

Report to Resources Committee

18 November 2015



Title: Financial Regulations

Report of: Head of Corporate Services

Purpose of Report

1. To provide the Committee with updated Financial Regulations for approval to Board.

Background

2. The Financial Regulations have been reviewed to ensure that they are reasonable and meet the needs of the Company.
3. The Financial Regulations were found to be fit for purpose with only minor amendments made to ensure they meet current financial practices.
4. The amended Financial Regulations are attached in the Appendix to this report.

Summary

5. The Financial Regulations cover the way the Company manages its finances and safeguards its assets. Directors and Heads of Service of the Company are responsible for ensuring that the financial regulations are complied with.
6. Internal audits are carried out annually to ensure that these regulations are met.
7. The Head of Corporate Services will be responsible for the proper administration of the company's financial affairs and will be the chief financial advisor to the Company and Board.

Main Changes

8. The main changes from the previous financial regulations include:
 - Change of responsibility from the Strategic Director, Finance and ICT of Gateshead Council to Strategic Director, Corporate Resources of Gateshead Council for the administration of the bank accounts
 - Addition of external audit into the audit section
 - Information regarding the use of safes featuring security codes;
 - A dedicated section referring to fixed assets
 - A dedicated section referring to taxation

9. The amended Financial Regulations cover the current working practices of the administration of the Company's financial affairs.

Link to values

10. This report links to the Company values of being: -

- Fair
- Open and honest
- Accountable

Impact on tenants

11. There are no direct impacts on our tenants arising from this report.

Risk Management Implications

12. The financial regulations ensure that that the strategic risk within the business plan (failure to manage the Company's finances) is effectively controlled.

Financial Implications

13. There are no financial implications arising from this report.

Equality and Diversity Implications

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

Value for Money Implications

15. There are no value for money implications arising from this report.

Health Implications

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

Environmental Implications

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

Consultation carried out

18. The financial regulations of a number of other public sector organisations were reviewed before our financial regulations were updated.

Recommendation

19. The Committee is recommended to request the Board approve the amended financial regulations.



The Gateshead Housing Company

Working with Gateshead Council

FINANCIAL REGULATIONS

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Introduction

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

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

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

Relevant employees in the Finance Team will provide any additional advice and guidance that employees may require.

These Financial Regulations should be read in conjunction with the Company's other relevant policies and procedures, which underpin these regulations, including the:

- Code of Conduct for Employees
- Probity Policy
- Information and Communication Technology Security Policy
- Whistleblowing Policy
- Fraud and Corruption Policy

1. Financial Administration

- 1.1. 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.
- 1.2. 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 to policies.
- 1.3. 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.
- 1.4. Each employee is responsible for establishing internal control 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:
 - (i) safeguard the company's assets;
 - (ii) ensure reliability of records; and
 - (iii) monitor adherence to policies and directives.
- 1.5. 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.

2. Revenue and Repairs Budgets and Investment Programme

- 2.1 The annual revenue and repairs budget and investment programme will be subject to the approval of the Board.
- 2.2 The Head of Corporate Services will keep under review, and (after consultation with the Managing Director) report to the Board on:
- (i) the company's long-term financial position
 - (ii) the availability of revenue, repair and capital resources
 - (iii) performance against the annual revenue and repair budget and investment programme.
- 2.3 All proposals to the Board involving expenditure must be by the Head of Corporate Services and indicate the financial position in relation to the budget or programme.
- 2.4 Where it appears that there may be a significant variation in either approved expenditure or approved income the 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.

3. Accounting

- 3.1. 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.
- 3.2. 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: -
- (i) 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.
 - (ii) Employees responsible for examining and checking the accounts of financial transactions must not themselves be involved in any of these transactions.

4. Audit

- 4.1. 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:
- (i) the soundness, adequacy and application of internal controls;
 - (ii) the extent to which the assets and interests of the Council and 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;
- (iii) the suitability, reliability and effectiveness of financial and other management data developed within the Company.

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

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

- (i) enter at all reasonable times on any company premises or land;
- (ii) 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;
- (iii) require such explanations as he/she believes to be necessary concerning any matter; and
- (iv) require any person to produce cash, stores or any other company property.

4.4. The internal and external auditor will report directly to the Audit Committee and will have access to the Audit Committee Chair at any time necessary without the interference of officers.

