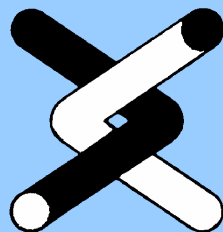


**Tyne and Wear
Integrated Transport
Authority**



Financial Regulations

May 2013

Introduction

Statutory Background

The Tyne & Wear Integrated Transport Authority (referred to in these Regulations as 'the ITA' or 'the Authority') is a joint authority consisting of members from the five Tyne and Wear District Councils. It was established by the Local Government Act 1985 and acts as strategic and policy making authority on local transport issues within the area and also has direct responsibility for the Tyne Tunnels.

Section 73 of this Act states that "each new authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of its officers has responsibility for the administration of those affairs".

All references in this document to the "Deputy Clerk and Treasurer" relate to the officer designated by the ITA as having the statutory responsibility set out in Section 73 of the 1985 Act.

Relationship with Lead Authority and Executive (NEXUS)

The lead authority for the ITA is Newcastle City Council, which provides Administrative, Engineering, Financial, Internal Audit, Legal and other advisory services directly to the Authority.

To implement its policies the ITA provides revenue and capital support to its executive arm, the Tyne and Wear Passenger Transport Executive (NEXUS), with the remit "*to procure or provide public transport services and facilities, plan for future service development and promote the use and convenience of public transport*". NEXUS also provides policy advice to the Authority and is committed to delivering the ITA's objectives.

NEXUS is a separate accountable public corporation with its own financial regulations to be adhered to by its Directors and officers.

The Clerk to the ITA, Deputy Clerk and Treasurer to the ITA, and Engineer to the Tyne Tunnel are non-executive Directors of NEXUS. In addition the Deputy Clerk and Treasurer is chairman of NEXUS' Audit Committee.

Definitions

In these Regulations:

The "lead authority" means Newcastle upon Tyne City Council

The "Direct Services" of the Authority include those services provided directly to it by the lead authority.

“Designated 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:

- Clerk;
- Deputy Clerk and Treasurer;
- Engineer to the Tyne Tunnel;
- New Tyne Crossing Project Director.

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

Purpose of Financial Regulations

Financial Regulations provide the framework for the financial administration of the ITA 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 Designated Officers where justified by local circumstances.

Financial Regulation 1 defines responsibility for financial control.

Financial Regulations 2, 3, and 4 lay down the tasks required of the Authority, Committee or designated 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 ITA procedures for obtaining goods, materials, works and services.

Financial Regulation 9 defines the powers and responsibilities governing arrangements with NEXUS.

Financial Regulation 10 regulates the 'day to day' financial systems of the ITA. It requires designated officers to ensure that prescribed controls are present, but allows them, except where explicitly stated otherwise, to determine the detail of the controls in order to meet service circumstances.

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.

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.

Failure by members to observe Financial Regulations may amount to a breach of the Code of Conduct for Members and result in a complaint to the Standards Board for England.

Amendments to Financial Regulations require the approval of the Authority following a report from the Deputy Clerk and Treasurer. The Authority may amend all other Procedures, Policies, Codes and Checklists referred to in these Financial Regulations. The Deputy Clerk and Treasurer will review as often as he considers appropriate supporting advice and guidance to the Financial Regulations and report any recommended changes to the Authority for approval.

If any financial issues arise which result in any uncertainty or ambiguity as to the correct procedure to follow under these regulations, then the Deputy Clerk and Treasurer shall have delegated powers to give a valid direction as to the appropriate procedure to follow.

Financial Regulation One

Responsibilities

1.1 Responsibilities to the Authority

1.1.1 All Members, Designated Officers and employees 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 Designated Officers and employees when representing the Authority on outside bodies. Members must also comply with the Code of Conduct for Members, particularly paragraph 6 in this context.

1.2 Personal Responsibilities

1.2.1 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 Internal Audit.

1.2.2 All employees must report to their manager or supervisor any 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 and in such circumstances managers must record and investigate such reports and take action where appropriate (Code of Conduct for Employees, paragraph 1.b). Compliance with the Authority's Policy Statement on Fraud and Corruption and the Code of Conduct for Employees is mandatory.

