

Part 4F – Financial Regulations

Introduction

Financial Regulations provide a framework for ensuring the financial administration of Newcastle City Council (the Council) is conducted in a sound and proper manner, delivers value for money and minimises the risk of legal challenge to the Council. Financial Regulations set out the rules and processes that underpin the day to day management of public funds. However, they are not intended to constitute a set of detailed rules to respond to every contingency.

Financial Regulations are underpinned by Section 151 of the Local Government Act 1972, which states that “every authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”. In Newcastle City Council, this officer is the Director of Resources. All references in this document to the “Chief Finance Officer” relate to the Director of Resources, their approved deputy, the Assistant Director Financial Services, the Service Manager with responsibility for internal audit or any officer designated by them for a specific purpose.

References to notifications in writing in these regulations shall be satisfied by notification by email.

Financial Regulations set the control framework for eleven key areas of activity:

Financial Regulation 1 defines responsibility for financial control.

Financial Regulations 2, 3, and 4 lay down the tasks required of the Council, Cabinet, Committee or officer for the fundamental financial processes of:

- Forward planning and budgetary strategy
- Incurring and controlling revenue spending and income
- Incurring and controlling capital spending and income

Financial Regulation 5 covers the requirements for risk management.

Financial Regulations 6 and 7 cover the standards required for:

- Accounting
- Internal Audit

Financial Regulation 8 governs procedures for obtaining goods, materials, works and services.

Financial Regulation 9 defines the responsibilities governing partnership arrangements.

Financial Regulation 10 identifies the corporate and financial processes which must be followed when seeking and making use of external resources.

Financial Regulation 11 regulates the 'day to day' financial systems and requires Directors to ensure that prescribed controls are present.

All 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.

Financial Procedure Notes (and associated guidance) may be issued by the Chief Finance Officer from time to time where assistance is needed with the interpretation of Financial Regulations. Failure by officers to comply with Financial Regulations or Financial Procedure Notes (and associated guidance) may result in action under the Council's disciplinary procedures. Failure by Members to comply with Financial Regulations or Financial Procedure Notes (and associated guidance) may amount to a breach of the Code of Conduct for Members and result in a complaint to the Council's Monitoring Officer.

Amendments to Financial Regulations require the approval of the City Council following a report from Constitutional Committee. The Chief Finance Officer may amend Financial Procedure Notes as necessary.

Financial Regulation One

Responsibility for Financial Control

All elected Members and employees are responsible for ensuring they use the resources and assets entrusted to them in a responsible and lawful manner. They should strive at all times to achieve value for money and avoid legal challenge to the Council. These responsibilities apply equally to Members and employees when representing the Council on outside bodies. Members and employees must also comply with the relevant code of conduct.

1.1 Personal Responsibilities

1.1.1 Any person charged with the use or care of the Council's resources and assets should be familiar with the Council's requirements under Financial Regulations. If anyone is in any doubt as to their obligations, then they should seek advice from the Chief Finance Officer. Unresolved questions of interpretation should be referred to the Chief Finance Officer.

1.1.2 All employees must immediately inform their manager or supervisor about any matter that involves, or is thought to involve, irregularities concerning cash, stores, income, expenditure, assets (including data held by the council) or any suspected illegality, impropriety, breach of procedure or serious deficiency in the provision of service. Employees shall be able to do this without fear of recrimination providing they act in good faith. Compliance with the Council's Policy Statement on Fraud and Corruption and the Code of Conduct for Employees is mandatory.

Note: The Council's Policy for Confidential Reporting of Concerns ("Whistle blowing") exists to:

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

1.2 City Council

1.2.1 City Council is responsible for:

- The adoption and revision of Financial Regulations.
- The approval of the service and policy framework and annual revenue budget and capital programme within which the Cabinet works.
- Providing the Chief Finance Officer with sufficient staff, accommodation and other resources to carry out his / her duties.

1.3 Cabinet

- 1.3.1 Cabinet is responsible for controlling the Council's financial resources within the service and policy framework agreed by City Council, proposing the revenue budget and capital programme to City Council and discharging executive functions in accordance with the policy framework, revenue budget and capital programme.
- 1.3.2 Cabinet is also responsible for the development and implementation of the Council's procurement strategy and the governance of major procurement projects.
- 1.3.3 Cabinet also seeks to ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.

1.4 Constitutional Committee

- 1.4.1 Constitutional Committee is the guardian of the Council's constitution and corporate governance and is responsible for recommending amendments to Financial Regulations to City Council.

