

Part VII

Financial Regulations

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A WHEN TO USE THESE FINANCIAL REGULATIONS

In carrying out the responsibilities contained within the Management Agreement, Derby Homes will operate with both its own and Derby City Council assets and finances.

This means that a decision is required for all financial transactions regarding which organisation will bear the cost or incur any liability.

In all cases where employees are acting as an agent on behalf of the Council and using or generating Council resources, eg ~~the Repairs Account,~~ the Capital Programme or Tenants' Rent, the Council's Financial ~~Regulations~~ Procedure Rules must be followed. A copy of these will be made available to any employee with delegated responsibility and authority to use Council Resources.

B GENERAL

- B1 Financial Regulations provide the framework for managing Derby Homes' financial affairs. They apply to every Board member and employee of the Company and anyone acting on behalf of the Company.

Derby Homes is an arms length organisation with delegated responsibility to run the housing management and maintenance services for Derby City Council's council tenants.

The Management Agreement between Derby Homes and Derby City Council covers a number of Derby Homes' objectives on financial issues, in particular:

Section [To be revised once agreed]

- 6 Required to perform the services with all due skill, care and diligence
- 19.2 Training of staff in relevant policies, rules, standing orders and financial regulations of the Council
- 21 Use of assets – both Council and Derby Homes
- 22 Contracts to be administered
- 23 Assignment of sub contractors
- 24 Use of computer systems and software
- 31 Insurances
- 33.3 Monthly meetings with Council's representative to discuss financial and budgetary issues
- 34 Audits
- 35 Fraud
- 51 Financial arrangements – refers to sixth schedule (pages 100-101)

- B2 The Regulations also identify the responsibilities of the Chief Executive of Derby Homes and other senior officers. Where responsibilities are listed as responsibility of the Chief Executive, such responsibilities are expected to be fulfilled by all officers of Derby Homes. Officers should maintain a written record – known as a scheme of delegation - where these responsibilities have been delegated to employees, including employees seconded to other departments.
- B3 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.

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Responsibilities of Director & Company Secretary

- B4 The Director & Company Secretary is the responsible officer for the proper administration of the financial affairs of Derby Homes Ltd. This means that all accounting procedures, systems and records of Derby Homes and its officers should be determined by the Director & Company Secretary and will 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.
- B5 The Director & Company Secretary is also the responsible officer for reporting to the Board of the company that it:
- 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 authority, or
 - c. is about to create an entry in the Company's accounts that would be unlawful.
- B6 To make sure that any proposed changes to Financial Regulations are approved by the Board.
- B7 ~~Where appropriate, to~~To report breaches of Financial Regulations to the Board.
- B8 To issue instructions and guidance notes, where necessary, to amplify Financial Regulations.
- B9 To review the financial limits set out in Appendix 1 to these Regulations ~~in-line with inflation.~~

Responsibilities of the Chief Executive of Derby Homes

- B10 To make sure that:
- a. existing and new employees are informed of their responsibilities under Financial Regulations and Procurement Procedure Rules and are familiar with these documents
 - b. all financial regulations or contracts and award procedures are followed by everyone in the Company
 - c. relevant records are maintained and retained.

- B11 To make sure that all reports including those seeking approval under delegated powers record the financial implications, and that these are agreed in advance by the Director & Company Secretary. In particular, any report containing new proposals should include an independent financial assessment by the Director & Company Secretary.
- B12 To consult the Director & Company Secretary on any matter that is ~~materially liable-likely~~ to materially affect the finances of Derby Homes, before any commitment is ~~incurred~~made.
- B13 To be responsible for securing value for money in relation to all activities and for achieving financial performance targets in accordance with Best Value principles.

C SYSTEMS AND PROCEDURES

Why is this important?

Employees are ~~increasingly~~ 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.

The Director & Company Secretary has a personal responsibility to make sure Derby Homes' financial systems are sound and should therefore be notified of any new developments, changes or operational issues.

Responsibilities of Director & Company Secretary

- C1 To make arrangements for the proper administration of Derby Homes' financial affairs, including:
- 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
 - establish arrangements for audit of the Derby Homes' financial affairs as directed by the Audit Committee
 - approve any changes to be made to existing financial systems or new systems introduced to Derby Homes.

Responsibilities of the Chief Executive of Derby Homes

- C2 To make sure accounting records are properly maintained and held securely.

