

## Appendix IV

### FINANCIAL REGULATIONS

#### 1. Purpose and Scope

- 1.1 These regulations form part of the Development Corporation's Constitution and they set out the financial management policies of the South Tees Development Corporation (The Development Corporation) and are a key part of the Corporation's financial governance arrangements.
- 1.2 These regulations lay down for the guidance of Members and Officers, principles to be followed in securing the proper administration of the financial affairs of the Development Corporation.
- 1.3 It is important that these Regulations are, and continue to be, relevant to the Development Corporation. They should be reviewed regularly to remain consistent with the Development Corporation's Constitution and related documentation and be in line with best practice and legislation.

#### 2. Role of the Development Corporation

- 2.1 Many of the responsibilities for financial matters are defined within the constitution of which these regulations form part and the Scheme of Delegation. Responsibilities are either reserved for the Development Corporation's Board to exercise or delegate to specific officers such as the Chief Executive Officer and Director of Finance.
- 2.2 The Development Corporation has overall responsibility for ensuring that the Development Corporation's expenditure remains within the resources available to it.

3. The Development Corporation is responsible for approving the Financial Control Framework of the Development Corporation.

#### Role of the Director of Finance

- 3.1 South Tees Development Corporation shall appoint an officer, the Director of Finance, who shall be responsible for ensuring the proper administration of the Development Corporation's financial affairs.
- 3.2 The Director of Finance 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 Development Corporation's financial affairs.

- 3.3 The Director of Finance is responsible for reporting, where appropriate, breaches of Financial Regulations.
- 3.4 The Director of Finance has responsibility for ensuring compliance with the requirements of the Accounts and Audit Regulations relating to accounting records, control systems and audit.
- 3.5 If any financial issues arise which result in any uncertainty or ambiguity as to the correct procedure to follow under these regulations, then the Director of Finance shall have delegated powers to give a valid direction as to the appropriate procedure to follow.
- 3.6 The Director of Finance for the Development Corporation will also fulfil the role of Director of Finance for the Combined Authority. If significant conflicts of interest arise between these two roles, these will be identified, and discussed with the Chief Executive Officer, who may direct another person to temporarily fulfil the role of Director of Finance for the purpose of resolving the significant conflict of interest.

#### **4. Role of the Officers**

- 4.1 Chief Officers shall promote the financial management standards set by the Director of Finance and shall adhere to the standards and practices set down in these regulations.
- 4.2 It is the responsibility of Officers to consult with the Director of Finance and seek advice on any matters likely to have a material effect on the Development Corporation finances, before any decision is made.
- 4.3 If any Chief Officer or officer acting on behalf of the Development Corporation is aware of any contravention to these Financial Regulations, they must immediately notify the Director of Finance who shall determine appropriate action.

#### **5. Accounting Policies**

- 5.1 The Director of Finance is responsible for selecting Accounting Policies and ensuring that they are applied consistently. The key controls in Accounting Policies are that:
  - (a) Systems of internal control are in place to ensure that financial transactions are lawful.

(b) Proper accounting records are determined and maintained.

(c) Financial statements are prepared which represent fairly the financial position of the Development Corporation and its income and expenditure.

## **6. Financial Planning**

- 6.1 The Director of Finance shall determine the appropriate timetable for the preparation of the annual budget that conforms to the statutory deadlines.
- 6.2 Each financial year, as part of the ongoing financial strategy, Officers in consultation with the Director of Finance will develop annual revenue and capital budget proposals for consideration by the Development Corporation's Board.
- 6.3 Officers shall prepare a statement of all resources and approvals covering a rolling programme identifying all approved schemes and programmes.
- 6.4 The Director of Finance will advise the Development Corporation on the robustness of budget proposals in accordance with his / her responsibilities under these financial regulations.
- 6.5 All revenue reserves held by the Development Corporation will be kept under review by the Director of Finance with a view to ensuring that they are spent on their specified purposes and that planned expenditure is properly phased.
- 6.6 The Director of Finance will also advise the Development Corporation on the prudent level of reserves and general balances.
- 6.7 The Chief Executive and Director of Finance will recommend approval of investment plans to the Development Corporation.