1.5 Scrutiny Committees

- 1.5.1 Overview and Scrutiny Committee is responsible for carrying out, or arranging for the carrying out of, all the council's scrutiny activities (apart from health and social care related areas).
- 1.5.2 Overview and Scrutiny Committee also has responsibility for leading all aspects of the scrutiny process including that of the Health Scrutiny Committee.
- 1.5.3 Health Scrutiny Committee is responsible for reviewing or scrutinising the way in which any of the Council's health and social care functions (whether Executive or Non-Executive in nature) are discharged in operational terms and, in particular, to assess how efficiently and effectively any of those functions are performed.
- 1.5.4 Finance & Budget Monitoring Scrutiny Sub-Committee is overseen by the Overview & Scrutiny Committee and is responsible for scrutinising the budget proposals proposed by Cabinet and reviewing the quarterly reports to Cabinet on council performance, and key financial and human resources performance information to ensure:
- The current year's revenue and capital budgets are on track.
 - The Council's financial and human resources systems and processes are operating effectively and meeting service delivery standards.

1.6 Audit Committee

- 1.6.1 Audit Committee is responsible for overseeing issues relating to financial and non-financial governance, and receives reports from Internal Audit on the operation of the Council's governance framework and from the Council's external auditors on the annual accounts and related financial systems and

controls.

1.7 Chief Finance Officer

- 1.7.1 The Chief Finance Officer (also known as the Section 151 Officer) has statutory duties in relation to the financial administration and stewardship of the Council arising from the following:
- Section 151 of the Local Government Act 1972
 - Local Government Finance Act 1988
 - Local Government and Housing Act 1989
 - Local Government Act 2003
 - Accounts and Audit Regulations 2015
- 1.7.2 The Chief Finance Officer is responsible for the proper administration of the Council's financial affairs including:
- Advising on the Council's financial position.
 - Establishing the financial systems and controls necessary to secure sound financial management.
 - Preparing the annual accounts in line with relevant professional guidance.
 - Providing financial information to officers and Members.
 - Providing financial advice and guidance to officers and Members.
 - Ensuring financial risks are identified and managed.
 - Maintaining the medium term financial plan.
 - Preparing the revenue budget and capital programme budget.
 - Reporting on the adequacy of reserves and the robustness of the budget estimates when the annual budget is being considered.
 - Undertaking treasury management and banking activities.
- 1.7.3 The Chief Finance Officer shall issue, and keep under continuous review, such instructions, give such advice or establish such procedures relating to financial matters as he / she considers necessary to secure the proper administration of the Council's financial affairs.
- 1.7.4 The Chief Finance Officer is responsible for reporting, where appropriate, breaches of Financial Regulations to Audit Committee.
- 1.7.5 The Chief Finance Officer has a statutory duty to report to City Council, Cabinet and the external auditor where it appears that the Council or an officer has made or is about to make a decision that would involve unlawful expenditure, has carried out or is about to carry out an unlawful action likely to cause a loss or deficiency or an unlawful item of account, or if proposed expenditure is in excess of available resources (Section 114, Local Government Finance Act 1988).
- 1.7.6 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.
- 1.7.7 Throughout this document the term Chief Finance Officer relates to the Director of Resources, their approved deputy, the Assistant Director Financial

Services, the Service Manager with responsibility for internal audit or any officer designated by them for a specific purpose.

1.8 Chief Executive and Directors

1.8.1 The Chief Executive and Directors are responsible for ensuring that all staff within their directorates are familiar with Financial Regulations and for taking steps to ensure they are complied with throughout all areas under their control and shall:

- Provide the Chief Finance Officer with such information and explanations as he / she feels is necessary to meet his / her obligations under Financial Regulations.
- Establish a system of budgetary control within their directorates with nominated officers responsible for specific revenue (Budget Manager) and capital budgets (Project Officer).
- Ensure that the Chief Finance Officer has sufficient opportunity to comment on all proposals with financial implications, before any commitments are incurred.
- Ensure they consult with the relevant Cabinet member(s) on the financial implications of all significant proposals as agreed by the Chief Finance Officer.
- Immediately inform the Chief Finance Officer of any 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.

1.8.2 For the purpose of Financial Regulations the term “Director” should be taken to mean those individuals who report directly to the Chief Executive.

1.9 Budget Managers and Project Officers

1.9.1 Budget Managers and Project Officers are responsible for:

- Managing the financial resources that have been delegated to them and maintaining net expenditure within the delegated budget.
- Developing financial plans linked to service deliverables in line with the council's annual budget setting process.
- Identifying and assessing financial risks within a service or project and taking appropriate action to mitigate / control them.
- Providing accurate estimates of projected income and expenditure on a monthly basis using the specified financial system.
- Reporting any cost pressures / overspends and implementing the agreed remedial actions.
- Complying with Financial Regulations and any externally defined terms and conditions (e.g. grant agreements / circulars).

