



FINANCIAL REGULATIONS

2008

Contents

1	General	3
2	Revenue Budgets	5
3	Capital Programme	6
4	Control of Expenditure	6
5	Financial Returns	8
6	Resource Pool	9
7	Income	9
8	Payment of Accounts	10
9	Value Added Tax (VAT)	11
10	Construction Industry Scheme (CIS)	12
11	Petty Cash	12
12	Salaries, Wages and Pensions	12
13	Treasury Management	13
14	Insurance	13
15	Audit	13
16	Fraud and Corruption	14
17	Computer Services	15

1 General

- 1.1 All staff have a general responsibility for taking reasonable action to provide for the security of the assets of Northwards under their control, for avoiding loss, and for due economy in the use of resources. Officers shall be responsible for economy and efficiency in the use of resources, in the execution of approved plans, and in the running of services.
- 1.2 The Director of Business Services shall be responsible for maintaining the accounts of Northwards and he/she may after consultation with the Chief Executive report to the Board any case of non-compliance with these regulations and any case of non-compliance with the authorised accounting system.
- 1.3 The authorised accounting system shall be such system as is prescribed by the Director of Business Services and agreed with the Board and Manchester City Council.
- 1.4 The Director of Business Services shall supervise the making of safe and efficient arrangements for the receipt and issue of monies.
- 1.5 The Director of Business Services may issue such instructions, give such advice or establish such procedures as are in his/her opinion necessary to secure the proper administration of Northwards' financial affairs. Any such instructions, advice or procedures termed "**Accounting Instructions**" by the Director of Business Services shall be applied as though they were part of these regulations.
- 1.6 Payments shall be made by BACS transfer or cheque in accordance with the bank mandate then in force, except where otherwise requested by the payee and agreed by the Director of Business Services or otherwise ordered by the Director of Business Services.
- 1.7 Executive Management Team members are responsible for the maintenance of adequate levels of internal control. The Director of Business Services is responsible for ensuring that financial controls operated are adequate by ensuring that detailed financial procedures and systems are prepared, documented and maintained, incorporating the principles of internal control.
- 1.8 The Executive Management Team must establish appropriate organisation structures to ensure:
 - a) work is organised to maximise efficiency in the use of resources, eliminate duplication of effort, achieve objectives and plans and maintain a disciplined control environment;
 - b) adequate resources are deployed at all levels to meet objectives and plans;

- c) appropriate communication takes place; and
- d) a framework of staff development exists which will foster commitment to the organisation, its objectives and plans and its control environment.

1.9 The Executive Management Team is responsible for ensuring that the following rules in relation to the segregation of duties are observed:

- a) areas of activity involving risk are separated (e.g. the duty of providing, calculating, checking and recording sums due to or from Northwards shall be separated as completely as possible from the duty of collecting or disbursing these sums). Or, any Officer charged with the duty of examining and checking accounts of cash transactions shall not be engaged in any of these transactions;
- b) clear lines of authority are established;
- c) all areas of work are either independently supervised, validated or reconciled; and
- d) competence and accountability are promoted.

Unintentional errors have a high chance of being detected through independent supervisory checks and by following these rules, the risk of intentional errors or abuse and the opportunity for collusion are reduced.

1.10 The Executive Management Team is responsible for making adequate arrangements for the custody and control of the stocks and stores in their respective teams and for keeping such records and inventories as the Director of Business Services may require. They shall ensure that appropriate safeguards are established to:

- a) limit access to assets, systems and records;
- b) protect Human Resources;
- c) establish clear control of the use of assets and custodial responsibility for them; and
- d) enable records to be reconstituted in the event of system failure.

1.11 The Executive Management Team is responsible for ensuring that appropriate authorisation and approval procedures are established to ensure:

- a) management policies and plans are adhered to;
- b) only legitimate activities are performed;
- c) the integrity of systems through the validation of data;
- d) the use of assets and systems are controlled; and
- e) the operation of authority is documented and a clear management

(or audit) trail is maintained.

