

PART VII

Financial ~~Regulations~~ Procedure

Rules

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A. GENERAL

- A1.1 Financial Procedure Rules provide the framework for managing Derby Homes' financial affairs. They apply to every Board Member and employee of Derby Homes and anyone acting on behalf of Derby Homes. If reference is made to Financial Regulations of Derby Homes they are referencing these rules. In some cases, Derby Homes will act on behalf of Derby City Council – for instance in discharging the delegated authority to deliver capital works for Derby Homes, or in recovering tenants' income for the Housing Revenue Account (HRA). In those cases, the Financial Procedure Rules of Derby City Council must be followed.
- A1.2 The objective of the Financial Procedure Rules is to specify a number of rules and key control measures which ensure that public accountability and high standards of financial integrity are exercised in the use of public funds and to reduce risk. Any exemption required from these rules should be submitted in a report format, per Appendix 5.
- A1.3 The Rules also identify the responsibilities of the Finance Director and Company Secretary, and of the Managing Director and other officers. The Managing Director should maintain a written record – a scheme of delegation - where these responsibilities have been delegated to employees, including employees seconded to or working for the Council.
- A1.4 All employees have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for economy in the use of resources.
- A1.5 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 with the Finance Director and Company Secretary.

Responsibilities of the Finance Director and Company Secretary

- A1.6 The Finance Director and Company Secretary is the responsible officer for the proper administration of the financial affairs of Derby Homes. All accounting procedures, systems and records of Derby Homes and its officers should be determined by the Finance Director and Company Secretary and should take account of proper professional practices. This responsibility for the administration of Derby Homes' financial affairs cannot be overridden by anything in a Scheme of Delegation or set of financial procedures.
- A1.7 The Finance Director and Company Secretary is also the responsible officer for reporting to the Board if the company:
- a. has made, or is about to make, a decision which involves incurring unlawful expenditure
 - b. has taken, or is about to take, a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency

on the part of the company or Council, or

- c. is about to create an entry in the Company or Council's accounts that would be unlawful.
- A1.8 To make sure that any proposed changes to Financial Procedure Rules are approved by the Board.
- A1.9 Where appropriate, to report breaches of Financial Procedure Rules to the Board.
- A1.10 To issue instructions and guidance notes, where necessary, to amplify Financial Procedure Rules.
- A1.11 To periodically review and recommend changes to the Financial Procedure Rules to ensure that they remain relevant and up to date.

Responsibilities of the Managing Director and other officers

A1.12 To make sure that:

- a. existing and new employees are informed of their responsibilities under Financial Procedure Rules and Contract Procedure Rules and are familiar with these documents
 - b. all financial ~~regulations procedure rules~~ or ~~Contract Procedure Rules contracts and award procedures~~ are followed by everyone in Derby Homes
 - c. relevant records are maintained and retained.
- A1.13 To make sure that all reports including those seeking approval under delegated powers record their financial implications, and that these are agreed in advance by the Finance Director and Company Secretary. In particular, any report containing new proposals includes an independent financial assessment by the Finance Director and Company Secretary.
- A1.14 To make sure that a written authorisation is provided by the Finance Director and Company Secretary in cases where authorisation is needed on financial implications but a report is not provided.
- A1.15 To consult the Finance Director and Company Secretary on any matter that may materially affect the finances of Derby Homes.
- A1.16 To be responsible for securing value for money in relation to their activities and for achieving financial performance targets in accordance with Best Value principles.

B. FINANCIAL MANAGEMENT

B1. Financial Management Standards

General

- B1.1 All staff and members have a duty to observe the highest standards of probity in dealing with financial issues. This is achieved by ensuring every one is clear about the standards to which they are working, and the controls which are in place to ensure that those standards are met.
- B1.2 The key controls for financial management standards are that:
- they are set in line with those approved and issued by the appropriate professional bodies, including the Accounting Standards Board (ASB) and the Chartered Institute of Public Finance & Accountancy (CIPFA)
 - they are promoted throughout the company
 - a monitoring system is in place to review members' and officers' compliance with them, including internal and external audits
 - All staff with budgetary responsibility receive appropriate training.

Responsibilities of Finance Director and Company Secretary

- B1.3 To ensure the proper administration of the financial affairs of Derby Homes.
- B1.4 To set financial management standards, and to monitor compliance with them.
- B1.5 To ensure proper professional practices are adhered to in the administration of Derby Homes' accounts and other financial matters.
- B1.6 To advise on the key strategic controls necessary to secure sound financial management.
- B1.7 To ensure that financial information is available to officers to enable them to secure sound financial management of their functions and to enable them to report information accurately and in a timely manner.

Responsibilities of the Managing Director and other officers

- B1.8 To implement and monitor adherence within their service areas to financial management standards set by the Finance Director and Company Secretary.

B2. Accounting Records and Returns

General

- B2.1 These records form the basis on which Derby Homes is able to prepare and publish its annual statement of accounts. The statement must present fairly details of both its operations during the year and its position at the year end.

- B2.2 The key controls for the maintenance of accounting records and returns are to ensure that procedures are in place to:
- monitor that all Board Members, Chief Officers, finance staff and budget holders operate within the required accounting standards of Derby Homes
 - record completely, accurately and promptly all Derby Homes' transactions, contracts and other essential accounting information

Responsibilities of Finance Director and Company Secretary

- B2.3 To determine the accounting procedures and format of the financial records for Derby Homes, and to ensure that these are followed and maintained.
- B2.4 To compile all accounts and maintain accounting records in a complete, accurate and timely manner, or to ensure that they are compiled to a similar standard.
- B2.5 To ensure that all accounting records comply with statutory requirements and codes of practice, and setting standards in liaison with external auditors for effective procedures concerning the closure of the final accounts.
- B2.6 To compile all grant claims and external financial returns based on the accounts in a complete, accurate and timely manner, or to ensure that officers have processes in place to compile grant claims to a similar standard.
- B2.7 To determine, having regard to relevant statutory and other guidance, and to communicate the policy for the proper retention of financial and related documents, and to ensure that it is followed.

Responsibilities of the Managing Director and other officers

- B2.8 To comply with the following principles when allocating accounting duties:
- the separation of the duties of providing information about sums due to or from Derby Homes and the calculating, checking and recording of these sums, from the duty of collecting or disbursing those sums
 - the separation of the duty of examining or checking the accounting entries for cash transactions from the duties shown immediately above.
- B2.9 To consult and obtain the approval of the Finance Director and Company Secretary before introducing any new or replacement processes or systems, or amending any currently approved processes or systems for the maintenance of financial records or records of assets.
- B2.10 To compile all accounts and maintain all accounting records under their control in a complete, accurate and timely manner, and to make them available for inspection by the Finance Director and Company Secretary, External Audit, Internal Audit or any of their representatives.
- B2.11 To maintain, or to ensure that staff maintain, adequate supporting records to provide a complete trail for all transactions leading from the source of income and/or expenditure item through to the entries in accounting records.

- B2.12 To complete, or to ensure that staff complete, all grant claims or external financial returns based on the accounts for their service area in an accurate and timely manner.
- B2.13 To supply, or to ensure that staff supply information in respect of their service area to the Finance Director and Company Secretary in accordance with policies, guidance or timetables issued to enable the Finance Director and Company Secretary to complete Derby Homes' Statement of Accounts and any grant claim or other external financial return.
- B2.14 To comply, or to ensure that staff comply, with the policy for the retention of financial, electronic and related documents as directed by the Finance Director and Company Secretary.

B3. The Annual Statement of Accounts

General

- B3.1 Derby Homes has a statutory duty to prepare its accounts to give a true and fair view of its operations during the year and its position at the year end.
- B3.2 The annual accounts are subject to examination by external auditors. This arrangement provides assurance that the accounts are properly prepared in accordance with proper accounting practices and that satisfactory arrangements have been made for securing value for money in the use of Derby Homes' resources.
- B3.3 Accounting policies underpin the preparation of the statement of accounts and are consistent with the basic accounting concepts of materiality, going concern, matching, consistency, prudence and substance over form.
- B3.4 Derby Homes has to comply with the relevant UK accounting standards for the sector and the relevant Companies Acts.

Responsibilities of Finance Director and Company Secretary

- B3.5 To comply with all statutory and other requirements for the completion of the annual statement of accounts; this to include the signing and dating of the statement of accounts to the effect that it gives a true and fair view of the position of Derby Homes at the year end and of its income and expenditure for the year concerned.
- B3.6 To approve the draft Statement of Accounts before 30 June and to prepare and publish the audited accounts of Derby Homes for each financial year by 30 September, in accordance with the statutory timetable
- B3.7 To select suitable accounting policies and to ensure that they are applied consistently.
- B3.8 To make proper arrangements for the audit of the accounts in accordance

with the UK accounting standards for the sector and the relevant Companies Acts.

Responsibilities of the Managing Director and other officers

- B3.9 To comply with the accounting guidance provided by the Finance Director and Company Secretary and to supply the Finance Director and Company Secretary with necessary information when required.
- B3.10 To adhere to the accounting policies determined by the Finance Director and Company Secretary.

C. FINANCIAL PLANNING

C1. Revenue Budgets - Preparing Budgets

General

- C1.1 Derby Homes needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of those plans and policies. It should show that the company remains financially sustainable.
- C1.2 A medium term financial strategy (MTFS), covering at least a rolling 3 year period, is an on-going process and is subject to review on at least an annual basis.
- C1.3 Medium term financial planning encompasses the assessment of spending which is likely to emerge during the period to meet:
- Derby Homes' expressed strategies and targets for Derby Homes;
 - Council and Central Government plans and targets;
 - Legislative changes
 - current levels of outcomes and outputs;
 - new service developments or commitments proposed
- and compares these with the resources likely to be available. The MTFS therefore ensures that Derby Homes is preparing for events in advance and as a result sets and monitors detailed annual revenue budgets tailored to meet service needs where possible.
- C1.4 The revenue budget must be constructed to ensure that resource allocation properly reflects the spending plans and priorities of the Board. Budgets (spending plans), are needed so that Derby Homes can plan, authorise, monitor and control the way money is allocated and spent to achieve individual service performance targets to meet the Board and Council's approved desired outcomes or outputs

Responsibilities of Finance Director and Company Secretary

- C1.5 To issue guidelines within which officers should prepare budgets.
- C1.6 To prepare and publish the MTFS, setting out the aims, objectives and principles by which the company's finances are planned.
- C1.7 To prepare and submit to the Board the revenue budget on an annual basis.
- C1.8 To encourage best practice and value for money by working with officers and Board Members to identify opportunities to improve economy, efficiency and effectiveness in the delivery of services.
- C1.9 To assess and report to the Board on the adequacy of reserves and the robustness of estimates underlying the budget

Responsibilities of the Managing Director and other officers

- C1.10 To prepare estimates of income and expenditure, in consultation with the Finance Director and Company Secretary.
- C1.11 To prepare budget proposals that are consistent with any guidelines issued by the Finance Director and Company Secretary.
- C1.12 To ensure the estimated cost of any proposals submitted as part of the budget preparation process are as complete and accurate as possible and include provision for all running costs, salaries and wages and any other outgoings involved by or in connection with the proposal.
- C1.14 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- C1.15 To consult with the Finance Director and Company Secretary, where it appears that a budget proposal is likely to impact on the service activity or budget of another part of Derby Homes or the Council.
- C1.16 To ensure that medium term financial plans reflect agreed business plans, service needs, and any proposals for change. Officers must also provide information to the Board where, in their opinion, the service plan does not meet statutory or central government requirements.
- C1.17 To ensure that allocations from reserves are used only for the purposes for which they were intended, and to comply with any other conditions of the allocations.