## **7. Financial Management – Revenue and Capital**

### **Budget Monitoring and Control**

- 7.1 Officers are responsible for monitoring their income and expenditure against the revenue and capital budgets approved by the Development Corporation.
- 7.2 The Director of Finance will establish an appropriate framework of financial management and control for the Development Corporation which ensures that;

- (a) budget management is exercised within approved Development Corporation revenue and capital budgets;
- (b) expenditure and income is monitored using information held on the Development Corporation's corporate financial information system;
- (c) timely and sufficient information on receipts and payments on each budget is available to enable managers to fulfil their budgetary responsibilities;
- (d) additions and changes to approved expenditure plans require approval by the Board.

7.3 Officers must personally ensure that any information which suggests a potentially significant variation against their approved budget (both overspends and underspends) is notified at the earliest opportunity to the Director of Finance. Where appropriate, the Director of Finance shall prepare a specific report for the Development Corporation to consider the proposed approach to mitigate the effects of such variation.

7.4 Where additional revenue or capital resources become available, or are forecast to become available, the Officers must notify the Director of Finance at the earliest opportunity.

7.5 The Director of Finance will prepare revenue and capital budget monitoring reports in conjunction with Officers for presentation to the Development Corporation on a regular basis. The frequency and content of these reports shall be determined by the Director of Finance, in consultation with the Development Corporation's Board.

7.6 Where Officers wish to propose new capital and revenue schemes or blocks for inclusion in the Development Corporation's programme, they must first consult the Director of Finance who will determine the approach to be taken for approval of the proposal. The proposals would need to be approved by the Development Corporation following advice from the Director of Finance.

7.7 Bids for external funding to support capital and revenue expenditure cannot take place until approved by the Director of Finance .

7.8 Expenditure cannot take place unless the scheme or programme is fully funded and approved.

## **8. Treasury Management**

- 8.1 The Development Corporation's treasury management activities shall be defined as the management of its investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 8.2 All treasury management activity shall be undertaken in full compliance with the Chartered Institute of Public Finance and Accountancy's Code of Practice: Treasury Management in Public Services (revised 2011) as may be revised from time to time or such other practices and procedures as may be approved by the Development Corporation.
- 8.3 Only the Director of Finance may enter into any borrowing, investment and financing arrangements on behalf of the Development Corporation.
- 8.4 Officers shall ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the prior approval of the Director of Finance.
- 8.5 The Director of Finance is responsible for formulating an annual Borrowing and Treasury Management Strategy for approval by the Development Corporation in advance of the year together with providing a mid-year review and annual report after its close.

## **9. Banking Arrangements, Cheque Security and Credit Cards**

- 9.1 No officer other than the Director of Finance may open any bank account in the name of the Development Corporation
- 9.2 The Development Corporation's banking terms and overdraft arrangements shall be agreed by the Director of Finance.
- 9.3 All arrangements for the ordering and issuing of cheques shall be agreed by the Director of Finance, who shall make proper arrangements for their custody.
- 9.4 All cheques drawn on behalf of the Development Corporation shall be signed by 2 of the 4 key nominated signatories – Chief Executive Officer, the Director of Finance, Engineering & Programme Director or the Managing Director of the Combined Authority (as an Associate member of the STDC Board).
- 9.5 Credit cards, charge cards and other payment methods held in the Authority's name may only be opened, closed and managed by the Director of Finance.

9.6 The Director of Finance will ensure that bank reconciliations are completed on at least a monthly basis.

## **10. External Funding / Grants**

10.1 The Director of Finance must be consulted on and approve all submissions to central government, European Union, Tees Valley Combined Authority and external bodies for funding. Prior to making any submission in relation to external funding, Officers must ensure that:

- (a) an exit strategy is identified to manage the ultimate cessation of the funding stream with no adverse impact on the Development Corporation;
- (b) any match-funding requirements are given due consideration prior to entering into agreements and that future revenue budgets reflect these requirements; and
- (c) they are able to comply with the terms and conditions of a grant scheme, including auditor certification requirements, before accepting them.

10.2 Officers must seek approval from the Director of Finance before accepting any offer of funding from external bodies.

10.3 Officers are responsible for ensuring that all expenditure to be funded by grant is properly incurred in accordance with the requirements and conditions of the funding body, and is supported by adequate evidence.

10.4 Officers are responsible for ensuring the completion and submission of grant claims. Officers must also ensure that grant claims comply with the requirements and grant conditions of the funding body, are submitted promptly, supported by adequate evidence and approved by the Director of Finance.