- 1.12 The Executive Management Team will inform the Director of Business Services of transactions that involve the receipt or payment of money by Northwards and keep such records as the Director of Business Services (in consultation with the Executive Management Team) shall require.
- 1.13 The Director of Business Services shall maintain details of all leases and agreements under which Northwards will incur any financial liability or obtain any financial gain.

2 Revenue Budgets

- 2.1 Each team shall prepare its revenue budget for such periods and on such dates as the Board may require taking into account any general directions as to level of expenditure that may be given to them by the Board.
- 2.2 The Director of Business Services (in conjunction with the Executive Management Team) shall present the aggregate revenue budget for the forthcoming year to the Board before 31 March in each year together with such summaries, statements and reports relating to them as they may deem necessary to consider the budgets.
- 2.3 In formulating budget proposals, budget holders and teams shall be required to identify efficiency savings of 2.5% per annum. If for any reason a budget holder or team are not able to achieve this level of saving, a case shall be presented for the proposed level of expenditure which shall form part of the budget review for the Resource & Audit Sub-Committee.
- 2.4 The efficiency savings created through each year's budget exercise shall form part of the Resource Pool (see below).
- 2.5 No team shall have the power to exceed the amount of their approved budget without prior approval and should execute and manage its functions such that the costs are within its approved budget.
- 2.6 Subject to the provisions of Clause 4.6 below concerning virement, a team may spend money designated for one activity upon another activity provided that no additional costs will arise in any future year as a result.
- 2.7 In the case of specific expenditure for which a grant may be expected from an outside body, no liability shall normally be incurred until the budget for the same has been approved by the appropriate authority from whom the grant is receivable and, in addition, where necessary, by the Board.

- 2.8 No expenditure or loss of income may be incurred other than in accordance with these regulations except in cases of extreme urgency or where Northwards is obliged to proceed. In such cases the action should be reported to Executive Management Team (and the Board where appropriate).
- 2.9 When a team no longer has need for all or part of a budget for reason beyond its control (for example, technical accounting changes, changes in the law, or demographic changes), the team will report this to Executive Management Team, who will determine in the first instance how such savings will be best used.

3 Capital Programme

- 3.1 Each year the Director of Business Services will prepare a report to the Board on the resources available.
- 3.2 Each team will consider the total resources available and submit its capital programme for the prescribed period to Executive Management Team for review, and to the Board for approval.
- 3.3 Following approval by Northwards, the capital programme will be submitted to Manchester City Council for their approval.
- 3.4 Before submitting the capital programme for approval (and any significant revisions to it), Executive Management Team should consider a report from the appropriate member of Executive Management Team. This report should include a description of the works proposed, an estimate of their cost and any financial or pertinent information (including particular estimates of any consequential capital and/or revenue expenditure) which ought to be considered.
- 3.5 Approval for capital expenditure should be obtained by following the Procurement Strategy and Rules.
- 3.6 Members of the Executive Management Team should ensure that they do not enter into arrangements for credit, such as leasing agreements, without first obtaining the written consent of the Director of Business Services in addition to obtaining the appropriate authorisation for the expenditure.
- 3.7 Following approval of the capital programme by Manchester City Council, it will be delegated to Northwards to manage in accordance with the scheme of delegation.

4 Control of Expenditure

- 4.1 The Director of Business Services shall, in conjunction with the Executive Management Team, prepare such financial budgets and forecasts in respect of both revenue and capital expenditure as are required by the Board. This requirement is taken to include the

provision by Directors of all financial, statistical and other relevant information as is necessary for the compilation of such budgets and forecasts.