5. Banking Arrangements, Cheques and Credit Cards

- 5.1 All banking arrangements are to be made by the Strategic Director, Corporate Resources of Gateshead Council in consultation with the company's Head of Corporate Services. A service level agreement is in place which covers this function.
- 5.2 All cheques are to be ordered only on the authority of the Strategic Director, Corporate Resources of Gateshead Council who will make proper arrangements for their safe custody.
- 5.3 Cheques on Gateshead Council's main bank accounts on behalf of the Company must bear the facsimile signature of Gateshead Council's Strategic Director, Corporate Resources or be signed by Gateshead Council's Strategic Director, Corporate Resources or other employee authorised by him/her to do so.
- 5.4 A bank account is held for a credit card in the name of the Managing Director. This bank account is linked to Gateshead Council's main bank account and is paid for through a monthly invoice received from the bank. This invoice details all transactions. All receipts must be provided to evidence the payments made with the credit card. All transactions undertaken with this credit card must be signed for by the Managing Director.

5.5 A further credit card is also held under the name of the Managing Director and this card is held securely by the Finance Team. This credit card is paid via a monthly invoice received from the credit card company. This invoice details all transactions. All receipts must be provided to evidence the payments made with the credit card. All transactions undertaken with this credit card must be signed for by the Managing Director or Head of Corporate Services.

6. **Imprest Accounts**

6.1 The Head of Corporate Services will provide such accounts as he/she considers appropriate for employees of the company who may need them for the purpose of defraying petty cash and other expenses. These accounts are to be maintained in the imprest system.

6.2 Where he/she considers it appropriate, the Head of Corporate Services will by arrangement with Gateshead Council's Strategic Director, Corporate Resources open an account with Gateshead Council's bankers for use by the imprest holder who must not allow the account to be overdrawn, except with the Head of Corporate Service's express permission.

6.3 Income must not be paid into an imprest account but must be banked in accordance with Financial Regulation 8.6.

6.4 Payments are limited to minor items of expenditure and to such other items as the Head of Corporate Services may approve and must be supported by a receipted voucher wherever possible. Proper vouchers will be required for all payments which include VAT.

6.5 When requested by the Head of Corporate Services, an employee responsible for an imprest account must provide a certificate indicating the state of the account.

6.6 On leaving the employment of the company, or otherwise ceasing to be entitled to hold an imprest account, an employee must account to the Head of Corporate Services for the amount advanced.

7. **Petty Cash**

7.1 The Head of Corporate Services will provide such accounts as he/she considers appropriate for employees of the company who may need them for the purpose of defraying petty cash and other expenses. These amounts are to be held within the safe on the premises in which they are provided.

7.2 Income must not be paid into petty cash but must be banked in accordance with Financial Regulation 8.6.

7.3 Payments are limited to minor items of expenditure for the premises (personal items of expenditure such as car parking tickets must be reclaimed through the expenses system) and to such other items as the Head of Corporate Services may approve and must be supported by a receipted voucher wherever possible. Proper vouchers will be required for all payments which include VAT.

- 7.4 When requested by the Head of Corporate Services, an employee responsible for petty cash must provide a certificate indicating the state of the account.
- 7.5 On leaving the employment of the company, or otherwise ceasing to be entitled to hold petty cash, an employee must account to the Head of Corporate Services for the amount advanced.

8. Income

- 8.1 The collection of all sums due to the Company, either in its own right or as agent to Gateshead Council 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 Council's designated bank account or transmitted directly to any other body or person entitled to it. 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 slip, 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). The name of the office or establishment must be shown on the reverse of each cheque.
- 8.7 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. 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.

- 8.8 Personal cheques must not be cashed out of any money held on behalf of the Company.
- 8.9 The Head of Corporate Services may advance such sums as may be necessary for the purpose of change money, and the existence of these sums will be regularly verified.

9. **Orders for Work, Goods and Services**

- 9.1 Official orders, including those produced electronically, are to be in a form approved by the Head of Corporate Services and the Company Secretary and are to be signed or electronically transmitted only by nominated employees authorised by nominated employees. Copies of all orders, including electronic media, must be available to the Head of Corporate Services. The order, supply and control of official orders, including the use of electronic signatures, is supervised by the Head of Corporate Services.
- 9.2 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.
- 9.3 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".
- 9.4 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.

10. **Payment of Accounts**

- 10.1 Apart from petty cash and other payments from authorised imprest accounts, the normal method of payment of money due from the company will be by BACS or other electronic means from the Council's designated bank account or, by exception, cheque.
- 10.2 The authorised employee issuing an order is responsible for examining, verifying and certifying the related invoice(s). Such certification is to be in manuscript. The names of employees authorised to sign such records will be notified by authorised employees and be held by the Head of Corporate Services, together with specimen signatures, and must be amended in the event of any change.
- 10.3 Before approving an account, the authorised employee must have complied with the detailed printed instructions of the Head of Corporate Services in relation particularly to the following: -
- (i) 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;

- (ii) the prices, trade discounts, other allowances, credits and value added tax must be correct;
 - (iii) the relevant expenditure must have been properly incurred and be within the relevant estimate provision;
 - (iv) appropriate entries must have been made in inventories, stores records or stock books as required; and
 - (v) the account must not have been previously passed for payment and must be a proper liability of the company, either in its own right or as an agent of Gateshead Council.
- 10.4 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.
- 10.5 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.
- 10.6 Any amendment to an account must be made in ink and be initialled by the employee making it, stating briefly the reasons where they are not self-evident.