C2. Revenue Budgets - Managing and Controlling Budgets

General

- C2.1 Budget management ensures that resources allocated by members are used for their intended purposes and that these resources are properly accounted for, subject to changes in purpose under budget virement rules.
- C2.2 Derby Homes approves, and operates within, an annual budget to ensure that it does not overspend in total. Each senior officer is required to manage their own expenditure within the budget allocated to them.
- C2.3 Regular reporting of income and expenditure against approved budgets keeps the Board aware of situations where actions may be required to maintain spending within approved budget levels.
- C2.4 Budgetary control is a continual process enabling Derby Homes to review and adjust its budget targets during the financial year. It also provides the mechanism to call officers to account for their budget allocations. The Managing Director may delegate day to day responsibility for budgetary

control to budget managers.

- C2.5 The Board and Senior Management Team considers on a regular basis variances against financial and performance targets and is therefore able to identify changes in trends and resource requirements at the earliest opportunity.
- C2.6 The scheme of virement at Appendix 2 is intended to enable the Board, Managing Director and staff to manage budgets with a degree of flexibility within the overall budget framework, and therefore to optimise the use of resources.

Responsibilities of Finance Director and Company Secretary

- C2.7 To establish an appropriate framework of budgetary management and control, based on the principles that:
- a. budget managers exercise budget management within their budget allocations unless the Board or Managing Director (in line with delegated authorities detailed in Appendices 1 and 2) agrees a subsequent variation
 - b. each budget manager has available timely information on receipts and payments on each budget head of approved estimates, to enable budget managers to fulfil their budgetary responsibilities
 - c. expenditure is committed only against an approved budget head including any budget heads amended as permitted under the Scheme of Virement (Appendix 2)
 - d. expenditure is within the law, in respect of company policy, and in accordance with contract procedure rules where necessary
 - e. all officers responsible for committing expenditure or collecting income comply with relevant guidance, including Financial Procedure Rules
 - f. each budget head has a single named manager, determined by the Managing Director.
 - g. reserves and balances are used for purposes approved in budget plans and any changes in those approved uses require the approval of the Board.
- C2.8 To administer the Scheme of Virements that regulates the movement of resources between budget heads and between financial years (see Appendix 2).
- C2.9 To administer the company's arrangements for under and overspendings to be carried forward to the following financial year.

- C2.10 To prepare and submit reports on the company's overall projected expenditure/ income position compared with the budget, and on the position of its reserves and balances.
- C2.11 To ensure that any transfers from contingency budgets to revenue budgets are approved in line with the limits in Appendix 1.

Responsibilities of the Managing Director and other officers

- C2.12 To ensure that levels of expenditure and performance are properly monitored and controlled throughout each financial year, that any practicable and necessary steps are taken to avoid exceeding an approved budget and that value for money is achieved.
- C2.13 To make sure that a single accountable budget manager is identified for each budget head under the control of the Managing Director. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure or raises income.
- C2.14 To make sure that spending remains within the overall budget, and that individual budget heads are not overspent, by monitoring the budget and, where it appears that areas of the budget are likely to be over or under spent, taking appropriate corrective action.
- C2.15 To ensure that a monitoring process is in place to review service delivery performance levels in conjunction with financial performance, and to take the necessary action to align service outputs with budget resources
- C2.16 To make sure that the use of reserves to support the budget is consistent with the approved purpose and level of use within budget plans.
- C2.17 To prepare and submit to the Finance Director and Company Secretary, reports on the department's financial position compared with its budget.
- C2.18 To report in the first instance to the Managing Director and if necessary to the Board on proposals which in the view of the Finance Director and Company Secretary:
- a. will or could potentially create net financial commitments in current or future years, additional to those within approved budgets or
 - b. initiate new policy or cease existing policies, or
 - c. materially extend or reduce Derby Homes' services
- explaining clearly the full financial implications, after consultation with the Finance Director and Company Secretary. Unless the Board has agreed otherwise, officers must plan to contain the financial implications of such

proposals within their cash limit in all years. A report to the Board will be necessary where, in the opinion of the Finance Director and Company Secretary, the impact of the proposals is such that they would constitute a material change to the Budget or Medium Term Financial Strategy.

- C2.19 When reporting to the Board any proposal for income or expenditure not provided for in an approved budget, to identify fully the proposed source of finance, after consultation with the Finance Director and Company Secretary.
- C2.20 To ensure compliance with the Scheme of Virement (see Appendix 2).
- C2.21 To ensure that where, in the view of the Finance Director and Company Secretary or the Managing Director, a budget proposal including any virement proposal, will impact materially on another service activity or budget within Derby Homes or the Council, that proposal is agreed prior to implementation by the Managing Director or Board as appropriate.

C3. Capital Budgeting

General

- C3.1 Capital expenditure involves acquiring or enhancing assets with a long-term value, such as land, buildings, and major items of plant and equipment or vehicles.
- C3.2 Capital assets shape the way services are delivered for the long-term and create financial commitments for the future in the form of financing costs and revenue running costs.
- C3.3 Derby Homes has a capital programme covering at least a 3 year period. The programme is based on a number of assumptions, including the level of resources that may be available in future years.
- C3.4 The capital programme is revised during the year as new schemes are approved and existing schemes are re-profiled to future years.
- C3.5 The key controls surrounding the capital programme are:
 - Governance of the capital programme is via the Board.
 - No new borrowing may be incurred without consideration of the revenue implications and the approval of the Council.
 - Any capital commitment by Derby Homes above £0.5m needs the approval of the Council as well as the Board.
 - Capital spending on behalf of the Council must adhere to the Council's relevant rules.
- C3.6 All capital schemes must be included in the capital programme approved by the Board. The approval by the Board of a programme of capital expenditure authorises the Managing Director to:

- a. prepare such designs, detailed estimates and other professional reports necessary to allow schemes to commence, and to receive tenders or quotations as necessary in accordance with Contract Procedure Rules
 - b. commence spending on individual schemes up to the amount approved in the Capital Programme subject to the Director of ~~Investment and Maintenance~~Property being satisfied that appropriate legal, technical and professional matters have been dealt with, that Contract Procedure Rules have been observed and that budgetary provision is in place after allowing for the tolerances for reporting variations set in Appendix 1
- C3.7 ~~The approved capital programme approves a funded level of spending for the current financial year only.~~ Spending on schemes within the programme should not be exceeded unless separately approved in accordance with the limits in Appendix 1.
- C3.8 Additional schemes added to the capital programme during the course of the year require approval of the Board.
- C3.9 Approval of the Board (and Council for approvals over £0.5m) is required where:
- Any new capital scheme(s) are being funded as a result of deleting existing capital scheme(s)
 - Schemes are added to the capital programme during the course of the year
 - Scheme variations exceed the reporting tolerances set out in Appendix 1.

Capital Budget Preparation

Responsibilities of Finance Director and Company Secretary

- C3.10 To prepare a capital programme and its financing and to report to the Board for approval.
- C3.11 To arrange any required borrowing through Derby Homes to support that capital programme.
- C3.12 To make sure that the basis on which the capital programme is financed is consistent with the approved budget, the approved use of any revenue or capital reserves and the general MTFS approved by the Board.
- C3.13 To determine a process for the preparation, consideration and initial approval of proposals by the Executive.
- C3.14 To issue guidance to officers on the definition of capital spending having regard to government regulations and accounting requirements, the financial and operational information to be included in an appraisal, and the

criteria for prioritisation of schemes.

Responsibilities of the Director of ~~Investment and Maintenance~~Property

- C3.15 To identify, prior to submission of the capital programme to the Board:
- how proposals for capital investment meet the Board's priorities, objectives and targets,
 - a financial appraisal
- C3.16 Consistent with revenue budget management, each capital scheme should have one nominated budget manager with responsibility for monitoring and reporting progress on the relevant scheme

Capital Monitoring and Reporting

Responsibilities of Finance Director and Company Secretary

- C3.17 To issue guidance concerning capital schemes and controls. The definition of 'capital' will be determined by the Finance Director and Company Secretary, having regard to Government regulations and accounting requirements.
- C3.18 To obtain Board or Council as appropriate authorisation for individual schemes where the estimated expenditure exceeds the capital programme provision by more than the reporting tolerances set out in Appendix 1.
- C3.19 To monitor and report to Board on capital expenditure compared to estimates, including all contracts where the final expenditure exceeds the approved estimate by more than the reporting threshold (see Appendix 1).
- C3.20 To monitor and report to Council Cabinet on the availability of capital income and financing compared to estimates.

Responsibilities of Director of ~~Investment and Maintenance~~Property and other officers

- C3.21 To prepare and submit reports on:
- Derby Homes' projected expenditure and resources compared with the approved estimates
 - the progress of spending on approved schemes
- C3.22 To comply with guidance concerning capital schemes and controls issued by the Finance Director and Company Secretary.
- C3.23 To prepare regular reports reviewing the capital programme estimated final cost of schemes in the approved capital programme for submission to the Finance Director and Company Secretary.
- C3.24 To monitor the progress on all Council approved capital schemes on a

regular basis and to supply such information to the Corporate Capital Programme Board as required to enable Council officers to report to Cabinet.

- C3.25 To make sure that adequate contract records are maintained in respect of all capital contracts.
- C3.26 To proceed with projects only when there is adequate provision in the approved capital programme whether of Derby Homes or the Council.
- C3.27 To ensure that adequate records are maintained in respect of all spending on capital projects
- C3.28 To assist in the preparation of reports to Derby Homes or Board as appropriate of any variation in approved contract costs greater than the approved limits (see Appendix 1).
- C3.29 To prepare and submit reports, jointly with the Finance Director and Company Secretary, to the Board on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the specified amount (see Appendix 1).
- C3.30 Make sure that they do not enter into any form of credit arrangement, such as leasing agreements, without the prior approval of the Finance Director and Company Secretary and the Council, and, if applicable, approval of the scheme through the capital programme.

D. CORPORATE GOVERNANCE, RISK MANAGEMENT, AND CONTROL OF RESOURCES

General

The Finance Director and Company Secretary has a responsibility for the overall financial administration of the company's affairs and is responsible for maintaining an adequate and effective internal audit.

Derby Homes' accounts are also scrutinised by external auditors, who must be satisfied that expenditure and income are legal and that the accounts are prepared in accordance with proper accounting practices. The overall financial viability of Derby Homes is also subject to governance and viability assessments by the [Homes and Communities Agency \(HCA\) Regulator of Social Housing \(RSH\)](#) where appropriate as a [Private](#) Registered Provider ([PRP or RP](#)) of social housing.

The Audit Committee takes the lead responsibility in these areas, operating within the terms of reference set out elsewhere in the governance arrangements.