- 4.2 The Director of Business Services shall determine and maintain an appropriate and effective system of budgetary control. This will ensure that:
- a) all Officers within teams who are specified as Line Managers (responsible for engaging staff or otherwise incurring expenditure) comply with the requirements of that system;
 - b) every cost centre budget is administered by one named budget holder, determined by the appropriate member of the Executive Management Team;
 - c) budget holders are only held responsible for expenditure which they can influence;
 - d) significant variances from approved budgets are investigated on a regular basis by Line Managers and reported to Executive Management Team as appropriate.
- 4.3 The Director of Business Services shall ensure that Line Managers (or appropriate Officers within their teams) receive a monthly variance analysis report to consider enabling them to determine and implement appropriate actions in respect of significant variances from budgets. A report detailing any proposed actions should be submitted to Executive Management Team for appropriate consideration and recommendation to the Board for approval.
- 4.4 The Director of Business Services shall periodically inform Executive Management Team (and the Board where appropriate) of changes in policy, pay awards and other events and trends affecting budgets and shall advise on the financial and economic impact of these on future plans and projects.
- 4.5 Members of the Executive Management Team should ensure that prior approval is sought from Executive Management Team (or the Board as appropriate) before Northwards is committed to expenditure for which no specific provision has been made within revenue budgets.
- 4.6 Where an Executive Management Team member wishes to exercise virement:
- a) there shall be no virement into or out of capital budgets, without the approval of Manchester City Council;
 - b) there shall be no virement into or out of budgets for ring-fenced activities;
 - c) there shall be no virement from non-pay into pay budgets or vice versa over £10,000 without agreement of Executive Management Team in accordance with regulation 2.6 above;

- d) virement between teams for non-pay or pay expenditure up to £20,000 may be agreed by the appropriate Executive Management Team member following notification to the Director of Business Services;
 - e) virement between teams for non-pay or pay expenditure in excess of £20,000 shall be agreed by Executive Management Team and in excess of £50,000 should be notified to the Board for their ratification as part of the regular reporting of financial performance.
- 4.7 Savings identified through the year on specific projects and/or expenditure headings that are not subject to virements will be allocated to the Resource Pool. Not all savings generated by budget holders during the year will be reallocated if other uses can be identified that enhance or improve services.
- 4.8 Half of any surplus generated in any financial period, after audit, will be allocated also to the Resource Pool subject to any discussion with Resource & Audit Sub-Committee about withholding funds in order to cover potential risks faced by the organisation.

5 Financial Returns

- 5.1 The Director of Business Services shall periodically prepare statements of income and expenditure against budget (taking into account any amendments to budget) and shall submit them to the Resources & Audit Sub-Committee whenever required by the Sub-Committee or deemed desirable by the Director of Business Services. A summary shall be submitted to the Board on a quarterly basis.
- 5.2 In the event of a significant variance between budget and cost for a project for which Board (or Sub-Committee) approval was obtained, the outturn and an explanation shall be reported to the appropriate Sub-Committee.
- 5.3 The Director of Business Services shall ensure that separate accounts are maintained recording costs incurred in respect of the following:
- a) rechargeable work;
 - b) other work for which the Director of Business Services or any other Director deems it desirable to maintain a separate record of expenditure; and
 - c) shall periodically, by arrangement with the Executive Management Team, furnish them with such information relating to these costs as may be agreed.
- 5.4 The Director of Business Services shall supply all necessary financial returns required by Manchester City Council to fulfil its statutory responsibilities.

6 Resource Pool

- 6.1 A Resource Pool shall be created from budget efficiency savings (see 2.3 above), savings identified through the year on particular projects and/or expenditure headings that are not subject to virements and from half of any surplus generated in any financial period (see 4.8 above).
- 6.2 The first call on the Resource Pool shall be any shortfall for funding the payroll budget since there is a timing difference between the inflation increase in the Management Fee and the payroll inflation index.
- 6.3 Budget Holders and Teams are able to put forward service development bids to the Resource Pool for funding at any time during the year.
- 6.4 Bids for funding are for in-year schemes only and therefore permanent staffing proposals are not considered through this mechanism.
- 6.5 Each quarter (or more often if necessary), a Resource Pool Panel comprising the Chair, Vice Chair, Chair of Resources & Audit, the Chief Executive and the Director of Business Services will review funding requests to the Resource Pool and will make decisions on additional resources to be made available. This part of the Budget Setting Process is delegated to the Panel provided decisions fall with relevant financial authority limits.
- 6.6 Bids for funding to the Resource Pool will be assessed based on the value for money provided by the proposal and the potential enhancement to tenant facing services. Consideration will also be given to the authority given to Northwards through the Delivery Plan.
- 6.7 The decisions of the Resource Pool Panel will be reported to the Resource & Audit Sub-Committee.