1.9.2 Budget Managers and Project Officers shall act in accordance with Financial Regulations and any other associated regulatory documents at all times.

1.10 Exceptions to Financial Regulations

1.10.1 Exceptions to Financial Regulations shall be made only:

- In cases of urgency or where it is in the interests of the Council to do so, **and**
- With the prior written approval of the Chief Finance Officer or (if the Chief Finance Officer considers it appropriate) the Cabinet.

1.10.2 The Chief Finance Officer shall keep a record of all such exceptions and (if necessary) submit an annual report to City Council and Constitutional Committee summarising these.

Financial Regulation Two

Forward Planning and Budget Strategy

Cabinet is responsible for formulating a draft budget (covering revenue and capital) and level of Council Tax to be charged the following year and consulting on this with appropriate stakeholders in line with statutory guidance. Cabinet is also responsible for considering the results of consultation and submitting a revised draft budget (covering revenue and capital) and level of Council Tax to be charged the following year to City Council for approval. City Council is responsible for approving the budget (covering revenue and capital) and level of Council Tax to be charged the following year.

- 2.1 Each year, the Chief Finance Officer will prepare a budget and medium term financial plan covering revenue and capital in line with the Cabinet's stated policy priorities. The budget and medium term financial plan will include estimated resources (including the level of Council Tax to be charged the following year) and cost pressures, and the financial impact of proposals to reduce expenditure or increase income.
- 2.2 The Chief Finance Officer will advise Cabinet and City Council on whether the proposed level of reserves as set out in the budget and medium term financial plan are adequate and in line with the financial risks faced by the Council.
- 2.3 The Council's General Fund budget will be split into directorate cash limited budgets and corporate items covering items such as treasury management, historic pension deficit costs and insurance. Directorate cash limited budgets will be delegated to individual directors.
- 2.4 Directors will prepare estimates of income and expenditure in accordance with such guidelines as set out by the Chief Finance Officer. In doing so, Directors will ensure that:
 - Expenditure and income estimates, and the cost of any proposals submitted by them, are as accurate as possible and include all relevant amounts.
 - Fees and charges are reviewed at least annually to ensure income is sufficient to cover all the costs related to the delivery of services.
 - Revenue and capital estimates are consistent with the service and policy framework agreed by City Council.
 - Revenue and capital estimates are fully funded – where directors are proposing to fund capital expenditure from prudential borrowing, a detailed business case must also be prepared that shows how the revenue costs associated with the borrowing will be funded.
 - The revenue implications of capital schemes are included in the revenue estimates.

Financial Regulation Three

Incurring and Controlling Revenue Spending and Income

Cabinet monitors the revenue budget, approves additions and changes to the revenue budget during the year in line with the service and policy framework agreed by City Council, and approves the award of contracts for goods and services in accordance with Financial Regulation Eight.

- 3.1 The Chief Finance Officer shall, after consultation with the Chief Executive and Directors, report to the Cabinet on at least a quarterly basis on:
- Progress against the annual revenue budget (covering the General Fund and the Housing Revenue Account).
 - Collection of business rates and council tax, and the overall position on the Collection Fund.
 - Expected movement on reserves (covering the General Fund and the Housing Revenue Account).
 - Any bad debt write offs that require Cabinet approval (covering the General Fund and the Housing Revenue Account).
 - Any changes required to directorate budgets that require Cabinet approval.
 - Any significant developments affecting the financial position of the Council.
- 3.2 Each Director shall:
- Establish a system of budgetary control within his / her directorate with nominated officers responsible for specific revenue budgets.
 - Monitor revenue spending within his / her directorate against the cash limit or net budget agreed by City Council (as amended by budget changes agreed by Cabinet during the course of the year).
 - Notify the Chief Finance Officer as soon as it becomes clear that net expenditure will exceed the net budget for his / her directorate.
 - Provide the Chief Finance Officer with sufficient information to enable him / her to report financial performance to Cabinet.
 - Monitor income from fees and charges within his / her directorate annually to ensure full cost recovery as far as possible, and maximise other sources of funding.
 - Provide sufficient information to justify any amendments to his / her directorate revenue budget and seek approval from the Chief Finance Officer before entering into any financial commitments related to these.
- 3.3 Transfers between budgets (also known as virements) may be needed during the course of the year for a range of reasons including:
- Allocation of resources to directorates from corporate items that was agreed as part of the annual budget approved by City Council (e.g. annual pay award).
 - Allocation of resources to directorates from earmarked reserves to fund a specific financial commitment (e.g. transformation projects).
 - Allocation of resources to directorates as a result of specific Cabinet or City Council decisions.
 - Transfer of services and / or staff between different directorates.

- Technical changes affecting directorate budgets (e.g. centralisation of budgets following the removal of internal recharges).