D1. Risk Management

General

- D1.1 Derby Homes, in common with all other organisations, whether they are in the private or public sectors, faces risks to people, property and the continuity of providing its services.
- D1.2 The effective management of our risks helps to achieve our objectives. Risks occur in all of our activities and can be mitigated through a planned and systematic approach. Innovation and opportunity are fostered through well-informed risk taking and the benefits can be demonstrated through enhanced and cost effective service delivery. Most risks are commonly associated with hazard or uncertainty but more appropriately can be seen as a balance of risk and reward.
- D1.3 Risk Management is the planned and systematic approach to the identification, evaluation and control of risk. It therefore seeks to facilitate the achievement of our objectives by securing the company's overall operational, financial, strategic, reputational and organisational wellbeing. The process is concerned with evaluating the adequacy of the measures which are already in place to manage identified risks and to recommend appropriate action to improve further the identification of risk and to control or mitigate those risks effectively.
- D1.4 It is the responsibility of all employees, Board Members and partner organisations to give due regard to risk as part of their working practice. The risks we take may impact not only on an individual or group of people but they may cascade into other service areas, partnerships or the

community. It is for this reason that transparency of the decisions we take is essential in the effective monitoring and tracking of risks.

Responsibilities of the Managing Director and other officers

- D1.5 To sustain clearly stated, coherent, corporate risk policies, strategies and standards including a clear definition of the types and levels of risk considered unacceptable.
- D1.6 To maintain a Risk Management culture across the organisation with the objective of self-identification, assessment, prevention or containment of risks, throughout the company.
- D1.7 To clearly define and assign to key staff the responsibility for accepting and managing individual strategic and operational risks.
- D1.8 To ensure, and promote through Heads of Service, the development of Risk Management and supporting management procedures to minimise risk and exposure to losses, balanced by appropriate risk taking.
- D1.9 To develop risk management controls/treatments.
- D1.10 To champion the use of risk management and be responsible and accountable for the risk management arrangements, having regard to specialist officers (e.g. risk management, internal audit, performance, procurement and health and safety).
- D1.11 To ensure that there are regular reviews of risk, and the potential for risk, within their service area, and that the outcome of those reviews, and the steps taken, are documented.
- D1.12 To maintain, update and review Risk Registers relative to their operational services and to provide evidence of reviews and actions taken to the Board through those registers.
- D1.13 To report on such risks in their operational department that may affect the strategic objectives of Derby Homes.

D2. Insurance

In this section where an action references the Finance Director and Company Secretary, the ~~Group Accountant Derby Homes at the Council~~Head of Income and Finance can act on his/her behalf.

General

- D2.1 Derby Homes effects insurance for specific risks, where it is economically sensible or it is legally required to do so, in order to protect its finances against the impact should a catastrophe occur.

- D2.2 It is essential that departments advise the ~~Group Accountant~~Head of Income and Finance of any change to their activities which could materially affect risk. Failure to do so might invalidate the insurance cover.
- D2.3 Insurance has been the traditional means of protecting against loss but, by reducing, or even preventing, the incidence of losses (whether they result from accident or crime) Derby Homes can benefit both from the reduced costs of providing insurance cover and from the continuity of service provision.

Responsibilities of the Finance Director and Company Secretary

- D2.4 To affect a long-term strategy to meet the company's insurance requirements.
- D2.5 To affect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with relevant officers, where necessary.
- D2.6 To undertake a review of requirements to support the annual renewal of insurance contracts.
- D2.7 To ensure that insurance provisions are adequate to meet anticipated claims.
- D2.8 To develop and maintain a claims and risk management database including the identification of claims trends and areas of risk.
- D2.9 To continually monitor requirements and ensure that insurance covers are appropriate and cost effective.
- D2.10 To maintain records of the current value of replacement cost of buildings.

Responsibilities of the Managing Director and other officers

- D2.11 To take appropriate measures to minimise the risk of injury to individuals and loss, damage or theft of any insured property.
- D2.12 To notify the Finance Director and Company Secretary of any new or significant change in operational or strategic risks.
- D2.13 To provide information to the Finance Director and Company Secretary as required to complete any tendering exercise for insurance cover.
- D2.14 To notify promptly to the Finance Director and Company Secretary any loss or damage or any event which is likely to lead to a claim against the company or its insurers. This notification must be supplied together with any information or explanation required by the Finance Director and Company Secretary or the company's insurers. In the event of theft or malicious damage, the police should also be notified of the loss or damage.

- D2.15 On the date of receipt all letters making claims against Derby Homes, together with any attachments must be passed to the Insurance officer.
- D2.16 If a claim is received directly by an officer, full details of the claim must be sent to the Insurance officer.
- D2.17 On the happening of any event which might give rise to a claim by Derby Homes, against a third party, promptly to notify the Finance Director and Company Secretary to deal with the matter.
- D2.18 To ensure that there are regular reviews of risk within their service areas.
- D2.19 To notify the Finance Director and Company Secretary promptly of all new risks, properties, vehicles or equipment that require insurance and of any alterations affecting existing insurances.
- D2.20 To consult the Finance Director and Company Secretary on the terms of any indemnity that the authority is requested to give.
- D2.21 To ensure that employees, or anyone covered by Derby Homes' insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.
- D2.22 To ensure that, before entering into any contract or agreement, the Finance Director and Company Secretary is provided with evidence of the contractor's, or other parties, insurance cover, in accordance with the minimum limits of indemnity determined by the Board.
- D2.23 To ensure that any employee using their private motor vehicle on company business has adequate insurance that covers that vehicle for business use.

D3. Internal Control

General

- D3.1 Internal control is the system of control devised by management to help ensure Derby Homes' objectives are achieved in a manner which promotes economical, efficient and effective use of resources and that Derby Homes' assets and interests are safeguarded.
- D3.2 Derby Homes faces a wide range of financial, administrative and business risks from internal and external factors. It requires a system of internal control to manage those risks and monitor its progress towards delivering strategic objectives.
- D3.3 The system of internal control encompasses the whole of the company's activities, known as the control environment. The control environment comprises the company's policies, procedures and operations in place to:

- a. establish and monitor the achievement of the company's objectives;
- b. identify, assess and manage the risks to achieving the company's objectives;
- c. facilitate policy and decision making;
- d. ensure the economical, effective, and efficient use of resources;
- e. ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws, and regulations;
- f. safeguard the company's assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption, and;
- g. ensure the reliability and integrity of information, accounts, and data, including internal and external reporting and accountability processes.

- D3.4 The key controls for a system of internal control are to ensure that:
- managerial control systems are in place which define policies, set objectives and plans, monitor financial and other performance and provide for the appropriate anticipatory and remedial action to be taken; the key objective of these systems is to promote ownership of the control environment throughout the organisation by defining the roles and responsibilities of individual members of staff;
 - financial and operational control systems and procedures are in place, which include provision for supervisory checks over the actions of staff, the physical safeguarding of assets, the segregation of duties, the determination of authorisation and approval procedures, and the availability of appropriate information systems;
 - an adequate and effective internal audit function is provided;
 - regular reviews of the internal control systems are carried out in order to ensure that they remain appropriate, and are revised as necessary;
 - the Audit Committee consider the Head of Audit's annual opinion on the effectiveness of the systems of internal control.

Responsibilities of the Finance Director and Company Secretary

- D3.5 To advise the Board through the Audit Committee of the need for, and to seek approval to, an appropriate control environment, effective internal controls and risk management procedures, which provide reasonable assurance of the effective and efficient delivery of services, financial stewardship, probity, and compliance with statutory requirements and regulations.

Responsibilities of the Managing Director and other officers

- D3.6 To put in place appropriate measures to achieve effective internal financial controls. These may include:
- Provision of codes of practice & procedures
 - Adequate operation of budgetary control & accounting systems
 - Adequate supervision
 - Physical safeguarding of property and staff
 - Segregation of duties

- Maintenance of local information systems
 - Adherence to authorisation and approval processes.
- D3.7 To promote an effective internal control system across the company and in areas where they are responsible.
- D3.8 To undertake a quarterly review and analysis of the risks relating to the delivery of the department's objectives and the range of controls to manage those risks. This will help ensure that the current risks are known and that appropriate, effective controls are in place.
- D3.9 To ensure that the controls are documented and are circulated to all relevant staff, who should be given appropriate instruction and training in their application. To check that the established controls are being adhered to.
- D3.10 To establish and implement new financial controls and remove financial controls that are unnecessary or not cost or risk effective, for example, because of duplication, subject to the agreement of the Finance Director and Company Secretary.
- D3.11 To decide on the appropriate methods for promoting internal controls including compliance with company policy, Financial Procedure Rules, Contract Procedure Rules, Codes of Conduct and any statutory requirements. Examples include the use of guidance notes, training, and procedures/manuals of operation.
- D3.12 To ensure staff have a clear understanding of the requirements of the internal control measures and the consequences of not applying them.
- D3.13 To promote high standards of integrity in all actions which directly or indirectly involve Derby Homes' (or the Council's) finances and assets; and promote accuracy, consistency, and timeliness in all transactions, in order to provide reliable information to assist the development and monitoring of policies.
- D3.14 To advise the Finance Director and Company Secretary of the need to consider the updating of existing controls in the light of changing circumstances whether arising from proposed changes to, or the introduction of new, operational systems, procedures or processes, and to implement and publish the resultant approved revised arrangements.

D4. Internal Audit

General

- D4.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It

objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

- D4.2 Inherently the work of internal audit is a service to management and for the benefit of the organisation as a whole.
- D4.3 Internal audit should have sufficient independence for it to be seen as such across the organisation, and to enable auditors to perform their duties in a manner which facilitates impartial and objective professional judgements and recommendations. To this end Internal Audit should be involved in the determination of its priorities and scope; internal auditors should have no operational responsibilities.
- D4.4 Internal Audit has direct access to and freedom to report in their own name without fear nor favour to all officers and Board Members, and particularly those charged with governance including the Managing Director and the Audit Committee.

Responsibilities of the Finance Director and Company Secretary

- D4.5 To ensure that the scope of the internal audit service encompasses the entire control environment of the company. This extends to all of the controls and procedures (financial or otherwise) in operation.
- D4.6 To ensure that internal auditors have the right of access to all assets, records, personnel and premises including those of partners and third parties such as contractors. This includes the authority to obtain information and explanations as it considers necessary to fulfil its responsibilities.
- D4.7 To ensure that the internal audit service procured by Derby Homes is sufficient to meet statutory requirements.
- D4.8 To ensure that audit plans prepared by the internal audit service, which take account of the characteristics and relative risks of the company's activities, are submitted to the Audit Committee for approval.
- D4.9 To ensure that the internal audit service complies with the Public Sector Internal Audit Standards.
- D4.10 To ensure that the internal audit service is free to report directly to the Audit Committee on all Internal Audit matters.
- D4.11 To ensure that the Head of Internal Audit provides an annual report to those charged with governance that gives an opinion on the overall adequacy and effectiveness of the organisation's internal control environment.

- D4.12 To ensure that the internal audit service maintains a co-operative relationship with management and consults with management on audit work both at the annual planning stage and prior to commencing the assignment.