7 Income

- 7.1 The procedures for the receipt, handling, banking and recording of cash receipts shall generally be in accordance with the Manchester City Council Cash Handling Instructions. This covers all sums received by staff of Northwards in respect of rents, council tax and other related payments.
- 7.2 The Director of Business Services shall ensure that all irrecoverable sums are recorded appropriately.
- 7.3 Amounts to be written off up to £1,000 will be authorised by the Director of Business Services or Chief Executive. Amounts to be written off above that have to be approved by the Resource & Audit Sub-Committee.
- 7.4 All receipt books, tickets and other forms or documents used as a

means of officially acknowledging or recording amounts received or receivable, shall be in a form approved by the Director of Business Services (and Manchester City Council where appropriate). Such stationery shall be ordered and controlled subject to the same procedures as cash, provided that the Director of Business Services may authorise suitable alternative arrangements.

- 7.5 Every remittance or sum of money received by a cashier or other authorised Officer of Northwards shall be immediately acknowledged by the issue of an official receipt, ticket or voucher except in any team where special arrangements approved by the Director of Business Services are operated. If the payee does not request an official receipt, a receipt should still be recorded in the normal form, for office use only and marked accordingly. Every transfer of monies from one Officer to another shall likewise be immediately acknowledged by signatures in the appropriate cash accounting record.
- 7.6 All monies received in any team shall be banked in accordance with arrangements set out by the Director of Business Services and Manchester City Council. Banking should be daily (weekly where the weekly receipts do not exceed £250), except as otherwise agreed. All cheques, postal or money orders received in any team shall be crossed specially.
- 7.7 In accordance with the Accounts and Audit Regulations 1983, every Officer making a banking, should enter the following details onto the paying-in-slip (and duplicate) in respect of every cheque included in the deposit:
- a) a reference connecting the payment to a debt or debts against which it was received;
 - b) where any cheque paid in does not relate to either a full or partial discharge of a debt, a note to the effect.
- 7.8 Executive Management Team members shall supply the Director of Business Services with all relevant information to enable Sundry Debtor invoices to be raised. The Director of Business Services is authorised to approve safe and efficient arrangements for Sundry Debtor invoices to be raised in spending teams, where it is expedient to do so.

8 Payment of Accounts

- 8.1 The Director of Business Services may withhold payment of any sums where the requirements of these Standing Orders and Financial Regulations have not been fully observed. Payment can be held up until the requirements have been observed or, for whatever reason, the requirements have been waived.

- 8.2 Invoices received should be sent in the first instance to the team issuing the order in accordance with instructions to be specified on the order.
- 8.3 All invoices, approved by the relevant authorising Officer, and all approved certificates for payments under contracts shall, except by special arrangement with the Director of Business Services, be submitted to the appropriate payment team in accordance with the timetable set out to ensure credit terms and performance targets are met.
- 8.4 The certification of an invoice by an authorised Officer shall, except where otherwise agreed with the Director of Business Services, mean:
- a) that the goods have been duly received, examined and approved as in accordance with the specification, and are satisfactory, and that the prices are in accordance with the contract or order;
 - b) that the work done, or services rendered have been satisfactorily carried out, and that, where applicable, the materials used were of the requisite standard, and that the charges were correct;
 - c) that, in the case of prime cost contracts, the time charged is in accordance with time sheets, and that the rates of labour are in accordance with the standard rates; that the materials have been checked as regards quantity, quality and price; and that the charges for use of vehicles, plant and machinery have been checked;
 - d) that the copy of the official order or part thereof has been marked off as passed for payment and that no other invoice has been or will be marked off against that order or part thereof as appropriate; and
 - e) that all such accounts are arithmetically correct.
- 8.5 Delegated levels of authority to be adhered to at all times are set out in the Schedule of Delegations to be maintained by the Director of Business Services.
- 8.6 Authorised Officers shall give explanations to the Director of Business Services where invoices have been authorised for payment although they are not in accordance with these regulations or any other Northwards instructions or procedures.
- 8.7 A payment record should be maintained in the Finance Team of each invoice certified for payment other than those arising from the issue of official orders or in respect of which the Director of Business Services makes entries in the periodic payments register.