Note: The Authority'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 or her concerns raised and that he or she is aware of the process to follow if not satisfied;
- Reassure an employee that he or she will be protected from possible reprisals or victimisation.

1.3 **The Authority**

1.3.1 The Authority 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 Deputy Clerk and Treasurer and designated officers with sufficient staff, accommodation and other resources to carry out their duties.

1.4 **Scrutiny Committee**

1.4.1 The 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 ensuring value for money.

1.5 **Standards and Audit Committee**

1.5.1 The Standards and Audit Committee is responsible for overseeing issues relating to financial probity.

1.6 **Deputy Clerk and Treasurer**

1.6.1 The Authority shall appoint an 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 Deputy Clerk and Treasurer 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 Deputy Clerk and Treasurer is responsible for reporting, where appropriate, breaches of Financial Regulations to the Authority.

1.6.4 The Deputy Clerk and Treasurer has the duty to report to the Authority 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 in excess of available resources

(Section 114, Local Government Finance Act 1988.).

1.6.5 The Deputy Clerk and Treasurer has responsibility for ensuring compliance with the requirements of the Accounts and Audit Regulations 2003 relating to accounting records, control systems and audit.

1.7 **Designated Officers and Director of Finance and Administration, NEXUS**

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

Note: The officer designated by the Authority as Monitoring Officer under Section 5 of the Local Government and Housing Act 1989 is the Head of Legal Services of the lead authority, or his or her nominated deputy. It is his or her 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 conducted an investigation.

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 Deputy Clerk and Treasurer.

1.8.2 The Deputy Clerk and Treasurer 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 Designated Officers and their staff are required to carry out their tasks in accordance with these Financial Regulations. Designated 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 arrangement are clearly defined and documented. A record of all such arrangements will be prepared by each Designated Officer and submitted to the Deputy Clerk and Treasurer on an annual basis.

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

Financial Regulation Two

Forward Planning and Budget Strategy

The Authority decides on the annual budget and the levy on the constituent Tyne & Wear District Councils.

- 2.1 Designated Officers and the Director of Finance and Administration, NEXUS shall provide information to the Deputy Clerk and Treasurer 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 Deputy Clerk and Treasurer and the Director of Finance and Administration, NEXUS jointly shall annually advise the Authority on:
- Financial planning and budget strategy matters;
 - Procedures, timetables and estimated resources for planning revenue and capital spending;
 - The annual revenue and capital budget and Council Tax levies
- 2.3 Designated Officers and the Director of Finance and Administration, NEXUS in consultation with the Deputy Clerk and Treasurer Officer shall prepare revenue and capital estimates in accordance with such guidelines as set out by the Authority. In doing so, Designated officers and the Director of Finance and Administration, NEXUS 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.
- 2.4 The Authority shall review the estimates together with such summaries, statements and reports as are considered desirable and shall recommend:

- The level of grant to be paid to NEXUS for Concessionary Travel and Service Support in the next financial year;
- The size of the levy made by the ITA on District Councils for the next financial year;
- The prudential indicators and the prudential borrowing for the next financial year.

Financial Regulation Three

Incurring and Controlling Revenue Spending & Income

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

- 3.1 The Deputy Clerk and Treasurer and the Director of Finance and Administration, NEXUS jointly shall advise the Authority , on a quarterly basis, on:
- Progress against the budget;
 - Significant developments affecting the financial position of the Authority;
 - Significant developments affecting the financial position of NEXUS.
- 3.2 The Deputy Clerk and Treasurer 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 Designated Officer shall:
- 3.3.1 Authorise revenue spending and collect income within the estimates, targets and/or limits approved by the Authority 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 Deputy Clerk and Treasurer with such information as requested.
- 3.3.3 Review fees and charges annually and implement changes in accordance with officer delegations or alternatively report them for approval to the ITA.
- 3.3.4 Seek, in consultation with the Deputy Clerk and Treasurer, 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 Designated officer;
 - The proposal is consistent with Authority policy;
 - Any virement over £10,000 is a significant decision and is therefore approved by the Deputy Clerk And Treasurer;
 - 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 Deputy Clerk and Treasurer.
- 3.5 Designated 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 Deputy Clerk and Treasurer and the Authority Chairperson, have authority to incur unbudgeted expenditure.