Responsibilities of the Managing Director and other officers

- D4.13 To establish and maintain a sound system of internal control. The internal audit service can offer advice and recommendations on control weaknesses and how they can be addressed, management retain responsibility and accountability for their operations and the related control arrangements.
- D4.14 To ensure that internal auditors are given access at all reasonable times to premises, personnel, records and assets that the auditors consider necessary for the purposes of their work.
- D4.15 To ensure that auditors are provided with any such information and explanations that they seek in the course of their work.
- D4.16 To consider and respond promptly to findings and recommendations in audit reports.
- D4.17 To ensure that any agreed actions arising from audit recommendations are carried out in a timely manner, efficiently and effectively.
- D4.18 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Head of Internal Audit prior to implementation.

D5. External Audit

General

- D5.1 Derby Homes' accounts are scrutinised by external auditors, who must be satisfied that the Statement of Accounts gives an appropriate view of the financial position of the authority company and its income and expenditure for the year in question and complies with legal requirements. The company is responsible for appointing its own auditors under the Companies Acts.
- D5.2 The external auditor has rights of access to all documents and information necessary for audit purposes.

Responsibilities of the Finance Director and Company Secretary

- D5.3 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.

- D5.4 To ensure that there is effective communication ~~liaison~~ between external and internal audit.
- D5.5 To work with the external auditor and advise Board Members on their responsibilities in relation to external audit.
- D5.6 To consider, in conjunction with the Managing Director and senior managers when necessary, and respond as appropriate to, reports and management letters issued by the external auditors

Responsibilities of the Managing Director and other officers

- D5.7 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.
- D5.8 To ensure that all records and systems are up to date and available for inspection by the external auditors as and when required.

D6. Preventing Fraud and Corruption

General

- D6.1 Derby Homes is wholly owned by Derby City Council and is therefore a subsidiary of a public body. It is accountable therefore to the Council for the actions of all its Board Members, employees and others acting on its behalf, and needs to safeguard against the misuse of the assets and resources held on Derby Homes' behalf or on behalf of the Council.
- D6.2 Derby Homes will not tolerate fraud and corruption in the administration of its duties and responsibilities, whether from inside or from outside Derby Homes.
- D6.3 Derby Homes' expectation with regard to propriety and accountability is that Board Members and staff at all levels undertake their duties with honesty and integrity and will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.
- D6.4 Derby Homes also expects that individuals and organisations (e.g. suppliers, contractors, and service providers) with which it contracts will act towards Derby Homes with similar honesty and integrity and without behaviour that constitutes fraud or corruption.

General

- D6.5 The key controls regarding the prevention of fraud or financial irregularities are that:
 - policies and procedures are determined and operate effectively which

set out the standards of conduct to be followed by Board Members, staff, partners and service providers

- an adequate & effective Internal Audit function is provided.
- policies and procedures are communicated to, understood and applied by all Board Members, staff, partners and service providers.
- procedures and practices are reviewed on a regular basis to identify any or suspected weaknesses, and that the procedures and practices are revised as necessary.
- a register of interests is maintained in which details of any hospitality or gifts offered to Board Members, partners or staff are recorded regardless of whether or not the offer was accepted.
- identified or suspected frauds or financial irregularities are examined swiftly and offenders are dealt with firmly and appropriately.
- Whistleblowing policy is in place that allows independent reporting of suspected fraudulent activity
- Fraud policy and Fraud plan is in place

Responsibilities of the Finance Director and Company Secretary

- D6.6 To develop and maintain appropriate policies, strategies and procedures on anti-fraud and corruption measures, and to advise Board Members and officers of their responsibilities under these policies and procedures.
- D6.7 To ensure that Derby Homes maintains adequate and effective internal control arrangements.
- D6.8 To ensure that Derby Homes participates in anti-fraud initiatives and develops and maintains policies and procedures on data matching exercises.
- D6.9 To ensure that all suspected financial irregularities are reported to the Head of Internal Audit, and where there is evidence of perceived criminality, to notify the Managing Director, and where appropriate Board Members.
- D6.10 To seek to recover monies stolen from Derby Homes or the Council by whichever means is appropriate. In respect of dismissed employees this will include making an application to recover money from their pension rights within the Local Government Pension Scheme.
- D6.11 Where the Finance Director and Company Secretary believes that reasonable grounds exist to suspect that a loss or deficiency has resulted from a fraudulent or illegal act, or in any circumstances where it appears right to do so, the Finance Director and Company Secretary, in consultation with the Managing Director, may refer the relevant facts to the Police for further investigation.
- D6.12 To maintain an appropriate and effective whistle-blowing policy and procedures

Responsibilities of the Managing Director and other officers

- D6.13 To ensure compliance with all policies, strategies and procedures on anti-fraud and corruption measures and with the whistle-blowing policy and procedures.
- D6.14 To ensure that all suspected financial irregularities are reported to the Finance Director and Company Secretary.
- D6.15 To ensure that prompt action is taken, following consultation with the Managing Director to initiate investigation of any suspected financial irregularity.
- D6.16 To ensure that prior to the commencement of an investigation, assessment and consideration is given to the seriousness of the financial irregularity and appropriate advice and assistance is sought from the Head of Internal Audit
- D6.17 To ensure that appropriate action is taken during or at the conclusion of the investigation, which may include changes to internal controls to prevent repetition, steps to recover any losses incurred, disciplinary proceedings against individuals, or reporting suspected criminal offences to the police, or undertaking prosecution proceedings.
- D6.18 To maintain a register of the details of any gifts or hospitality offered to any member of staff regardless of whether or not the offer has been accepted; to monitor the reasonableness of the gifts received, the frequency and level of amounts received by an individual and, if deemed unreasonable, to take action to avoid a further recurrence; and to make the register of details available for public inspection at all reasonable hours.
- D6.19 If an organisation wishes to sponsor an event or service, neither an employee, or any partner or relative, must benefit from such sponsorship without there being full disclosure on the declaration of interests form.
- D6.20 Where Derby Homes through sponsorship, grant aid, financial or other means, gives support in the community, employees should ensure that impartial advice is given, there is no conflict of interest involved and the details are recorded on the declaration of interest form as necessary.

D7 Borrowing and Banking

Borrowing

General

- D7.1 Derby Homes may borrow funds only with the approval of Derby City Council. Funds are normally borrowed to support delivery of new homes where they are to be owned by Derby Homes rather than the Council.

Responsibilities of the Finance Director and Company Secretary

D7.2 To maintain an asset register of assets and liabilities of Derby Homes.

D7.3 To effect all borrowings in the name of Derby Homes

Responsibilities of the Director of ~~Investment and Maintenance~~Property

D7.4 To provide details of projected cash flow requirements to the Finance Director and Company Secretary to enable the Finance Director and Company Secretary to arrange appropriate borrowings on behalf of Derby Homes; including notification of anticipated grant payments and receipts or other large amounts.

Banking

Responsibilities of the Finance Director and Company Secretary

D7.5 To act as the company's officer with delegated responsibility for the opening and closing of all bank accounts as are necessary.

D7.6 To determine, or approve, all arrangements for the operation of such receipt, collection and banking facilities for Derby Homes

D7.7 To ensure that all bank accounts are in the name of Derby Homes or such name as may be expressly approved by the Finance Director and Company Secretary.

D7.8 To approve the opening and closing of all bank accounts holding Derby Homes funds, and to maintain an up to date record of all accounts and the authorised signatories for each bank account opened.

D7.9 To ensure the Managing Director and other officers are aware of, and comply fully with, their responsibilities for bank accounts operated under their control.

Responsibilities of the Managing Director and other officers

D7.10 To comply with the arrangements determined by the Finance Director and Company Secretary for the operation of such banking facilities as the Finance Director and Company Secretary considers appropriate.

D7.11 To ensure that appropriate accounting and banking arrangements are in place for specific donations and fundraising income, with agreement of the Finance Director and Company Secretary.

Credit Cards and Purchase Cards

Responsibility of Finance Director and Company Secretary

- D7.12 To provide credit/debit cards and purchase cards to be used for agreed purposes and to be allocated to nominated members of staff
- D7.13 To ensure that anyone applying for a credit/debit card or purchase card receives approval from the Finance Director and Company Secretary and follows procedures issued by the Finance Director and Company Secretary so that Derby Homes' accounts are kept up-to-date and so that reclaimable VAT is properly accounted for.
- D7.14 To prescribe procedures for the use of credit/debit cards and purchase cards and the accounting arrangements required to record and monitor expenditure incurred with such cards.
- D7.15 To ensure that credit/debit cards and purchase cards are NOT used for personal purchases, and are returned to the Finance Director and Company Secretary for destroying immediately after the card-holder changes job or leaves Derby Homes.

Responsibility of the Managing Director and other officers

- D7.16 To operate the use of credit/debit cards and purchase cards in accordance with the procedures issued by the Finance Director and Company Secretary, including the relevant authorised limits.

Imprest (petty cash) Accounts

Responsibilities of Finance Director and Company Secretary

- D7.17 To ensure that all instances where cash is required, in order to manage small purchases in a flexible way, are operated as imprest accounts, whereby the maximum cash value of the account is determined in advance and receipt-backed reimbursements up to this maximum are made regularly.
- D7.18 To provide offices with cash or bank imprest accounts to meet minor expenditure on behalf of Derby Homes and to prescribe rules for operating these accounts. Items of expenditure should not exceed the prescribed amount (see Appendix 1).
- D7.19 To determine, and periodically review, arrangements for the provision and operation of cash and / or bank imprest accounts, including:
- maintaining an up to date record of all accounts and the authorised signatories for each imprest account opened,
 - requirements for the recording of all advances made,
 - the security of cash holdings,

- the regular reimbursement of payments made
- the reconciliation of activity on the account.

D7.20 To maintain a record of all imprest account reimbursements made and periodically review the arrangements for the control of these reimbursements.

D7.21 To reimburse float holders as often as necessary to restore the floats

Responsibilities of the Managing Director and other officers

D7.22 To operate, or to ensure that staff operate, imprest accounts in accordance with the procedures and guidance notes issued by the Finance Director and Company Secretary and in conjunction with Derby Homes' procurement arrangements. In particular:

- a. maintain an up to date record of all authorised signatories for each departmental imprest account and to ensure that amendments are notified promptly to the Finance Director and Company Secretary;
- b. obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained
- c. make adequate arrangements in their office for the safe custody of the account
- d. produce upon demand to the Finance Director and Company Secretary cash and all vouchers to the total value of the imprest amount or cash float balance held
- e. record all transactions completely, accurately and promptly
- f. reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder
- g. provide the Finance Director and Company Secretary with a certificate of the value of the account held at 31 March each year
- h. to operate the account only for the payment and reimbursement of minor expenditure (as determined by the Finance Director and Company Secretary) on behalf of Derby Homes and, under no circumstances, to use the account to cash personal cheques or to make personal loans;
- i. to ensure that only the appropriate minor expenditure is paid via petty cash in accordance with the Finance Director and Company Secretary' guidance and instructions;

D8. Assets and Security

General

- D8.1 Derby Homes holds assets in the form of property, vehicles, equipment, furniture and other items worth millions of pounds. It is important that assets should be safeguarded and used efficiently in the delivery of services and that there should be arrangements for the security of both assets and service operations.
- D8.2 All assets should be safeguarded against loss, damage, misuse or any other unnecessary diminution in value so that they continue to be available to provide continuity of efficient service delivery. Similarly, information must also be safeguarded so that service delivery can continue.
- D8.3 In addition, for capital assets, up to date details are required for purposes of both fixed asset accounting and sound asset management.
- D8.4 In some instances it may occasionally be more cost effective to lease assets, including property, vehicles and equipment, rather than to purchase them outright.
- D8.5 It is important to distinguish between operational leases and finance leases as both have differing accounting requirements and have a different impact on service revenue accounts.
- D8.6 It is not cost-effective for Derby Homes to tie up cash resources or to incur maintenance or other costs by continuing to hold physical assets which are no longer required or fit for use in service delivery; thus, obsolete, non-repairable or surplus assets must be disposed of in a suitable manner at the appropriate time, and having regard to legal and other requirements so as to ensure that the maximum sale proceeds are obtained.
- D8.7 The key controls for the security of resources such as land, buildings, vehicles equipment, plant, machinery, and other assets are that procedures are in place to ensure that:
- the items are used only for the purposes of Derby Homes and are properly accounted for.
 - the items are available for official use as and when required.
 - when the items are no longer of use, and have been approved for disposal by the Managing Director in conjunction with the Finance Director and Company Secretary, they are disposed of in an appropriate manner so as to maximise the net sale proceeds, unless there has been prior Board approval to allow the item(s) to be donated to a charity, voluntary organisation or similar body.
 - details of all items are recorded at the time of purchase in an asset register, or other appropriate record and that the details of the item's location, value and condition are maintained up to date.

