

STANDING ORDERS



PART 2: FINANCIAL REGULATIONS

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FINANCIAL REGULATIONS

1 STATUS OF FINANCIAL REGULATIONS

1.1 Introduction

1.1.1 The Financial Regulations of the Company form part of its overall system of financial and management control. The Articles of the Company, the Terms of Reference of the Board and its Committees, and the Standing Orders outline how the Company will be controlled and run.

1.1.2 The proper conduct of the financial affairs of an organisation is of paramount importance. The management of the financial affairs of Nottingham City Homes will be amongst the most important activities a manager will undertake in order to comply with legal requirements, principles of good corporate governance and to ensure that all decisions with a material financial impact are made in a rational way, according to due process, and can be demonstrated as such.

1.1.3 This document sets out the Company's Financial Regulations which form part of the Standing Orders. It translates into practical guidance the Company's broad policies relating to financial control.

1.1.4 The Financial Regulations should be read in conjunction with the Company's Standing Orders and the detailed policy and procedural documents which underpin the Financial Regulations in specific areas of the business.

1.1.5 The Financial Regulations apply to every Board Member, Committee of the Board and staff member of the Company and, for the avoidance of doubt, Trustees, Directors, Officers and staff of any related party, Trust, Company or anyone acting on its behalf.

1.1.6 All Board Members and staff have a duty to take reasonable action to provide for the security of the assets under their control, and to ensure that the use of resources within the Company is legal, properly authorised, in the best interests of the Company and delivers Value for Money for the Company and its customers.

1.1.7 The Company will operate to high business standards, adopt best practice and abide by its Financial Regulations at all times. Exemplary standards of probity and conduct are expected of all Board Members and staff.

1.2 Definitions and Interpretations

For the purposes of the Financial Regulations, unless stated to the contrary, the terms below shall have the following meanings:

- 1.2.1 “**The Company**” refers to Nottingham City Homes Limited, registered Company number 05292636;
- 1.2.2 “**Board**” means the Board of Nottingham City Homes Limited or any other formally constituted Member body operating within the terms of its reference (e.g. a Committee of the Board);
- 1.2.3 “**Member**” means a duly appointed member of the Board of Nottingham City Homes Limited.
- 1.2.4 “**Executive Director**” means an employee of Nottingham City Homes Limited holding a post designated as a director.
- 1.2.5 “**Company Secretary**” means an Executive Director designated by the Board in accordance with the Companies Act 1985 (and as subsequently amended), or a senior member of the management team to whom duties are delegated in accordance with the Company’s Scheme of Delegation.
- 1.2.6 “**The City Council**” refers to Nottingham City Council.
- 1.2.7 “**The Chief Financial Officer**” of the Company is the Director of Finance, ICT and Governance who is primarily responsible for managing the financial risks of the business. This officer is also responsible for financial planning and record-keeping, as well as financial reporting to the Chief Executive and Company Board.

1.3 Responsibilities

- 1.3.1 The **Board** is responsible for regulating and controlling the finances of the Company, ensuring that a financial framework exists within which all directors, managers and staff may properly act and are fully accountable for their actions and for ensuring that the Company’s legal and financial responsibilities are fulfilled.

The Board is responsible for adopting the Financial Regulations of the Company and for approving the framework of policy, control and accountability within which the Company operates. The Board is responsible for monitoring compliance with this framework.

The Board is also responsible for monitoring compliance with its decisions, the decisions of any Committee of the Board as well as decisions of any Board Member, Executive Director or member of the Executive Management Team of the Company.

- 1.3.2** The **Finance and Audit Committee** shall keep under regular review the need for new regulations and amendments to existing ones for the supervision and control of the finances, accounts, income, expenditure and assets of the Company.

The Committee reports to the Board. It has the right of access to all the information it considers necessary, and can consult directly with the internal audit service provider and with the Company's external auditors.

The Committee is responsible for monitoring the compliance with the Financial Regulations, in particular monitoring both the breaches of the regulations and any dispensations from the regulations. The Committee is also responsible for reviewing internal and external audit reports and the annual Management Letter.

The Chair of the Committee is responsible for ensuring reporting to and providing information to the Board on the work of the Committee – notably through an annual report.

- 1.3.3** The **Chief Executive** shall co-ordinate and direct the financial activities of the Executive to ensure that the Financial Regulations and detailed financial procedure documents are observed at all times.

The Chief Executive is responsible for the corporate and overall strategic management of the Company.

The Chief Executive is also responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the Company.

- 1.3.4** **Executive Directors** are responsible for ensuring that:

- All staff under their management are aware of the existence and content of the Financial Regulations, and other regulatory documents, and that they are adequately trained, skilled and experienced to be able to comply with them;
- The Board is advised of the financial implications of all proposals and that all such financial implications are communicated to, and agreed by, the Director of Finance, ICT and Governance in advance of presentation to Board; and

- The financial activities of their Directorate are managed within the framework, procedures and budgets determined by the Director of Finance, ICT and Governance.

It is also the responsibility of each Executive Director to consult with the Director of Finance, ICT and Governance and seek approval on any matter liable to materially affect the finances of the Company, before any commitments are incurred.

1.3.5 The **Director of Finance, ICT and Governance** is responsible for the prudent and effective financial management of the Company as delegated to them by the Chief Executive.

The Director of Finance, ICT and Governance also has a duty to maintain a continuous review of the Financial Regulations, submitting any additions or amendments to the Board for approval.

The Director of Finance, ICT and Governance shall issue advice and guidance pursuant to the Financial Regulations, which Board Members, staff members and others acting on behalf of the Company are required to follow.

The Director of Finance, ICT and Governance is responsible to the Board for:

- Ensuring the proper administration of the financial affairs of the Company;
- Setting and monitoring compliance with financial management standards;
- Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management;
- Providing financial information including the preparation of the revenue and capital programme budgets;
- The Risk Management Framework of the Company; and
- Treasury management.

The Director of Finance, ICT and Governance also has a professional responsibility in relation to the financial administration and stewardship of the Company in support of the statutory duties of the Council's Chief

Financial Officer. This statutory responsibility cannot be overridden. The statutory duties arise from:

- Section 151 of the Local Government Act 1972;
- The Local Government Finance Act 1988;
- The Local Government and Housing Act 1989;
- The Accounts and Audit Regulations 1996; and
- Companies Act 2006.

1.3.6 The **Company Secretary** is responsible for prompting and maintaining high standards of conduct in corporate governance and providing advice and guidance to the Board on these matters. The Company Secretary is also responsible for reporting any actual or potential breaches of the law or maladministration to the Board.

The Company Secretary (together with the Director of Finance, ICT and Governance) is responsible for advising the Board if they consider that a decision made, or about to be made, would be contrary to, or not wholly in accordance with, the budget adopted by the Board. Actions that may be judged 'contrary to the budget' might include:

- Initiating a new policy, project or course of action with financial implications that cannot be contained within the adopted budget or have not been properly assessed; or
- Committing the Company to expenditure in future years that is in excess of the budget and/or has not been properly assessed.

1.3.7 **Company Managers** are responsible for ensuring that they and their staff are fully aware of the Financial Regulations and the importance of complying with them. They are required to comply with the Financial Regulations and shall be responsible for the accountability and control of all resources including plant, buildings, materials, cash and stores appertaining to their spheres of responsibility.

Where there is any doubt as to the appropriateness of a financial proposal or the correctness of a financial course of action, clarification must be sought from the Director of Finance, ICT and Governance in advance of any decision or action being taken. The direction of the Director of Finance, ICT and Governance in the matter will be considered final.

- 1.3.8** Compliance with the Financial Regulations is compulsory for **All Staff** connected with the Company and failure to observe Financial Regulations may result in disciplinary action being taken.

Each **Staff Member** has the same responsibility as a company manager as regards their individual sphere of operation. Staff must always seek advice from their line manager where there is any element of doubt on how to proceed.

- 1.3.9** The **City Council** owns Nottingham City Homes Limited and is the sole member of the Company. Accordingly, the City Council has responsibilities for ensuring that the Company has proper management and control of its financial affairs, including effective Financial Regulations.

The City Council exercises these responsibilities through the Section 151 Officer who has extensive powers over the affairs of the Company, powers derived from the Local Government Acts and other relevant legislation.

Any irregularities in the financial affairs of the Company, any unlawful expenditure or the existence of an unbalanced budget must be reported to the Section 151 Officer by the Director of Finance, ICT and Governance.

1.4 Amendments to the Financial Regulations

- 1.4.1** The Board is responsible for approving revisions to the Financial Regulations, following recommendations to that effect received from the Finance and Audit Committee.

- 1.4.2** The Finance and Audit Committee shall approve minor amendments and additions to the Financial Regulations as recommended by the Director of Finance, ICT and Governance. All such amendments will be reported to the Board for information.

- 1.4.3** The Director of Finance, ICT and Governance will inform all staff of changes to the Financial Regulations and agree training requirements with Executive Directors as required.

1.5 Breaches of Financial Regulations

- 1.5.1** It is a disciplinary offence to breach these Financial Regulations or other financial instructions issued by the Director of Finance, ICT and Governance on the authority of the Financial Regulations.

1.5.2 Any breaches of the Financial Regulations, whether inadvertent or otherwise, must be brought to the attention of the Director of Finance, ICT and Governance who will investigate the circumstances with the staff and managers concerned. The Director of Finance, ICT and Governance shall report all breaches to the Finance and Audit Committee, and the Board where necessary, together with any remedial action being undertaken as a consequence.

1.6 Dispensations from the Financial Regulations

1.6.1 There will be no dispensations from Financial Regulations except in the circumstances set out below. Any action so taken must be recorded in the Register of Dispensations held by the Company Secretary and reported to the next meeting of the Finance and Audit Committee. The Committee will review the Register of Dispensations annually.

1.6.2 ***Emergency Action*** - in the event of an emergency the Chief Executive or Executive Directors are empowered to authorise all necessary actions. The Executive Director shall subsequently notify the Director of Finance, ICT and Governance in writing of the relevant circumstances and estimated financial impact.

1.6.3 ***Operational Issues*** – where the Chief Executive or an Executive Director consider that there are justifiable reasons for dispensing with Financial Regulations (or Tender and Contract Procedure Rules), they may seek authority to waive the Regulations in accordance with the following process:

- Production of a report setting out the case for the dispensation, including the financial consequences of the course of action proposed;
- Support from both the chief Executive and Director of Finance, ICT and Governance for the proposed course of action; and
- Authorisation from the Chair of the Finance and Audit Committee.

The reports and signature sheet for each dispensation will be held by the Company Secretary alongside the Register of Dispensations.

1.6.4 Appendix C includes a template report and authorisation form which should be completed for all proposed dispensations to ensure that the required process is followed, documented and evidenced.

