



**CHELTENHAM BOROUGH HOMES LIMITED**

**FINANCIAL REGULATIONS**

**VERSION 6**

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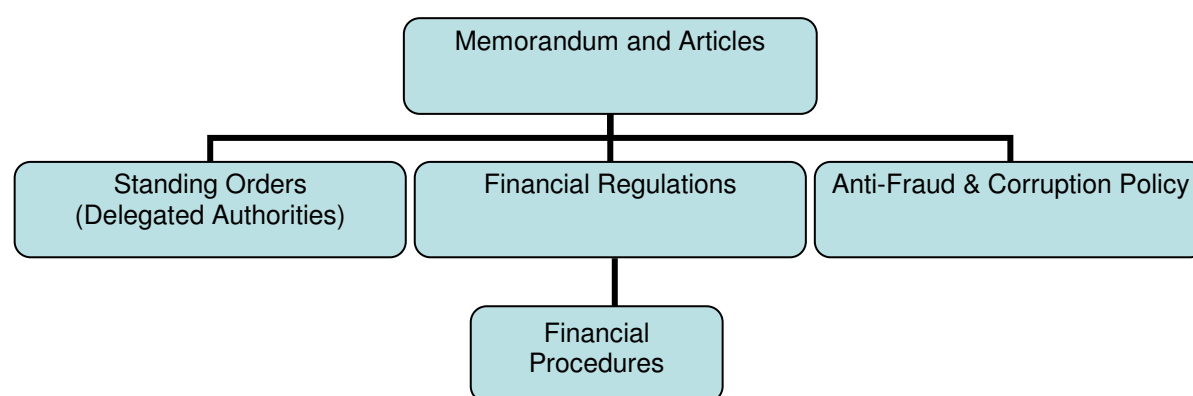
## **1. INTRODUCTION**

- 1.1. Cheltenham Borough Homes Limited (“CBH”) has adopted the following set of financial regulations and procedures in which the financial policies of the Company are laid down. These have been adopted by the Board and form part of the Standing Orders of the Company.
- 1.2 Except as specified in 1.4 below, these Regulations may only be amended with the authority of the Board.
- 1.3 Proposed amendments to the Regulations shall be submitted, in the first instance to the Finance Director who shall: -
  - a) Submit any amendments to the Chief Executive for agreement;
  - b) Review the Financial Regulations to ensure no conflict or inconsistencies would be caused by the amendment;
  - c) Submit such amendments to the Board for approval;
  - d) On approval of any amendment, revise the Financial Regulations accordingly, ensuring that all staff and relevant external bodies are notified.
- 1.4 The Chief Executive may authorise temporary variations to these regulations in emergency situations. All such variations must be reported back to the Board at the earliest opportunity.
- 1.5 Where reference is made in these regulations to approval by the Board, such approval may be delegated to a Committee of the Board, unless such delegation is not permitted either by the constitution of the Company or by operation of the law.

## **2. STATUTORY FRAMEWORK**

- 2.1 CBH has been set up as a private company limited by guarantee and is governed by the Companies Act 2006.
- 2.2 The rules and regulations under which CBH operates are contained in the Memorandum and Articles of the Company.
- 2.3 The Standing Orders are an expanded version of the Company’s Articles. They set out in greater detail the powers of the Board and Sub-Committees as well as listing the areas of authority delegated to the various Senior Leadership Team (SLT) members within the Company.
- 2.4 In the event of any conflict of interpretation, the Articles of the Company will always take precedence.
- 2.5 Standing Orders make reference to delegated authority. A summary list of Delegated Authorities is prepared as a separate policy document and is reviewed annually.

- 2.6 These Financial Regulations form part of the Standing Orders and detail the financial policies adopted by the Company.
- 2.7 Financial Procedures are more specific than the Financial Regulations and set out precisely how the regulations will be implemented.
- 2.8 The Anti Fraud and Corruption Policy sets out the Company's strategy for dealing with fraud and corruption.
- 2.9 The relationship between the various parts of the constitution may be illustrated as follows:



- 2.10 The Board and all staff are responsible for the observance of the Company's Standing Orders, Financial Regulations and Financial Procedures at all times.
- 2.11 All Board members and staff who become aware of a breach of the Financial Regulations (add - or are alerted to the possibility of fraud or corruption) must notify the Finance Director immediately. The Finance Director shall report all breaches of the Financial Regulations and other irregularities that are material or serious to the Board or a committee authorised to consider such breaches.
- 2.12 Breach of Standing Orders or Financial Regulations could lead to disciplinary action being taken against the Board / staff member concerned.