10.5 Officers are responsible for ensuring that any legal implications and risks of working with third parties are appropriately addressed. This will include any back to back agreements as required.

## **11. Income**

11.1 All monies received on behalf of the Development Corporation shall be paid in full into the Development Corporation's bank account without delay.

11.2 Officers shall ensure that all accounts for income due to the Development Corporation are raised within five days on an official sales invoice which

provides particulars of all charges to be made for work done, services rendered, or goods.

- 11.3 The Director of Finance shall be notified promptly of all money due to the Development Corporation and of contracts, leases and other agreements and arrangements entered into which involve the receipt of money.
- 11.4 Any proposal to introduce charges or make changes to existing charges for the provision of services must be approved by the Director of Finance.
- 11.5 Any write off of unrecoverable debt should be in accordance with the write off criteria set by The Director of Finance.

## **12. Ordering of and Payments for Works Goods and Services**

- 12.1 Wherever possible a purchase order is required for all purchases of goods and services and these must be raised within the Development Corporation's financial system.
- 12.2 Officers must ensure that orders represent legitimate liabilities of the Development Corporation, sufficient budgetary provision exists to cover the payment and expenditure is correctly coded.
- 12.3 All orders for goods and services must be made in accordance with the Development Corporation's Procurement Policy.
- 12.4 All purchase orders and payments must be approved as detailed in the Scheme of Delegation.
- 12.5 Officers have the responsibility to ensure that payments are made within the terms of the contract and legislative requirements.

## **13. Insurance & Risk Management**

- 13.1 The Director of Finance shall be responsible for ensuring that all insurable risks of the Development Corporation are adequately covered, for maintaining the necessary records and for managing all claims on behalf of the Development Corporation.
- 13.2 Officers shall notify the Director of Finance promptly of all risks, liabilities, properties or vehicles which are required to be insured, and of any alterations affecting risk or insurances indicating the amount of cover required.

- 13.3 Officers shall immediately notify the Director of Finance of any fire, loss, accident or other event that may give rise to a claim against the Development Corporation's insurers.
- 13.4 Directors are responsible for ensuring that a register of significant risks is maintained, reported and monitored.

#### **14. Internal Audit**

- 14.1 The Director of Finance shall be responsible for maintaining an internal audit of all accounts and financial transactions of the Development Corporation, and shall satisfy himself/herself as to security arrangements for the custody and safeguarding of the Development Corporation's assets as laid down in any legislation applicable to the Development Corporation and any relevant codes of practice adopted by the Development Corporation.
- 14.2 The Director of Finance, or nominated individuals undertaking internal audit functions, shall have authority to all relevant records of any Service, and shall be entitled to require the production property and to obtain information or explanations with regard to any matters under examination.
- 14.3 Officers shall notify the Director of Finance immediately of any circumstances which may suggest the possibility of irregularity or loss affecting the Development Corporation. Where the Director of Finance considers that an irregularity may have occurred, action shall be taken by way of an investigation and report.
- 14.4 Directors shall consider and respond promptly to recommendations in audit reports and ensure that any agreed actions arising from audit recommendations are implemented in a timely manner.
- 14.5 The Chief Executive and Director of Finance (the Statutory Officers), as outlined in clause 29 of the Development Corporation's Constitution, shall advise the Board when a Referral Decision may be required.
- 14.6 The Development Corporation shall maintain a register of significant risks which may lead to or constitute a Referral Decision (Clause 33 of the Constitution) and notify the Director of Finance at the earliest opportunity of changes to the risk profile of the Corporation which could have a material effect on the Corporation's or the Combined Authority's liabilities.

#### **15. Arrangements with external Organisation**

- 15.1 The Director of Finance must be consulted prior to the establishment of any financial arrangements as part of partnerships or joint arrangements with external companies, other public organisations and community and voluntary groups. No partnership or joint arrangements shall be entered into without the approval of the Development Corporation.
- 15.2 Directors must confirm whether any arrangement requires the Development Corporation to be designated an 'Accountable Body'. Where this is the case, the Director of Finance must be consulted and approval of the Development Corporation must be obtained prior to the arrangement becoming operational.
- 15.3 The financial arrangements of all partnerships where the Development Corporation is the Accountable Body should meet the requirements of the Development Corporation's Financial Procedure Rules and Contract Procedure Rules.