2 FINANCIAL PLANNING, MANAGEMENT AND CONTROL

2.1 General

- 2.1.1** The Board is responsible for agreeing the framework of policy, control and accountability of the Company. In respect of financial planning and management the key elements include, but are not limited to:
- (a) The Management Agreement;
 - (b) Ten Year Strategy;
 - (c) The Medium-Term Financial Plan (“MTFP”) – the Company’s Financial Strategy;
 - (d) The Asset Management Strategy;
 - (e) Value for Money and Efficiency Strategy;
 - (f) The Delivery Plan;
 - (g) Service Area 3 year Business Plans; and
 - (h) Service Improvement Plans (“SIPs”).
- 2.1.2** The MTFP will be a medium term financial forecast, in a form agreed by the Board, and will be reviewed annually or as required by the Board. The MTFP shall be compiled using the assumptions agreed and included in the City Council’s HRA Business Plan.
- 2.1.3** Any revision of the Plan will be undertaken following a timetable which matches the production of strategic plans and the annual budget and also complies with any requirements of the City Council and any other external stakeholders.
- 2.1.4** The Director of Finance, ICT and Governance is responsible for developing and maintaining a resource allocation process that generates budgets appropriate to the planned activities of the Company and the Housing Revenue Account, as set out in the Management Agreement and Delivery Plan, in accordance with the policy, control and accountability framework of the Company.

2.2 Financial Year

- 2.2.1** The financial year of the Company shall run from 1st April to 31st March, or any such time as the Board may require, subject to consultation with stakeholders and full consideration of the costs and benefits of any proposed change.

2.3 Annual Budget

- 2.3.1** The Director of Finance, ICT and Governance is responsible for ensuring that a detailed budget is prepared for each financial year for presentation to the Board within an agreed timetable to ensure annual approval in advance of 31st March. In practice the budget will need to be agreed within a timetable linked to Nottingham City Council's Executive Board approval of the annual HRA budget and rent setting report. The Annual Budget will correspond to the first year of the MTFP.
- 2.3.2** The budget shall be co-ordinated by the Director of Finance, ICT and Governance who will propose a budget structure and format to be approved by the Board in accordance with the objectives of the Company and its strategic plans. It will be consistent with the Company's responsibilities in relation to the Management Agreement with the City Council.
- 2.3.3** The Director of Finance, ICT and Governance shall ensure that detailed budgets are prepared to support the resource allocation process and that these are communicated to heads of department as soon as possible following their approval by the Board.
- 2.3.4** It is the responsibility of the Executive Directors to ensure that the budget estimates submitted to the Board reflect all the requirements of agreed business and service improvement plans.
- 2.3.5** The budget will be used as the authority to incur expenditure, subject to procurement rules, and the authority to raise invoices within the approved budget limits. During the year the Director of Finance, ICT and Governance is responsible for submitting revised budgets to the Board for approval.
- 2.3.6** It is the responsibility of the Director of Property Services to ensure that budget estimates which reflect agreed capital expenditure plans for capital works managed by the Company on behalf of the City Council are received by the Property Services Committee on an annual basis. The final budget shall be reported to the Board as part of the annual budget setting process.

2.3.7 Instructions on budget preparation will be issued to Executive Directors by the Director of Finance, ICT and Governance. These instructions will take account of at least, but not only, the following budget pressures:

- (a) Legal requirements;
- (b) Government guidelines and policy changes;
- (c) Inflation and cost-of-living increases;
- (d) The policy decisions of clients;
- (e) The policy decisions of the Company
- (f) The Delivery Plan;
- (g) Other miscellaneous cost pressures; and
- (h) Inherent, current and future risks.

2.4 Budget Monitoring and Control

2.4.1 The annual budget forms the main framework for financial monitoring and control. Reports on actual performance compared to Budget and subsequent forecasts will be produced as defined by the Board.

2.4.2 The Chief Executive shall be responsible for ensuring that there is effective and efficient budgetary control, financial instructions, policies and procedures and systems across the Company.

2.4.3 The Chief Executive shall be responsible for monitoring the budgetary performance of the whole Company. The Chief Executive shall have authority to seek and receive explanations of all variances against budget (notably actual or potential overspending and under recoveries of income) and these will be reported to the Chief Executive and as required to the Board.

2.4.4 Responsibility for expenditure shall be delegated to budget holders as approved by the Chief Executive. Budget holders will not commit expenditure in excess of the approved budget provision, and any such act will be deemed a breach of the Financial Regulations.

- 2.4.5** The Director of Finance, ICT and Governance has overall responsibility for all income due to the Company and is responsible for the authorisation of all invoices raised for unbudgeted income.
- 2.4.6** There will be a monthly budget management process determined by the Director of Finance, ICT and Governance. The Director of Finance, ICT and Governance is responsible for providing budget holders with access to appropriate, accurate and timely financial information to enable them to manage their budgets effectively.
- 2.4.7** The Director of Finance, ICT and Governance shall also shall monitor income and expenditure against budget allocations using all available information, including information provided by Executive Directors and their staff, and report to the Board on the financial position of the Company on a regular basis.
- 2.4.8** It is the responsibility of each Executive Director to plan, control, monitor and report on income, expenditure and financial performance within their Directorate with due regard to information provided by their own staff and the Director of Finance, ICT and Governance. Executive Directors are responsible for reporting material variances against budget, both actual and forecast, for their Directorate.
- 2.4.9** It is the responsibility of each Executive Director to ensure that their staff take appropriate and adequate action to avoid overspending against budget. The Director of Finance, ICT and Governance must always be informed of any financial problems and proposals for mitigation as and when they arise.
- 2.4.10** Executive Directors, budget holders and all other staff who are involved in budget management process shall pay due regard to the guidance set out in the Company's Budget Holder Handbook.

2.5 The Accounting System and Procedures

- 2.5.1** The Director of Finance, ICT and Governance is responsible for the proper administration of the Company's financial affairs.
- 2.5.2** The Director of Finance, ICT and Governance is responsible for determining, in accordance with the requirements of statutory and regulatory agencies and best financial practices, the following:
- (a) The operation of the accounting systems;
 - (b) The accounting procedures;

- (c) The structure, format, coverage, timing and retention of accounting records of the Company; and
 - (d) The structure and format of the accounts and the supporting financial information.
- 2.5.3** The Director of Finance, ICT and Governance is also responsible for selecting accounting policies and ensuring that they are applied consistently.
- 2.5.4** Appropriate financial controls will be established and reviewed by the Director of Finance, ICT and Governance, including cash transactions and the establishment and implementation of income and expenditure limits and controls.
- 2.5.5** The Chief Executive and Director of Finance, ICT and Governance have authority to examine all areas of the Company in order to fulfil their responsibilities to safeguard the assets and financial position of the Company.
- 2.5.6** All management and supervisory staff have a general financial duty to safeguard and effectively use assets, to maximise financial performance within specified service and performance standards, to ensure the accountability of staff and manage the security, custody and control of all resources appertaining to their area of responsibility.
- 2.5.7** The following 'segregation of duties' principles shall be observed where possible in the allocation of duties involving financial activity:
- (a) The duties of providing information about money due to or from the Company and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or paying them; and
 - (b) Staff who have the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.
- 2.5.8** Adequate accounts and accounting records will be kept by the Company as a minimum requirement including, but not limited to, the following:
- (a) Nominal ledger;
 - (c) Purchaser ledger and related invoices;

- (d) Sales ledger and related invoices;
- (e) Rent ledger; and
- (f) Payroll records.

- 2.5.9** All control, suspense and other key accounts will be reconciled (to include an extraction of the trial balance), cleared down, reviewed and evidenced as such on a monthly basis.
- 2.5.10** The Director of Finance, ICT and Governance and Heads of Finance are responsible for reviewing, and signing as evidence of review, a list of all journals, in excess of £10,000, posted on a monthly basis.
- 2.5.11** The Director of Finance, ICT and Governance is authorised to sign financial returns (prepared on the basis of approved budgets and MTFP) to the City Council and any other external stakeholder.
- 2.5.12** All financial records will be kept in a way that complies with the requirements of HM Revenue & Customs, the City Council, and in a manner consistent with statutory accounting regulations, including the Companies Acts, and good practice.
- 2.5.13** Any changes made to the financial systems or the introduction of new financial systems shall be proposed and authorised by the Director of Finance, ICT and Governance.
- 2.5.14** Executive Directors are responsible for the operation of financial processes in their own Directorates in accordance with the policies and procedures of the Company, and will have regard to the advice of the Director of Finance, ICT and Governance.
- 2.5.15** Executive Directors must ensure that their staff are aware of and comply with financial policies, procedures and financial training that has been approved and provided, or on behalf of, the Director of Finance, ICT and Governance.
- 2.5.16** Executive Directors must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation, liaising with the Director of Finance ICT and Governance as required.
- 2.5.17** Executive Directors must ensure that staff are aware of their responsibilities under data protection and freedom of information legislation, again in liaison with the Director of Finance, ICT and Governance.

2.6 Annual Statement of Accounts

- 2.6.1** The Director of Finance, ICT and Governance is responsible for ensuring that the preparation and submission of the annual Statement of Accounts is in accordance with relevant statutes, regulations, and guidance including the latest financial reporting standards.
- 2.6.2** The Director of Finance, ICT and Governance will ensure that the draft accounts are considered by the Finance and Audit Committee in advance of the Board.
- 2.6.3** The Board is responsible for approving the annual Statement of Accounts before the Annual General Meeting (AGM) and ensuring that the financial statements are available for adoption at the AGM. The AGM shall be held within fifteen months of the previous years' AGM.

2.7 Internal Control

- 2.7.1** Internal Control refers to the systems devised by management with the intention of achieving the objectives of the Company in a manner that promotes, facilitates and demonstrates the economic, efficient and effective use of resources whilst ensuring that the assets and interests of the Company are safeguarded.
- 2.7.2** The Board has a statutory responsibility for ensuring adequate systems of internal control are in place and operatively effectively within the Company. The Director of Finance, ICT and Governance shall be responsible for an annual review of internal controls, in accordance with the requirements of relevant good practice, as part of the compilation of the annual statement of accounts. The Company's internal control assurance framework shall be considered by the Finance and Audit Committee as part of the process of reviewing the annual accounts.
- 2.7.3** The Director of Finance, ICT and Governance is responsible for advising the Board, Executive Directors and staff on effective systems of internal control and making arrangements to implement internal controls appropriate to the activities of the Company. These arrangements must be compliant with relevant law, recognised best practice and the policy, control and accountability framework of the Company.
- 2.7.4** In respect of services received by the Company from service providers (including the Council) and management services supplied by the Company, the Director of Finance, ICT and Governance may take into account the internal controls systems operated by the service provider determining the internal control systems required by the Company.

2.7.5 It is the responsibility of the Executive Directors to ensure that their staff have knowledge of and comply with all systems of internal control.

2.8 Internal Audit

2.8.1 The Director of Finance, ICT and Governance will propose arrangements for internal audit which in turn will be considered and approved by the Finance and Audit Committee and Board respectively. Notably these will primarily include:

- Appointment, reappointment or otherwise;
- Fees charged and chargeable; and
- Methods and terms of engagement of the internal auditor i.e. whether on the Company's payroll or outsourced.

2.8.2 The process leading up to appointment or re-appointment of the internal auditors will include a review of performance by the Finance and Audit Committee which takes account of guidance issued by relevant and regulatory bodies.

2.8.3 The Director of Finance, ICT and Governance will be responsible for liaising with the Company's internal auditors to include, but not limited to, the following:

- Commissioning and supervising a continuous, rolling audit of the accounting, financial and other operations of the Company; and
- Ensuring the completion of the internal audit within the agreed timescales.

2.8.4 The Finance and Audit Committee will establish the scope and content of the internal audit work in consultation with the Director of Finance, ICT and Governance. The Committee will approve and review the annual internal audit work programme and will report annually to the Board on internal audit and internal control.

