

## **FINANCE PROCEDURE RULES**

Report of the Finance Director & Company Secretary

### **1. SUMMARY**

- 1.1 Every three years, a review of Finance Procedure Rules (sometimes known as Financial Regulations) is required as a key policy. This report suggests some minor changes to the existing rules as part of the latest triennial review.

### **2. RECOMMENDATION**

- 2.1 To recommend to the Board the adoption of the Finance Procedure Rules as attached at Appendix 1.

### **3. REASON(S) FOR RECOMMENDATION**

- 3.1 To complete a triennial review of Finance Procedure Rules as required.

### **4. MATTER FOR CONSIDERATION**

- 4.1 The Board last considered Finance Procedure Rules in November 2017 and increased the delegated approval limit from £200,000 to £250,000 and made a few other updating changes, but nothing fundamental other than clarifying that the Operational Board should – along with the Council – approve all grants to external parties other than those associated with the discharging of the Council's homelessness duties by Derby Homes.
- 4.2 The proposed updated rules are attached at Appendix 1 (with track changes from the last approved version in 2017). The current arrangements generally work well and have not had any serious issues raised with them.
- 4.3 There is an emergency procedure which has not yet had to be used should an individual decision be required that goes outside of these rules. This would require sign off from the Managing Director, Finance Director and Company Secretary and the Chair of Audit Committee. In most cases, however, decisions can be brought to the Board and any policy change remains the prerogative of the Board as was seen this year with the extension of emergency delegation to the Managing Director in case of a need to spend in excess of £250,000.

#### **Comments on proposed changes other than wording clarifications:**

- 4.5 C3.7 – deletion of the phrase 'The approved capital programme approves a funded level of spending for one year only'. Housing investment is a longer term investment and requires multi year planning. In practice, housing schemes can often be delayed into later financial years, and planning is often started before the

year the work is expected to start – the multi year approach of planning a longer term capital programme is therefore preferred. Of course should funding become unavailable or less available and force changes to plans then this would be reported to the Board and restrictions on spending would take place. A one year budget is unnecessary and should be avoided if possible.

- 4.6 F1.2 – the Board approved many years ago that all work for third parties other than the Council should be contributing an absolute minimum of 10% towards our overheads to ensure that such work did not create losses that would be effectively borne by other areas of operations. This phrase has been included to make that point clearer.
- 4.7 F1.10 – as a corollary to the F1.2 proposal above, it is suggested that ‘ unless approved by the Board as part of a wider strategy’ is added to the requirement for officers to ensure that ‘no contract is subsidised by Derby Homes’. This means that – especially where a contract might help towards our objectives, the Board would have flexibility to deliberately subsidise a contract in order to help with that objective. The current wording is designed to reign in over optimism but also would potentially prevent a partnership approach which might work better than acting alone or on a non subsidised basis.
- 4.8 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.  
This is already a requirement of the Council so was previously just an omission.
- 4.9 Appendix 4 – summary of limits – clarified to include Operational Board as well as Council except on homelessness services.

## **5. OTHER OPTIONS CONSIDERED**

- 5.1 To defer consideration to a later meeting – as no fundamental changes are required or proposed, this is unnecessary.

## **IMPLICATIONS**

### **6. FINANCIAL AND BUSINESS PLAN IMPLICATIONS**

- 6.1 Financial Procedure Rules are fundamental controls on the finances of the company and need reasonably regular review. There are no direct cost implications of the changes proposed.

### **7. LEGAL AND CONFIDENTIALITY IMPLICATIONS**

- 7.1 While Derby Homes is an independent legal entity, we are 100% owned by Derby City Council who are ultimately in control of the Company.

### **8. COUNCIL IMPLICATIONS**

- 8.1 Some rule changes – such as an increase in the capital approval limit of £0.5m without Council approval - would require Council approval to such a change. No such proposals are being made at this time, and therefore do not require approval from the Council.

## 9. RISK IMPLICATIONS

- 9.1 Reviewing financial procedure rules is part of mitigating the risk of governance becoming inadequate.

## 10. POLICY REVIEW IMPLICATIONS

- 10.1 This is a key policy of Derby Homes and is/will be included in the Key Policy Review Schedule. In accordance with Derby Homes Board Minute 10/51 this policy will be reviewed no later than 3 years from the date of this meeting.

The areas listed below have no implications directly arising from this report:

Consultation

Personnel

Environmental

Equalities Impact Assessment

Health & Safety

If Board Members or others would like to discuss this report ahead of the meeting please contact:

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Background Information: Appendix 1 – proposed Financial Procedure Rules  
Supporting Information: Review of Governance Nov 2017

**This report has been approved by**

<b>Finance Director/Derby Homes Accountant</b>	David Enticott	13/10/2020
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