3.3 The Chief Finance Officer must ensure that all budget transfers fulfil the following requirements:

- All transfers must be consistent with the service and policy framework approved by City Council at the start of the year.
- All transfers must have an agreed funding source (e.g. designated budget within corporate items or earmarked reserves).
- Any transfer over £250k (key decision) must be specifically approved by Cabinet in the quarterly performance report.
- Transfers are not permitted between revenue and capital budgets, or between the General Fund and the Housing Revenue Account.
- A full audit trail must be maintained for all budget transfers to ensure transparency and accountability.

3.4 Decisions to incur additional revenue spending not already approved should be approved in line with the Council's decision-making process – i.e. key decisions (those over £250k) should be approved by Cabinet or by a Cabinet Member delegated decision.

Financial Regulation Four

Incurring and Controlling Capital Spending and Income

Cabinet monitors the capital programme, approves additions and changes to the capital programme during the year in line with the service and policy framework agreed by City Council, and approves the award of contracts for works and services in accordance with Financial Regulation Eight.

- 4.1 Capital expenditure includes the purchase, improvement or enhancement for the Council's purposes of land, buildings, vehicles and equipment, and the provision of grants and loans to external organisations to enable the purchase of land, buildings, vehicles and equipment. Expenditure below the de minimis sum determined by the Chief Finance Officer is not capital expenditure. If there is any doubt whether expenditure is capital, the decision of the Chief Finance Officer is final.
- 4.2 Capital expenditure is funded separately from the funding of revenue expenditure from the following sources:
- Capital grants.
 - Capital contributions from third parties (e.g. section 106 agreement funding).
 - Capital receipts arising from the disposal of fixed assets.
 - Borrowing – although it should be noted that the borrowing itself needs to be repaid from revenue via the Minimum Revenue Provision (MRP) over the useful economic life of the asset.
 - Revenue (i.e. either a revenue reserve or a revenue budget).
- 4.3 The Chief Finance Officer shall, after consultation with the Chief Executive and Directors, report to the Cabinet on at least a quarterly basis on:
- Progress on the delivery of the capital programme including any slippage on individual capital projects.
 - Additions and amendments to the capital programme including changes to the funding of the capital programme.
- 4.4 Each Director shall:
- Ensure the Council's project management process is followed when developing new capital projects.
 - Establish a system of budgetary control within his / her directorate with nominated officers responsible for specific capital budgets.
 - Monitor capital spending within his / her directorate against the budget agreed by City Council (as amended by budget changes agreed by Cabinet during the course of the year).
 - Notify the Chief Finance Officer as soon as it becomes clear that expenditure on a specific capital project within his / her directorate will exceed the budget for that capital project.
 - Ensure all capital expenditure is fully funded (including, as a last resort, funding capital expenditure from a revenue budget) and will notify the Chief Finance Officer as soon as it becomes clear that a proposed source of capital funding is no longer sufficient to fund expenditure.
 - Provide the Chief Finance Officer with sufficient information to enable him / her to report financial performance to Cabinet.

- Provide sufficient information to the Chief Finance Officer to justify any amendments to his / her directorate capital programme.
- In conjunction with Property Services, undertake the disposal of land and buildings in accordance with the Protocol on the Exercise of Officer Delegations.

4.5 The Council may choose to lend money to a third party for the purpose of incurring capital expenditure. Any such proposals will need to follow the same approval process as for capital expenditure incurred directly by the Council. In particular, the project documentation should clearly set out the risks associated with the proposed loan transaction and how these risks will be mitigated (e.g. loan security, financial monitoring etc.). The interest rate set for each loan should clearly fulfil state aid requirements unless a specific decision is made not to charge a commercial rate of interest.

Financial Regulation Five Risk Management

The importance of risk management to the wellbeing of the Council is outlined in its Risk and Opportunity Management Policy and Strategy Framework.

Directors are responsible for ensuring that risk management is an integral part of the management processes and activities in all parts of their directorate. It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the council.

- 5.1 Directors will assign clear roles and responsibilities for managing risk to relevant officers.
- 5.2 Directors are responsible for ensuring that a register of significant risks is maintained, reported and monitored.
- 5.3 Directors will:
 - 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 the potential loss and take reasonable steps to avoid or reduce the impact of potential loss.
 - Allocate risk management resources to areas of identified priority.
 - Maximise risk management opportunities that can impact positively on the Council's reputation, aims and objectives.
 - Ensure managers and employees 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 / she requires on risk management issues.
 - Report the risk implications of recommended strategies, policies, and service delivery options to Members and senior officers of the Council.
 - Report progress on strategic risk and opportunities to senior officers, Audit Committee and Cabinet.

Financial Regulation Six Accounting

Constitutional Committee approves the annual accounts in conjunction with Audit Committee.