2.8.5 The Company's internal auditors, as well as the external auditors and Chief Executive, shall have authority to:

- (a) Enter at all reasonable times all Company premises;
- (b) Have unrestricted access to all records, documents and correspondence relating to any financial and other transactions of the Company;

- (c) Require and receive such explanations as are necessary concerning any matter under examination;
- (d) Require any employee of the Company to produce cash, stores or any other property hired, leased or borrowed by the Company under their control; and
- (e) Have removed or secured any physical or electronic record, document or correspondence of the Company as considered necessary.

2.9 External Audit

2.9.1 The appointment of the Company's external auditors shall be approved at the Company's Annual General Meeting in accordance with s485(4) of the Companies Act 2006. The process leading up to appointment will include an annual review of performance by the Finance and Audit Committee which takes account of guidance issued by relevant and regulatory bodies.

2.9.2 The Director of Finance, ICT and Governance will be responsible for liaising with the external auditors, including commissioning and supervising a continuous, rolling audit of the accounting, financial and other operations of the Company, and for ensuring the completion of the external audit within the statutory timescales.

2.9.3 The Chief Executive will arrange for the Management Letter to be sent to the Chair of the Board and Chair of the Finance and Audit Committee by the external auditors, which will highlight areas of concern identified by the external auditors, or recommendations for improved efficiency and control. The Management Letter shall also be sent to all Board Members for information.

2.9.4 The external auditors may, if they wish, meet the Board or the Finance and Audit Committee without any Company staff being present, to discuss issues that may have arisen during their work, or highlight areas of concern.

2.10 Risk Management and Control of Resources

2.10.1 The Board is responsible for adopting a Risk Management Framework for the Company and for monitoring its effectiveness. The Board is also

responsible for adopting a Corporate Risk Register and ensuring that it remains fit for purpose.

- 2.10.2** The Chief Executive shall ensure that the Company's Risk Management Framework is updated on a timely basis and subsequently approved by the Board.
- 2.10.3** It is the responsibility of Executive Directors to ensure that risk management and the routine operation of the Risk Management Framework is embedded within their Directorates.
- 2.10.4** Executive Directors are also responsible for the management of risks set out in the Corporate Risk Register and for ensuring that all risks specific to their Directorates are recorded, reviewed and managed by their managers.
- 2.10.5** The Director of Finance, ICT and Governance is responsible for preparing the Risk Management Framework and for promoting best practice in risk management throughout the Company.
- 2.10.6** Business cases, project proposals, Directorate plans, and any area of business development shall include a risk assessment in the prescribed format as required by the Framework. All reports to Board or Committees and all new policies adopted by the Company shall include a risk assessment within them.
- 2.10.7** All Company managers shall receive training to enable them to identify, assess and manage risks. Key to these processes are:
- Transferring the risk to a third party, e.g. through insurance;
 - Implementing additional controls to minimise the likelihood of the risk occurring and/or minimising its potential impact (e.g. through regular inspection and continuous monitoring of identified key risk areas);
 - Tolerating the risk, where the costs associated with managing the risk outweigh the likelihood and impact of the risk occurring;
 - Terminating the risk, where the benefits of undertaking a particular activity are outweighed by the likelihood of the risk occurring and the impact if it does; and
 - Establishing and regularly testing business continuity and disaster recovery procedures to deal with the consequences of events and minimise potential disruption.

- 2.10.8** It is essential that the Company develops and maintains a robust system for identifying and evaluating risks to the business activities of the Company. Identification of these risks must be responded to with meaningful plans and actions to eliminate the risk or to mitigate its likelihood and impact. This process should be informed by the proactive participation of all those associated with planning and delivering services.
- 2.10.9** The Director of Finance, ICT and Governance shall provide an annual Risk Management Report to the Board.
- 2.10.10** The Director of Finance, ICT and Governance is responsible for and has delegated authority to ensure that insurance cover is in place that is suitable and sufficient for the staff, activities, assets, potential liabilities and risks of the Company.

2.11 Service Level Agreements

- 2.11.1** The Company maintains a number of Service Level Agreements (SLAs) with the City Council. It is the Company's policy to ensure that it obtains Value for Money for all services received, and so these SLAs remain subject to review.
- 2.11.2** The Director of Finance, ICT and Governance is responsible for ensuring that all SLAs are reviewed on a timely basis and that regular monitoring and performance reporting against each SLA by an appropriate responsible officer takes place.
- 2.11.3** The Director of Finance, ICT and Governance will seek to agree a programme of SLA reviews with the City Council and represent the Company as lead client in general SLA discussions and negotiations with the City Council.
- 2.11.4** Value for Money reviews of each SLA will take place in a form prescribed by the Director of Finance, ICT and Governance and will include benchmarking and market testing exercises.
- 2.11.5** Progress with the monitoring, performance review and agreement of SLAs as well as the results of VFM reviews will be reported to the Executive Management Team and Finance and Audit Committee on a quarterly basis.
- 2.11.6** SLAs with an annual charge of less than £250,000 require the sign off of the Chief Executive. SLAs with an annual charge in excess of £250,000 must be approved by the Finance and Audit Committee.

2.11.7 The decision to withdraw, in part or in full, from any of the City Council SLAs will be subject to a 'notice period' of 6 months from the date when the City Council is informed of the Company's decision in writing.

2.12 Fraud, Corruption and Irregularity

2.12.1 All staff shall conduct themselves in line with the requirements of the Employee Code of Conduct, adopting the highest standards of propriety and accountability. The involvement of staff in any form of bribery, corruption fraud or deception will not be tolerated.

2.12.2 The Director of Finance, ICT and Governance is responsible for the development and maintenance of the Anti-Fraud and Corruption Framework and for ensuring that it is promoted throughout the Company.

2.12.3 The Company shall ensure that a procedure for whistle-blowing and reporting fraud or corruption is in place and operating effectively through the implementation of the Anti-Fraud and Corruption Framework.

2.12.4 It is the responsibility of Executive Directors to ensure that their staff have knowledge of, and comply with, the Anti-Fraud and Corruption Framework as well as the Confidential Reporting Code (Company's whistle-blowing procedure).

2.12.5 Staff must act with absolute honesty and integrity when dealing with assets of the Company or any assets for which the Company is responsible. Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, property, the proper use of resources of the Company or any suspected irregularity in the exercise of the functions of the Company it shall be brought to the attention of management and the Director of Finance, ICT and Governance immediately. If the suspected irregularities potentially involve the Director of Finance, ICT and Governance then the Chief Executive, the Chair of the Board and the Chair of the Finance and Audit Committee shall be notified.

2.12.6 The Director of Finance, ICT and Governance shall notify the Chief Executive, Company Secretary, the Chair of the Finance and Audit Committee, the internal auditors, and the Section 151 Officer of the City Council of any such irregularities or suspected irregularities in accordance with the requirements of the Management Agreement. Where employees are involved the Director of Finance, ICT and Governance will also inform the appropriate Executive Director.

- 2.12.7** Having been notified of any potential irregularity, the Director of Finance, Governance and ICT shall take such further steps as he/she consider necessary by way of investigation and action, subject to consultation with the City Council. Staff of audit service providers should not interview those involved without the prior agreement of the Director of Finance, ICT and Governance.
- 2.12.8** The Company will ensure it complies with its own and, where relevant and required, the City Council's procedures, as well as any legislative requirements, for dealing with suspected and actual irregularities, including the involvement of the police authorities or HM Revenue and Customs. Board Members and staff will co-operate in full with reviews and investigations by the Company's internal auditors, auditors commissioned by the City Council, the Audit Commission or the police authorities as necessary.
- 2.12.9** The Company Secretary shall maintain a register of all instances of fraud and irregularities occurring within the Company or impacting on it. The Fraud Register shall be a standing agenda item of the Finance and Audit Committee and the Company Secretary is responsible for bringing new entries to the attention of Members at subsequent Committee meetings.

2.13 Scheme of Delegation

- 2.13.1** The Company will maintain a Scheme of Delegation with respect to management decisions, contractual commitments entered into, and the financial affairs and payments made on behalf of the Company. The Scheme of Delegation is contained within the Company's Standing Orders Part 1: Governance.
- 2.13.2** The Director of Finance, ICT and Governance will maintain the Scheme of Delegation and conduct a periodic review to ensure that it is fit for purpose and is being compiled with.
- 2.13.3** The Director of Finance, ICT and Governance will also maintain a Register of Authorised Signatories reflecting the powers conferred on individuals through the Scheme of Delegation and will conduct a periodic review to ensure that it is fit for purpose and being used.
- 2.13.4** The Director of Finance, ICT and Governance shall issue instructions to all staff of the Company with regard to the administration of the Scheme of Delegation and the Register of Authorised Signatories.
- 2.13.5** It is the responsibility of the Executive Directors to ensure that the Company's Scheme of Delegation has been established within their

Directorate, in respect of financial matters and otherwise, and is operating effectively.

2.13.6 It is also the responsibility of each Executive Director to ensure that all staff under their management are aware of and comply with any instructions issued by the Director of Finance, ICT and Governance with regard to the Scheme of Delegation and the Register of Authorised Signatories.

2.14 Virements to Company Budgets

2.14.1 A 'Virement' is simply the term given to the transfer of funds between different revenue budgets. It enables adjustments to be made during the year to deal with different rates of expenditure or income, e.g. unexpected savings within one budget can be used to finance unforeseen expenditure within another budget. No additional funds can be created but more flexible use of existing budgets is possible.

2.14.2 Virements will include:

- (a) The proposed transfer of budget(s) between budget holders and/or Directorates of the Company – provided both budget holders authorise the required form;
- (b) Proposed transfers between capital and revenue budgets;
- (c) Any increase in the budgeted income of the Company from whatever source; and
- (d) Any increase in the budgeted expenditure of the Company.

2.14.3 All requests for virements shall be authorised in line with the requirements of the Financial Authorisation Matrix (see **8.1.4**) in consultation with the Director of Finance, ICT and Governance. Where virements are made across budgets belonging to two or more budget holders, authorisation for the virement shall be obtained from all budget holders.

2.14.4 All virements in excess of £250,000 shall be presented to the Executive Management Team (EMT) for discussion during monthly EMT Finance meetings and subsequently reported to the Finance and Audit Committee as part of the Director of Finance, ICT and Governance's quarterly financial report.

2.14.5 Requests for adjustments to the capital programme should clearly set out the rationale for requesting the adjustment as well as the impact of the change, including any impact on either the Decent Homes requirement or capital work to be undertaken as part of the repairs contract.

2.14.6 All budget changes, including virements, shall be recorded on the accounting system to ensure that there is an audit trail between the original budget, approved by Board, and budget allocations at the financial year-end.

2.15 Staffing

2.15.1 The Board, through the Scheme of Delegation, appoints the Chief Executive who is responsible for determining how staff roles within the Company will be organised.

2.15.2 The Chief Executive is responsible for providing overall management to staff. The Chief Executive is also responsible for ensuring that there is a suitable system in place for determining the remuneration of a post and that the system is used.

2.15.3 Executive Directors are responsible for controlling staff numbers and costs by:

- (a) Making representations on staff numbers and costs for updates to the MTFP and other planning documents when required;
- (b) Advising the Board on the staffing budget necessary in any given financial year to provide the services set out in the Delivery Plan;
- (c) Adjusting staffing to a level that can be funded within approved budget provision;
- (d) Varying the provision as necessary within that constraint in order to meet challenging operational needs; and
- (e) The proper use of appropriate Human Resources policies and procedures (included in the HR Handbook).