- a physical verification of assets is carried out on an annual basis
- all staff are aware of their responsibilities with regard to the safeguarding of Derby Homes' assets.

Responsibilities of Finance Director and Company Secretary

- D8.8 To make sure a capital asset register is maintained in accordance with good practice for all fixed assets with a material value as determined by the Finance Director and Company Secretary.
- D8.9 To ensure that officers maintain and provide all information relating to assets that is required for accounting, costing and financial records.
- D8.10 Proposals for the acquisition of land or buildings, whether freehold or leasehold, shall be determined by the Finance Director and Company Secretary and the Managing Director.
- D8.11 Any proposals for the disposal (including leases) of Derby Homes' land or buildings should be agreed by the Finance Director and Company Secretary and the Managing Director and approved by the Board.
- D8.12 To ensure that relevant assets are valued on a regular basis as required for accounting purposes.

Responsibilities of the Managing Director and other officers

- D8.13 To make sure that lessees and other prospective occupiers of Derby Homes land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Finance Director and Company Secretary, has been signed by the Finance Director and Company Secretary.
- D8.14 To ensure the proper security and insurance of all buildings and other assets under their control.
- D8.15 Where land or buildings are surplus to the requirements of Derby Homes, the use/sale of land should be considered.
- D8.16 To pass title deeds to the Head of Governance and Corporate Services who is responsible for custody of all title deeds.
- D8.17 To make sure that no asset is subject to personal use by an employee without proper authority and is in accordance with relevant policies and procedures.
- D8.18 To make sure that Derby Homes maintains a register of moveable assets in accordance with arrangements defined by the Finance Director and Company Secretary.
- D8.19 To consult the Finance Director and Company Secretary in any case where security is thought to be defective or where it is considered that

special security arrangements may be needed.

- D8.20 To make sure cash holdings on premises are kept to a minimum in line with normal operational requirements and insured limits.
- D8.21 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Finance Director and Company Secretary.

Leased Assets

Responsibilities of Finance Director and Company Secretary

- D8.22 To determine and issue guidance on leasing proposals, having regard for value for money.
- D8.23 To ensure all leased assets are recorded on a register.
- D8.24 To approve any new leases, or amendments to existing leases which change Derby Homes' financial commitment, before arrangements are contractually committed.

Responsibilities of the Managing Director and other officers

- D8.25 To ensure the Finance Director and Company Secretary is consulted on all proposals for leased assets.
- D8.26 To keep an inventory of all leased assets and to ensure assets are returned at the end of the lease period in accordance with the terms of the arrangement.

Disposal of Assets

Responsibilities of Finance Director and Company Secretary

- D8.27 To determine and issue guidance for the disposal of assets.
- D8.28 To monitor adherence to the guidance, including the recording and accounting for sale proceeds.

Responsibilities of the Managing Director and other officers

- D8.29 To follow, or to ensure that staff follow, the Finance Director and Company Secretary's instructions on the disposal of surplus or obsolete vehicles, plant, furniture, materials, stocks, stores or other equipment.
- D8.30 To ensure that surplus or obsolete assets are identified promptly.
- D8.31 To ensure that disposal is timely and by the appropriate means.
- D8.32 To make arrangements for the disposal of surplus goods, materials, vehicles and equipment in the manner most beneficial to Derby Homes.

Making every effort to dispose of surplus or obsolete assets by competitive tender or by public auction where considered viable. If a sale is not considered appropriate then the disposal proposal must be approved by the Finance Director and Company Secretary. Gifting of surplus goods will not be made to employees in any circumstances.

- D8.33 To maintain a record of all disposals on inventories or within stock systems, including details of the quantity, items, proceeds and the purchasers.
- D8.34 To ensure that sale proceeds are banked and accounted for promptly, and that the Finance Director and Company Secretary approves of the disposal of any capital assets and is notified of the final receipts.

Inventories

Responsibilities of Finance Director and Company Secretary

- D8.35 To determine and issue guidance for the management and control of inventories.
- D8.36 To monitor officers' adherence to the guidance, including the recording and accounting for inventories.

Responsibilities of the Managing Director and other officers

- D8.37 To maintain up to date and accurate records of all items of equipment, plant, furniture, fittings, machinery and other items, in accordance with inventory guidelines.
- D8.38 To ensure that all items of equipment, plant, furniture, fittings, machinery and other items, and in particular those which are attractive and portable, such as computers, mobile phones, cameras and video recorders, are identified with security markings as belonging to Derby Homes.
- D8.39 To make sure that Derby Homes' property is not removed except in accordance with the ordinary course of Derby Homes' business
- D8.40 To ensure that equipment is used only in the course of Derby Homes' business unless the Managing Director has given permission otherwise, and subject to Derby Homes' policy on private use.
- D8.41 To ensure that appropriate records are maintained of those items of equipment, which are in the control of specific members of staff.
- D8.42 To carry out a check at least annually of the existence and continued suitability for use, of all items recorded in the inventory, and to take appropriate action in respect of any discrepancies or items no longer suitable for use, annotating the inventory accordingly.

Materials, Stocks and Stores

Responsibilities of Finance Director and Company Secretary

- D8.43 To determine and issue guidance for the management and control of materials, stocks and stores.
- D8.44 To monitor adherence to the guidance, including the recording and accounting for materials, stocks and stores.
- D8.45 To write-off redundant stock and discrepancies or obtain Audit Committee approval if they are in excess of a predetermined limit (see Appendix 1).

Responsibilities of the Managing Director and other officers

- D8.46 To make arrangements for the care and custody of materials, stocks and stores.
- D8.47 To make sure that quantities of stocks are maintained at reasonable levels for normal operational requirements unless there are sound financial or other reasons for doing otherwise.
- D8.48 To maintain accurate and reliable records of items in stores specified by, and in a form agreed with, the Finance Director and Company Secretary.
- D8.49 To ensure that for all material value stocks there is an independent comparison of physical stock against the records at least once in each financial year, to investigate any discrepancies arising, and to report them to the Finance Director and Company Secretary.
- D8.50 To maintain a record of all disposals, including details of the proceeds and the purchasers.
- D8.51 To provide to the Finance Director and Company Secretary such information concerning materials, stores or other assets as is required for financial accounting purposes.

E. FINANCIAL SYSTEMS AND PROCEDURES

E1. General Systems and Procedures

General

- E1.1 Departments have many systems and procedures relating to the assets of Derby Homes, including purchasing, costing and fleet management systems. Departments are largely reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to make sure that transactions are properly processed and errors detected promptly.
- E1.2 The Finance Director and Company Secretary has a responsibility to make sure that Derby Homes' financial systems are sound and should therefore be notified of any new developments, changes or operational issues.
- E1.3 The key controls in the provision of financial systems and procedures are to ensure that:
- operating systems and procedures are secure;
 - financial management information is provided in a timely manner to enable service managers to monitor performance against approvals and plans, and, where relevant, to take appropriate corrective action.

Responsibilities of Finance Director and Company Secretary

- E1.4 To make arrangements for the proper administration of Derby Homes' financial affairs, including to:
- issue advice, guidance and procedures to be followed by Derby Homes' employees and others acting on its behalf
 - determine the accounting systems, form of accounts and supporting financial records, banking services and procedures to be maintained or prepared
 - provide officers with advice and guidance in applying the accounting systems, form of accounts, supporting financial records and procedures
 - approve any changes to be made to existing financial systems or new systems introduced to Derby Homes

Responsibilities of the Managing Director and other officers

- E1.5 To comply with the requirements of the Finance Director and Company Secretary in the maintenance, preparation and operation of financial systems, form of accounts, supporting financial records and procedures.
- E1.6 To comply fully with Derby Homes' Data Protection policy.
- E1.7 To make sure that vouchers and documents supporting financial transactions or decisions are retained in line with Derby Homes' document retention policy.
- E1.8 To make sure that a complete management trail, allowing financial transactions to be traced from the original document to the accounting records, and vice versa, is maintained.
- E1.9 To incorporate appropriate controls and checks to make sure that, where relevant:
- all input is genuine, complete, accurate, timely and not previously processed
 - all processing is carried out in an accurate, complete and timely manner
 - output from the system is complete, accurate and timely.
- E1.10 To make sure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and minimise the risk of fraud or other malpractice.
- E1.11 To establish and keep up to date a Scheme of Delegation identifying officers authorised to act upon the Managing Director's behalf.
- E1.12 To ensure that Derby Homes complies with Payment Card Industry Data Security Standards (PCI DSS) to ensure Derby Homes is authorised to process Visa and MasterCard transactions
- E1.13 To comply with the copyright, designs and patents legislation and, in particular, to make sure that:
- only software legally acquired and installed by Derby Homes is used on Derby Homes' computers
 - employees are aware of the provisions of the legislation
 - in developing systems, due regard is given to the issue of intellectual property rights.

E2. Income

General

- E2.1 All money received by an employee on behalf of Derby Homes must be banked without delay into the Company's bank account.
- E2.2 Invoices for goods and services supplied must be raised promptly to ensure proper accounting treatment, ~~Vat~~VAT recognition and to assist debt recovery. It is preferable to obtain income in advance of supplying goods or services as this improves Derby Homes' cash flow and also avoids the time and cost of administering debts.
- E2.3 Once raised, no bona fide debt may be cancelled except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.

Responsibilities of Finance Director and Company Secretary

- E2.4 To agree arrangements for the collection of all money due to Derby Homes and approve the procedures, systems and documentation for the collection of all income.
- E2.5 To order and supply to teams all receipt forms, books or tickets and similar items subject to satisfactory arrangements being in place for their safe custody and control.
- E2.6 To agree the write-off of bad debts up to the approved limit in each case and to refer larger sums to Derby Homes Audit Committee (see Appendix 1), once it is considered that all reasonable steps have been taken to recover the sums due.