- C3 To make sure vouchers and documents supporting financial transactions or decisions are not destroyed except in accordance with arrangements approved by the Director & Company Secretary.
- C4 To make sure a complete management trail, allowing financial transactions to be traced from the original document to the accounting records, and vice versa, is maintained.
- C5 To incorporate appropriate controls and checks to make sure, 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.
- C6 To make sure the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and minimise the risk of fraud or other malpractice.
- C7 To make sure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- C8 To make sure systems, procedures and responsibilities are documented and employees trained in operations.
- C9 To consult with the Director & Company Secretary before changing any existing system or introducing new systems.
- C10 To consult with the Director & Company Secretary in situations where it is considered that the rigid application of Financial Regulations is likely to work against the best interests of Derby Homes.
- C11 To make sure the approval of the Director & Company Secretary is obtained and included in reports and decisions taken under Derby Homes' urgent decision procedure.
- C12 To establish and keep up to date a Scheme of Delegation, showing the limits of authority and identifying officers authorised to act upon the Chief Executive's behalf in respect of payments, income collection and placing orders, including variations.

- C13 To supply lists of authorised officers, with specimen signatures and delegated limits, to the Director & Company Secretary, together with any subsequent variations.
- C14 To make sure that effective security arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off-site, or in an alternative location within the building.
- C15 To make sure that, where appropriate, computer systems are registered in accordance with the Data Protection legislation and that employees are aware of their responsibilities under the legislation.
- C16 To make sure that relevant standards and guidelines for computer systems issued by the Director & Company Secretary or the IT Manager are observed.
- C17 To make sure that computer equipment and software are protected from loss and damage through theft, vandalism etc.
- C18 To comply with the copyright, designs and patents legislation and, in particular, to make sure that:
- only software legally acquired and installed by the Company is used on the Company's computers
 - employees are aware of the provisions of the legislation in developing systems, due regard is given to the issue of intellectual property rights.

D REVENUE BUDGETS - PREPARING BUDGETS

Why is this important?

Derby Homes is a complex organisation responsible for delivering a wide variety of services. Like other big organisations it 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 Derby Homes' plans and policies. Not least, it should demonstrate that the plans of Derby Homes are affordable.

Responsibilities of Director & Company Secretary

- D1 To determine the detailed form of profit and loss forecasts, consistent with the general directions of the Board, and after consultation with Senior Officers.
- D2 To issue guidelines within which Budget Holders of Derby Homes should prepare budgets in conjunction with the Accountancy team.
- D3 To prepare and submit reports on budget prospects for Derby Homes, including resource constraints. Reports should take account of medium-term prospects, where appropriate.
- D4 To prepare and submit reports on the aggregate spending plans of Derby Homes' services and on the resources available to fund them, identifying, where appropriate, any the implications for the management and maintenance fees.
- D5 To encourage best use of resources and value for money by working with Budget Holders to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.

Responsibilities of Chief Executive of Derby Homes

- D6 To prepare estimates of income and expenditure, in conjunction with the Accountancy Team and in consultation with the Director & Company Secretary.
- D7 To prepare budget proposals that are consistent with any relevant income limits, in Derby Homes' annual budget cycle and with guidelines issued by the Director & Company Secretary, consistent with the general directions of the Board.

D8 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.

E REVENUE BUDGETS - MANAGING AND CONTROLLING BUDGETS

Why is this important?

Budgetary control is a continual process enabling the Company to review and adjust its budget targets during the financial year. It also provides the mechanism to call to account managers responsible for defined elements of the budget. By identifying and explaining variances against budgetary targets, Derby Homes can identify changes in trends and resource requirements at the earliest opportunity.

To make sure that Derby Homes in total does not overspend, each service is required to manage its own spending within the approved budget allocated to it. For the purposes of budgetary control by managers, a budget head will normally be a cost centre, but may be a more detailed level in the standard coding structure if this is required by the Scheme of Delegation.

Responsibilities of Director & Company Secretary

- E1 To establish an appropriate framework of budgetary management and control, based on the principles that:
 - a. budget management is exercised within the annual approved budget unless the Board agrees otherwise
 - b. each Senior Officer or Budget Manager should be given timely information on income and expenditure on each budget head delegated to them from the approved budget to enable fulfilment of their budgetary responsibilities
 - c. expenditure is committed only against an approved budget head
 - d. all officers responsible for committing expenditure comply with relevant guidance, including Financial Regulations
 - e. each budget head has a single named manager, determined by the Chief Executive. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
 - f. significant variances from approved budgets are investigated and reported by managers regularly.
- E2 To administer Derby Homes' Scheme of Virement (see Appendix 2).
- E3 To submit reports to the Board, in consultation with the Chief Executive, where Derby Homes is unable to balance expenditure and resources within existing approved budgets under their control.
- E4 To prepare and submit reports on Derby Homes' projected position compared with the budget.

Responsibilities of the Chief Executive of Derby Homes

- | E5 To maintain budgetary control ~~within the department~~, in adherence to the principles in E1.
- E6 To make sure that a single accountable budget manager is identified for each budget head. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- E7 To make sure that spending remains within the approved annual budget. To monitor budgets and ensure individual budget heads are not overspent. To take corrective action if budget allocations are ~~either over or under~~ spent.
- | E8 To report in the first instance to the Board on proposals which:
 - a. create financial commitments in future years
 - b. initiate new policy or cease existing policies
 - c. materially extend or reduce Derby Homes' services

explaining clearly the full financial implications, after consultation with the Director & Company Secretary.
- E9 Unless the Board has agreed otherwise, Senior Managers must plan to contain the financial implications of such proposals within their annual budget in all years.
- E10 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 Director & Company Secretary.
- | E11 To ~~make en~~sure compliance with the Scheme of Virement (see Appendix 2).

