



Title: Financial Regulations

Report of: TGHC Head of Corporate Services

Purpose of Report

1. To seek approval from the Board for a new set of Financial Regulations for Keelman Homes (the Company).

Background

2. The current Financial Regulations in place to date have been adopted from TGHC's Financial Regulations
3. Due to the expanding activities of Keelman Homes and the change in governance structure, it is now considered necessary for Keelman Homes to have its own set of Financial Regulations approved by the Board.

Summary- Financial Regulations

4. The Financial Regulations are attached as an Appendix to this report.
5. The Financial Regulations cover the way the Company manages its finances and safeguards its assets.
6. All employees are responsible for ensuring that the financial regulations are complied with.
7. Internal and external audits are regularly carried out to ensure that these regulations are met.
8. The Head of Corporate Services is responsible for the proper administration of the Company's financial affairs and is the Chief Financial Advisor to the Company and the Board.

Impact on tenants

9. Whilst this report does not impact on tenants directly, appropriate financial monitoring and control will ensure efficiencies are maximised and redirected to services that directly impact on tenants.

Risk Management Implications

10. The Financial Regulations ensure that that the risk of insufficient available financial resources is effectively controlled.

Financial Implications

11. The Financial Regulations ensure that the Company appropriately manages its finances and safeguards its assets.

Equality and Diversity Implications

12. There are no equality and diversity implications arising from this report.

Value for Money implications

13. Financial monitoring and control will ensure efficiencies are maximised and then utilised in the most appropriate manner.

Health Implications

14. There are no health implications arising from this report.

Environmental implications

15. There are no environmental implications arising from this report.

Consultation carried out

16. It has not been necessary to carry out any consultation when compiling this report.

Recommendation

17. It is recommended that the Board approve the Financial Regulations.



Keelman Homes Financial Regulations June 2015

1. Introduction

1.1 These regulations control the way the Company manages its finances and safeguards its assets.

1.2 All employees are responsible for ensuring that these financial regulations are complied with.

1.3 By complying with these regulations, employees responsible for financial matters will gain assurance that they have followed the appropriate financial procedures.

1.4 Where the Managing Director, Head of Corporate Services, or other employees are referred to, these include the employees of Keelman Homes and the employees of The Gateshead Housing Company (TGHC) who have been given authority to act on behalf of Keelman Homes.

2. Financial Administration

2.1 The Head of Corporate Services is responsible for the proper administration of the Company's financial affairs and is chief financial adviser to the Company and the Board.

2.2 The Head of Corporate Services is responsible for the production of financial management information and will keep the Company and the Board informed of the financial implications of all new policies and changes of policies.

2.3 Each employee must consult the Head of Corporate Services on any matter within his/her view which is liable to materially affect the finances of the Company before any provisional or other commitment is incurred or before reporting to the Board on the matter.

2.4 Each employee is responsible for establishing internal controls so that the activities under his/her control are dealt with efficiently and effectively. Internal control covers financial and other measures, which are established to:

- Safeguard the Company's assets
- Ensure reliability of records
- Monitor adherence to policies and directives

2.5 The Head of Corporate Services may regulate the day to day financial administration of the Company by the issue of more detailed administrative and accounting instructions to supplement these regulations.

3. Budgets

3.1 Budgets will be set on an annual basis and will be subject to the approval of the Board.

3.2 The Head of Corporate Services will keep under review and (after consultation with the Managing Director and Lead Officer) report to the Board on:

- The Company's long-term financial position
- The availability of resources
- Performance against the annual budget

3.3 All proposals to the Board involving expenditure must be accompanied by a report of the Head of Corporate Services indicating the financial position in relation to the budget or program.

3.4 Where it appears that there may be a significant variation in either approved expenditure or approved income, the strategic employee concerned, after consultation with the Head of Corporate Services, must inform the Board as soon as it is realised that the significant variation may occur.

4. Accounting

4.1 The Head of Corporate Services is responsible for keeping the financial accounts of the Company. All accounting procedures and records will be determined by the Head of Corporate Services.

4.2 All accounts and accounting records of the Company will be compiled by the Head of Corporate Services or under his/her direction. The following principles are to be observed in the operation of accounting systems:

- The duties of providing information regarding sums due to or from the Company and of calculating, checking and recording those sums must be separated as completely as possible from the duties of collecting or disbursing them
- Employees responsible for examining and checking the accounts of financial transactions must not themselves be involved in any of these transactions

5. Audit

5.1 There will be a continuous internal audit under the independent control of an internal auditor appointed by the Board which will review, appraise and report upon:

- The soundness, adequacy and application of internal controls
- The extent to which the assets and interests of the Company are accounted for and safeguarded from losses of all kinds arising from:

- a. fraud and other offences
- b. waste, extravagance, inefficient administration, poor value for money or other cause
- The suitability, reliability and effectiveness of financial and other management data developed within the Company

5.2 There will be an annual external audit under the independent control of an external auditor appointed by the Board.

5.3 Any member of the internal or external audit service will, when acting within these financial regulations, have authority to:

- Enter at all reasonable times on any Company premises or land
- Have access to all records, documents and correspondence and any other sources of relevant information relating to any financial and other transactions of the Company
- Require such explanations as he/she believes to be necessary concerning any matter
- Require any person to produce cash, stores or any other Company property

5.4 The auditors will report directly to the Board and will have access to the Board Chair at any time necessary without the interference of officers.

