendments to the payroll – including appointments, resignations, and changes to Contracts of Employment - are notified to the Head of Service of the relevant constituent council with which the lead SLA for payroll lies in accordance with payroll deadlines and in the form specified.
- Details of salary and wage amounts to be paid are provided in a form and to a timetable determined by the Chief Finance Officer.
- Uncollected payments are promptly returned to the Authority that made the payment.
- Regular checks of staff paid and charged to the financial accounts is undertaken.

Financial Procedure Note 7 – Reimbursement of Expenses and Payment of Allowances

a) Objective

To ensure that the reimbursement of allowances and expenses to staff and members is in accordance with the appropriate agreements and legislation.

b) Application

This Financial Procedure applies in relation to the Direct Services of the Authority and is mandatory for all officers.

c) Control Checklist

To achieve the above objective systems should be present to ensure that:

- Claims are submitted within one calendar month of the expense being incurred and include sufficient information to allow verification.
- Allowances and expenses are as approved for payment to Authority staff.
- Payment is made in accordance with procedures determined by the Chief Finance Officer.

Members

- Claims are submitted within one calendar month of the expense being incurred and include sufficient information to allow verification.
- Allowances for independent members and expenses are as approved for payment to Authority members.
- Payment is made in accordance with procedures determined by the Chief Finance Officer.

d) Comment

Care must be taken to ensure that all payments to individuals, including additional payments to Officers, meet the requirements of the Inland Revenue.

Expenses claims should be supported by receipts whenever possible.

Financial Procedure Note 8 – Banking Arrangement and Cheques

a) Objective

To ensure sound banking and payment arrangements, by limiting responsibility to the Chief Finance Officer.

b) Application

This Financial Procedure applies in relation to the Direct Services of the Authority and is mandatory for all officers.

c) Control Checklist

To achieve the above objective, systems should be present to ensure that:

- No bank account, or similar, is to be opened except with the authority of the Chief Finance Officer.
- The maintenance of Authority bank accounts is in accordance with arrangements determined by the Chief Finance Officer.
- Cheques shall be ordered only on the authority of the Chief Finance Officer and controlled securely prior to use.
- The approval of the Chief Finance Officer is obtained to any proposal to enter a credit agreement.

Financial Procedure Note 9 – Investments and Borrowing

a) Objective

To limit the authority for managing the Authority's Investments and Borrowing to the Chief Finance Officer and to ensure those activities in this area are properly regulated.

b) Application

This Financial Procedure applies in relation to the Direct Services of the Authority and is mandatory for all officers.

c) Control Checklist

To achieve the above objective, systems should be present to ensure that:

- No investment or borrowing transaction is undertaken except with the prior written authority of the Chief Finance Officer.
- Authority bank accounts do not become overdrawn.
- The Chief Finance Officer shall ensure that:
 1. The Authority will create and maintain, as the cornerstones for effective treasury management:
 - a) a treasury management policy statement, stating the policies, objectives, and approach to risk management of its treasury management activities.
 - b) suitable treasury management practices (TMPs), setting out the way the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
 2. The content of the policy and the TMPs will follow the recommendations contained in Section 6 and 7 of the Prudential Code, subject only to amendment where necessary to reflect the circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.
 3. The Cabinet will receive reports on treasury management policies, practices, and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
 4. The Authority delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Audit and Standards Committee, and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the Authority's policy statement and TMPs and if that officer is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

5. The Authority is responsible for ensuring effective scrutiny of the treasury management strategy and policies.
 - All investments and borrowing are made by the Chief Finance Officer and are in the name of the North East Mayoral Combined Authority
 - All securities are held by the Chief Finance Officer.
 - The Chief Finance Officer is the Authority's Registrar of Stocks, Bonds and Mortgages.
 - Investments held at the end of each financial year are reported to Cabinet by the Chief Finance Officer as soon as possible after 31 March.
 - All Treasury Management activities are conducted in line with the relevant CIPFA Code of Practice for Treasury Management in Local Authorities; and
 - There is an adequate division of duties between arranging and settling of transactions.

Any exceptions to the above can only be authorised by the Authority.

Financial Procedure Note 10 - Information Technology and Data Protection

a) Objective

To ensure the orderly and secure development of information technology and the proper control of information held.

b) Application

This Financial Procedure applies in relation to the Direct Services of the Authority and is mandatory for all officers.

c) Control

Checklist to achieve the above objective, systems should be present to ensure that:

- Investment in IT complies with the Authority's IT and Information Security strategies and policies.
- All IT purchases:
 - i) Comply with the Authority's corporate standards and guidelines (including the IT procurement guidelines) unless there are sound reasons to do otherwise.
 - ii) Have necessary capital approvals in place.
 - iii) Are included on a Authority-wide register of IT assets.
- The use of IT and the control of information held are subject to the IT security policy of the constituent council designated by the Head of Paid Service as being responsible for IT.