F CAPITAL BUDGETING

Why is this important?

Derby Homes sets a Capital Budget as part of the annual budget setting process. The size of the Capital Budget is constrained by the Management Fee. Capital expenditure involves acquiring or enhancing assets with a long-term value to the company and potentially could include, land, buildings, and major items of plant and equipment or vehicles. Capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

General

- F1 Proposed capital expenditure must be included in the capital budget approved by the Board as part of the annual budget process. Capital expenditure identified during the course of a financial year must be approved within the limits set by the Scheme of Delegation and agreed by the Director & Company Secretary. Approval under the Scheme of Delegation and the Board authorises the Chief Executive to:
- a. prepare such designs, detailed estimates and other professional reports necessary to allow projects to commence
 - b. commence spending on individual projects within the limits identified in the Scheme of Delegation and subject to compliance with the Company's Procurement Procedure Rules and subject to satisfactory resolution of all legal, technical and professional matters
 - c. tender, in accordance with the Company's Scheme of Delegation and Procurement Strategy, Policy and Procedure Rules Standing Orders, subject to the approval by the Board where appropriate
 - d. following c. above, commence spending on projects subject to the Director & Company Secretary being satisfied that approved budgetary provision is in place.
- F2 The capital budget is set for a single financial year and should not be exceeded ed in the financial year unless separately approved in accordance with the limits in Appendix 1.
- F3 Funding for capital projects may be from the operating budget, in accordance with operating budget virement rules.

Responsibilities of Director & Company Secretary

- F4 To prepare annual capital budgets and submit to the Board for approval.

- F5 To issue guidance concerning capital expenditure and controls. The definition of 'capital' will be set out in the Accounting policies adopted by the Company and published in the annual accounts.

Responsibilities of the Chief Executive of Derby Homes

- F6 To comply with guidance concerning capital expenditure and controls issued by the Director & Company Secretary (which will be in accordance with the Company's Procurement Procedure Rules.
- F7 Nominate a budget manager for each capital project.

G ACCOUNTING

Why is this important?

Proper accounting records are one of the ways in which Derby Homes discharges its responsibility for stewardship of public resources. These are subject to external audit. This provides assurance that expenditure is legal, the accounts are properly prepared and proper accounting practices have been followed.

Responsibilities of Director & Company Secretary

- G1 To determine the accounting procedures and records of Derby Homes.
- G2 To compile all accounts and accounting records.
- G3 To comply with the following principles when allocating accounting duties:
 - separating the duties of providing information about sums due to or from Derby Homes and calculating, checking and recording these sums from the duty of collecting or disbursing them
 - employees with the duty of examining or checking the accounts of cash transactions will not themselves be engaged in these transactions.
- G4 To make proper arrangements for the audit of Derby Homes' accounts in accordance with the Companies Act (2006).
- G5 To prepare and publish the audited accounts of Derby Homes for each financial year and comply with the Council's statutory timetable and the preparation of group accounts with the requirement for the Council to approve the Statement of Accounts before 30 June.
- G6 To administer Derby Homes' arrangements for under and overspendings to be carried forward to the following financial year (see Appendix 2).

Responsibilities of the Chief Executive of Derby Homes

- G7 To consult and obtain the approval of the Director & Company Secretary before making any changes to accounting records and procedures.
- G8 To comply with the principles outlined at paragraph G3 when allocating accounting duties.
- G9 To maintain adequate records to provide an audit trail for leading from income/expenditure source through to the accounting statements.

H AUDIT AND RISK MANAGEMENT

Why is this important?

The Director & Company Secretary has the responsibility for the overall financial administration of the Company's affairs and is responsible for ensuring effective and proper use of all resources by working with an appropriate and suitably qualified and experienced Internal Audit provider.

Derby Homes' accounts are also scrutinised by external auditors who are appointed by the Board. They must be satisfied that the accounts represent a true and fair view and are prepared in accordance with proper accounting practices.

Responsibilities of the Director & Company Secretary

H1 The Director & Company Secretary has authority to:

- enter at all reasonable times on any Derby Homes premises or land, with the exception of Derby Homes' own residential properties when let to a tenant,
- have access to all records, documents and correspondence relating to any financial and other transactions of Derby Homes
- require and receive explanations as necessary about any matter under examination
- require any employee of Derby Homes to produce cash, stores or any other Derby Homes property under their control.