6. Banking Arrangements

6.1 All banking arrangements will be made by the Managing Director and the Head of Corporate Services.

6.2 All cheques will be ordered only on the authority of the Head of Corporate Services who will make proper arrangements for their safe custody.

6.3 Cheques issued on behalf of the Company must bear the signature of two employees approved by the Managing Director to have such authority.

7. Borrowing

7.1 Any proposals for long-term borrowing will be evaluated and approved by the Head of Corporate Services and the Managing Director.

7.2 Any agreements for long-term borrowing will be reported to the Board. The Head of Corporate Services will be responsible for advising the Board on the effect of such borrowing, the payment of interest and the impact repayments will have on the cash flow, income and expenditure account and balance sheet of the Company.

7.3 The Head of Corporate Services will implement a suitable system to record all borrowings; in particular they will ensure that the Company at no time breaches any covenants made in respect of such borrowings.

8. Income

8.1 The collection of all sums due to the Company, either in its own right or as agent to other organisations, will be supervised by the Head of Corporate Services, who

will make and maintain adequate arrangements for prompt and proper accounting for all cash, including its collection, recovery, custody, control and deposit.

8.2 Particulars of all charges to be made for work done, services rendered, or goods supplied by the Company and particulars of all other amounts due, including grants, must be promptly notified by all employees to the Head of Corporate Services in a form approved by him/her; and all accounts for income due to the Company are to be rendered promptly by or in a manner approved by the Head of Corporate Services.

8.3 The Head of Corporate Services must be notified immediately of all money due to the Company and of contracts, leases, grants and other agreements and arrangements entered into which involve the receipt of money by the Company, and the Head of Corporate Services may inspect any documents or other evidence in this connection as he/she may decide.

8.4 The Head of Corporate Services must be consulted on any proposals for the introduction of, or a variation in, a scale of charges prior to submission to the Board.

8.5 Arrangements for the supply and control of all receipt books, tickets and other such items must be approved by the Head of Corporate Services.

8.6 All money received by an employee on behalf of the Company must, without delay, be paid to the Head of Corporate Services or, as he/she may direct, to the Company's designated bank account or transmitted directly to any other body or person entitled to it.

8.7 No deduction may be made from such money unless specifically authorised by the Head of Corporate Services. Any person who banks money must enter on the paying-in slips a reference to the related debt (such as the receipt number or the name of the debtor or otherwise indicate the origin of the cheque).

8.8 The name of the office or establishment must be shown on the reverse of each cheque.

8.9 Income received by a cashier or other authorised employee of the Company must be immediately acknowledged by the issue of a receipt or ticket or by other method agreed by the Head of Corporate Services.

8.10 Every transfer of official money from one employee to another must be recorded in writing by the signature of the employee who has received it.

8.11 Personal cheques must not be cashed out of any money held on behalf of the Company.

9. Grants

9.1 The Managing Director, Lead Officer and the Head of Corporate Services must be consulted on all proposed grant applications.

9.2 The Head of Corporate Services is responsible for examining every grant application and shall ensure that there is adequate provision of resources to meet all commitments.

9.3 The Board will be informed of the application for and the outcome of all grant bids.

9.4 Where successful grant applications are made, the Lead Officer is responsible for ensuring that the conditions of the grant are met.

9.5 Where developments have been financed solely or partly by grants, the cost of those developments will be reduced by the amount of the grant receivable. The relevant depreciation on tangible fixed assets will be matched with a release from deferred capital grants.

10. Orders for Work, Goods and Services

10.1 Official orders, including those produced electronically, are to be in a form approved by the Head of Corporate Services and the Managing Director and are to be signed or electronically transmitted only by nominated employees authorised by strategic employees.

10.2 Copies of all orders, including electronic media, must be available to the Head of Corporate Services.

10.3 The order, supply and control of official orders, including the use of electronic signatures, are supervised by the Head of Corporate Services.

10.4 Official orders must be issued for all work, goods or services to be supplied to the Company except for supplies of utility services, for periodical payments such as rent or rates, for petty cash purchases or any other exceptions approved by the Head of Corporate Services.

10.4 Verbal orders may only be given in cases of extreme urgency. All such orders must be confirmed in writing and the official order must be clearly marked "confirmation order".

10.5 The printed instructions of the Head of Corporate Services must be complied with and, wherever practicable, the duties of ordering and receiving goods and certifying the respective invoices for payment, are not to be performed by the same employee.