Responsibilities of the Managing Director and other officers

- E2.7 To ensure arrangements for the collection of all money due to Derby Homes, as advised by the Finance Director and Company Secretary are followed.
- E2.8 To notify the Finance Director and Company Secretary of new sources of income and to obtain the Finance Director and Company Secretary's approval for proposed changes to established procedures or systems for the collection of this and other income prior to making the commitment for such changes.
- E2.9 To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and review it regularly, within corporate policies.

- E2.10 To segregate duties so as to ensure adequate internal controls and minimise the risk of fraud or other malpractice in relation to the receiving, recording banking and reconciliation of income.
- E2.11 To make sure that invoices are raised as soon as possible and within 28 days of completion of the work/job, including agreed phased completion.
- E2.12 To issue official receipts and maintain other documentation for income collection.
- E2.13 To maintain a daily register of staff opening the post. Any money received by post is properly identified, recorded and handed over per E2.18
- E2.14 To retain securely receipts, tickets and other records of income, for the appropriate period.
- E2.15 To receipt income on the day of receipt and lock away all income to safeguard against loss or theft.
- E2.16 To make sure that income is paid fully and promptly into the Company's bank account in the form in which it is received. Appropriate details should be recorded on to paying in slips to provide an adequate audit trail.
- E2.17 To safeguard against money laundering, payment in cash in excess of £5,000 for any single transaction will not be accepted from any source. Details of any such attempt are to be notified to the Finance Director & Company Secretary.
- E2.18 To keep a record of every transfer of money whenever it changes hands. The receiving officer must sign immediately for the transfer and the transferor must retain a copy.
- E2.19 To make sure income is not used to cash personal cheques or other payments.
- E2.20 To supply the Finance Director and Company Secretary with details relating to work done, goods supplied or services rendered or other amounts due, to enable the Finance Director and Company Secretary to record correctly the sums due to Derby Homes and to make sure accounts are sent out promptly. Officers have a duty to assist the Finance Director and Company Secretary to collect debts by providing any further information requested by the debtor, and in pursuing the matter on the Company's behalf
- E2.21 To recommend to the Finance Director and Company Secretary all debts to be written off and keep a record of all sums written off up to the approved limit.
- E2.22 To obtain the approval of the Finance Director and Company Secretary for writing off debts within the approved limit and the approval of Derby

Homes Audit Committee where required (see Appendix 1).

- E2.23 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.

E3. Ordering and Paying for Work, Goods and Services

General

- E3.1 Public money should be spent with demonstrable probity and in accordance with Derby Homes' policies. Derby Homes' procedures should help to make sure that services can receive value for money in their purchasing arrangements. These ~~Regulations~~ Procedure Rules should be read in conjunction with Derby Homes' Contract Procedure Rules.
- E3.2 Every employee and member of Derby Homes has a responsibility to declare any links or personal interests that they may have with suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of Derby Homes.
- E3.3 Official orders must be in a form approved by the Finance Director and Company Secretary. Official orders must be issued for all work, goods or services to be supplied to Derby Homes except for supplies of utilities, statutory payments (PAYE, VAT, pensions etc), phone contracts, approved debit / procurement card spend (such as travel, subscriptions etc), emergency housing accommodation payments, periodical payments such as Council tax, rent or rates, petty cash purchases or other exceptions specified by the Finance Director and Company Secretary.
- E3.4 Each order must conform to the directions of Derby Homes' Contract Procedure Rules and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior approval of the Finance Director and Company Secretary.
- E3.5 Apart from petty cash, the normal method of payment of money due from Derby Homes will be by BACS, direct debit or other instrument drawn on the Company's bank account.
- E3.6 Processes for the use of e-business, e-commerce, credit/debit or purchasing cards, or other electronic means of purchasing goods or services, must be authorised by the Finance Director and Company Secretary.
- E3.7 Official orders must not be raised for any personal or private purchases, nor should personal or private use be made of Council contracts

Responsibilities of Finance Director and Company Secretary

- E3.8 To ensure that Derby Homes' financial systems, processes and procedures for the ordering, purchasing and payment are sound, appropriately documented, properly authorised and well administered.
- E3.9 To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- E3.10 To approve the format of official orders, and associated terms and conditions.
- E3.11 To provide advice and encouragement on making payments by the most economical means and within statutory deadlines.

Responsibilities of the Managing Director and other officers

- E3.12 To ensure prior to placing an order the authorising officer acknowledges responsibility for ensuring:
 - authorisation limits are not exceeded
 - the expenditure is necessary and conforms to Derby Homes' contract procedure rules
 - the order has been procured with an approved supplier
 - any budgetary issue resulting from the order has been properly addressed
- E3.13 To make sure that only those employees authorised to do so, electronically authorise or sign official orders. To maintain an up-to-date list of such authorised employees, including specimen signatures where appropriate, and identifying in each case the limits of their authority.
- E3.14 To provide for the separation of duties by ensuring that at least two members of staff are involved in the ordering, receiving and payment process.
- E3.15 To make sure that goods and services are checked on receipt to make sure they are in accordance with the order. Appropriate entries should then be entered on the ordering system and relevant asset registers, inventories and where relevant appropriate insurance arrangements have been made.
- E3.16 To ensure payments are not to be made unless a proper invoice has been received, checked, and certified for payment. Authorising officers assume responsibility confirming:
 - receipt of goods or services (payment should not be made in advance of goods being received unless specific prior approval is given)
 - that the invoice has not previously been paid
 - that prices are correct and accord with quotations, tenders, contracts

- or catalogue prices
 - that the invoice is arithmetically correct
 - correct accounting treatment of tax
 - the invoice is appropriately coded
- E3.17 To maintain and review periodically a Scheme of Delegation which provides a list of employees approved to certify and authorise invoices. The Scheme of Delegation must include names of authorising officers together with specimen signatures if appropriate and details of the limits of their authority. This must be forwarded to the Finance Director and Company Secretary.
- E3.18 To encourage suppliers of goods and services to receive payment by the most economical means for Derby Homes. Derby Homes' preferred method of payment is BACS. Payments should, however, not be made by direct debit unless essential and must have the prior approval of the Finance Director and Company Secretary.
- E3.19 To make sure that the Company obtains best value for money and observes Derby Homes' contract procedure rules. Particular notice should be given to the requirement to tender and the use of corporate contracts.
- E3.20 To make sure that no leasing or rental arrangements are entered into without prior agreement from the Finance Director and Company Secretary. This is because of the potential impact on Derby Homes' borrowing powers, to protect Derby Homes against entering into unapproved credit arrangements and to make sure value for money is being obtained.
- E3.21 To notify the Finance Director and Company Secretary of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Finance Director and Company Secretary.
- E3.22 To notify the Finance Director and Company Secretary immediately of any expenditure to be incurred that cannot be contained within budgets.
- E3.23 Employees should not make official purchases, excluding personal expenses, using personal credit cards for which they subsequently seek reimbursement from Derby Homes as this circumvents the requirement for pre-authorisation by an independent party. Similarly, personal store account cards/loyalty cards held in the name of private individuals should not be used in connection with Derby Homes' purchases.

E4. Payments to Employees and Members

General

- E4.1 Employee costs are the largest item of expenditure in most departments of Derby Homes. It is therefore important that there should be controls in place to make sure that payments are made only where they are due for services to Derby Homes and that payments accord with individual's conditions of employment.
- E4.2 The key controls for payments to current and former employees and Board Members are to ensure that procedures and processes are in place which ensures that:
- payments are made at the appropriate time under secure, sound and reliable arrangements
 - payment arrangements provide for the appropriate segregation of duties and authorisation procedures
 - payments are in accordance with all statutory requirements as well as ~~regulations rules and directions~~ of Derby Homes
 - payments are accounted for completely, accurately and promptly
 - payments are monitored regularly against approved budgets
 - all appropriate payroll records and supporting documentation are retained for the appropriate period.

Responsibilities of Finance Director and Company Secretary

- E4.3 To ensure arrangements are in place for returns of pension contributions and information to the administrators of the appropriate scheme, namely the Local Government Pension Scheme.
- E4.4 To make sure satisfactory arrangements and controls exist to provide secure and reliable payment of salaries, compensation or other payments to existing and former employees in accordance with procedures prescribed by the Finance Director and Company Secretary on the due date.
- E4.5 To record, control and pay completely, accurately and promptly all tax, pensions and other statutory and voluntary payroll deductions.
- E4.6 To ensure the secure and prompt payment of salaries by the most efficient means.
- E4.7 To make arrangements for payment of all travel and subsistence claims.
- E4.8 To make arrangements for paying Board Members' travel, IT support or other allowances upon receiving the prescribed form duly completed and signed.

Responsibilities of the Managing Director and other officers

- E4.9 To make sure appointments are made in accordance with the regulations of Derby Homes and approved establishments, grades, and scale of pay, and that adequate budget provision is available.
- E4.10 To make sure that adequate and effective systems and procedures are operated for personnel and payroll aspects, so that:
- payments are only authorised to bona fide employees and former employees
 - payments are only made where there is a valid entitlement
 - conditions and contracts of employment are correctly applied
 - employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness
 - there is an effective system of checking and certifying payroll forms.
- E4.11 To make sure that payroll transactions are processed only through the payroll system. Officers should give careful consideration to the employment status of individuals employed on a "self employed consultant or sub contract" basis. Her Majesty's Revenues and Customs applies a tight definition for employee status and, in cases of doubt, advice should be sought from the Finance Director and Company Secretary.
- E4.12 To certify travel and subsistence claims and other allowances, where certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred and allowances properly payable by Derby Homes, making sure that cost-effective use of travel arrangements is achieved. All claims for travel and subsistence and other allowances shall be completed in a form approved by the Finance Director and Company Secretary.
- E4.13 To make sure that the details of any employee benefits in kind are notified to the Finance Director and Company Secretary to enable full and complete reporting within the Income Tax Self Assessment system.

Responsibilities of Board Members

- E4.14 To submit claims for Board Members' travel and subsistence allowances which are compliant with Derby Homes' policies and procedures.

E5. Taxation

General

- E5.1 Like all organisations, Derby Homes is responsible for making sure it pays the right amount of tax at the right time - tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all officers to be aware of their responsibilities.

E5.2 The key controls on taxation are that procedures are in place that ensure:

- all taxable transactions are identified, the tax liability properly assessed, and accounted for within specified timescales
- all statutory and other returns are made to the appropriate authorities within the specified timescales
- all other statutory requirements are met.

Responsibilities of Finance Director and Company Secretary

E5.3 To provide and maintain up to date guidance for staff on all taxation issues, including detailed processes to be followed and records to be maintained.

E5.4 To complete all HM Revenue and Customs statutory returns regarding PAYE, benefits in kind, VAT and Construction Industry Tax Deduction Scheme and Corporation Tax.

E5.5 To make sure that the impact on taxation of key decisions and strategies are anticipated and that the financial implications are set out in reports to Derby Homes' Board and where appropriate Derby City Council.

E5.6 To investigate and engage relevant bodies regarding the opportunities to recover previously paid tax, including the determination of risk/reward arrangements.

Responsibilities of the Managing Director and other officers

E5.7 To make sure that the correct VAT liability is attached to all income and that all VAT recoverable on purchases complies with HM Revenue and Customs Regulations.