3 INCOME AND BANKING

3.1 Banking Arrangements

The Company's banking function is currently managed by the City Council through the Financial Services Service Level Agreement (SLA). The Company does not currently hold an independent bank account. The following sections, therefore, are currently dormant and will only be activated in the event that the Company agrees with the City Council to operate its banking function independently from the City Council. The Director of Finance, ICT and Governance's current responsibilities in respect of the banking function are restricted to the client function element of the associated City Council SLA.

- 3.1.1** The Company's bankers will be appointed by the Board and all arrangements with the Company's bankers shall be made, or approved by the Chief Executive, who shall be authorised to operate bank accounts with the approved bankers. Any decision to open or close Company bank accounts will require the prior approval of the Board.
- 3.1.2** The Company's cheques shall bear the signature of the Chief Executive or the City Council's Chief Financial Officer (CFO). The Director of Finance, ICT and Governance is authorised to be an additional authorised signatory to all of the Company's bank accounts (excluding loan accounts).
- 3.1.3** Bank reconciliations shall be performed and evidenced as such by both the officer responsible for compiling the reconciliation and the senior officer responsible for reviewing the reconciliation, on a monthly basis.
- 3.1.4** Segregation of duties shall be maintained to ensure that payments are checked and released by officers independent of those responsible for processing the final payment.

3.2 Income – Company Income and Cash

- 3.2.1** Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It may be preferable to obtain income in advance or at the point of supplying goods or services as this improves the Company's cash-flow and also avoids the time and cost of administering debts.

- 3.2.2** The responsibility for identifying amounts due and the responsibility for collection must be separated as far as is practical.
- 3.2.3** Where official invoices are raised, it must be ensured that the debtor makes payment to the Company.
- 3.2.4** Official receipts or other documentation for income collection must be used in a format approved by the Director of Finance, ICT and Governance.
- 3.2.5** Receipts, tickets and other records of income must be held securely for the appropriate period.
- 3.2.6** At least two employees shall be present when all post is opened so that cash and cheques received by post are properly identified and recorded and there is a reduced risk of fraud.
- 3.2.7** All income shall be securely locked away to safeguard against loss or theft, and to ensure the security of cash handling.
- 3.2.8** Income shall be paid fully and promptly into the appropriate Company bank account in the form in which it is received. In this context “promptly” means that amounts over £50 shall be banked the same day and in any event within three banking days of receipt.
- 3.2.9** Appropriate details shall be recorded on to paying in slips to provide an adequate audit trail and money collected and deposited is to be reconciled to the relevant bank account on a regular basis.
- 3.2.10** All income must be banked gross and may not be used as petty cash, to cash personal cheques or to make other payments.
- 3.2.11** Debtor invoices are to be raised and despatched promptly following the completion of work and the supply of goods or services, where payment has not been received at or prior to the point of supply.
- 3.2.12** Credit notes to replace or amend debts shall only be issued to correct a factual inaccuracy or administrative error in the calculation or billing of the original debt. All credit notes should be authorised by the Director of Finance, ICT and Governance.
- 3.2.13** Executive Directors shall ensure that the collection of money at different locations, which is due to the Company, complies with procedures defined after consultation with the Director of Finance, ICT and Governance.

- 3.2.14** Executive Directors must ensure that levels of cash held on Company premises, in relation to their Directorates and related service area activities, do not exceed the approved limits and liaise with the Director of Finance, ICT and Governance to ensure that adequate insurance is in place at all times.
- 3.2.15** Adequate arrangements shall be put in place to ensure the safe despatch of Company monies to the Company's premises or bankers.
- 3.2.16** An integral aspect of income collection is the correct accounting treatment for VAT. The Company is subject to regular inspection of its arrangements for the collection of and accounting for VAT and penalties may be imposed by HM Customs & Excise where there is, or is deemed to be, a breach of statutory procedures.
- 3.2.17** The Director of Finance, ICT and Governance must recommend to the Board a charging policy, including the VAT implications, in respect of all income due to the Company and this must be subject to periodic review.
- 3.2.18** All staff shall furnish the Director of Finance, ICT and Governance with such particulars in connection with work done, goods supplied or services rendered by the Company's staff, and of all amounts due as may be required by them to record correctly all sums due to the Company.
- 3.2.19** Managers and supervisory staff in whose area work is completed and/or goods and services are supplied will ensure that accounts are rendered within one month for the recovery of income due.
- 3.2.20** Deductions from income due to the Company shall not be made except for those properly authorised in accordance with the Company's approved authority limits.
- 3.2.21** Executive Directors are responsible for ensuring that they maintain an awareness of potential sources of funds to support the activities of the Company and that they investigate and exploit suitable external sources, subject to consultation and approval as required.
- 3.2.22** The Director of Finance, ICT and Governance shall be notified promptly of all money due to the Company and of contracts, leases and other agreements and arrangements entered into which involve the receipt of money by the Company. Staff will ensure that income due to the Company is pursued and that all reasonable efforts are made for full recovery.

- 3.2.23** All receipt forms, books, tickets and other such items shall be ordered by the Director of Finance, ICT and Governance who shall satisfy themselves as to the arrangements for their control.
- 3.2.24** The transfer of money held by the Company from one member of staff to another will be evidenced in the Company's accounting records by the signature of the receiving officer.
- 3.2.25** Performance management systems shall be established to monitor the timely billing and collection of income and any areas of concern shall be brought to the attention of the Director of Finance, ICT and Governance.
- 3.2.26** Significant variances between the actual level of income received by the Company and that expected or anticipated (e.g. budget, contract or other indicator) shall be reviewed and investigated.
- 3.2.27** The Director of Finance, ICT and Governance shall establish and initiate appropriate recovery procedures, including legal action where necessary (in consultation with the Company Secretary) for debts that are not paid promptly.
- 3.2.28** If income from sources other than the City Council is not recovered within three months of invoicing, the Chief Executive must be notified and further action agreed.
- 3.2.29** A schedule of all City Council income with an aged debt profile in excess of 1 year shall be reported to the Finance and Audit Committee as part of the year-end outturn reporting cycle.
- 3.2.30** Executive Directors shall be responsible for recommending to the Director of Finance, ICT and Governance debts, in relation to services provided by their related service areas, which should be written off.
- 3.2.31** The Director of Finance, ICT and Governance and Chief Executive shall agree the write off of all Company bad debts, providing a summary of all such debts to the Board for approval as and when they arise. The Director of Finance, ICT and Governance shall keep a record of all sums written off during the financial year.
- 3.2.32** The Director of Finance, ICT and Governance is responsible for monitoring and reporting to the Board the performance of the Company in the collection of fee and other Company income, recovery of debt, grant funding or other source of funds.

3.3 Income – Rental Income and Cash (NCC property)

- 3.3.1** Rental income is collected from tenants by the Company on behalf of the City Council as part of the Management Agreement and the cost associated with providing this service is recovered through the management fee. Therefore, all such income is the property of the City Council and not the Company.
- 3.3.2** All rental income due shall be the responsibility of the Director of Housing who will ensure that the necessary detail is recorded on the Housing IT system. The Director of Housing shall ensure strict adherence to the Company's rent policies and procedures and that all cases of rent arrears are investigated promptly with appropriate action taken.
- 3.3.3** The Director of Housing is responsible for ensuring that the collection of money at different locations, taken on behalf of the City Council, complies with Company's Banking and Cash Handling Procedures.
- 3.3.4** All employees who are responsible for handling, collecting and administering rental income or managing/monitoring the aforementioned duties shall ensure that they comply with the Company's Banking and Cash Handling Procedures at all times.
- 3.3.5** Rental income must be posted promptly to the appropriate tenant account.
- 3.3.6** The Director of Housing is responsible for ensuring that adequate cash collection arrangements, designed to ensure that cash held at area housing offices shall not exceed the approved limits, are in place and operating effectively. The Director of Housing shall liaise with the Director of Finance, ICT and Governance to ensure that adequate insurance is in place at cash collection sites.
- 3.3.7** When cash is handed over/transferred to the security firm responsible for collecting and depositing cash from area housing offices, receipts provided by the third party shall be checked to ensure that all information is correct – notably that all the bag numbers transferred are accurately stated on the receipt provided. Receipts provided shall be signed at the point of exchange by the responsible NCH officer, without exception, to ensure an adequate audit trail is maintained.
- 3.3.8** Adequate arrangements shall be put in place to ensure the safe despatch of City Council monies to the City Council's premises or bankers.

- 3.3.9** Income shall be paid fully and promptly into the appropriate City Council bank account in the form in which it is received. Appropriate details shall be recorded on to paying in slips to provide an adequate audit trail and cash (or cash equivalents) collected and deposited are to be reconciled to the relevant bank account on a regular basis.
- 3.3.10** Rent refunds shall only be authorised by NCH officers in line with the delegated limits approved annually by the City Council HRA Head of Finance (or other appropriate City Council Finance Officer). See also paragraph **3.5.3** below.
- 3.3.11** The Rents Manager is responsible for ensuring that there is an appropriate segregation of duties between the officers responsible for processing and approving rent refunds.
- 3.3.12** The Director of Housing shall be responsible for providing Board Members with information on all rent arrears that are unlikely to be recovered from tenants. Recommendations shall subsequently be made by the Board, as and when required, to the City Council's Section 151 Officer that such bad debts should be written-off in accordance with the City Council's policy.

3.4 Grants and Certification

- 3.4.1** The Director of Finance, ICT and Governance shall advise the Chief Executive that adequate accounting systems are in place to enable the Company to comply with the procedural conditions of any grant giving body that may be offering grants to the Company or from whom the Company is applying for a grant from.
- 3.4.2** The Chief Executive is authorised to make certifications to the grant giving body both for the claiming of grants and other returns required by the procedures of the grant giving body.

3.5 Money Laundering

- 3.5.1** To ensure compliance with the Money Laundering Regulations 2007 Company employees shall not accept, on behalf of the Company, payment(s) in cash in excess of 15,000 Euros in respect of any transaction whether the transaction is executed in a single operation or in several operations which appear to be linked.

- 3.5.2** Where an attempt is made by an individual to make such a payment this shall be recorded and reported to the Director of Finance, ICT and Governance together with details held on the individual i.e. their name and address. The Money Laundering Regulations 2007 define "cash" as notes, coins or travellers' cheques in any currency.
- 3.5.3** Rent accounts shall be monitored to ensure that overpayments by tenants do not occur on a regular basis and do not build up to significant levels. Under no circumstances shall rent refunds be authorised in excess of the level set out in **3.5.1** above.

4 EXPENDITURE

4.1 General

4.1.1 The Company's money should be spent with demonstrable probity and in accordance with the Company's policies. The Company's procedures shall ensure that services obtain value for money from their purchasing arrangements.