11. **Salaries, Wages and Pensions**

- 11.1 The payment of all salaries, wages, pensions, compensation and other emoluments to all employees or former employees of the Company is to be made by the payroll section at Gateshead Council as approved by the Head of Corporate Services and controlled by a Service Level Agreement.
- 11.2 The payroll section at Gateshead Council must be notified, within the agreed timetable and in the form prescribed, of all matters affecting the payment of such emoluments and in particular: -
- (i) appointments, resignations, dismissals, suspensions, secondments and transfers;
 - (ii) absences from duty for sickness or other reason, apart from approved paid leave;
 - (iii) changes in remuneration other than normal increments and pay awards and agreements of general application; and
 - (iv) information necessary to maintain records of service for pensions, income tax, national insurance and the like.
- 11.3 Appointments of all employees must be made in accordance with the regulations of the Company and the approved establishments, grades and rates of pay.
- 11.4 All time-records or other pay documents must be in a form approved by the Head of Corporate Services and be certified in manuscript by an authorised

employee. The names of employees authorised to sign such records must be provided to the Head of Corporate Services by each Head of Service together with specimen signatures and must be amended in the event of any change.

- 11.5 Ad hoc payments to individuals who provide services to the Company but who are not directly employed by the Company must only be made using procedures agreed by the Head of Corporate Services.

12. Travelling, Subsistence and Hospitality

- 12.1 All claims by employees for payment of car allowances must be submitted at monthly intervals to the Human Resources and Administration Section within the agreed timetable and in a form agreed by the Head of Corporate Services duly approved by the authorised employee.

- 12.2 Payment of other travelling expenses, subsistence allowances and incidental expenses must be submitted to the Head of Corporate Services at monthly intervals and in a form agreed by him/her duly approved by the authorised employee. Payment will be made through the creditors system upon receipt of the appropriate form duly approved. The names of employees authorised to approve such claims 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.

- 12.3 Approval by the authorised employee will be taken to mean that the approving employee is satisfied that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the Company.

- 12.4 All employees must record details of all offers of gifts and hospitality in the register to be held by the Governance Officer. The register is to be in a form agreed by the Head of Corporate Services and the Company Secretary and in accordance with the guidelines set out in paragraph 3 of the company's Code of Conduct for Employees.

13. Insurance and Risk Management

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

- 13.2 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 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 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 Employees must consult with the Head of Corporate Services and the Company Secretary on the terms of any indemnity which the Company is requested to give.

14. **Security**

- 14.1 Each 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 Maximum limits for cash holdings are to be agreed with the Head of Corporate Services and must not be exceeded without his/her express permission.
- 14.3 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.
- 14.4 Where company safes, or other security devices, are accessed using security codes this information should be limited to responsible officers. Security codes should be changed on a timely basis and as a matter of urgency where an individual with access to the safe leaves the Company's employment.

15. **Inventories**

- 15.1 Inventories must be maintained and kept up to date. They must contain an adequate description of furniture, fittings and equipment, plant, machinery, vehicles and other property held by the Company. The extent of the record and the form of the inventory is to be determined by the Head of Corporate Services.
- 15.2 Employees are responsible for making evidenced checks of their inventories at least once a year. Records must be retained for inspection.
- 15.3 Property held by the Company must not be removed otherwise than in accordance with the ordinary course of the Company's business or used otherwise than for the Company's purposes except with specific directions issued by Management Team.

16. **Reporting of Thefts and Financial Irregularities**

- 16.1 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

employee concerned must immediately, and before proceeding with any further investigation, notify the Head of Corporate Services of that matter.

16.2 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 employee about any further action to be taken.

16.3 Employees should review the Company's' Whistleblowing Policy and Probity Policy for further guidance.

17. Computer Systems

17.1 Information and communication technology supplies and services must be procured in accordance with procedures determined by the Head of Corporate Services following consultation with the Company Secretary.

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

18. Fixed Assets

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

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

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

18.4 Tangible fixed assets are initially recorded as 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.

18.5 The estimated useful life of each asset category is as follows:

Asset	Useful Life (Years)
Buildings	50
Fixtures & Fittings	2-4
IT	4

18.6 All assets are reviewed annually for impairment and when it is deemed that they have suffered a permanent reduction in value, the fall in value is recognised.

19. Taxation

19.1 The Head of Corporate Services is responsible for ensuring compliance with all relevant tax legislation, tax registrations of the Company are appropriate to

its activities and any appropriate returns are accurate and submitted on time to HM Revenue & Customs.

20. **Revision**

- 20.1 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.