Financial Procedure Note 11 – Commitment of Capital Expenditure

- a)** The Authority has an Investment Programme that will include both revenue and capital expenditure. The resulting programme of Capital Expenditure is approved by the Cabinet and is updated regularly to reflect changes in the cost and phasing of schemes and the addition of new schemes in accordance with the Single Assurance Framework.
- b)** Inclusion of a capital scheme in the Investment Programme gives the authority to begin procurement and contract procedures subject to the limitations below.
- c)** For schemes included in the Programme for commencement in the first financial year (i.e., current financial year) Delegated Officers have the authority to progress a scheme up to and including contract signature subject to:
- The Corporate Procurement Strategy of the Authority or (if no such Strategy has been adopted) the constituent council identified by the Head of Paid Service as being responsible for procurement.
 - Full compliance with the provisions of Financial Regulation 8 on tenders and quotations.
 - Tender costs not exceeding the Programme provision by more than 5% or £50,000, whichever is the lower, provided the source of funding for the additional cost has been identified.
 - Completion of a tender summary report in the form prescribed by the Chief Finance Officer.
 - Certification by the Chief Finance Officer of the tender summary report.

Schemes not meeting these conditions, or where:

- it is proposed to accept other than the lowest tender (where price is the determining criteria), or
- the Cabinet has directed its approval is required.

must be reported to the Cabinet for approval to proceed to contract Signature.

- d)** Financial Regulation 8 covers contract signature requirements.
- e)** For schemes included in the Programme for commencement in any subsequent financial year, Delegated Officers have authority to prepare plans and conduct other preliminary work during the first financial year up to a maximum of £50,000.
- f)** Proposals to incur preliminary expenditure or commitments above £50,000 must be approved by the Chief Finance Officer and must be recorded by the Chief Finance Officer as a delegated decision.

Note: This authority for preliminary expenditure only applies to schemes in the programme. Confirmation of scheme approval must be sought at the earliest opportunity if significant changes, either in objective, estimated cost, or phasing, are proposed.

g) Once commenced, Delegated Officers have approval to incur:

- Additional expenditure arising from the operation of a 'fluctuation of price' clause.
- Increased costs not exceeding 5% of the contract value or £50,000 whichever is the lower.

Subject to the increased amount being reported for inclusion in the Capital Monitoring Progress Reports to the Cabinet (where deemed significant by the Chief Finance Officer) and inclusion in the Capital Programme at the earliest opportunity.

Financial Procedure Rules 12: External Arrangements

PARTNERSHIPS

Partnerships are likely to play a key role in delivering the Authority's vision and commitments. The Authority does not directly deliver services, but their distinctive leadership role is to bring together the contributions of the various stakeholders. They therefore need to deliver a shared vision.

The Authority will mobilise investment, bid for funds, champion the needs of the area, and harness the energies of local people and community organisations, alongside other public sector agencies and the Business Community. The Authority will be measured by what they achieve in partnership with others.

The main reasons for entering into a partnership are:

- (a) the desire to find new ways to share risk
- (b) the ability to access new resources
- (c) to provide new and better ways of delivering services
- (d) to forge new relationships
- (e) to provide value for money to the taxpayer.

A partner is defined as either:

- (a) an organisation (private or public) undertaking, part funding or participating as a beneficiary in a project, or
- (b) a body whose nature or status give it a right or obligation to support the project.

Partners participate in projects by:

- (a) acting as a project deliverer or sponsor, solely or in concert with others
- (b) acting as a project funder or part funder
- (c) being the beneficiary group of the activity undertaken in a project.
- (d) to contributing their expertise and knowledge to support the Authority to delivery the Cabinet's Vision and Statements for the benefit of the region

Partners have common responsibilities:

- (a) to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation
- (b) to always act in good faith and in the best interests of the partnership's aims and objectives

- (c) be open about any conflict of interests that might arise
- (d) to encourage joint working and promote the sharing of information, resources, and skills between public, private and community sectors
- (e) to hold confidentially any information received because of partnership activities or duties that is of a confidential or commercially sensitive nature
- (f) to act wherever possible as ambassadors for the project
- (g) to ensure that partnership arrangements are not ultra vires.

The key controls for Authority partners are:

- (a) if appropriate, to be aware of their responsibilities under the Authority's Financial Regulations and the code of practice on tenders and contracts
- (b) to ensure that risk management processes are in place to identify and assess all known risks
- (c) to ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise
- (d) to agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences
- (e) to communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

Responsibilities of the Chief Finance Officer

- a) To advise on effective controls that will ensure that resources are not wasted.
- (b) To advise on the key elements of funding a project. They include:
 - a scheme appraisal for financial viability in both the current and future years
 - risk appraisal and management
 - resourcing, including taxation issues
 - audit, security, and control requirements
 - carry-forward arrangements.
 - to ensure that the accounting arrangements are satisfactory.