Financial Regulation Four

Incurring and Controlling Capital Spending & Income

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

- 4.1 The Deputy Clerk and Treasurer and the Director of Finance and Administration , NEXUS jointly shall advise the Authority quarterly on:
- Progress on implementation of the capital and leasing programmes;
 - Additions and amendments to the capital and leasing programme;
 - The procedure for the commitment of capital expenditure.
- 4.2 The Deputy Clerk and Treasurer and the Director of Finance and Administration, NEXUS shall as appropriate:
- Provide guidance and co-ordinate capital monitoring procedures;
 - Certify capital proposals as required by in the Procedure for the Commitment of Capital Expenditure.
- 4.3
- Designated Officers of the ITA shall:
 - Authorise capital spending in accordance with the Procedure for the Commitment of Capital Expenditure;
 - Monitor progress on implementation of the capital and leasing programme and provide the Deputy Clerk and Treasurer 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 the any scheme of officer delegation approved by the ITA or otherwise with express approval of the ITA.

4.4 Capital expenditure – Definition

4.4.1 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. Expenditure below the de-minimis sum determined by the Deputy Clerk and Treasurer is not capital expenditure. If there is doubt whether expenditure is capital, the decision of the Deputy Clerk and Treasurer is final.

Financial Regulation Five

Risk Management

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

Designated 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 Designated Officers will assign clear roles and responsibilities for managing risk.
- 5.2 Designated Officers are responsible for ensuring that a register of significant risks is maintained, reported and monitored.
- 5.3 Designated 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 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 Deputy Clerk and Treasurer 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.

Financial Regulation Six

Accounting

- 6.1 The Deputy Clerk and Treasurer shall with respect to the services provided by the lead authority:
- 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 Designated Officer shall:
- Implement accounting procedures and adopt the form of financial records and statements as determined by the Deputy Clerk and Treasurer;
 - Obtain the prior written approval of the Deputy Clerk and Treasurer 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 Deputy Clerk and Treasurer 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 Deputy Clerk and Treasurer 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.

Financial Regulation Seven

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 Standards and Audit Committee is responsible for overseeing issues relating to financial probity. Reference should also be made to the Authority's Policy Statement on Fraud and Corruption.

- 7.1 Internal Audit is required to provide an objective audit service in line with the CIPFA Code of Practice for Internal Audit in Local Government and professional auditing standards. To this end Internal Audit will have no executive functions that might compromise its objectivity, and the Chief Internal Auditor shall have direct access to, and the freedom to report to Members and all senior management including the Deputy Clerk and Treasurer, the Monitoring Officer and Clerk to the Authority.
- 7.2 The Deputy Clerk and Treasurer 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 Standards and Audit 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 Designated officers(s) and the Monitoring Officer, whether to refer the matter to the Police.
- 7.3 The Deputy Clerk and Treasurer or his or her representatives are 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 Designated 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 Deputy Clerk and Treasurer;
- Inform the Deputy Clerk and Treasurer, as soon as possible, of failures of financial control, including matters that involve, or may involve, financial irregularity.

The Deputy Clerk and Treasurer and each Designated Officer 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 Procurement Procedure Rules for the lead authority 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 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 In addition to the specific provisions of the Procurement Procedure 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.

Financial Regulation Nine

Relationship between ITA and NEXUS

The ITA in its role as the strategic authority and NEXUS in its role as the executive arm to the authority responsible for implementing policy have close links at every level. They are, however, separate bodies linked together by reciprocal financial duties and responsibilities.

A. Financial Duties and Responsibilities of NEXUS to the ITA

9.1 Forward and Budget Strategy

The general principles to be followed by NEXUS are set out at FR 2.

In addition the following regulation applies:

9.1.2 NEXUS has a requirement to prepare each year a three-year Forward Plan

9.1.3 Revenue and Capital Estimates

NEXUS shall submit to the ITA detailed estimates of its expenditure and income, both capital and revenue based upon the three-year plan, taking into consideration the resource allocations determined by the Authority.

9.2 Incurring and Controlling Revenue Spending and Income

9.2.1 The general principles to be followed by NEXUS are set out at FR 3.

In addition the following regulations apply:

9.2.2 As a separate body NEXUS is responsible for having its own accounting systems and procedures in place to enable it to make regular comparisons between approved estimates and actual and committed expenditure, fares and other income.