In relation to rights of access, the Director & Company Secretary is expected to have a personal responsibility to observe the highest standards of confidentiality and personal integrity.

H2 In consultation with the Chief Executive and Audit Committee, to maintain an adequate and effective internal audit plan in which audit cover has regard to the characteristics and relative risks of the activities involved. This takes into account the need to seek added value, effective use of resources, improved performance and cost effective controls.

H3 To maintain an adequate and effective internal audit of the financial and other records, systems and procedures for control of ~~the~~ Derby Homes' resources.

H4 To report to the Audit Committee on:

- the planned programme of internal audit work for the year
- progress in implementing the planned audit programme including a report following the year end

- the findings of each audit to a degree of detail to be determined by Audit Committee
- progress made in implementing recommendations of internal audits
- other matters relating to audit policy, internal controls and risk management that are within the terms of reference of the Audit Committee.

- H5 To approve any new systems for maintaining financial records or records of assets or changes to such systems.
- H6 To investigate promptly any fraud or irregularity identified by or notified to the Director & Company Secretary and to report to the Chief Executive of Derby Homes who will consider any legal proceedings and disciplinary action in consultation with the appropriate legal advisers.
- H7 To make sure that issues raised by External Audit are brought to the attention of the Audit Committee and, if appropriate, the Chief Executive.

Responsibilities of the Chief Executive of Derby Homes

- H8 To maintain an effective corporate risk management strategy and policy and to prepare reports for the Board seeking approval of the strategy and policy.
- H9 To make sure that internal and external auditors are given access at all reasonable times to premises, personnel, documents and assets which the Auditors consider necessary for the purposes of their work.
- H10 To make sure that Auditors are provided with any information and explanations that they seek in the course of their work.
- H11 To consider and respond promptly to recommendations in audit reports.
- H12 To make sure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- H13 To notify the Director & Company Secretary immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of Derby Homes' property or resources. Pending investigation and reporting, Senior Officers should take all necessary steps to prevent further loss and to secure records and documentation against removals or alteration.
- H14 To make sure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with the Internal Audit service provider prior to implementation.

- H15 To maintain a risk register for services and projects which is informed by regular review and assessment of risk and to identify and document actions to mitigate those risks.
- H16 To take responsibility for risk management having regard to advice from the Director & Company Secretary and other specialist officers such as Crime Prevention, Fire Prevention, Health and Safety.

I ORDERING AND PAYING FOR WORK, GOODS AND SERVICES

Why is this important?

Public money should be spent with demonstrable probity and in accordance with Derby Homes' policies. These procedures should help to make sure that services can receive value for money in their procurement arrangements. These Regulations should be read in conjunction with ~~the~~ Derby Homes' Procurement Strategy, Policy and Standing Orders Procedure Rules.

General

- I1 Every employee and Board Member of Derby Homes has a responsibility to formally declare [<http://dhnet/contdocs/Personnel/GU-Procurement%20Employee%20Declaration%20of%20Interests.docx>] any links or personal interests that they may have with purchasers or suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of Derby Homes. All Board Members and employees will abide by Derby Homes' Anti Bribery Policy.
- I2 Official orders must be in a form approved by the Director & Company Secretary. Official orders must be issued for all work, goods or services to be supplied to Derby Homes except for supply of utilities, periodical payments such as rent or rates, petty cash purchases or other exceptions specified by the Director & Company Secretary.
- I3 Each order must conform to the directions of Derby Homes on ~~central~~ purchasing and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior approval of the Director & Company Secretary.
- I4 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.
- I5 Official orders must not be raised for any personal or private purchases, nor should personal or private use be made of Derby Homes contracts, ~~unless specifically authorised by the Director & Company Secretary in writing and appropriate accounting arrangements made.~~

Responsibilities of Director & Company Secretary

- I6 To make sure that all Derby Homes' financial systems and procedures are sound and well administered.

- I7 To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- I8 To approve the form of official orders, and associated terms and conditions.
- I9 To make duly authorised payments certified in accordance with Financial Regulations.
- I10 To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.
- I11 To make payments to contractors on the certificate of an authorised officer, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- I12 To provide advice and encouragement on making payments by the most economical means.

Responsibilities of Chief Executive of Derby Homes

- I13 To make sure that uniquely numbered orders are used for all goods and services other than the exceptions specified in [H212](#). Orders must be generated by raising a requisition which is correctly authorised.
- I14 To make sure that orders are only used for goods and services provided to the Company. Individuals must not use official orders to obtain goods or services for their private use.
- I15 To make sure that only authorised employees can approve orders and to maintain an up-to-date list of such authorised employees, including specimen signatures identifying in each case the limits of their authority. The approver of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Value for money should always be taken into consideration.
- I16 To make sure that adequate controls exist to ensure electronic approval can only be performed by the appropriate officer.
- I17 To make sure that a budgetary control system is established which enables commitments incurred by placing orders to be shown against the appropriate

budget allocation so that it can be taken into account in budget monitoring reports.