6.1 The Chief Finance Officer shall:

- Determine all accounting systems and controls and the form of financial records and statements.
- Provide guidance and advice to officers and Members on all accounting matters.
- Maintain an effective General Ledger system from which to prepare the annual accounts.
- Review and sign-off any changes to directorate specific accounting systems and controls that feed in to the General Ledger.
- Prepare the annual accounts within the statutory deadline in line with relevant professional guidelines.
- Work with the council's external auditor to ensure the annual accounts receive an unqualified audit opinion within the statutory deadline.
- Certify any financial returns or grant claims on behalf of the Council.

6.2 Each Director shall:

- Implement accounting systems and controls and adopt the form of financial records and statements as determined by the Chief Finance Officer.
- Comply with all advice and guidance issued by the Chief Finance Officer.
- Maintain effective segregation of duties between staff involved in accounting systems and controls as advised by Internal Audit.
- Seek the approval of the Chief Finance Officer before implementing any changes to directorate specific accounting systems and controls.
- Complete accurately any financial returns or grant claims to be certified by the Chief Finance Officer.

Financial Regulation Seven

Internal Audit

The Cabinet has responsibility for all matters of financial significance. The Scrutiny Committees' work programmes include the review of matters arising from audit, both internal and external. The Audit Committee is responsible for overseeing issues relating to financial probity. Reference should also be made to the Council's Policy statement on fraud and corruption.

- 7.1 The Accounts and Audit Regulations 2015 require every local authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. Internal Audit is required to provide an objective audit service in line with the Public Sector Internal Audit Standard (PSIAS). To this end, Internal Audit will have no executive functions that might compromise its objectivity, and the Audit, Risk & Insurance Service Manager shall have direct access to, and the freedom to report to Members and all senior management including the Chief Finance Officer, the Monitoring Officer and the Chief Executive.
- 7.2 The Chief Finance Officer shall:
- Maintain an effective system of internal audit of the accounting records and control systems of the Council.
 - Report annually to Audit Committee on progress on the strategic (long-term) audit plan.
 - Advise of material issues of financial control and report to Audit Committee on the soundness and application of the system of internal control taking into account potential loss through fraud, waste and poor value for money.
 - Where evidence of fraud, misappropriation or theft is discovered, decide after consultation with the relevant director(s) and the Monitoring Officer, whether to refer the matter to the police.
- 7.3 The Chief Finance Officer is authorised to:
- Visit any establishment of the Council.
 - Have immediate access to all records and documents.
 - Require the immediate production of cash, stores or any other property owned or held by the Council.
 - Require and receive promptly full and accurate explanations to any points requested.
- 7.4 Each Director 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

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

Financial Regulation Eight Procurement and Contracts

- 8.1 The Commissioning and Procurement Procedure Rules which are attached at the end of these Financial Regulations (and marked as Annex 1 to Financial Regulation 8) shall apply and be followed whenever the Council 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 / professional advisory).
- 8.2 The Commissioning and Procurement Procedure Rules are part of this Financial Regulation 8 and failure to comply with them shall amount to a breach of financial regulations.
- 8.3 Subject to the specific provisions of the Commissioning and Procurement Procedure Rules, Council and Your Homes Newcastle officers shall, in undertaking commissioning and procurement exercises for the purchase of goods, works or services, always have regard to and seek to implement the following general principles:
- (a) the need to ensure the Council and its citizens 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 commissioning and procurement process is transparent, accountable and susceptible to full audit.
 - (d) the need to ensure the elimination of any opportunities for fraud or corruption.

Financial Regulation Nine Partnerships and Joint Ventures

Constitutional Committee (in conjunction with Audit Committee) approves the Annual Governance Statement that sets out how all partnerships and joint ventures entered into by the Council are governed.

- 9.1 Cabinet is responsible for approving significant partnerships and joint ventures with other local public, private, voluntary and community sector organisations in line with the service and policy framework agreed by City Council.
- 9.2 Audit Committee is responsible for overseeing issues relating to financial probity in relation to partnerships and joint ventures.
- 9.3 Each Director will ensure the due diligence and legality of all partnerships and joint ventures within his / her directorate.
- 9.4 The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to partnerships that apply throughout the Council.
- 9.5 The Chief Finance Officer will ensure that accounting and auditing arrangements adopted relating to significant partnerships and joint ventures are satisfactory and that the overall corporate governance arrangements are satisfactory when contracts are arranged with external bodies.
- 9.6 Directors must ensure that risks have been fully appraised before agreements are entered into with external bodies. The appropriate approval, either from the Cabinet or via a delegated decision, must be obtained before any negotiations are concluded in relation to work with external bodies.
- 9.7 All partnerships and joint ventures are expected to adopt the Council's Financial Regulations, where appropriate, or an equivalent version approved by the Chief Finance Officer.
- 9.8 All partnerships and joint ventures must have a formal open book reporting process through which annual accounts are directly accessible.
- 9.9 All partnerships and joint ventures are expected to hold confidentially any information received as a result of partnership activities or duties that are of a confidential or commercially sensitive nature.
- 9.10 Each Director will maintain a list of all partnerships and joint ventures for internal audit purposes.