4.2 Key Controls

4.2.1 The key controls for ordering and paying for work, goods and services are:

- (a) All goods and services shall be ordered only by appropriate persons and must be correctly recorded;
- (b) All goods and services shall be ordered in accordance with the Company's Procurement Strategy and the Tender and Contract Procedure Rules (Part 3 of the Company's Standing Orders);
- (c) All orders shall be approved only by those staff authorised to do so as per the Financial Authorisation Matrix – see **8.1.4**;
- (d) A list of staff with authority to sign in accordance with the Financial Authorisation Matrix, including specimen signatures and limits, shall be maintained by the Director of Finance, ICT and Governance;
- (e) All orders shall be raised and approved in advance of the related goods and services being received by the Company.
- (f) Goods and services received shall be checked to ensure they are in accordance with the order. Goods shall not be received by the person who placed the order;
- (g) Variations to prices and quantities shall be adjusted on the purchase order and referred back to the authorising officer(s) for re-approval.
- (h) Invoices shall not be processed for payment unless they have either been matched to an authorised order or approved in writing by the appropriate authorising officer as per the Financial Authorisation Matrix – see **8.1.4** to **8.1.6**;
- (i) Payments will not be made by the Company unless goods and/or services have been received by the Company to the correct price,

quantity and quality standards – except for those circumstances prescribed in paragraph **4.4.6**;

- (j) All payments will be made to the correct supplier, for the correct amount and are properly recorded, regardless of the payment method;
- (k) All appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the Company's Document Retention Policy and statutory requirements;
- (l) All expenditure is accurately recorded against the right budget and any exceptions are corrected;
- (m) Supplier records are only set up when the required independent collaborative checks have been satisfactorily completed;
- (n) Where contractors are employed to undertake building works etc, the requirements of new HM Revenue and Customs' Construction Industry Scheme are complied with (commencement date 6th April 2007); and
- (o) Processes are in place to maintain the security and integrity of data for transacting business electronically.

4.2.2 Official orders must be in a form approved by the Director of Finance, ICT and Governance and must be issued for all works and goods or services that are to be supplied to the Company, except for supplies and/or other exceptions specified or agreed by the Director of Finance, ICT and Governance. Further guidance is provided in paragraph **4.4.5**.

4.2.3 Standard terms and conditions must not be varied without the prior approval of the Director of Finance, ICT and Governance. All Contract terms and conditions must either be approved by the Company Secretary before tenders are invited.

4.2.4 Apart from petty cash and other payments from advance accounts, the normal method of payment from the Company shall be by cheque, BACS or other formally approved payment method drawn on the Company's bank account, approved by the Director of Finance, ICT and Governance.

4.2.5 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Company contracts.

4.2.6 Executive Directors must monitor compliance within their own Directorates to ensure the following:

- (a) No orders are issued for goods or services where the cost is not covered by an approved budget;
- (b) Orders are only raised for goods and services provided to and for the use of the service area;
- (c) Orders are raised and approved in advance of both the related goods and services being received / consumed and the respective invoice being receipted;
- (d) Orders are approved only by those staff authorised to do so as per the Financial Authorisation Matrix – see **8.1.4**;
- (e) Goods and services ordered are appropriate and needed, there is adequate budgetary provision and that, where applicable, quotations or tenders have been obtained in accordance with the Company's approved authority levels and Standing Orders;
- (f) Adequate records are retained and made readily available for inspection and that these contain full details of goods and services to be supplied, prices and discounts where appropriate;
- (g) Goods and services are checked on receipt to verify that they are in accordance with the order and, where relevant appropriate entries are then made to inventories or stores' records. This check shall be carried out by a different officer from the person who authorised the order;
- (h) At least two authorised members of staff are involved in the ordering, receiving and payment process. Ideally, a different officer from the person who signed the order, and in every case, a different officer from the person checking a written invoice, shall authorise the invoice;
- (i) Specimen signatures for all staff with authority to sign in accordance with the Financial Authorisation Matrix are updated regularly and forwarded to the Director of Finance, ICT and Governance;

- (j) Appropriate steps are taken to obtain competitive prices for goods and services of the appropriate quality, in accordance with the Company's Procurement Strategy and Tender and Contract Procedure Rules Standing Orders, and provide assurance that Value for Money is secured;
- (k) Loans, leasing or rental arrangements are not entered into without obtaining prior agreement from the Director of Finance, Governance and ICT;
- (l) The Director of Finance, ICT and Governance is notified of all outstanding expenditure relating to the previous financial year as soon as possible after 31st March in line with the timetable determined annually by the Director of Finance, ICT and Governance; and
- (m) The Director of Finance, ICT and Governance is notified immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.

4.3 Contracts (See also Standing Orders Part 3: Tender and Contract Procedure Rules)

- 4.3.1** The Company Secretary is responsible for maintaining a register of 'Tenders and Quotations' and a register of 'Contracts' which shall be checked periodically to ensure they are up to date and accurately reflect the tenders received and contracts awarded by the Company.
- 4.3.2** Where contracts provide for payments to be made by instalments, the Director of Finance, ICT and Governance shall arrange to keep individual accounts to show the financial transactions on each contract between the Company and the contractor, together with any other payments and related professional fees.
- 4.3.3** Payments to contractors on account during a contract shall only be made when a certificate is issued by an appropriate supervising officer (or private architect, engineer or consultant where engaged by the Company) or by another officer nominated in writing for the purpose.
- 4.3.4** Subject to the provisions of the contract, in each case variations may be authorised by staff up to their authority limits for placing orders (total contract value).
- 4.3.5** Where an outside consultant is engaged by the Company, staff may delegate their authority to such a consultant. The arrangement must be

confirmed in writing and the authority limits for the consultant specified. The consultant's authority limit cannot exceed the authority limit of the officer delegating the authority.

- 4.3.6** All staff responsible for a project shall ensure that suitable procedures are followed for the effective cost control of the project including the recording of payments made, costs of variations ordered and comparison of expenditure with the approved estimate.
- 4.3.7** Staff who become aware that the final cost of a contract is likely to exceed the contract sum shall report on the circumstances to their Executive Director. Where such contract overspends are anticipated and the budget holder and/or Executive Director are unavailable to identify budget provision to fund these costs the circumstances shall be reported to the Director of Finance, ICT and Governance.
- 4.3.8** Executive Directors may agree variations for revenue contracts where these do not increase the approved contract price by more than 25% or £75,000, whichever is the lower, and the additional expenditure can be met from within the approved budget. If, for any reason, the extra expenditure exceeds 25% (or £75,000) of the Contract sum, the details shall be reported to the Board. The Chief Executive shall be able to agree variations of more than 25% on contracts originally valued at less than £10,000 where the additional expenditure can be met from approved budgets without reporting the details to the Board.
- 4.3.9** Executive Directors may agree variations to Capital projects where these do not increase the approved contract price by more than 5% or £75,000, whichever is the lower, and the additional expenditure can be met from within the approved budget and falls within the MTFP.
- 4.3.10** The final certificates of completion of any contract shall not be issued until the relevant officer or external consultant has produced a detailed statement of account and all relevant documents for the respective Executive Director to review.
- 4.3.11** The Director of Finance, ICT and Governance shall, to the extent considered necessary by them, examine final accounts for contracts and be entitled to make enquires, receive information and obtain explanations in order to be satisfied as to the accuracy of the accounts. The final certificate shall not be issued until the Director of Finance, ICT and Governance has confirmed this.
- 4.3.12** Claims from contractors in respect of matters not clearly within the terms and conditions of any existing contract shall be referred to the relevant Executive Director for financial consideration before a settlement is

reached or before any offer of settlement is made. Any such settlement must also be approved by the Chief Executive and the Board prior to being paid.

- 4.3.13** Where completion of a contract is delayed beyond the contract period action in respect of claims for liquidated damages in accordance with the contract shall be taken unless the relevant Executive Director, having taken appropriate advice, considers otherwise.

4.4 Payment of Invoices

Whilst the Council continue to carry out banking functions on the Company's behalf, 4.4.7, 4.4.8 and 4.4.9 are dormant.

- 4.4.1** The Director of Finance, ICT and Governance shall ensure that:

- (a) Payment is not made by the Company unless:
- A proper VAT invoice has been received, checked, coded and certified for payment, to include confirming receipt of goods and services (except for those circumstances highlighted in paragraphs **4.4.5** and **4.4.6**);
 - Supplier invoices are formally addressed to the Company.
 - The invoice has been checked to ensure it has not previously been paid;
 - Expenditure has been properly incurred, is within budget provision and discounts have been taken where available;
 - The prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices; and
 - The correct accounting treatment of tax has been applied.
- (b) Payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice;
- (c) Suppliers of goods and services are encouraged to receive payment by the most economical means for the Company;

- (d) Financial records and documents are retained and stored in accordance with the Company's Document Retention Policy and statutory requirements;
- (e) Where payments are to be made to consultants other than through the Company's payroll system, that there is a clear justification for this and that there are no tax implications that may arise.

4.4.2 Segregation of duties shall be maintained to ensure that payments are checked and released by officers independent of those responsible for processing the final payment.

4.4.3 New supplier details shall be independently checked by Finance prior to any payments being made by the Company. Supplier payment profiles should be checked on a periodic basis.

4.4.4 It is the Company's policy to make best advantage of credit terms extended by suppliers with the exception of local contractors, staff and board members who shall be paid at the earliest opportunity, where efficiently possible, through the Company's creditor payment systems.

4.4.5 In some instances cheques or payments will need to be raised for expenditure where no order or invoice has been provided. Such instances include:

- Staff expenses;
- Compensation payments to tenants and leaseholders;
- Replenishment of franking machines;
- Petty cash purchases; and
- Some periodic payments such as rents, rates and utilities.

Third party evidence should be attached to the appropriate controlled stationery to support all such payments and signatures obtained from managers, as per the Financial Authorisation Matrix (see **8.1.4** to **8.1.6**), to formally document the required authorisation.

4.4.6 In general and as outlined in Paragraph **4.2.1**, part **i**) payments in advance of goods or services being received should not be authorised or processed. However, in certain circumstances services must be purchased in advance due to the nature of the supply purchased. These include:

- Employee vocational training courses;
- Ad-hoc training events;
- Seminars and conferences;
- Hotel and accommodation costs;

- Landline and other rentals; and
- Subscriptions.

In such cases costs shall only be incurred upon the prior authorisation from the Director of Finance, ICT and Governance.

- 4.4.7** The Board will delegate authority to the Chief Executive and Director of Finance, ICT and Governance for signing cheques payable from the Company's bank accounts up to any value. Manual cheques drawn on the Company's bank account shall bear the signature of two authorised signatories, as per the Company's authority levels.
- 4.4.8** The authority to sign cheques also extends to similar payment instruments such as telegraphic transfers, standing order mandates and direct debit instructions.
- 4.4.9** All blank cheques and cheque books shall be ordered only on the authority of the Director of Finance, ICT and Governance who shall ensure proper arrangements are made for their safe custody.

4.5 Petty Cash

- 4.5.1** All the petty cash accounts will be held only for the purpose of making urgent purchases where officers are unable to obtain goods or services in a timely manner to allow the continued delivery of the service or minor items of expenditure when it would not be cost effective to purchase the item through the creditor payments system.
- 4.5.2** The requirement and level of each petty cash account will be determined by the Director of Finance, ICT and Governance and will be set after considering expenses flows, security and insurance consideration.
- 4.5.3** The key controls are:
- (a) All transactions are properly accounted for;
 - (b) Proper authorisation procedures are in place;
 - (c) All the petty cash floats will be held only for the purpose of making small disbursements and paying properly authorised expenses;
 - (d) No person may authorise a petty cash voucher payable to themselves;

- (e) Proper arrangements shall be in place at all times to ensure the physical security of staff and amounts of cash collected or drawn on behalf of the Company;
- (f) There is appropriate supporting documentation for all purchases;
- (g) Purchases are appropriate and could not be made through the Company's normal creditor payments system;
- (h) Accounts are kept in balance and reconciled on a regular basis;
- (i) Cash, cheque books and accounting records are held securely; and
- (j) Realistic and practical financial limits are set on individual transactions from petty cash accounts and the respective petty cash float themselves.