E5.8 To have procedures in place that can quickly identify VAT errors and where errors are discovered, to inform the Finance Director and Company Secretary in a timely manner so that they can be disclosed to HM Revenue and Customs.

E5.9 To make sure that, where construction and maintenance works are undertaken, accurate and timely information is provided to enable the Finance Director and Company Secretary to pay the contractor in accordance with the requirements of the Construction Industry Tax Scheme.

E5.10 To make sure that all persons employed by Derby Homes are added to Derby Homes' payroll and tax deducted from any payments, except where the individuals are bona-fide self employed or are employed by a recognised employee agency.

E5.11 To make sure that records are kept of all benefits in kind provided to employees that are relevant for taxation purposes.

- E5.12 To determine the employment status (employee or self employed) of all individuals engaged to provide a service before proceeding with the engagement.
- E5.13 To keep and preserve for a period of at least 6 years, records and accounts in a manner that will enable HMRC to check easily that all taxes have been properly accounted for.
- E5.14 To consult with and seek advice from the Finance Director and Company Secretary on the potential tax implications of any new initiatives for the delivery of Company or Council activity and services.

F. EXTERNAL ARRANGEMENTS

F1. Work for Third Parties

General

- F1.1 Our constitution enables Derby Homes to provide a range of services to other bodies. Such work may enable Derby Homes to maintain economies of scale and existing expertise.
- F1.2 The key controls for working with third parties are that:
- proposals are costed properly, in accordance with guidance provided by the Finance Director and Company Secretary
 - no process is started that might lead to Derby Homes agreeing to do work for an outside body, whether public sector or otherwise, without first seeking the advice of the Head of Governance and Corporate Services as to whether this is within Derby Homes' legal powers
 - no process is started that might lead to Derby Homes agreeing to do work for an outside body, whether public sector or otherwise, without first establishing and recording that there is a clear case why doing the work is in Derby Homes' best interests
 - contracts are drawn up using guidance provided by the Head of Governance and Corporate Services and that the formal approvals process is adhered to
 - guidance is issued with regard to the financial aspects of third party contracts and the maintenance of the contract register
 - responsibility for approving the contractual arrangements for any work for third party or external bodies is allocated in line with Appendix 1
 - Derby Homes has appropriate insurance cover for any potential liabilities that could arise to the recipient of the service and any third party, and that the cost of this has been included within overheads when calculating fees to be charged.
 - That an expected minimum of 10% contribution to overheads is priced into any arrangements to be approved.

Responsibilities of the Managing Director and other officers

- F1.3 To ensure that risks are identified, evaluated and appropriate arrangements made to manage those risks before any arrangements are concluded
- F1.4 To make sure that relevant approval is obtained, in line with the limits set out in Appendix 1 before any negotiations are concluded to work for third parties.
- F1.5 To ensure that Derby Homes does not enter into any agreement that is beyond its legal authority, in consultation with the Head of Governance

and Corporate Services.

- F1.6 To make sure that the approval of Council is obtained for the establishment of any company or incorporated body through which trading activities are to be undertaken, or new areas of work.
- F1.7 To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Finance Director and Company Secretary (see Appendix 1).
- F1.8 To make sure that appropriate insurance arrangements are made.
- F1.9 To make sure that Derby Homes is not put at risk from any bad debts.
- F1.10 To make sure that no contract is subsidised by Derby Homes unless approved by the Board as part of a wider strategy.
- F1.11 To make sure that, wherever possible, payment is received in advance of the delivery of the service.
- F1.12 To make sure that the department has the appropriate expertise to undertake the contract.
- F1.13 To make sure that such contracts do not impact adversely upon the services provided for Derby Homes.
- F1.14 To make sure that all contracts are properly documented, including exit arrangements.
- F1.15 To consult with the Finance Director and Company Secretary where Derby Homes wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of the Council's contract with Derby Homes. In general, such contracts should not be entered into unless they are capable of being terminated within the main contract period without penalty. If this is unavoidable, permission will be required from the Council to enter into the contract.
- F1.16 To provide appropriate information to the Finance Director and Company Secretary to enable a note to be entered into the Statement of Accounts.
- F1.17 To obtain the Council's permission for any new areas of external work or new contractual arrangements in line with their approval processes.

F2. Partnerships

General

- F2.1 Partnerships, joint ventures and pooled budgets are being increasingly

used as a delivery mechanism for existing and new services and funding streams by public bodies.

Responsibilities of Finance Director and Company Secretary

- F2.2 To advise on the accounting implications of proposed arrangements effective controls which will ensure that resources are used effectively and efficiently.
- F2.3 To ensure that appropriate internal and external audit requirements are in place.
- F2.4 To ensure that the accounting arrangements to be adopted relating to joint working arrangements are satisfactory.
- F2.5 To approve Derby Homes entering into partnerships and joint ventures in line with the limits set out in Appendix 1.
- F2.6 To ensure the financial risk and benefit of any arrangement are properly assessed and appropriate exit arrangements are in place regarding accountable body arrangements, including the distribution of any assets and liabilities.

Responsibilities of the Managing Director and other officers

- F2.7 To ensure a budget manager / accountable officer is identified.
- F2.8 To ensure that approval is sought before entering into any partnership agreements.
- F2.9 To ensure satisfactory arrangements are in place to protect Derby Homes from financial loss, reputational damage and unnecessary risk, by undertaking or determining:
 - a financial appraisal of the viability of the proposed arrangement throughout its duration
 - a risk appraisal is prepared before entering into any agreement
 - the nature, level and timing of Derby Homes' contribution and commitment
 - the responsibility for undertaking, and the detail of, the project's accounting and financial reporting arrangements
 - the arrangements for accommodating the inability of any of the proposed partners to meet their financial or other obligations under the arrangements
 - the arrangements for dealing with any remaining assets or liabilities at the end of the arrangement
 - the audit, security and other control arrangements which should all generally be in line with the requirements of Derby Homes' Financial Procedure Rules
 - that the arrangements will not impact adversely on the services

provided by Derby Homes

- F2.10 To ensure that appropriate management procedures are in place to enable Derby Homes to fulfil the requirements of any agreements entered into on behalf of the partnership.
- F2.11 To prepare any financial estimates relating to partnership arrangements and to agree these with the Finance Director and Company Secretary.
- F2.12 To ensure that appropriate budget approval is sought before entering into a partnership arrangement that commits funding.
- F2.13 To ensure that monitoring arrangements are in place for both financial and non-financial performance measures.
- F2.14 To ensure that the arrangements for financial monitoring and control operate to the satisfaction of the Finance Director and Company Secretary.
- F2.15 To ensure that accurate and appropriate Asset Registers are maintained in line with funding body requirements.
- F2.16 To ensure that an exit strategy is formally agreed, documented and signed by all partners, to include reference to any distribution of assets and liabilities.

F3. External Funding

General

- F3.1 External funding is a very important source of finance, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of Derby Homes.
- F3.2 The key controls for the use of external funding are that:
 - funds are accepted only if they meet the priorities that have been approved by Derby Homes
 - any match-funding requirements are given due consideration prior to entering into long-term agreements and that revenue budgets reflect these requirements.
 - to ensure that key conditions of funding and any statutory requirements are complied with, and that the requirements of the Funding Body are clearly understood.
 - planned exit strategies are documented and maintained

Responsibilities of Finance Director and Company Secretary

- F3.3 To ensure that all funding notified by external bodies is received,

controlled and properly recorded in Derby Homes' accounts.

- F3.4 To ensure that procedures are in place so that all the financial implications, including long term issues, resulting from entering into external funding agreements are identified and where exceptions have been negotiated by partners these are documented.
- F3.5 To maintain a record of expected grants in liaison with the Managing Director.
- F3.6 To investigate ways of maximising grant income.
- F3.7 To provide guidelines and advice to officers as to minimum standards for recording and evidencing grant expenditure in order to meet grant conditions and external audit requirements.
- F3.8 To ensure that audit requirements are met.

Responsibilities of the Managing Director and other officers

- F3.9 To ensure that funds are acquired only to meet the priorities that have been approved by Derby Homes.
- F3.10 To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue funds are able to meet these requirements.
- F3.11 To ensure that the impacts of any reducing external contributions or other liabilities are reflected at the appropriate time in Derby Homes' medium term financial strategy.
- F3.12 To ensure that the arrangements for dealing with income from external funding agencies, together with the relevant general requirements of the Financial Procedure Rules, are communicated to, understood and applied by staff involved in the process.
- F3.13 To identify the cost of administration by Derby Homes of the funding and where appropriate to recover these costs from the funding.
- F3.14 To ensure that necessary approvals are obtained before external funding agreements are concluded.
- F3.15 To ensure that the conditions of external funding agreements and any statutory requirements are complied with.
- F3.16 To maintain a record of external funding agreements in place.
- F3.17 To ensure any grant claims requiring signature of the Finance Director and Company Secretary are provided in a timely manner and accompanied by all relevant supporting documentation to enable the

claim to be authorised by the required deadline.

F3.18 To liaise with the External Auditor as required during audit certification.

F3.19 To ensure the Finance Director and Company Secretary is notified of any grant bid, and final grant approvals.

APPENDIX 1

FINANCIAL LIMITS (OTHER THAN AS SET OUT IN THE SCHEME OF VIREMENT)

USE OF RESERVES

The Managing Director may approve the use of a reserve up to £250,000. Any use of reserves must be reported to the Board at the next available meeting.

Any use of reserves over £250,000 must be approved by the Board.

CAPITAL MONITORING CONTROL

New Schemes

Subject to funding being available, any new schemes to be added to the capital programme must seek Board approval for the addition.

If above £500,000 then Council approval is also required.

Board approval must be sought to add any additional borrowing to the capital programme. Council approval is required for any actual borrowing undertaken.

Existing Schemes

Subject to funding being available, approval to vary the cost and phasing between years of capital schemes within the overall capital programme should be obtained from the Board for changes over £250,000.

For variations up to £250,000 the Managing Director can approve providing it can be contained within the capital programme budget or can be funded from reserves.

APPROVED WRITE-OFF LIMIT

The ~~Managing Director with the agreement of the~~ Finance Director and Company Secretary may write-off:

- (a) individual bad debts or remit charges not exceeding £10,000 in any one case including current tenants' rent arrears and housing benefit or council tax benefit overpayments
- (b) Company debts up to £10,000.

Sums over £10,000 require the approval of:

For (a) Council Cabinet.

For (b) Derby Homes Audit Committee

The Finance Director and Company Secretary may initiate such write-off or remission after consultation, if necessary, with appropriate officers.

IMPREST ACCOUNTS

Minor items of expenditure met from imprest accounts should not exceed £50. Variations from this to be reported to the ~~Group Accountant – Derby Homes~~Head of Income and Finance.