9.2.3 NEXUS shall only incur expenditure for the purposes stated in the approved ITA budget, these main budget heads being “Concessionary Travel” and “Revenue Support”.

- 9.2.4 NEXUS shall report to the ITA on any operational decisions made during the year on fares, service levels etc. that will have a significant impact upon its budget position.
- 9.2.5 NEXUS, in consultation with the Deputy Clerk and Treasurer, shall submit a quarterly report to the ITA comparing the progress of its actual spend and commitments against budget.
- 9.2.6 Where an overspend (or underspend) is anticipated in relation to one of its main budget heads (see 9.2.3) NEXUS shall submit, jointly with the Deputy Clerk and Treasurer, a report to the Authority setting out the reasons for the variation. This report shall identify any alternative options that may be available to Authority to take corrective action.

9.3 **Capital Programme**

- 9.3.1 The approved capital programme of the ITA shall, subject to any conditions being issued by Government Departments, give NEXUS the following approvals.

For schemes phased to commence in the first year of the programme:

- Approval to progress up to and including invitation to tender and recommending to the Authority acceptance of the tender or otherwise;

For schemes included in the programme for commencement in the second financial year:

- Approval to proceed with the preparation of plans and other preliminary work up to a maximum of £50,000 or such other sum as may from time to time may be determined by the ITA; and

For schemes included in the programme for commencement in later years:

- Preliminary scheme approval, but excluding the authority to take any steps involving substantial expenditure.

- 9.3.2 Before the acceptance of a tender for capital works or the commitment of expenditure beyond that indicated above NEXUS shall submit a report to the ITA for approval to proceed with the capital project if the scheme is funded by ITA borrowing.

The report shall contain all relevant information relating to the project including:

- The nature and need for the project;
- The estimated capital cost of the project and tender details, if

appropriate;

- The phasing of expenditure between years;
- Consequential financial implications; and
- Method of financing the capital expenditure.

9.3.3 If a report under FR 9.3.2 is approved by the ITA in advance of tenders being received and the tender is more than the estimated cost of the works, NEXUS must report to the Authority and obtain its approval if additional ITA funding is required.

9.3.4 NEXUS is responsible for the financial monitoring of its projects. In each case where significant overspending is anticipated NEXUS shall, in consultation with the Deputy Clerk and Treasurer report to the Authority the reasons and consequences of the overspending to the Authority and recommend the ITA approve the method of financing such expenditure, if it is to come from within ITA resources.

9.3.5 The capital programme of NEXUS shall be presented to the Authority in a form prescribed by the Deputy Clerk and Treasurer.

9.3.6 The Authority has final determination over the inclusion, or otherwise, of any capital project within NEXUS' capital programme.

B. Financial Duties and Responsibilities of the ITA to NEXUS

9.4 Forward Planning and Budget Strategy

9.4.1 The ITA has a duty to consider NEXUS' three-year plan and formally approve it after making any modifications considered necessary.

9.4.2 The ITA can require from NEXUS any supplementary information to enable it to properly consider the three-year plan.

Annual Estimates

9.4.3 The ITA shall determine the resource allocations within which NEXUS must prepare its budget. In doing so the ITA will take into consideration all relevant factors including Central Government restrictions on expenditure, levels of reserves, and permitted borrowing.

9.4.4 The Deputy Clerk and Treasurer, in consultation NEXUS, shall report the overall budget position of the ITA, not later than the month of February of the preceding financial year.

9.5 **Payments of Grant to NEXUS**

9.5.1 The Deputy Clerk and Treasurer shall determine arrangements for the payment of the revenue grant to NEXUS in consultation with NEXUS. These arrangements include the mechanism by which payment is made and their regularity and timing.

9.6 **Borrowings**

9.6.1 The Deputy Clerk and Treasurer shall:

- Effect all borrowings on behalf of NEXUS (except temporary borrowing);
- Be the Registrar of Stocks, Bonds and Mortgages on behalf of NEXUS (unless otherwise authorised by the Authority);
- Determine arrangements for the financing of expenditure of NEXUS by borrowing and the repayment of the resulting debt charges in consultation with NEXUS as appropriate.