4.5.3 Each petty cash account will have a nominated officer assigned responsibility for the account and ensuring that all drawings are authorised in accordance with the requirements of the Financial Regulations and relevant procedures issued by the Director of Finance, ICT and Governance.

4.5.4 Reimbursements from petty cash shall not be made in excess of £50 and all claims must be signed as approved by the relevant budget holder.

4.5.5 The Director of Finance, ICT and Governance shall issue and keep under review detailed guidance and procedure notes for the operation of petty cash accounts (currently the Petty Cash Procedures).

4.6 Purchasing Cards

4.6.1 Purchasing cards are allocated on an individual basis for use by the designated named card holder only and in accordance with the detailed procedure guide.

4.6.2 All purchase card requests shall be approved by the Head of Finance in advance of being ordered and allocated to employees.

4.6.3 Use of the card is strictly limited to:

- Business use;
- Specific products and services for use/consumption within the card holders service area; and

- Purchases within spending limits for individual and monthly transactions.
- 4.6.4** Due to the nature and operation of purchase cards approval of expenditure as per required by the Financial Authorisation Matrix is done retrospectively.
- 4.6.5** Cardholders can use the card via the telephone, fax or over the internet.
- 4.6.6** Individual PIN numbers will be provided to each cardholder to support secure purchases. The PIN number must never be shared with other individuals or kept with the purchase card.

5 SALARIES AND WAGES

5.1 General

5.1.1 Staff costs are the largest item of expenditure within the Company's accounts. It is therefore important that payments are accurate, timely, made only where they are due for services provided to the Company and they accord with the individual's conditions of employment. It is important that all payments are accurately and completely recorded and accounted for.

5.1.2 The Director of Organisational Development shall ensure that systems are in place for recording in a format agreed with the Director of Finance, ICT and Governance all matters affecting the calculation and payment of salaries, wages and benefits, and in particular:

- (a) Appointments, resignations, dismissals, suspensions, secondments and transfers;
- (b) Absences from duty for sickness or other reason (excluding approved leave);
- (c) Changes in remuneration and honorariums;
- (d) Cost allocations; and
- (d) Information necessary to maintain records of service for pension, income tax, national insurance and the like.

5.1.3 The appointment of prospective employees and all payments to existing employees shall be made in accordance with the current conditions of service.

5.1.4 All amendments to weekly and monthly pay as well as information regarding appointments, terminations, resignations and other circumstances affecting the remuneration of employees shall be authorised by the Director of Organisational Development.

5.1.5 All salaries and wages are to be paid through the payroll system and not through petty cash, regardless of how small the amount or how short the period of employment.

5.1.6 The Director of Finance, ICT and Governance is responsible for the payment of salaries and wages to all staff, including overtime and bonus payments, and for the payment of expenses to Board Members.

- 5.1.7 Monthly net pay payments made by BACS shall be approved by Finance in advance of being processed. Details of all net pay BACS transfers shall be retained by NCH Finance.
- 5.1.8 All timesheets for weekly paid staff shall be signed by the relevant member of staff, and counter-signed by their respective line manager as evidence of authorisation, before being processed through the payroll system.
- 5.1.9 Payroll systems should be reconciled to HR records on a regular basis and periodic checks should be made on large adjustments.
- 5.1.10 Delegated powers of employees in relation to payroll are set out in the Company's Payroll Policy.

5.2 Employee Expenses

- 5.2.1 Claims by employees for expenses incurred whilst undertaking duties on behalf of the Company must be claimed and paid in accordance with the Company's Employee Expense Policy.
- 5.2.2 The approval of claims can only be given when the certifying person is satisfied that the expense was appropriately authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the Company.
- 5.2.3 All expense claims must be authorised by officers in accordance with the Employee Expenses Policy and as per authorisation limits set out in the Financial Authorisation Matrix (see **8.1.4**).
- 5.2.4 Claims made by the Chief Executive for car allowances, subsistence, travelling and incidental expenses must be approved by the Chair of the Board in advance of payment on a form issued by the Director of Finance, ICT and Governance.
- 5.2.5 The remuneration and expenses claimable by Board Members are set out in the relevant sections and appendixes of the Standing Orders – Part 1: Governance.

5.3 Redundancy and Other Employee Payments

- 5.3.1 All payments made to ex-employees in respect of the following areas shall be processed and paid through the Company's payroll systems:

- Payments in lieu of notice (often referred to as PILON);
- Statutory and non statutory redundancy payments;
- Compromise or severance agreements; and
- Gardening leave.

5.3.2 All such payments and severance packages will be authorised as per the requirements of the Company's Standing Orders and the Scheme of Delegation in advance of being paid to the respective employee.

6 ASSETS

6.1 Company Property, Assets and Fixed Asset Register

The Company does not currently have ownership or control of any fixed assets it uses or occupies. These assets remain in the ownership of the City Council. The following sections, therefore, are currently dormant and inoperable until such time as the Company becomes an owner of assets and responsible for their management and control. The Director of Finance, ICT and Governance's current responsibilities in relation to Company Property, assets and the Fixed Asset Register are restricted to the client function element of the associated City Council SLA.

However, it must be noted that any proposals to enter into a leasing arrangement have the potential to run beyond the life of the Company's Management Agreement with the Council and therefore discussions on the implications of this must take place with the Council at an early stage.

- 6.1.1 The Director of Finance, ICT and Governance is responsible for ensuring that the Company's assets are used efficiently, effectively and economically in order to demonstrate that Value for Money is being obtained. The Director of Finance, ICT and Governance must ensure that records and assets are properly maintained and securely held.
- 6.1.2 Safe custody of all title deeds when not held by a lending authority, or when not provided as security for a borrowing facility will be under arrangements established by the Company Secretary. A register of documents (deeds, share certificates, bank books etc.) shall be kept which incorporates a record of the location of individual documents requiring storage in a secure location.
- 6.1.3 A register of all properties owned or leased by the Company will be kept in a form approved by the Director of Finance, ICT and Governance recording location, extent, purchase details, particulars or nature of the Company's interest, details of rents payable and particulars of tenancies granted.
- 6.1.4 A Fixed Asset Register and inventory shall be maintained, recording a description and location of furniture, fittings, equipment, plant and machinery and other capital equipment owned or leased by the Company as well as an appropriately assigned responsible officer. The form in which the fixed asset register shall be kept is to be set by the Director of Finance, ICT and Governance.

- 6.1.5** Each officer assigned responsibility for assets in the fixed asset register shall be responsible for maintaining an annual check of all their respective assets. Nominated officers responsible for individual assets shall ensure that all property and equipment is maintained in good working order.
- 6.1.6** Responsible officers are responsible for determining when an asset is no longer required by the Company by reason of obsolescence, exhaustion, wear & tear, over-provision, or otherwise.
- 6.1.7** Responsible officers are also responsible for formally communicating all asset additions and disposals or other changes in asset data to the Director of Finance, ICT and Governance who is responsible for ensuring that the fixed asset register on a timely basis throughout the year and at the year-end.
- 6.1.8** The disposal of any asset deemed as obsolete or no longer required by the Company must be for the highest available consideration and be approved by the relevant Executive Director. Where the estimated net realisable value of the asset is in excess of £5,000, prior approval for the sale must be obtained from the Board.
- 6.1.9** The Company's assets shall not be removed or used other than in the ordinary course of the Company's business or for general Company purposes, except in accordance with specific directions issued by the Chief Executive.
- 6.1.10** Loss or damage to any individual assets coming to the attention of any member of staff shall be reported immediately to the Director of Finance, ICT and Governance and, where appropriate, an insurance claim should be made.

6.2 Stocks and Stores

- 6.2.1** All relevant staff shall be responsible for the care and custody of the stocks and stores under their control.
- 6.2.2** Arrangements shall be made for periodical test examinations of the Company's stock. Test examinations (or stock counts) should be performed on all categories of stock on a rolling basis at least once every year. Appropriate levels of stocks shall be maintained at all times.

- 6.2.3 Adequate procedures shall be in place to ensure that all Company stock is counted and reconciled to the stock management system on, or at a date not significantly different to, the 31st March each year.
- 6.2.4 Stock held by the Company at the year-end shall be valued at the lesser of cost and net realisable value in the Company's accounting systems, records and annual accounts.
- 6.2.5 All adjustments to stock values, arising due to variances identified during either perpetual or year-end stock takes, are to be reviewed and authorised as per the requirements of the Financial Authorisation Matrix – see 8.1.4 to 8.1.6.
- 6.2.6 Each relevant member of staff must provide to the Director of Finance, ICT and Governance all information as deemed required in relation to stores for the accounting, costing and financial records at the earliest opportunity upon request.
- 6.2.7 Significant stock losses must be reported to the Director of Finance, ICT and Governance who must then ensure appropriate action is taken in accordance with internal procedures.
- 6.2.8 A list of all proposed stock write-offs shall be prepared by the stores manager and signed as authorised by both the Assistant Director of Commercial Delivery and the Director of Finance, ICT and Governance at the year-end.
- 6.2.9 Service Managers are responsible for identifying Work In Progress (WIP) adjustments. All WIP review forms with individual job WIP write-offs in excess of £1,000 should be counter-signed by the Director of Finance, ICT and Governance.

6.3 Treasury Management

The Company's treasury management functions are currently managed by the City Council on the Company's behalf through the Financial Services SLA. The following sections are therefore dormant and not operable until or unless the treasury management functions revert to the responsibility of the Company. The Director of Finance, ICT and Governance's current responsibilities relating to the treasury management function are restricted to the client function element of the associated City Council SLA.

- 6.3.1 The Director of Finance, ICT and Governance is responsible for ensuring that the banking, cash handling, income collection, payment and

investment arrangements of the Company are compliant with relevant law, recognised best practice and the policy, control and framework of the Company.

- 6.3.2** The Company shall adopt in full the principles set out in CIPFA's Code of Practice for Treasury Management in the public service, its accompanying guidance notes ('CIPFA Code and Guide') and the related recommendations relevant to the Company's treasury management activities.

Accordingly, this Company will create, formally adopt and maintain the following cornerstones for effective treasury management:

- A 'Treasury Management Policy Statement' (TMPS) which outlines the Company's objectives, policies and relevant activities in relation to treasury management; and
- Approved 'Treasury Management Practices' (TMP), setting out the manner in which the organisation will seek to achieve its TMPS and prescribing how it will manage and control the related activities.

- 6.3.3** The Company delegates the responsibility for the implementation and monitoring of its treasury management policies and practices to the Finance and Audit Committee and the responsibility for the execution and administration of treasury management decisions to the Director of Finance, ICT and Governance. All staff and Board members are expected to act in accordance with the CIPFA Code and Guidance, and all relevant Financial Reporting Standards at all times.

- 6.3.4** The Treasury Management Policy Statement and Practices will be reviewed annually by the Finance and Audit Committee and approved by the Board. These documents should include a risk assessment.

- 6.3.5** An annual Treasury Management Strategy will be prepared and approved by the Board in advance of each financial year. The Board will also receive an annual review of treasury performance, which will be considered in detail by the Finance and Audit Committee.