9 Value Added Tax (VAT)

- 9.1 Each authorising Officer and Director shall ensure that the correct VAT liability is attached to all income and that VAT recoverable on purchases complies with HM Revenue & Customs regulations.
- 9.2 The Director of Business Services shall be responsible for the timely submission of all appropriate returns to HM Revenue & Customs.

10 Construction Industry Scheme (CIS)

- 10.1 Each member of the Executive Management Team shall ensure that where construction and maintenance works are undertaken, the contractor fulfils the necessary CIS criteria and is registered on the list of sub-contractors maintained by the Director of Business Services.
- 10.2 The Director of Business Services shall be responsible for the timely submission of all appropriate returns to the Inland Revenue.

11 Petty Cash

- 11.1 The Director of Business Services shall make appropriate advances to authorised persons for the purposes of defraying petty cash expenses. A receipt shall be signed in respect of each advance by the Officer concerned, who will be required to account for expenditure made out of the advance on a regular basis.
- 11.2 Payments out of petty cash advances should be limited to items of expenditure less than £50, and in no case shall the amount of an individual payment exceed such amount as is prescribed by the Director of Business Services from time to time.
- 11.3 Authorised persons should make monthly returns to the Director of Business Services detailing expenditure out of floats held. Floats shall be topped up to the float level on receipt of these returns (which should include receipts) in accordance with the system arranged by the Director of Business Services.

12 Salaries, Wages and Pensions

- 12.1 Each member of the Executive Management Team (as regards employees in his or her team) shall notify the Director of Business Services, in accordance with the arrangements put in place by them, of all appointments, resignations, absences (due to sickness or unpaid holidays/leave) or any other circumstances affecting the remuneration of these employees. Line Managers and Directors should sign such notifications as appropriate. This signature confirms the validity of the amendment and certifies that all relevant authority procedures have been complied with.
- 12.2 The Director of Business Services shall be responsible for the general

control and payment of all salaries, wages and pensions and shall prescribe in consultation with the Director concerned the detailed procedure for the preparation and certification of timesheets, and for the payment and receipt of wages. The Director shall be responsible for the notification of the cost code to which an employee's salary is to be charged. The Director of Business Services shall be responsible for ensuring the correct allocation of these costs within Northwards' accounts.

- 12.3 Payment of salaries and wages in advance shall not normally be made except in respect of holidays for weekly paid staff.

13 Treasury Management

13.1 The Director of Business Services shall arrange the borrowings and investments of Northwards in order to comply with the CIPFA Code of Practice on Treasury Management and the Treasury Policy and Procedures.

13.2 The Director of Business Services shall report periodically to the Resources & Audit Sub-Committee on the activities of the Treasury Management function.

14 Insurance

14.1 The Director of Business Services shall put in place all insurances and keep appropriate records; in particular, he shall arrange for fidelity insurance for the due performance of the duties of any Officer charged with the receipt, custody and/or disbursement of monies and property.

14.2 Members of the Executive Management Team should notify the Director of Business Services of new risks or properties, which require to be insured, and of any alterations affecting existing risks or insurance. Property and major risks should be notified in advance.

14.3 Members of the Executive Management Team should promptly notify the Director of Business Services of any claim arising under Northwards' insurance and the Director of Business Services in conjunction with the Chief Executive and any member of the Executive Management Team concerned shall negotiate all claims with the insurers.

15 Audit

15.1 The Accounts and Audit regulations (SI 1996/590) requires Northwards to maintain an adequate and effective Internal Audit of its accounting records and control systems. This duty has been delegated to the Director of Business Services and he should promptly report to the Resources & Audit Sub-Committee (and Board if appropriate) any

significant discrepancies (other than those caused by purely technical errors) brought to light.