- I18 To make sure that goods and services are checked on receipt to make sure they are in accordance with the order. This check should, where possible, be carried out by a different officer from the person who approved the order. Receipts should be logged against the original order prior to invoices being released for payment.
- I19 In conjunction with the Director & Company Secretary, to make sure that invoices are authorised, processed and paid promptly within agreed contractual terms and conditions or within 30 days of the invoice date to conform with the regulations of the Late Payment of Commercial Debts (Interest) Act 1998. Checks should be made to make sure invoices are paid only once, are within budget provision and are coded correctly.
- I20 Where an official order has been placed and receipts logged, invoices which match both the order and receipt will be released for payment. Unmatched invoice lines require additional authorisation. Unmatched invoices will be authorised in accordance with the limits of authority and a separate check will be undertaken by a duly authorised officer.
- I21 To make sure that the Finance team maintains and reviews periodically a list of employees approved to authorise orders and payments. Names of authorising officers together with specimen signatures and details of the limits of their authority must be forwarded to the Director & Company Secretary.
- I22 Payment should not be made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Any instances of such payments rendered must be reported to the Director & Company Secretary.
Invoices should also be addressed to Derby Homes and include VAT number.
- I23 To encourage suppliers of goods and services to receive payment by the most economical means for Derby Homes.
- I24 To make sure that the Company obtains best value for money from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, within a Category Plan, with regard to Procurement Strategy, Policy and Standing Orders and any the guidelines and best practices issued by the ~~Programmed Maintenance~~Specialist Works Manager.
- I25 To use ~~any corporate purchasing procedures~~follow –Procurement Strategy, Policy and Standing Orders issued by the Programmed Maintenance Manager when exposing purchases to competitive quotation or tender. ~~These will comply with Procurement Procedure Rules and will cover:~~

- ~~authorised officers and the extent of their authority~~
- ~~advertisement for tenders~~
- ~~procedure for creating, maintaining and revising a standard list of contractors~~
- ~~selection of tenderers~~
- ~~compliance with UK and EC legislation and regulations~~
- ~~procedures for the submission, receipt, opening and recording of tenders~~
- ~~the circumstances where financial or technical evaluation is necessary~~
- ~~procedures for negotiation~~
- ~~acceptance of tenders~~
- ~~the form of contract documentation~~
- ~~cancellation clauses in the event of corruption or bribery~~
- ~~contract records.~~

- I26 To make sure that no loan, leasing or rental arrangements are entered into without prior agreement from the Strategic Director of Resources of the City Council. This is because of the potential impact on the Council's borrowing powers, to protect the authority against entering into unapproved credit arrangements and to make sure value for money is being obtained.
- I27 To notify the Director & Company Secretary of outstanding expenditure relating to the previous financial year as soon as possible after 31 March and to meet the timetable issued by the Principal AccountantAccountancy Section.
- I28 With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Director & Company Secretary, the systems and procedures to be adopted on financial aspects. This includes certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of sub contractors' tax status.
- I29 To notify the Director & Company Secretary immediately of any expenditure to be incurred ~~as a result of statute/court order~~ where there is no budgetary provision.
- I30 Where revenue budgets are being used to carry out a wide range of programmed work, for example, building maintenance the Chief Executive should agree, in consultation with the Board of Derby Homes, a schedule of the proposed work.

J INCOME

Why is this important?

Income can be a vulnerable asset and effective collection systems are necessary to make sure that all of the income due is identified; collections are receipted and banked properly. 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 debt.

General

- | | |
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| J1 | All money received by an employee on behalf of Derby Homes must be paid without delay <u>in</u> to the Company's bank account. |
|----|---|

Responsibilities of Director & Company Secretary

- J2 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.
- J3 To order and supply to teams all receipt forms, books or tickets and similar items subject to satisfactory arrangements being in place for their control.
- J4 To agree the write-off of bad debts in line with the published accounting policy.
- J5 To approve all debts to be written off and keep a record of all sums written off up to the approved limit (see Appendix 1).

Responsibilities of Chief Executive of Derby Homes

- J6 To establish a charging policy for the supply of goods or services, including the appropriate charge of VAT.
- J7 To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- J8 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- J9 To issue official receipts or maintain other documentation for income collection.

- J10 To make sure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- J11 To hold securely receipts, tickets and other records of income, for the appropriate period.
- J12 To lock away all income to safeguard against loss or theft.
- J13 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 paying in slips to provide an adequate audit trail.
- J14 To make sure income is not used to cash personal cheques or other payments.
- J15 To supply the Director & Company Secretary with details relating to work done, goods supplied or services rendered or other amounts due, to enable a correct record of the sums due to the Company and to make sure accounts are sent out promptly. Officers have a responsibility to assist the Director & Company Secretary to collect debts by providing any further information requested by the debtor, and in pursuing the matter on the Company's behalf.
- J16 To keep a record of every transfer of official money between employees of Derby Homes. The receiving officer must sign for the transfer and the transferor must retain a copy.
- J17 To notify the Director & Company Secretary of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable issued by the Principal Accountant.
- J18 To make sure that invoices are raised within 28 days of completion of the work/job, including agreed phased completion.