- 6.3.6** Treasury management activities will conform to the requirements of the City Council, other bodies with statutory authority over the Company and in line with Industry guidelines. The Company's activities shall be subject to annual review by the Board.

6.4 Investment of Available Funds

The investment of available funds is currently managed by the City Council on the Company's behalf through the Financial Services SLA. The following sections are therefore dormant and not operable until or unless the responsibility for the investment of available funds reverts to the Company. The Director of Finance, ICT and Governance's current responsibilities relating to investments are restricted to the client function element of the associated City Council SLA.

- 6.4.1** The Director of Finance, ICT and Governance is responsible for ensuring that investment assets held by the Company are managed in the best interests of the Company, taking a balanced view of risk and potential gain.
- 6.4.2** As there is normally an interest rate differential between funds borrowed and invested, it is the responsibility of the Director of Finance, ICT and Governance to ensure that neither loan draw downs nor invested funds are excessive.
- 6.4.3** The level of funds as well as the type of investments approved by the Company will be invested in accordance with the approved Treasury Management Policy Statement and Practices.
- 6.4.4** The Director of Finance, ICT and Governance has delegated authority to invest available funds in institutions approved by the Board and up to limits defined by the Finance and Audit Committee. The Director of Finance, ICT and Governance is responsible for monitoring the credit worthiness of approved deposit takers and of any other counter-parties, using appropriate external sources of information.

6.5 Borrowings

- 6.5.1** The Company will raise additional finance or replace existing finance as necessary in order to achieve the Company's objectives as well as those set out in the approved strategic plans.
- 6.5.2** All borrowings must be made in accordance with the Company's approved policy statements and strategies for the relevant financial period and the Director of Finance, ICT and Governance shall be responsible for maintaining records of all borrowings made.
- 6.5.3** The following persons are authorised to carry out the following activities in respect of loan facilities approved by the Board:

- Chair and Vice-Chair of the Board;
- Chair of the Finance and Audit Committee; and
- Chief Executive,

are authorised to:

- a) Sign all agreements, letters and documents to be entered into pursuant to the Facility Letter;
- b) Sign any other documents which do not require the Company's Common Seal to be affixed, including drawdown notices; and
- c) Execute and deliver any documents, notices, letters or other communications and to perform any matters deemed necessary or desirable in connection with the facility documents.

6.6 Information Technology

The provision of IT systems and services is currently the responsibility of the City Council as set out in the related IT SLAs. In addition to the SLA agreed with the City Council the Director of Finance, ICT and Governance is also responsible for in house IT services as set out below.

- 6.6.1** The Director of Finance, ICT and Governance shall be responsible to the Chief Executive for the implementation of proper and effective information technology systems. They shall have authority to ensure that all necessary measures are taken to meet reasonable security needs and to ensure compliance with the obligations of the Company under the Data Protection legislation.
- 6.6.2** The Head of ICT is responsible for establishing the Company's annual IT investment requirements and liaising with the City Council and Director of Finance, ICT and Governance to ensure that initial and future year costs associated with IT investment are funded within the respective City Council capital and Company revenue budgets.
- 6.6.3** Staff shall only be allocated access rights to systems which are required for their day to day duties and all staff access rights shall be checked and reviewed on a timely basis.

7 OTHER MATTERS

7.1 Insurances

The provision of an insurance function is currently the responsibility of the City Council as set out in the related Insurance SLA. The SLA should be referred to where current procedures for dealing with insurance matters are set out. The following sections therefore, are currently dormant and inoperable until such time as the Company directly manages the insurance function. The Director of Finance, ICT and Governance's current responsibilities relating to insurance are restricted to the client function element of the associated City Council SLA.

- 7.1.1** All insurances, arrangements and levels of cover will be reviewed annually and arrangements will be made by the Director of Finance, ICT and Governance to ensure the Company's assets and activities are properly insured in accordance with good practice.
- 7.1.2** The Director of Finance, ICT and Governance will record all new risks and new assets as well as any alterations affecting existing risks and/or insurances and ensure that insurance arrangements are in place to adequately mitigate these risks and insure all assets against damage.
- 7.1.3** The Director of Finance, ICT and Governance shall be notified in writing of a potential claim through loss, liability or damage or other cause, which may lead to a claim and take such action as may be necessary to satisfy any insurance condition.
- 7.1.4** The Chief Executive shall consult the Company's solicitors regarding the terms of any indemnity which the Company is requested to give, as and when required.
- 7.1.5** The relevant staff member reporting to the Chief Executive shall ensure that all contractors have adequate employers and third party liability insurance before contracts are carried out on behalf of the Company. See also the Company's Standing Orders, Part 3: Tender and Contract Procedure Rules.

7.2 Insolvency Procedures

- 7.2.1** The Board is responsible for ensuring that the Company ceases to trade if there are reasonable grounds for believing the Company is insolvent. The Chief Executive shall provide appropriate information to

the Board and the Section 151 Officer of the City Council should it be suspected that the Company may be, or is at risk of becoming insolvent.

7.3 Acquisition of Land and Buildings

Whilst the Company does not currently own land or buildings it has the power in its Memorandum to both acquire and dispose of land and buildings. The following sections therefore currently remain dormant but could be activated by the Company in the future if it wishes to exercise its powers of acquisition and disposal.

- 7.3.1** The acquisition of any interest in land and buildings must be approved by the Board and by any parties involved in providing funds for any such purchases.
- 7.3.2** In circumstances where, prior to purchase, scheme proposals have changed fundamentally since the approval to purchase was provided, a new or revised approval to purchase shall be obtained from the Board.

7.4 Disposal of Land and Buildings

See comments in 7.3 above.

- 7.4.1** The disposal of any land or buildings assets by the Company requires the prior approval by the Board. The Board will consider the delegation of its authority to the Chief Executive for specific types of projects or programmes. Disposal or termination of a lease of land and property requires the same authority as for disposal of other land and property.
- 7.4.2** It is the responsibility of the Director of Finance, ICT and Governance to ensure that adequate records of all land and building disposals are maintained and the fixed asset register kept up to date.

7.5 Taxation

- 7.5.1** Nottingham City Homes is incorporated as a private Company limited by guarantee under the Companies Act 1985 and is a wholly owned subsidiary of Nottingham City Council.
- 7.5.2** The Director of Finance, ICT and Governance is responsible for ensuring that income derived from services provided by the Company is non-taxable and for agreeing with HM Revenue and Customs that any

surpluses the Company makes on transactions with the City Council are not taxable.

7.5.3 The Director of Finance, ICT and Governance is responsible for ensuring that the tax registrations of the Company are appropriate to its activities in accordance with the law. This will include:

- Corporation Tax;
- Pay As You Earn (PAYE); and
- Value Added Tax (VAT).

7.5.4 Dealing with the Company's taxation liabilities is a service currently provided to the Company by the City Council through the Financial Services SLA. This does not affect the overall responsibility of the Director of Finance, ICT and Governance to ensure compliance with all relevant legislation.

7.5.5 The Director of Finance, ICT and Governance must ensure that all statutory tax returns are completed correctly, accurately and returned on time in accordance with deadlines set by HMRC as well as the associated tax payments. Any overpayments of tax or tax rebates must be reclaimed promptly.

7.5.6 The Director of Finance, ICT and Governance is responsible for ensuring that the financial transactions of the Company are accounted for and recorded in such a way as to provide an adequate record for tax purposes.

7.5.7 The Director of Finance, ICT and Governance is also responsible for advising the Board on taxation issues pertaining to the business activities of the Company.

7.6 Partnerships

7.6.1 The Company may elect to enter into arrangements with other parties in order to achieve its objectives. The Board is responsible for approving delegations to other parties including frameworks for partnerships.

7.6.2 The Board may delegate functions, including those relating to partnerships, to members of staff. These will be set out the Company's Scheme of Delegation contained within Part 1 of the Standing Orders.

- 7.6.3** The Director of Finance, ICT and Governance is responsible for ensuring that the accounting arrangements adopted in respect of partnerships, pooled budgets and joint ventures are both adequate and fit for purpose.
- 7.6.4** The Company Secretary shall consider the overall Corporate Governance arrangements and legal issues when arranging contracts with external bodies. They shall ensure that all risks have been fully appraised before arrangements are entered into with external bodies.
- 7.6.5** Prior to entering partnership or collaborative arrangements with other organisations Executive Directors shall undertake a risk assessment to identify and assess the risks associated with the proposals and consider the viability of the partnership in terms of the resources available to it. Any agreement between the two parties should clearly specify their respective roles and responsibilities as well as the communication and reporting mechanisms to be adopted.
- 7.6.6** Executive Directors are responsible for ensuring that appropriate approvals, both internal and external, are obtained before any negotiations are concluded in relation to work with external bodies.
- 7.6.7** The Company Secretary is responsible for promoting and maintaining the same high standards of conduct, with regard to financial administration, in partnerships that apply throughout the Company. Potential partners shall be made aware of the Company's responsibilities in respect of these Financial Regulations as well as the other parts of the Company's Standing Orders.

7.6 Security

- 7.7.1** Each Company manager is responsible for maintaining proper security at all times in relation to all Company buildings, stocks, stores, equipment, cash and other assets under their control. Managers must always consult with the Director of Finance, ICT and Governance in any case where security is thought to be defective or where advice and/or special arrangements may be required.
- 7.7.2** Keys to safes or similar containers are to be carried on the person of those responsible at all times while in the office and stored safely when not in the office. The loss of keys must be reported immediately to the Director of Finance, ICT and Governance.
- 7.7.3** Where Company safes, or other security devices, are accessed using security codes this information should be limited to those officers prescribed in the Company's Banking and Cash Handling Procedures.

Security codes should be changed on a timely basis and, as a matter of urgency, in every instance where an individual with access to the safe leaves the Company's employment.

7.7.4 The Director of Finance, ICT and Governance is responsible for making arrangements for the proper security of data and information held on computer equipment and that regular copies of this data and information are made and stored in a safe and secure location.

7.7.5 The Chief Executive must ensure that proper arrangements are in place for risk management and disaster recovery, including the back up of computer facilities in the event of serious malfunction.

7.8 Related Party Transactions and Personal Interests

7.8.1 Every Board Member, Director and employee of the Company must declare any links or personal interests that they, or their close relatives, may have with purchasers, suppliers and/or contractors in accordance with appropriate codes of conduct if they are either:

- Engaged in contractual or purchasing decisions on behalf of the Company; and/or
- Involved in approving or ratifying such decisions.

7.8.2 The Company Secretary is responsible for maintaining a Register of Interests and ensuring that the requirement to declare interests is a standing agenda item at all Company Board meetings. Directors are required to complete an annual return stating that they have no related party transactions.

7.8.3 All Related Party Transactions, which will include all transactions with Nottingham City Council, shall be disclosed annually in the Company's Financial Statements.

7.9 Gifts and Hospitality

7.9.1 It is a disciplinary offence for any person to use their position within the Company to request or accept any gift, reward or other incentive while undertaking work in an official capacity. Such acts seriously undermine the public image of the Company and as a result the Company will discipline all staff found to be in breach of Financial Regulation **7.9.1** on the grounds of misconduct.