WORK FOR THIRD PARTIES

~~[NB would need to agree a process with the Council to clarify this]~~
In all cases to obtain the approval of the Council to the work after obtaining:

- Approval of the Finance Director and Company Secretary and the Managing Director for agreements up to £250,000 a year.
- Approval of Board (or two of Chair and Vice Chairs through urgent action procedure) for agreements over £250,000 a year

ACCOUNTABLE BODIES, POOLED BUDGETS AND JOINT AGREEMENTS

- Approval of the Finance Director and Company Secretary and the Managing Director for agreements with a Derby Homes interest up to £100,000.
- Approval of the Finance Director and Company Secretary, and the Managing Director for agreements up to £250,000
- Approval of the Board for agreements over £250,000

GRANTS OR LOANS TO VOLUNTARY/EXTERNAL BODIES

- Finance Director and Company Secretary and Council approval is required for loans made or taken by Derby Homes.
- Grants given to individuals or external bodies relating to the provision of statutory homelessness services ~~delegated [This section subject to review and approval by the Council] to Derby Homes by the Council~~ are subject to the approval limits set out in Appendix 4 and the approval of the Council.
- Other Grants to external bodies require Operational Board and Council approval.

NEW BIDS FOR / ACCEPTANCE OF EXTERNAL FUNDING NOT ALREADY INCLUDED IN APPROVED BUDGET

- Bids may be made for external funding, but acceptance of that funding where it requires additional spending will be subject to normal limits: that is additional spending of:
- Over £250,000 – Board approval
- £100,000 to £250,000 – Managing Director approval reported to the Board at the next meeting
- Under £100,000 – Managing Director

APPENDIX 2**SCHEME OF VIREMENT – REVENUE BUDGETS Purpose of the Scheme**

Derby Homes' Scheme of Virement and Carry Forward is administered by the Finance Director and Company Secretary within guidelines set by the Board. Any variation from this scheme requires the approval of the Board.

Normally, detailed budget heads are approved by Derby Homes and Officers are authorised to incur expenditure in accordance with those estimates. The rules below cover virement, i.e. switching resources between heads of expenditure and income, and carry forward, i.e. arrangements for the transfer of resources between accounting years.

The scheme of virement is intended to enable officers to manage budgets with a degree of flexibility within the overall budget and policy framework determined by the Board, so as to make optimum use of resources. Officers are expected to exercise their discretion in budget management responsibly and prudently. For example, they should aim to avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Officers must plan to fund such commitments from within their own budgets.

Definition of Budget Heads

All budget heads are subject to the rules set out in this scheme of virement except where stated below.

A budget head will normally be defined as the line in the budget approved by the Board.

Revenue reserves are not treated as revenue budget heads but their use and monitoring is subject to other requirements set out in the Financial Procedure Rules.

Virement

- (a) The financial limits on virements are that, subject to meeting other conditions:
- The Managing Director may exercise virements on budgets for amounts up to £250,000 on any one estimate head during the year
 - Amounts greater than £250,000 require approval of the Board

The making permanent of virements would be addressed as part of the budgetary process for the following year or where urgent through the approval of the Board.

- (b) Where an approved budget head is a lump sum budget or contingency intended for allocation during the year, or where a reserve is intended for

allocation during the year, the Finance Director & Company Secretary may approve its allocation, which will not be treated as a virement, provided that:

- the amount is used in accordance with the purposes for which it has been established &
- the amount was included in the overall budget approved by the Board

(c) A virement will be considered to be technical if it meets any of the criteria below:

The transfer of budget is required due to a reorganisation or transfer of service where funds are still expended in line with original approved budgets.

The virement is required to satisfy technical accounting requirements

The virement is required to align budgets with a previously approved proposal e.g. the creation of budgets to account for new grant funded projects.

APPENDIX 3**Glossary of Financial Terms and Abbreviations contained within the Financial Procedure Rules**

Term	Description
Accounting Policies	Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented. Accounting policies do not include estimation techniques.
Accrual	An accrual is an adjustment made at the end of the year to account for income and expenditure in the correct year, for example where goods or services have been received in one year but the invoice will be paid in the following year due to timing differences.
Asset	An asset is anything that is owed by Derby Homes that has a value.
Bad Debt	Money owed to Derby Homes that is unlikely to be paid.
Best Practice	The term used to describe the methods used by local government to share procedures and practices in order to learn and improve from each other.
Budget	Sum of money allocated for a particular purpose.
Budgetary Control	The process of ensuring actual expenditure and income does not exceed the budget available and taking corrective action where variances are identified.
Budget Monitoring	The process of reviewing actual expenditure or income against the sum allocated for the year enabling action to be taken to reallocate budgets to or from other budget lines in a timely manner where variances are found.
Capital Expenditure	Money spent to either acquire or improve an asset owned by Derby Homes which will be used over a period of years or money awarded to a third party towards an asset owned by them for example a grant to improve their property.
Capital Programme	Derby Homes' capital expenditure plans for the next few years. The capital programme will show the anticipated cost,

Term	Description
	usually on a scheme by scheme basis, and how it intends to finance this.
Capital Receipts	Income received from the sale of land or other assets, the acquisition of which would meet the definition of capital expenditure.
CIPFA	The Chartered Institute of Public Finance and Accountancy. This body is responsible for interpreting accounting standards and recommending working practices to be followed by all local authorities.
Commitments	A commitment arises when an order is raised to purchase goods or services but the goods or services have not yet been received.
Cost Centre	An individual reference used within Derby Homes' financial system to enable the allocation and monitoring of expenditure and income in a meaningful way.
Creditor	A person or organisation that delivers or supplies a service or product to Derby Homes in exchange for cash.
Debtor	A person or organisation that receives a service or product from Derby Homes in exchange for cash.
Earmarked Reserve	Money allocated for a specific purpose which will be spent in a future year.
Financial Procedure Rules	A written code of procedures approved by Derby Homes, intended to provide a framework for proper financial management. Financial procedure rules set out rules on accounting, audit, administrative procedures and budgeting systems.
Financial Year	Derby Homes' financial year runs from 1 April to 31 March.
Fixed Asset	An asset intended to be held for a period of more than one year, such as a machine or building.
Forecast	A prediction of spend for future months/years.
General Ledger	The general ledger is the main accounting record of Derby Homes. It is basically a library of financial transactions.
Grants received	Income received by Derby Homes to support the undertaking of services or to support the capital programme. Grants may have terms and conditions as to use attached.

Term	Description
Grants made	Payment by Derby Homes to a third party (other than the Council) not under a contract as a contribution to support our objectives.
Imprest Account	This is a separate bank account, with a cheque book facility, to which an advance is made to facilitate quick payment for small items.
Internal Control	The system of control devised by management to help ensure Derby Homes' objectives are achieved in a manner which promotes economical, efficient and effective use of resources and that Derby Homes' assets and interests are safeguarded.
Internal Recharge	A charge made by one council department to another for provision of a service.
Lease	An asset not owned by Derby Homes but which Derby Homes has an agreement to use in providing its day to day services in return for a regular cash payment.
Medium term Financial Plan/Strategy	A document outlining Derby Homes' spending plans and forecast resources over the next three years.
Money Laundering	The term used where an individual uses legal payment routes to pass off income earned from illegal activities or to avoid the payment of Government taxes. In terms of Derby Homes' activities this would include the payment of rents and council tax at Derby Homes' payment counters with large cash payments.
Overspend	This is where the actual expenditure exceeds the budget for the same period.
Petty Cash	A small amount of cash held by departments and available to purchase minor items of expenditure such as postage stamps.
Provisions	An amount set aside by Derby Homes to meet a known item of expenditure but for which the actual timing and amount of the payment is not known.
Reserve	Money set aside for future policy initiatives.
Revenue Expenditure	Expenditure incurred by Derby Homes on a day to day basis in the provision of services to the public.
Risk Management	The planned and systematic approach to the identification, evaluation and control of risk.

Term	Description
Statement of Accounts	Derby Homes is required to produce an annual Statement of Accounts which show how Derby Homes has spent its money and what resources and reserves it has available. The Statement of Accounts includes Derby Homes' statutory income and expenditure account, its balance sheet and a cash flow statement.
Support Service	The term used to describe those services that do not provide a service direct to the public, but provide a back office function to support the staff directly working with the public. Support services include finance, IT, Human Resources, and legal services.
Treasury Management	The term used to describe Derby Homes' management of its cash, investments and borrowing requirements.
Under-spend	A favourable variance. Actual expenditure including any commitments is less than the budget set for the same period.
Value Added Tax (VAT)	Tax levied on goods and services.
Variation	A variation is an increase or decrease in a budget after the budget has been approved at the start of the year.
Virement	A switch of resources between Cost Centres or budget lines within a Cost Centre.

Appendix 4

Summary of delegated approvals

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Approval Requirements:	Below £10k	£10k- £100k	£100k-£250k	>£250k
Transfer of Budgets	HoS	HoS	MD – report to Board	Board
Bid for / Accept External Funding	MD	MD	MD – report to Board	Board
Use of Reserves (in line with intended use)	MD	MD	MD – report to Board	Board
New External works	MD	MD / Council	MD – report to Board. Council	Board / Council
Award of grants	<u>Ops Board & Council</u>	<u>Ops Board & Council</u> Council	<u>Ops Board & Council</u> Council	<u>Ops Board & Council</u> Council
Award of grants – statutory homelessness	Head of Service <u>& Council</u>	MD/FD <u>& Council</u>	MD <u>& Council</u>	Board <u>& Council</u>
Write off Debt / Assets	FD	Audit Cttee / Cabinet for rents	Audit Cttee / Cabinet for rents	Board / Cabinet for rents
Approval Requirements	Up to £5k	Up to £25k	Up to £150k	Over £150k
Oracle / Open Contractor orders	Nominated Employee	Nominated Employee	Head of Service	Executive Team
Invoice authorisation for goods and services not requiring an order	Nominated Employee	Nominated Employee	Head of Service	Executive Team
Invoice authorisation – without authorised order	Head of Service	Head of Service	Executive Team	Executive Team

Dispensation from Financial Procedure Rules

DERBY HOMES			
REPORT OF THE HEAD OF SERVICE / DIRECTOR OF – <i>title to be inserted</i> AUTHORITY FOR DISPENSATION – <i>title for report to be inserted</i>			
1	REPORT		
1.1	Must include what dispensation is requested for, why and reference to relevant sections(s) of the Standing Orders.		
2	FINANCE, LEGAL, COUNCIL AND RISK IMPLICATIONS		
2.1	Financial Implications – to be completed and then reviewed by FD & CP		
2.2	Legal Implications – to be completed and then reviewed by Company Solicitor		
2.3	Council & Risk Implications – to be completed and then reviewed by Managing Director		
3	EQUALITY & DIVERSITY IMPLICATIONS		
3.1	Has the equality impact of these proposals been assessed? <input type="checkbox"/> Yes (EIA attached) <input type="checkbox"/> No (this report does not contain proposals which require an EIA)		
4	BACKGROUND MATERIAL AND PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT		
4.1			
BUDGET HOLDER & DATE: <table border="1" style="width: 100%; height: 20px; border-collapse: collapse;"> <tr> <td style="width: 40%;"></td> <td style="width: 60%;"></td> </tr> </table>			

DECLARATION

Submission of this form to the signatories is formal confirmation by the Budget Holder and respective Director that:

- 1) There is no conflict of interest by the parties requesting the dispensation; &
- 2) There would be no fiduciary benefit to any Derby Homes' employee(s) or Board member by this dispensation.

Approval:

Managing Directorsigned byDate:.....

Finance Director & Company Secretarysigned byDate:.....

Chair of Audit Committee.....signed byDate:.....

Record:

The final authorised dispensation must be issued to the Governance Team for inclusion in the Register of Dispensations.