Responsibilities of Chief Officers

- a) To maintain a register of all contracts entered with external bodies in accordance with procedures specified by the Chief Finance Officer.
- b) To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Chief Finance Officer.
- c) To ensure that all agreements and arrangements are properly documented, legally binding, and that rights of access to information, records and personnel are secured for internal audit. Advice should be sought in advance from the Monitoring Officer and the Chief Finance Officer regarding the form of partnership agreement and the correct Authority signatories to / procedures for such an agreement.

- d) To ensure the legality of partnership arrangements before entering them.
- e) To ensure that where the entering into a partnership requires a financial commitment from the Authority, either immediate or potential, for which budget provision is not available, or where the acceptance of external funding would lead to a financial commitment beyond the current year, the Chief Officer in conjunction with the Chief Finance Officer shall provide a written report to Cabinet giving a full appraisal of the financial implications for the Authority of the scheme both in the current year and beyond in accordance with the Single Assurance Framework . The approval of the Cabinet must be secured before the Chief Officer commits the Authority to any partnership agreement in these circumstances, after taking advice from the head of legal services.
- f) To be responsible and accountable for financial monitoring and evaluation of performance of each partnership entered by the Chief Officer's applicant service.

EXTERNAL FUNDING

External funding is the main income for the Authority, and all funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Authority.

Key controls for external funding are:

- (a) to ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood.
- (b) to ensure that funds are acquired only to meet the priorities approved in the policy framework by Cabinet and in line with the Investment framework.
- (c) to ensure that any match-funding requirements are given due consideration prior to entering into long-term agreements and that future revenue budgets reflect these requirements.

Responsibilities of the Chief Finance Officer

- a) To ensure that all funding notified by external bodies is received and properly recorded in the Authority's accounts.
- b) To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
- c) To ensure that audit requirements are met. Responsibilities of Chief Officers

Responsibilities of Chief Officers

- a) To ensure that all claims for funds are made by the due date and signed by the appropriate signatory.
- b) To ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.

- c) To nominate a named responsible senior officer to be accountable for the performance and financial monitoring of each project in accordance with the Assurance Framework.
- d) To ensure that written approval is obtained from the funder which clearly shows the approved allocation, the purpose of the grant and the financial period to which it relates.
- e) To ensure that project named responsible officers check, prior to submission of a grant claim, that all expenditure declared is eligible in accordance with the relevant funder's criteria. Should there be any uncertainty as to the purpose of such funding,
- f) To ensure that any guidance issued by the Chief Finance Officer on receipt of funds from a third party (i.e., matched funding) in grant submission is adhered to.
- g) To ensure that grant claim working papers are maintained in a form agreed by the Chief Finance Officer.
- h) To ensure that the way external funding is managed is in accordance with Authority policy and instructions, standing orders with respect to contracts, and Financial Regulations in addition to the funder's own requirements.
- i) To ensure that all contracts are properly documented:
- j) To ensure that where the use of external funding for projects requires a financial commitment from the Authority for which budget provision is not available, or where the acceptance of external funding would lead to a financial commitment beyond the current year, the Chief Officer in conjunction with the Chief Finance Officer shall provide a written report to Cabinet giving a full appraisal of the financial implications for the Authority of the scheme both in the current year and beyond. This will be in accordance with the Single Assurance Framework. The approval of the Cabinet must be secured before the Chief Officer commits the Authority to any agreement. Where external funding is secured for a limited time period, any operational arrangements put in place must not assume the fall-out of grant will be funded through NECA core funding.
- k) To ensure that where additional financial support is to be sought from other agencies, this is subject to the proper decision-making processes of the Authority, as set out in the budget and policy framework, to ensure that there is a clear understanding of the action to be taken and clear lines of responsibility and accountability.

Process for bidding for external funds – depending on project value		
Stage	External funding for new projects up to £1m Gross Expenditure	External Funding for Projects over £1m Gross Expenditure
ONE – Submission of application/expression of interest	Approval by Chief Executive/Director of Service, a senior Client Finance Officer, and relevant Cabinet Member assuming no legal,	Approval by Chief Executive, Director of Service, a senior Client Finance Officer, and relevant Cabinet Member assuming no legal,

	environmental, or financial implications	environmental, or financial implications. Any proposal with financial or other implications to be submitted to Cabinet for approval to submit.
TWO – Acceptance of offer of funding	Approval by relevant Chief Officer and Chief Finance Officer	Approval by Chief Finance Officer and Cabinet
Note Grant funding accepted be reported to Cabinet as part of the quarterly financial management report to Cabinet		