Financial Regulation Ten

Financial Controls

- 10.1 As required by Financial Regulation 1.7 the Designated Officers and the Director of Finance and Administration, NEXUS 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
- 10.2 Designated Officers of the Authority 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 in order to meet service circumstances
- 10.3 The Financial Procedure Notes issued under this regulation by the Deputy Clerk and Treasurer 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
 - FPN9 Investments and borrowing
 - FPN10 Information technology and data protection
 - FPN11 Commitment of Capital Expenditure
- 10.4 Further Financial Procedure notes, or amendments, may be made from time to time by the Deputy Clerk and Treasurer.
- 10.5 Further advice on all areas of financial control is available from the Deputy Clerk and Treasurer who may issue detailed guidance notes on specific controls as necessary. These will be referred to as Financial Best Practice Notes.

FPN 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.

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:

- There is adequate budget provision before committing expenditure;
- Any necessary Authority approvals have been obtained;
- Purchases are in accordance with the Financial regulation 8;
- Where the lead authority's purchase order system is not used that order documentation meets the requirements of Financial Regulation 8.

Note: Official Authority orders must:

- Be headed 'Tyne & Wear Integrated Transport 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, and
- Include the information required in **Financial Regulation 8**, including the Procurement Procedure Rules.

Order must be signed only by staff with proper authorisation to do so.

d) Comments

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

The lead authority's Purchase Order System (POPS) must be used whenever possible as it facilitates compliance with the above requirements and collects data to support development of the Purchasing Policy.

Ordering systems must be reviewed at least annually to consider the feasibility of using POPS, where it is not already used.

FPN 2

Income

a) Objective

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

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 Deputy Clerk and Treasurer is promptly informed of all new sources of income, the sums anticipated and collection arrangements;
- The advice of the Deputy Clerk and Treasurer 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;
- All cheques received are made payable "Tyne & Wear Integrated Transport Authority". Uncrossed cheques received are crossed "Tyne & Wear Integrated Transport Authority";
- Money received (other than cash paid for vehicle tolls) 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 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 Deputy Clerk and Treasurer;

- Prior authorisation is obtained to the write-off of uncollectible income by the Deputy Clerk and Treasurer;
- The Deputy Clerk and Treasurer 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.

FPN 3

Payment for Works, Goods and Services

a) Objective

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

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:

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 (this will normally be done via the POPS system).
2. The method of payment is appropriate;
 - By use of the corporate creditors system for payment by BACS or cheque (note BACS is the preferred method and must be used wherever possible);
 - By imprest account or petty cash for minor sums;
 - By some other means as agreed with the Deputy Clerk and Treasurer.
3. Payment is timely;
 - To meet supplier/contractor terms of trade and legislative requirements;
 - Justification is provided if urgent payment or dispatch of cheque 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 Deputy Clerk and Treasurer.

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 Designated Officer has confirmed the financial standing of the payee with the Deputy Clerk and Treasurer.

FPN 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 lead Authority.

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

- The Head of Property Services of the lead authority 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 ITA or otherwise with the express approval of the ITA;
- a detailed record of all land and property owned by the Authority shall be maintained by the Head of Property Services of the lead authority;
- The Head of Legal Services of the lead authority shall have custody of all title deeds and be responsible for their security;
- Entry should not be allowed into Authority property 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 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, that 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 Deputy Clerk and Treasurer but must be sufficient to allow verification and to support Balance Sheet entries.

FPN 5

Insurance

a) Objective

To ensure that the Authority manages all potential insurable risks and liabilities and to limit the authority for arranging insurance cover to the Deputy Clerk and Treasurer.

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 Deputy Clerk and Treasurer immediately;
- Authority risks are reviewed annually in accordance with the timetable issued by the Deputy Clerk and Treasurer;
- Claims are reported in accordance with the guidelines issued by the lead authority's Insurance Section and supporting information is provided within required timescales;
- Policy requirements and warranties, notified by the lead authority's Insurance Section, are complied with at all times;
- Insurers' loss control requirements are responded to within the relevant timescales.

d) Comment

Each Designated Officer is responsible for identifying, assessing and reporting risks to the Deputy Clerk and Treasurer.