K PAYMENTS TO EMPLOYEES AND BOARD MEMBERS

Why is this important?

Employee costs are the largest item of expenditure at Derby Homes. It is therefore important that there should be controls in place to make sure payments are made only where they are due for services to Derby Homes and that payments accord with individual's conditions of employment.

Responsibilities of Director & Company Secretary

- K1 To make sure satisfactory arrangements and controls exist to provide secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees on the due date.
- K2 To record and control tax, superannuation and other deductions.
- K3 To make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- K4 To make arrangements for paying Board Members travel, IT support ~~loss of earnings~~ or other allowances upon receiving the prescribed completed and signed form.
- K5 To provide advice and encouragement to secure payment of salaries and wages by most economical means.

Responsibilities of Chief Executive of Derby Homes

- K6 To make sure employee appointments are made in accordance with the regulations of Derby Homes and approved establishments, grades, and scale of pay.
- K7 To notify the ~~Director & Company Secretary~~ Head of Personnel of all appointments, terminations, or variations that may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Director & Company Secretary. Employees should have one unique employee reference number and no employee should be issued with a second reference number without the agreement of the Director and Company Secretary.
- K8 To make sure adequate and effective systems and procedures are operated for personnel and payroll aspects, so:

- payments are only authorised to bona fide 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, ~~etc.~~

K9 To send an up-to-date list of the names of officers authorised to sign records to the Director & Company Secretary, together with specimen signatories.

K10 To make sure payroll transactions are processed only through the payroll system. The Chief Executive of Derby Homes should give careful consideration to the employment status of individuals employed on a "self employed consultant or sub contract" basis. Her Majesty's Revenue & Customs (HMRC) apply a tight definition for employee status and, in cases of doubt, advice should be sought from the Director & Company Secretary.

K11 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 the Company, making sure cost-effective travel arrangements are used. Due consideration should be given to tax implications and the Director & Company Secretary informed where appropriate.

K12 To make sure that the details of any employee benefits in kind are notified to the Director & Company Secretary to enable full and complete reporting within the Income Tax Self Assessment system.

Responsibilities of Board Members

K13 To submit claims for Board Members' ~~loss of earnings~~ allowances, IT support and, travel and subsistence in arrears on a monthly basis and, in any event, within one month of the year-end.

L TAXATION

Why is this important?

Like all organisations, Derby Homes is responsible for making sure its tax affairs are in order. 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 role.

Responsibilities of Director & Company Secretary

- L1 To complete all HMRC returns regarding PAYE.
- L2 To complete a ~~monthly~~ return of VAT inputs and outputs to HMRC.
- L3 To provide details to HMRC regarding the Construction Industry Tax Deduction Scheme, including all relevant ~~monthly and annual~~ returns.
- L4 To complete all HMRC returns regarding Corporation Tax.

Responsibilities of Chief Executive of Derby Homes

- L5 To make sure that the correct VAT liability is attached to all income and that all VAT recoverable on purchases complies with HMRC rules and guidance.
- L6 To make sure that where construction and maintenance works are undertaken, the contractor fulfils the necessary Construction Industry Scheme requirements, and that teams provide accurate and timely information to enable all statutory returns to be completed.
- L7 To make sure that all persons employed by Derby Homes are added to the Company's payroll and tax deducted from any payments, except where the individuals are bona-fide self employed or are employed by a recognised employee agency.
- L8 To make sure that records are kept of all benefits in kind provided to employees that are relevant for taxation purposes.
- L9 To make sure that all persons determined to be acting in a self employed capacity provide taxation and national insurance reference details as may be required by HMRC before proceeding with the engagement.

M ASSETS AND SECURITY

Why is this important?

Derby Homes *potentially* holds assets in the form of property, vehicles, equipment, furniture and other items of considerable value. It is important that assets are safeguarded and used efficiently in the delivery of services, and there should be arrangements for the security of both assets and service operations.

Security

Responsibilities of Director & Company Secretary

- M1 To make sure an Asset Register is maintained in accordance with good practice.
- M2 To receive information from each Senior Manager required for accounting, costing and financial records.

Responsibilities of Chief Executive of Derby Homes

- M3 To make sure there is proper security of all assets.
- M4 To make sure that no Derby Homes asset is subject to personal use by an employee without proper authority.
- M5 To make sure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to Derby Homes.
- M6 To make sure that Derby Homes maintains a register of moveable assets in accordance with arrangements defined by the Director & Company Secretary.
- M7 To make sure assets are identified, their location recorded and that they are appropriately marked and insured.
- M8 To consult the Director & Company Secretary in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- M9 To make sure cash holdings on premises are kept to a minimum.
- M10 To make sure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the Director & Company Secretary as soon as possible.