Financial Regulation Ten External Funding

Approval to incur revenue and / or capital expenditure should follow the processes set out in Financial Regulations Three and Four. This Financial Regulation sets out additional details for individuals to note when applying for external funding to fund revenue / capital expenditure.

- 10.1 A Project Officer should be identified for every project for which the Council is seeking external funding. The directorate to which the Project Officer is assigned will be accountable for all external funding received.
- 10.2 The Project Officer should seek support from finance and other staff when preparing his / her funding bid to ensure that all risks and issues are adequately addressed.
- 10.3 Approval must be sought from the relevant director and / or directorate management team member before the funding bid is submitted. In addition, if the project is a capital project then approval must also be sought from the Investment & Development Group chaired by the Chief Executive before the funding bid is submitted.
- 10.4 Once all internal approvals have been received the Project Officer should liaise with finance staff to seek the certification of the Chief Finance Officer (if required).
- 10.5 The Project Officer should ensure that any works or services procured in the delivery of the project are procured in line with Financial Regulation Eight and any specific requirements of the funding body.
- 10.6 The Project Officer should monitor delivery of the project on a regular basis to ensure expenditure is under control and planned outcomes are being achieved.
- 10.7 Grant claims and monitoring reports should be prepared by the Project Officer with support from finance staff and presented to the Chief Finance Officer for certification (if required) before submission to the funding body.
- 10.8 The Project Officer with support from finance staff should maintain adequate documentation for internal and external audit purposes, and ensure this is retained in line with the external funder's requirements.

Financial Regulation Eleven

Financial Controls

- 11.1 Directors are responsible for ensuring that arrangements for the proper administration of their directorate's financial affairs comply with Financial Regulations. This involves ensuring compliance with the Financial Procedure Notes issued under this regulation.
- 11.2 The Financial Procedure Notes issued under this regulation are:
- FPN1 – Orders for Goods, Works and Services
 - FPN2 – Income
 - FPN3 – Payment for Goods, Works and Services
 - FPN4 – Payment of Grants
 - FPN5 – Security and Control of Assets
 - FPN6 – Insurance
 - FPN7 – Employee Services
 - FPN8 – Reimbursement of Expenses and Payment of Allowances
 - FPN9 – Banking Arrangements
 - FPN10 – Investments and Borrowings
- 11.3 New Financial Procedure Notes or amendments to existing Financial Procedure Notes may be issued from time to time by the Chief Finance Officer.
- 11.4 The Chief Finance Officer may also issue detailed guidance supporting the above Financial Procedure Notes, or any other aspect of Financial Regulations, as and when necessary.
- 11.5 Further advice on any specific aspect of Financial Regulations should be sought from the Chief Finance Officer.

FPN1 – Orders for Goods, Works and Services

(a) Objective

To ensure that goods, works and services are only ordered for the purposes of Council business and that the resulting expenditure is within budget.

(b) Application

This Financial Procedure Note is mandatory for all officers.

(c) Control Checklist

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

- There is adequate budget provision before committing expenditure.
- Any necessary Member approvals are obtained.
- Purchases are in accordance with Financial Regulation Eight.
- Where the Council's purchase order system is not used, documentation meets the requirements of Financial Regulation Eight.
- Only authorised staff sign orders, and an up-to-date list of such authorised staff is maintained, which specifies the limits of their authority.

Official orders must:

- Be headed 'Newcastle City Council'
- State 'Official Order'
- Be numbered
- Include the name and address of the ordering department and delivery address if different
- Include the nature, quantity, quality and price of the goods or services required
- Set out any specific delivery requirements
- Show the cost code to be charged
- Be signed by, and state post, of an authorised officer
- Include a warning that payment will only be made for goods and services received by an authorised employee of the Council
- Include any further information required by Financial Regulation Eight

(d) Additional requirements

Staff authorised to order goods, works and services must ensure they are aware of the requirements of Financial Regulation Eight.

The Council's Purchase Order Processing System (POPS) must be used whenever possible as it facilitates compliance with the above.

Non-POPS ordering systems must be reviewed at least annually to consider the feasibility of using POPS.

FPN2 – Income

(a) Objective

To ensure that all income due to the Council is promptly collected, banked and properly accounted for.

(b) Application

This Financial Procedure Note is mandatory for all officers.