- 7.9.2** Members of the Board and members of staff shall refuse all material hospitality and gifts offered by an individual or supplier that currently does, or possibly could in the future, provide services to the Company.
- 7.9.3** Items such as calendars, mouse mats, pencils and minor stationery may be regarded as outside of these requirements. However, in such cases where there is doubt as to whether a gift or offer of hospitality should be accepted or refused the Company Secretary should be consulted.
- 7.9.4** There can be occasions, e.g. conferences, when refusal is difficult or impractical and therefore when acceptance is considered acceptable and appropriate the officer must inform their line manager and the Company Secretary.
- 7.9.5** The Company Secretary is responsible for maintaining a register of all gifts and hospitality made to or declined by the Company or any of its employees or Board Members (Gifts and Hospitality Register).

8 APPENDICIES

8.1 APPENDIX A – Financial Authorisation Matrix

- 8.1.1** The Financial Authorisation Matrix sets out the prescribed limits, thresholds and authorisation levels, as well as the respective authorising officers, established within the Company.
- 8.1.2** The authorisation limits set out in the matrix shall be adhered to by employees at all times and failure to do so will constitute a breach of the Company's Financial Regulations – see section **1.5**.
- 8.1.3** The required authorisation levels, and the seniority of the authorising officers, increase as the value of financial the commitment approved increases. Any valuations or variations shall be authorised in line with the values included in the matrix.

8.1.4 GENERAL AUTHORISATION LIMITS (applicable to One World & ROCC systems)

EXPENDITURE TYPE	BOARD (Committee) ^	CHIEF EXECUTIVE	DIRECTOR	LEVEL 1	LEVEL 2	LEVEL 3
Approve orders *	Equal to or more than £250,000	Equal to or more than £150,000	£50,000 to £149,999	£10,000 to £49,999	£1,500 to £9,999	Up to £1,500
Approve cheques/payments without invoices		Equal to or more than £10,000	£1,000 to £9,999	£500 to £999	Up to £500	
Compensation payments to tenants / leaseholders	Equal to or more than £1,000	£500 to £999	Up to £500			
Staff Expenses		Equal to or more than £1,000	£500 to £999	£100 to £499	Up to £100	
Stock take adjustments (perpetual and year-end)			Equal to or more than £1,000	Up to £1,000		
WIP adjustments/write-offs (per job)			Equal to or more than £1,000	Up to £1,000		
Approve Service Level Agreements (SLAs)	Equal to or more than £250,000 (F&A)	Up to £250,000				
Variations to Revenue Contracts (% increases based on the initial contract price)	Equal to or more than 25% or £75,000 #	More than 25% (Contracts Up to £10,000)	Up to 25% and £75,000 #			
Variations to Capital Contracts (% increases based on the initial contract price)	Equal to or more than 5% or £75,000 #		Up to 5% and £75,000 #			

EXPENDITURE TYPE	BOARD (Committee) ^	CHIEF EXECUTIVE	DIRECTOR	LEVEL 1	LEVEL 2	LEVEL 3
Virements to Revenue Budgets	Equal to or more than £250,000 <i>(for information)</i>	Equal to or more than £250,000 <i>(part of EMT)</i>	Equal to or more than £100,000	Up to £99,999		
Net Realisable Value of Assets Sold	Equal to or more than £5,000	Up to £5,000				

KEY: -

* - Where invoices are received without corresponding orders the appropriate authorisation should be obtained and documented on either the invoice itself or related 'Valuation of Works' certificates by means of the Authorising Officers signature.

^ - Where items require authorisation by the Board or one of its Committees, approval can be obtained retrospectively on the condition that the matter has previously been authorised by a member of the Board.

- Whichever is the lower.

8.1.5 DIRECTORATE AUTHORISING OFFICERS

EXPENDITURE TYPE	LEVEL 1	LEVEL 2	LEVEL 3
FINANCE, ICT & GOVERNANCE	<ul style="list-style-type: none"> • Heads of Finance • Head of ICT • Company Secretary 	<ul style="list-style-type: none"> • Service Managers * 	<ul style="list-style-type: none"> • Service Managers *
ORGANISATIONAL DEVELOPMENT	<ul style="list-style-type: none"> • Head of HR • Head of OD & Learning • Head of Health & Safety 	<ul style="list-style-type: none"> • Service Managers * 	<ul style="list-style-type: none"> • Service Managers *
STRATEGY & PARTNERSHIPS	<ul style="list-style-type: none"> • Head of Business Improvement & Development • Head of Equality & Diversity • Head of Communications & Marketing 	<ul style="list-style-type: none"> • Service Managers * • E&D Policy Officer • PR & Communications Officer 	<ul style="list-style-type: none"> • Service Managers *
HOUSING SERVICES	<ul style="list-style-type: none"> • Assistant Directors • City Lettings Manager • Sheltered Housing Manager • Rents Manager 	<ul style="list-style-type: none"> • Service Managers * • CRT Manager • Lettings Managers • Customer Relations Manager 	<ul style="list-style-type: none"> • Rent Ops Managers • Homelink Team Leader • Rents Admin Team Leader • Nottingham On-Call Mgr • Hostel Manager • Housing Managers
PROPERTY SERVICES	<ul style="list-style-type: none"> • Assistant Directors • Company Managers 	<ul style="list-style-type: none"> • Service Managers * • Maintenance Managers • Contract Surveyors. • Pricing Technicians • Fleet & Facilities Mgr • QS & Improvement Mgr 	<ul style="list-style-type: none"> • Maintenance Managers • Technical Officers • Team Leaders • Supervisors • Surveyors

KEY:-

* - For the purposes of the FAM 'Company Managers' are those as defined by the Company's organisation chart and a 'Service Manager' is classified as someone occupying a post of salary scale PO2 or above.

A definitive list of the authorisation limit of all Company establishment posts is held on the Finance section of the Intranet.

8.1.6 FINANCE COUNTER AUTHORISATIONS

COUNTER SIGNATURE TYPE	DIRECTOR OF FINANCE, ICT AND GOVERNANCE	HEAD(S) OF FINANCE	FINANCE MANAGER	FINANCE OFFICER
Invoices <£50,000 passed for payment – authorisation of batch (not separate invoices)				Two FOs (or more senior finance officer in their absence) to sign batch header.
Invoices of £50,000 and above	Equal to or more than £100,000	£50,000 to £99,999		
Month-end Journals	Equal to or more than £10,000			
Stock take adjustments (perpetual and year-end)	Equal to or more than £1,000	Up to £1,000		
WIP adjustments/write-offs (per job)	Equal to or more than £1,000			

8.2 APPENDIX B – Authority for Dispensation from the Financial Regulations

NOTTINGHAM CITY HOMES	
REPORT OF THE DIRECTOR OF	
1	SUMMARY
1.1	
2	RECOMMENDATIONS
2.1	It is recommended that: •
3	REPORT
3.1	
4	IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES
4.1	
5	VALUE FOR MONEY & EFFICIENCY ISSUES
5.1	
6	RISK ISSUES
6.1	
7	COMMENTS OF THE DIRECTOR OF FINANCE, ICT AND GOVERNANCE
7.1	
8	EQUALITY & DIVERSITY IMPLICATIONS
8.1	

9	BACKGROUND MATERIAL AND PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT	
9.1		
CONTACT OFFICER:		
DATE:		

Authority for Dispensation from the Financial Regulations

Issue:

.....

.....

Authority

Chief Executive

.....signed by Date:

Supporting Report Attached (Report from Director dated.....)

Approvals:

Director of Finance, ICT and Governance

.....signed by Date:.....

Chair of Finance and Audit Committee

.....signed by Date:.....

Recorded:

Register updated with this dispensation by Company Secretariat

.....signed by Date:.....

8.3 APPENDIX C – List of Associated Company Documents

Document	Financial Regulations' Reference(s)
Articles of the Company	1.1.1
Terms of Reference	1.1.1
Standing Orders (Includes the Governance SOs, Financial Regulations and Tender & Contract Procedure Rules)	1.1.1, 1.1.3, 1.1.4, 2.13.1, 0, 4.2.6, 5.2.5, 5.3.2, 7.6.2, 7.6.7
Register of Dispensations	1.6.1, 1.6.3
Tender and Contract Procedure Rules (Included in the Company Standing Orders – see above)	1.6.3, 4.2.1 b), 4.2.6 j) 4.3, 7.1.5
Management Agreement	2.1.1, 2.1.4, 2.3.2, 2.12.6, 2.15.3, 3.3.1, 6.1
Delivery Plan	2.1.1, 2.1.4, 2.3.7, 2.15.3
Medium Term Financial Plan (Company's Financial Strategy)	2.1.1, 2.3.1, 2.5.11, 2.15.3, 4.3.9
Ten year Strategy	2.1.1
Asset Management Strategy	2.1.1
Value for Money and Efficiency Strategy	2.1.1
Service Area 3 year Business Plans	2.1.1

Document	Financial Regulations' Reference(s)
Service Improvement Plans (SIPs)	2.1.1
Strategic Business Plan	2.1.1
Budget Holder Handbook	2.4.10
Risk Management Framework (Includes the Risk Management Strategy and Policy)	1.3.5, 2.10.1, 2.10.2, 2.10.3, 2.10.5
Corporate Risk Register	2.10.1, 2.10.4
Annual Risk Management Report	2.10.9
Service Level Agreements	2.11
Employee Code of Conduct	2.12.1
Anti-Fraud and Corruption Framework	2.12.2, 2.12.3, 2.12.4
Confidential Reporting Code (Included in the HR Handbook)	2.12.4
Fraud Register	2.12.9
Scheme of Delegation (Included in the Governance Standing Orders)	2.13, 2.15.1, 5.3.2, 7.6.2
Register of Authorised Signatories	2.13.3, 2.13.4, 2.13.6
HR Handbook	2.15.3

Document	Financial Regulations' Reference(s)
Financial Services SLA	3.1, 6.3, 7.5.4
Banking and Cash Handling Procedures	3.3.3, 3.3.4, 7.7.3
Document Retention Policy	4.2.1 k), 0 d)
Procurement Strategy	4.2.1 b), 4.2.6 j)
HM Revenue and Customs' Construction Industry Scheme	4.2.1 n)
Tenders and Quotations register	4.3.1
Contracts Register	4.3.1
Petty Cash Procedures	4.5.5
Payroll Policy	5.1.10
Employee Expenses Policy	5.2.1, 5.2.3
CIPFA's Code of Practice for Treasury Management	6.3.2
Register of Interests	7.8.2
Gifts and Hospitality Register	7.9.5
<u>Documents currently dormant i.e. not produced or required until, or unless, the treasury management and fixed asset functions, managed</u>	

Document	Financial Regulations' Reference(s)
<u>by the City Council, revert to the responsibility of the Company.</u>	
Fixed Asset Register	6.1
Treasury Management Policy Statement	6.3.2, 6.3.4, 6.4.3, 6.5.1
Treasury Management Practices	6.3.2, 6.3.4, 6.4.3
Treasury Management Strategy	6.3.5, 6.5.1

8.4 APPENDIX D – Financial Regulations’ Updates and Amendments

Updated by	Updated on	Filename & path	Status
Julie Hadfield	July 2007	http://intra.nottinghamcity.gov.uk/nottinghamcityhomes/standing_orders/docs/NCH.FR_Total_Version.doc	Approved by the Board 26 th July 2007
Steve Everson	April 2008	S:\Finance\Steve\Amended Financial Regulations	Approved by the Board 15 th May 2008
Darren Phillips	November 2009	S:\Finance\Standing Orders etc\2009	Approved by the Board 26 th November 2009