- M11 To record all disposals of Derby Homes' assets which should normally be by competitive tender or public auction, following consultation with the Director & Company Secretary.
- M12 To arrange for the valuation and verification of assets as necessary for accounting purposes to meet requirements specified by the Director & Company Secretary.
- M13 To make sure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value and its disclosure or loss could result in a cost to Derby Homes or the Council in some way.

Insurance

Responsibilities of Director & Company Secretary

- M14 To put in place all insurance cover and negotiate all claims in consultation with other officers where necessary.
- M15 To include all appropriate employees of Derby Homes in a suitable fidelity guarantee insurance or crime insurance policy.

Responsibilities of Chief Executive of Derby Homes

- M16 To notify the Director & Company Secretary immediately of any loss, liability or damage, which may lead to a claim against Derby Homes together with any information or explanation required by the Director & Company Secretary or Derby Homes' insurers.
- M17 To notify the Director & Company Secretary promptly of all new risks, properties or vehicles which require to be insured and of any alterations affecting existing insurances.
- M18 To consult the Director & Company Secretary respecting the terms of any indemnity, which Derby Homes is requested to give.
- M19 To make sure that Derby Homes' employees do not admit liability, which may prejudice an insurance claim.

Inventories

Responsibilities of Chief Executive of Derby Homes

- M21 To maintain inventories and record an adequate description of furniture, fittings and equipment, plant and machinery and to carry out an annual check of all items on the inventory in order to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should prudently be identified with security markings as belonging to Derby Homes.
- M22 To make sure that Derby Homes property is not removed except in accordance with the ordinary course of Derby Homes' business and it is not used except for the Derby Homes' purposes unless the Chief Executive has issued specific directions.

Stocks and Stores

Responsibilities of Chief Executive of Derby Homes

- M23 To make arrangements for the care and custody of stocks and stores in the company.
- M24 To make sure stocks are maintained at reasonable levels where necessary and subject to regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.
- M25 To write-off discrepancies or obtain Board approval if they are in excess of a predetermined limit (see Appendix 1).
- M26 To authorise or write-off disposal of redundant stocks and equipment. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction, following consultation with the Director & Company Secretary.

N TREASURY MANAGEMENT, INVESTMENTS AND BORROWING, BANKING ~~AND TRUST FUNDS~~

Why is this important?

Millions of pounds pass through Derby Homes' books each year. It is important that established codes of practice are adopted and the Company's money properly managed. Derby Homes does not carry out independent Treasury Management and relies on the Council and its policies. Following reform of the HRA in 2012, while there will remain no direct Treasury Management with respect to day to day investments and borrowing, there will be a role in advising with respect to the long term debt held for the HRA.

Responsibilities of Director & Company Secretary

N1 To seek Board approval for a policy and strategy on short term borrowing and investments ~~and borrowings~~ if the current arrangement with the Council is terminated.

N2 To seek approval of the Board and the Council to any arrangement relating to any long term loans between the Council and Derby Homes.

N3 To advise the Council on the appropriate level and tenure of debt to be held on behalf of the Housing Revenue Account.

N4 To recommend to the Council appropriate borrowings for the HRA.

~~Trust Funds and Funds held for Third Parties~~

~~Responsibilities of Director & Company Secretary~~

~~N2N5~~ To seek Board approval for a policy and strategy on Trust Funds and Funds held for Third Parties if the current arrangement with the Council is terminated.

~~Treasury Management~~

~~Responsibilities of Director & Company Secretary~~

~~N3 To seek Board approval for a policy and strategy on Treasury Management if the current arrangement with the Council is terminated.~~

~~N4 To report twice a year to Resources & Remuneration Committee on Derby Homes' cash flow.~~

~~N5~~N6 To operate bank accounts as are considered necessary.

Imprest Accounts

Responsibilities of Director & Company Secretary

- N6 To provide employees of the Company with cash or bank imprest accounts to meet minor expenditure on behalf of Derby Homes and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed the prescribed amount.
- N7 To maintain a record of all petty cash advances made and periodically review the arrangements for the safe custody for the control of these advances.
- N8 To reimburse float holders as often as necessary to restore the floats but normally not more than monthly.

Responsibilities of Chief Executive of Derby Homes

- N9 To make sure that employees operating an imprest account:
- (a) obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained
 - (b) make adequate arrangements in their office for the safe custody of the account
 - (c) produce upon demand to the Director & Company Secretary cash and all vouchers to the total value of the imprest amount
 - (d) record transactions promptly
 - (e) reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder
 - (f) provide the Director & Company Secretary with a certificate of the value of the account held at 31 March each year
 - (g) to make sure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made
 - (h) on leaving the Company's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee will account to the Director & for the amount advanced to them.