(c) Control Checklist

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

- Income is collected in advance of service delivery as far as possible. Where this is not possible, invoices are raised promptly.
- Invoices are credited to the correct cost centre in the General Ledger.
- Budget Managers regularly monitor the level of income against the budget during the year.
- All income is collected promptly – if an invoice remains unpaid after 60 days the relevant cost centre will automatically receive a charge to cancel out the invoice raised.
- The basis and level of fees and charges are regularly reviewed.
- All cheques received are made payable to “Newcastle City Council”.
- Income collected is banked promptly and held securely prior to banking.
- Money held awaiting banking is insured against theft.
- Arrangements for payment by instalment are authorised in advance by the Chief Finance Officer.
- Adequate provision is made for potential bad debts arising from uncollected income.
- All write-offs of uncollectable income are approved by Cabinet or by the Chief Finance Officer under delegated powers.

(d) Additional requirements

The Chief Operational Officer or Head of Facilities Management must:

- Ensure all cash held is physically secure.
- Develop contingency plans for cash transport, should a provider be unable to operate for any reason.
- Develop contingency plans for cash handling should the Civic Centre, Higham House or other relevant Council building become unavailable for any reason (eg. bomb scare).
- Investigate any variations that arise within the system for any reason, such as discrepancies in reported amount contained within a collection bag.

FPN3 – Payment for Goods, Works and Services

(a) Objective

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

(b) Application

This Financial Procedure Note is mandatory for all officers.

(c) Control Checklist

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

- 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, is date stamped with the invoice receipt date and includes all relevant discounts.
 - The payment has not previously been made.
 - The payment is authorised (this will normally be done via the POPS system).
- For payments made outside the POPS system, the name, signature and payroll number of the officer authorising the payment is clearly recorded in a form that facilitates checking against the approved list of authorised officers.
- The method of payment is appropriate:
 - By use of the purchase ledger system for payment by BACS (payments may be made by cheque if necessary).
 - By imprest account or petty cash for minor sums.
 - By some other means as agreed by the Chief Finance Officer.
- Payment is timely:
 - The Council's standard payment terms are 30 days.
 - The Council's Supplier Payment Terms Policy allows for specific suppliers to be paid within 10 days if they meet the criteria set out in the policy.
 - Alternatively payment may be made on different terms to meet existing contractual terms.
- Payments are properly accounted for, including:
 - Payments should be coded to the correct cost centre / sub-codes.
 - VAT and other taxes should be in line with HM Revenue and Customs regulations.

(d) Additional requirements

No commitments shall be entered into for goods, work or services for which the supplier or contractor requires payment in advance unless the director has confirmed the financial standing of the payee and sought approval from the Chief Finance Officer.

FPN4 – Payments of Grants

(a) Objective

To ensure that only properly authorised grant payments are made, and to ensure the purpose of the grant payment is achieved.

(b) Application

This Financial Procedure Note is mandatory for all officers.

(c) Control Checklist

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

- Application forms are required and checked.
- Awards are made in accordance with the relevant criteria.
- Conditions of grant are made known to applicants, and applied consistently.
- All payments are subject to appropriate grant monitoring.
- Externally funded payments satisfy the requirements of the funding body.
- The Council's financial interests are safeguarded as far as possible (e.g. use of a legal charge where there is a risk of clawback).

(d) Additional requirements

None

FPN5 – Security and Control of Assets

(a) Objective

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

(b) Application

This Financial Procedure Note is mandatory for all officers.

(c) Control Checklist

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

- A detailed record of all land and property owned by the Council is maintained for external audit purposes in line with guidance issued by the Chief Finance Officer.
- Adequate security and insurance is maintained at all times.
- The use of assets is restricted to authorised Council business.
- The Assistant Director Legal Services shall have custody of all title deeds and be responsible for their security.
- Entry should not be allowed into Council property without the signing of formal documentation (if a situation should arise where early entry in connection with a major transaction is required, approval should be sought in accordance with the Protocol on the Exercise of Officer Delegations).
- All asset disposals over £10k should be accounted for as capital receipts, whose use is limited to repaying debt and funding capital expenditure.
- The disposal of land and buildings follows the requirements of the Protocol on the Exercise of Officer Delegations.

(d) Additional requirements

None

FPN6 – Insurance

(a) Objective

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

(b) Application

This Financial Procedure Note is mandatory for all officers.