- 15.2 The role of Internal Audit shall be based upon the principles described in the CIPFA “Code of Practice for Internal Audit in Local Government”.
- 15.3 The Director of Business Services or his authorised representative shall be entitled without necessarily giving prior notice, to require and receive:
- a) access to all assets, records, documents, correspondence and control systems, including documents of a confidential nature;
 - b) access at all times to any premises or land belonging to Manchester City Council used for the purpose of Northwards’ business at all reasonable times;
 - c) the production or identification by any employee of any cash, stores, assets or other property belonging to Northwards, under the employee’s control; and
 - d) any information and explanations considered necessary concerning any matter under consideration or investigation.
- 15.4 The Director of Business Services shall submit an annual Internal Audit report to the Resources & Audit Sub-Committee indicating the extent of audit cover achieved and providing a summary of Internal Audit activity during the year together with any Internal Audit reports received.
- 15.5 The Companies Act 1985 requires Northwards to submit to an annual External Audit of its accounting records and control systems. The Director of Business Services is required to assist the Board in the appointment of a suitable firm of auditors qualified to carry out such work.
- 15.6 The Director of Business Services is required to make the necessary arrangements in conjunction with the appointed auditor for the audit to be carried out and to give them assistance in the execution and completion of their work.
- 15.7 The Director of Business Services shall submit the Annual Report and Financial Statements to the Annual General Meeting of Northwards in accordance with the Companies Acts and the Memorandum and Articles of Association of Northwards.

16 Fraud and Corruption

- 16.1 Responsibility for the prevention and detection of fraud rests with all Officers and to fulfil this responsibility, a system of internal control must be maintained. Further guidance is in the Fraud Policy.

- 16.2 The Director of Business Services shall be informed immediately by the appropriate member of the Executive Management Team or authorised Officer of any disciplinary matter or any loss or financial irregularity or suspected irregularity, or of any circumstances which suggest the possibility of losses or irregularities, including those affecting cash, stores or other property of Northwards.
- 16.3 Internal Audit has a responsibility embodied in the CIPFA statement (see 15.1) to review, appraise and report upon the extent to which Northwards' assets and interests are accounted for and safeguarded from loss of all kind arising from:
- a) fraud and other offences; and
 - b) waste, extravagance and inefficient administration, poor value for money or other cause.
- 16.4 In order to satisfy this, Internal Audit endeavours to reveal any serious defects in systems of internal control which might lead to the perpetration of fraud. Where weaknesses are identified, tests will be carried out with a view to detecting fraud and irregularity. Internal Audit is responsible for making recommendations for improving weak systems.
- 16.5 The Director of Business Services is responsible for ensuring an immediate investigation of any circumstances as outlined in 16.2 so that he can decide on the appropriate action.
- 16.6 The Director of Business Services will inform the Police of suspected fraud or corruption and will liaise with them on the handling of investigations.

17 Computer Services

- 17.1 The Director of Business Services shall be responsible for the provision and maintenance of central computer services and shall devise and implement any necessary procedures to protect Northwards and other persons from inappropriate use or misuse of any financial or other information held on central computer files. The term "Central Computer Services" is to be regarded as any activity carried out on computer applications, systems and associated networks used by Northwards.
- 17.2 The Director of Business Services shall
- ensure that adequate controls exist to provide for the security of applications and systems, and shall issue instructions concerning controls to be implemented and maintained by users;
 - offer advice as to security and operation of non-financial systems, and on the Data Protection Act;

- approve the purchase and implementation of any new system/equipment in line with existing regulations.
- 17.3 Members of the Executive Management Team shall maintain appropriate procedures to ensure integrity, accuracy and security of data at all times.
- 17.4 The Director of Business Services will ensure the adequacy of controls over systems involving financial transactions or feeding into financial systems.
- 17.5 The basic requirements to protect both the computer assets and the data held on all computers of Northwards are defined in Northwards' Computer Security Policy.