O WORK FOR THIRD PARTIES

Why is this important?

Current legislation enables Derby Homes to provide a range of services to other bodies. Arrangements should be in place to make sure that any risks associated with this work is minimised.

Responsibilities of Chief Executive of Derby Homes

- O1 To make sure that the approval of the Board is obtained before any negotiations are concluded to work for third parties, subject to the limits set out in ~~the Derby Homes' Procurement Procedure Rules~~Strategy, Policy and Standing Orders.
- O2 To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Director & Company Secretary.
- O3 To make sure that appropriate insurance arrangements are made.
- O4 To minimise the risk of bad debts for ~~make sure that~~ Derby Homes and the Council ~~is not put at risk from any bad debts~~resulting from this work.
- O5 To make sure that no contract is subsidised by Derby Homes or the Council, unless agreed by both parties in advance.
- O6 To make sure that, wherever possible, payment is received in advance of the delivery of the service.
- O7 To make sure that Derby Homes has the appropriate expertise to undertake the contract.
- O8 To make sure that such contracts do not impact adversely upon the services provided for the Council.
- O9 To make sure that all contracts are properly documented.
- O10 To provide appropriate information to the Director & Company Secretary to enable a note to be entered into the Statement of Accounts.

APPENDIX 1

FINANCIAL LIMITS

Capital Projects Control

Variation in contract cost approved limits

Either at the commencement of a scheme, or at any time during a scheme, variations to the total scheme cost should be reported where:

- an increase of more than £5,000 in schemes of under £50,000, or
- an increase of more than 10% in a scheme above £50,000

to the Board.

Income

The Director & Company Secretary may write-off bad debts ~~in accordance with the published accounting policy under £10,000.~~

Sums over £10,000 require the approval of the Resources, ~~&~~ Remuneration and Regeneration Committee.

The Director & Company Secretary may initiate such write-off or remission after consultation, if necessary, with the Chief Executive of Derby Homes.

Write-off of stock discrepancies, redundant stock and equipment

Chief Executive of Derby Homes' approval limit: ~~(M25/M26)~~

Up to a maximum of £10,000 in any financial year, where the stock value is shown as an asset in the Company's accounts.

All write-offs above this limit will ~~be agreed~~ require the agreement of ~~by~~ the Resources, ~~&~~ Remuneration and Regeneration Committee.

Imprest Accounts

Minor items of expenditure met from imprest accounts should not exceed £~~25~~50.

APPENDIX 2

REVENUE BUDGET - VIREMENT AND CARRY FORWARD

Scheme of Virement and Carry Forward

Derby Homes will broadly adopt the principles of the Council's Scheme of Virement and Carry Forward. Variation from this requires the approval of the Board.

Detailed budget heads are approved by the Board and the Chief Executive of Derby Homes is authorised to incur expenditure in accordance with those estimates. The rules below cover virement, ie switching resources between heads of expenditure and income, and carry forward, ie arrangements for the transfer of resources between accounting years. For the purposes of this scheme, a budget head is a line in the management accounts forecast report.

The scheme of virement is intended to enable the Chief Executive and accountable employees to manage budgets with a degree of flexibility within the overall budget and policy framework determined by the Board to make optimum use of resources. The Chief Executive is expected to exercise ~~his~~ discretion in budget management responsibly and prudently. For example, 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 should be avoided.

Virement

- (a) The Chief Executive of Derby Homes may exercise temporary virement on budgets for amounts up to £100,000 on any one estimate head during the year, following notification to and the agreement of the Director & Company Secretary. Sums between £100,000 – £200,000 are required to be reported to the next available Board meeting.
- (b) Amounts greater than £200,000 require the approval of the Board.
- (c) The prior approval of the Board is required for all new proposals, of whatever amount, which:
 - create financial commitments in future years
 - initiate new policy or cease existing policies
 - materially extend or reduce Derby Homes' services

unless agreed in advance to be technical in nature by the Director & Company Secretary. Making permanent temporary virements will be addressed as part

of the budgetary process for the following year or, where urgent, through the approval of the Board.

The report should explain the full financial implications, after consultation with the Director & Company Secretary.

Carry Forward

- (a) Any overspending on Service estimates in total on budgets under the control of the Chief Executive must be carried forward to the following year, and will constitute the first call on service estimates in the following year. The extent of overspending carried forward will be reported by the Director & Company Secretary to the Board.
- (b) Net underspending on service estimates, under the control of the Chief Executive, may be carried forward, subject to:
 - reporting to the Board on the source of underspending or additional income and the proposed application of the resources
 - the total to be carried forward not exceeding total net underspending by that service on budgets under the Chief Executive's control
 - the approval of the Board where the underspending exceeds 5% of the individual budget head or £50,000, whichever is less.