(c) Control Checklist

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

- Adequate external insurance cover is maintained at all times by the Chief Finance Officer.
- Directorates review their insurance risks at least annually in accordance with guidance issued by the Chief Finance Officer.
- Directors report any new risks and any alterations to existing risks are reported to the Chief Finance Officer as soon as possible.
- Directors inform the Chief Finance Officer of any loss, liability or damage or any event likely to lead to a claim as soon as possible.
- Claims are reported in accordance with the guidelines issued by the Chief Finance Officer and supporting information is provided within required timescales.
- Policy requirements and warranties, notified by the Chief Finance Officer, are complied with at all times.
- Insurers' loss control requirements are responded to within the relevant timescales.

(d) Additional requirements

None

FPN7 – Staffing and Payroll

(a) Objective

To ensure that employees are appointed in accordance with employment legislation and the Council Code of Practice on Recruitment and Selection, are paid in accordance with their contract of employment and leavers are removed from the payroll on a timely basis.

(b) Application

This Financial Procedure Note is mandatory for all officers.

(c) Control Checklist

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

- Employment legislation and the Council Code of Practice on Recruitment and Selection are observed in the appointment of employees.
- Budget managers notify the Chief Finance Officer promptly of all staffing changes (e.g. new joiners, leavers and changes to working hours) to enable accurate payments to be made to staff on a timely basis.
- All staffing changes are approved by approved managers.
- Budget managers review all payments to staff as part of the monthly budget monitoring process.
- Duplicate payments are avoided as far as possible.

(d) Additional Requirements

None

FPN8 – Reimbursement of Expenses and Payment of Allowances

(a) Objective

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

(b) Application

This Financial Procedure Note is mandatory for all Members and employees.

(c) Control Checklist

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

Employees:

- Claims are submitted within one calendar month of the expense being incurred and include sufficient information to allow verification.
- Allowances and expenses are authorised by the appropriate manager.
- 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 and expenses are authorised by the Service Manager Democratic Services.
- Payment is made in accordance with procedures determined by the Chief Finance Officer.

(d) Additional requirements

None

FPN9 – Banking and Payments

(a) Objective

To ensure sound banking and payments arrangements by limiting responsibility for this area to the Chief Finance Officer.

(b) Application

This Financial Procedure Note is mandatory for all officers.

(c) Control Checklist

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

- No bank account is opened except with the authority of the Chief Finance Officer.
- The maintenance of all bank accounts is in accordance with arrangements determined by the Chief Finance Officer.
- Cheques are ordered on the authority of the Chief Finance Officer and controlled securely prior to use.
- BACS files are reconciled to user accounts to ensure accuracy and segregation of duty.
- Bank accounts are reconciled on a daily basis.

(d) Additional requirements

None

FPN10 – Investments and Borrowing

(a) Objective

To limit the authority for managing the Council's investments and borrowings to the Chief Finance Officer and to ensure that activities in this area are properly controlled.

(b) Application

This Financial Procedure Note is mandatory for all officers.

(c) Control Checklist

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

- The Council's treasury management strategy is reported to City Council for approval prior to the start of the financial year along with a mid-year report and an annual report.
- Responsibility for all day to day investing and borrowing activities is delegated to the Chief Finance Officer.
- All investing and borrowing activities are in line with the treasury management strategy approved by City Council.
- Treasury management practices are updated at least annually and are in line with the CIPFA Code of Practice for Treasury Management in Local Authorities.
- A daily cash flow forecast is produced by the Chief Finance Officer to ensure all spare cash balances are invested appropriately.
- All investments and borrowings are in the name of Newcastle City Council.
- There is adequate division of duties between arranging and settling transactions.

(d) Additional requirements

None

Glossary of Terms

Bad debt	A debt which is not collectible
Capital	Expenditure that results in the acquisition or construction of a fixed asset (such as a building or vehicle) or the enhancement of an existing fixed asset
Commitment	An agreement to assume a financial obligation at a future date (e.g. the funds that we are committing to spend with a supplier when we send them a purchase order)
Joint Venture	A business entity created by two or more parties, generally characterised by shared ownership, shared returns and risks, and shared governance.
Key Decision	A decision which is likely to result in the Council incurring expenditure, or making savings, which are significant (revenue expenditure less than £250k and capital expenditure less than £1m will not normally be considered significant in this context) or have a significant effect on communities living or working in two or more wards in the city
Legal charge	A means of obtaining control over an asset for security purposes
Partnership	A relationship between two or more independent legal bodies, organisations or individuals working together to achieve a common vision with clear aims and objectives.
Revenue	Expenditure related to the day to day delivery of a service such as staffing costs, building running costs or supplies and services
Reserves	Monies held by an authority for specified purposes (earmarked reserves) or the balance on the General Fund (unearmarked reserve)
Standing orders	Council Procedure Rules
Value for Money	Relates to economy (minimising the costs of resources used), efficiency (the relationship between the output from goods or services and the resources to produce them) and effectiveness (the relationship between the intended and actual results of public spending)
Virement	Budget transfer between two different areas of the Council