The Deputy Clerk and Treasurer is responsible for arranging all insurance cover and for ensuring the annual review of insurance cover.

FPN 6

Staffing and Payroll

a) Objective

To ensure that staff are appointed in accordance with the Lead 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 lead authority's Code of Practice 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 City Service of the lead authority 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 Deputy Clerk and Treasurer;
- Uncollected payments are promptly returned to the Cashier;
- An annual check of staff paid and charged to the financial accounts is undertaken.

FPN 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:

STAFF

- 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 Deputy Clerk and Treasurer.

MEMBERS

- 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 members;
- Payment is made in accordance with procedures determined by the Deputy Clerk and Treasurer.

d) Comment

Particular care must be taken to ensure that all payments to individuals, including additional payments to employees, meet the requirements of the Inland Revenue.

Expenses claims should be supported by receipts whenever possible.

FPN 8

Banking Arrangements and Cheques

a) Objective

To ensure sound banking and payments arrangements by limiting responsibility for it to the Deputy Clerk and Treasurer.

b) Application

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

b) 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 Deputy Clerk and Treasurer;
- The maintenance of Authority bank accounts is in accordance with arrangements determined by the Deputy Clerk and Treasurer;
- Cheques shall be ordered only on the authority of the Deputy Clerk and Treasurer and controlled securely prior to use;
- The approval of the Deputy Clerk and Treasurer is obtained to any proposal to enter a credit agreement.

FPN 9

Investments and Borrowing

a) Objective

To limit the authority for managing the Authority's Investments and Borrowing to the Deputy Clerk and Treasurer and to ensure those activities in this area is 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 Deputy Clerk and Treasurer;
- Authority bank accounts do not become overdrawn.

The Deputy Clerk and Treasurer 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 manner in which 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 Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.
3. Full Authority 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 Standards and Audit Committee, and for the execution and administration of treasury management decisions to the Treasurer & Deputy Clerk, 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.
6.
 - All investments and borrowing are made by the Deputy Clerk and Treasurer and are in the name of the Tyne & Wear Integrated Transport Authority;
 - all securities are held by the Deputy Clerk and Treasurer;
 - the Deputy Clerk and Treasurer is the Authority's Registrar of Stocks, Bonds and Mortgages;
 - investments held at the end of each financial year are reported to Authority by the Deputy Clerk and Treasurer 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;
 - 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.

FPN 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:

(i) Investment in IT complies with the ITA's IT and Information Security strategies and policies.

(ii) All IT purchases:

- Comply with the lead authority's corporate standards and guidelines (including the IT procurement guidelines) unless there are sound reasons to do otherwise;
- Have necessary capital approvals in place;
- Are included on an Authority-wide register of IT assets.

(iii) The use of IT and the control of information held are subject to the IT security policy of the Lead Authority.

Commitment of Capital Expenditure

1. Authority to commit capital expenditure is based on the Capital Programme (the Programme). The Programme is approved by the Authority and is updated regularly to reflect changes in the cost and phasing of schemes and the addition of new schemes.
2. Inclusion of a scheme in the Programme gives authority to begin procurement and contract procedures subject to the limitations below.
3. For schemes included in the Programme for commencement in the first financial year (i.e. current financial year) designated Officers have the authority to progress a scheme up to and including contract signature subject to:
 - The Lead Authority Corporate Procurement Strategy
 - 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 Deputy Clerk and Treasurer, currently -the ITA delegated decision form
 - Certification by the Deputy Clerk and Treasurer 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 Authority has directed its approval is required

Must be reported to the Authority for approval to proceed to contract Signature.

4. Financial Regulation 8 covers contract signature requirements.
5. For schemes included in the Programme for commencement in any subsequent financial year, Designated Officers have authority to prepare plans and carry out other preliminary work during the first financial year up to a maximum of £50,000.

6. Proposals to incur preliminary expenditure or commitments above £50,000 must be approved by the Deputy Clerk and Treasurer and must be recorded by the Deputy Clerk and Treasurer 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.

7. Once commenced, Designated 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 Authority (where deemed significant by the Deputy Clerk and Treasurer) and inclusion in the Capital Programme at the earliest opportunity.