11. Payment of Accounts

11.1 The normal method of payment of money due from the Company will be by cheque.

11.2 The authorised employee issuing an order is responsible for examining, verifying and certifying the related invoice(s). Such certification is to be in writing.

11.3 The names of employees authorised to sign such records will be notified by strategic employees and be held by the Head of Corporate Services together with specimen signatures and must be amended in the event of any change.

11.4 Before approving an account, the authorised employee must have complied with the instructions of the Head of Corporate Services in relation particularly to the following:

- The work, goods or services to which the account relates must have been received, carried out, examined and approved and be in accordance with specification
- The prices, trade discounts, other allowances, credits and value added tax must be correct
- The relevant expenditure must have been properly incurred and be within the relevant estimate provision
- Appropriate entries must have been made in inventories, stores records or stock books as required
- The account must not have been previously passed for payment and must be a proper liability of the Company

11.5 Duly authorised accounts must be passed without delay to the Head of Corporate Services who may make such enquiries and request such information and explanations as he/she considers necessary.

11.6 Invoices subject to discount for prompt payment must be passed to the Head of Corporate Services in sufficient time to be paid before the discount date.

11.7 Any amendment to an account must be made in ink and be initialed by the employee making it, stating briefly the reasons where they are not self-evident.

12. Fixed Assets and Depreciation

12.1 The minimum capitalisation level is £1,000. Any items costing below this amount will be expensed in the year that they are purchased.

12.2 Items to be capitalised should be deemed to have a minimum useful life of 12 months.

12.3 A fixed asset register will be maintained, listing the details of all of the assets that have been capitalised.

12.4 All invoices in relation to fixed assets will be retained for inspection.

12.5 Tangible fixed assets are initially recorded at cost on the date of purchase. These should be depreciated so as to write down the cost, less estimated residual value, on a straight line basis, over the estimated useful life.

Land

12.6 Freehold land is included at cost.

12.7 Donated land is included at its value on donation.

12.8 Land is not depreciated.

Properties

12.9 Properties, other than properties under construction, are depreciated so as to write down the cost, less estimated residual value, on a straight line basis.

12.10 Individual property components are depreciated over their expected useful life, as follows:

Component	Useful Life (years)
Structure	100
Roof	50
Heating System	40
Electrics	30
Bathroom	30
Windows and External Doors	25
Kitchen	20
Gas Boiler	15

12.11 Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the properties into their intended use.

12.12 Costs of improvement works to existing properties are only capitalised when there is a demonstrable enhancement of the economic benefits of the asset.

12.13 Properties in the course of construction are stated at cost and are not depreciated.

12.14 All assets are reviewed for impairment annually and when it is deemed they have suffered a permanent reduction in value, the fall in value is recognised after taking account of any related capital grants.

13. Insurance and Risk Management

13.1 The Head of Corporate Services, in consultation with the Lead Officer and the Managing Director, will be responsible for advising the Board on insurance and risk management and will affect all insurance cover and negotiate all claims in consultation with other employees, where necessary.

13.2 Strategic employees must promptly notify the Head of Corporate Services of all new risks, properties, or vehicles and of any alterations affecting existing insurances.

13.3 Strategic employees must immediately notify the Head of Corporate Services in writing of any loss, liability or damage or any event likely to lead to a claim and must promptly supply the necessary information to the Head of Corporate Services, to enable the claim to be handled.

13.4 All monies due and received from insurers must be paid to the Head of Corporate Services. The Head of Corporate Services will notify the appropriate strategic employee of the outcome of such claims.

13.5 The Head of Corporate Services will review all insurances annually, or at such other period as he/she may consider necessary.

13.6 Strategic employees must consult with the Head of Corporate Services and the Managing Director on the terms of any indemnity which the Company is requested to give.

14. Security

14.1 Each strategic employee is responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment, cash etc. under his/her control. He/she must consult the Head of Corporate Services in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

14.2 Keys to safes and similar receptacles are to be carried on the person of those responsible at all times; the loss of any such keys must be reported to the Head of Corporate Services immediately.

15. Reporting of Thefts and Financial Irregularities

15.1 Whenever any matter arises which involves or is thought to involve theft, fraud or financial irregularity, including breaches of any of these financial regulations, or bribery or corruption which involve the Company's interest, the strategic employee concerned must immediately, and before proceeding with any further investigation, notify the Head of Corporate Services of that matter.

15.2 The Head of Corporate Services in consultation with the appointed internal auditors will take such steps as he/she considers necessary by way of investigation and report or by advising the relevant strategic employee about any further action to be taken.

16. Computer systems

16.1 Information and communication technology supplies and services must be procured in accordance with the Contract Procedure Rules.

16.2 Systems holding personal data must be notified to the Head of Corporate Services for registration under the Data Protection Act prior to the implementation of such systems.

17. Revision

17.1 The Head of Corporate Services will keep these financial regulations under review and after appropriate consultation may make any recommendations to the Board that he/she considers necessary.