### **3. RESPONSIBILITIES AND DUTIES**

3.1 This section sets out the responsibilities and duties of the Board and staff responsible for the management of the Company.

#### **3.2 The Board**

3.2.1 The Board has overall responsibility to ensure that the policies of the Company are comprehensive and effective and that systems and procedures are in place to achieve these policies.

3.2.2 The Board must: -

- At all times be in control of the Company's finances and ensure that expenditure is covered by the income it can expect to receive from all sources.
- Ensure that the Company operates as economically, efficiently and effectively as possible within its overall objectives.
- Ensure that its financial functions adequately match the scale of the Company's activities.
- Ensure that the annual audited accounts are prepared in accordance with current legal and accounting requirements, that they are published in accordance with the Company's rules and that all statutory returns are completed within the required time period.
- Ensure that reasonable steps are taken for the prevention and detection of fraud and other irregularities.

3.2.3 The Board is responsible for making, and amending from time to time, the Anti Fraud and Corruption Policy and such financial regulations as it considers necessary and desirable for the supervision and control of the finances of the Company, in conformity with the standing orders.

#### **3.3 The Chair**

3.3.1 The Chair is elected by the Board. Occasionally action may be required between meetings of the Board and the Chief Executive can request that the Chair approve a course of action. This is known as a "Chair's action" and must be reported to the Board at the next meeting.

#### **3.4 Board Members**

3.4.1 The duty of the Board Member is to the Company, its staff and, more generally where it is in receipt of public funds, to the community at large.

3.4.2 All Board Members should, therefore, satisfy themselves that they have sufficient access to all relevant information and are sufficiently informed regarding the affairs of the Company and its background to be able to make properly informed decisions on matters affecting the Company. Board Members have a responsibility to advise the Chair if this is not the case.

### **3.5 Chief Executive**

- 3.5.1 The Chief Executive has overall responsibility for finance within CBH and for ensuring that the Financial Regulations are complied with.
- 3.5.2 The Chief Executive will co-ordinate the activities of the other staff within the Company and report back to the Board on the activities of the Company.

### **3.6 Finance Director**

- 3.6.1 The Finance Director is responsible to the Chief Executive for ensuring that procedures are in place to monitor and control the Company's financial affairs. Responsibilities include: -
  - Assisting in long term planning
  - Assisting in the preparation of the business plan
  - Co-ordinating the preparation of the annual budget
  - Presenting management accounting reports to the Board on a timely basis
  - Preparing the annual statutory accounts in accordance with current company legislation and accounting standards, liaising with the Company's auditors and presenting the accounts to the Annual General Meeting
  - Ensuring that proper books and records are maintained to meet the requirements of company legislation
  - Safeguarding the assets of the Company
  - Maintaining efficient systems of financial control and reporting
  - Ensuring the Company has adequate insurance cover
  - Ensuring that all allegations of fraud or corruption are investigated promptly in line with the CBH Anti Fraud and Corruption Policy

### **3.7 Delegated Authorities**

The Chief Executive will prepare a list of authorised staff who may act under delegated authority within their areas of responsibility. This list of Delegated Authorities will be subject to annual review and approval by the Board.

## **4. BUDGET PREPARATION**

- 4.1 The budget is to be prepared in a form agreed by the Board and must be in line with the objectives of the Company and its business plan.
- 4.2 The budget for each financial year should be prepared by 30<sup>th</sup> November in the preceding financial year. Input should be provided by each budget holder and SLT member taking into account all relevant information available at that time.

- 4.3 The budget is to be discussed and approved by the Board by no later than the 31<sup>st</sup> January in the preceding financial year.
- 4.4 At the same time as the annual budget is approved, the rolling 3 year Business Plan should be updated, incorporating the budget as Year 1 of the Plan.
- 4.5 Once approved, the budget is to be used as the basis for authority to incur expenditure and for comparison with actual monthly results.
- 4.6 The Board has power to delegate authority to spend up to the approved budget.

## **5. BUDGETARY CONTROL**

- 5.1 SLT members have primary responsibility for the control of the budgets for which they have been given delegated authority. It is the responsibility of individual line managers to clarify the budget responsibilities of their staff in liaison with the Finance Director.
- 5.2 SLT members and staff are obliged to take corrective action to control income and expenditure in respect of their areas of responsibility.
- 5.3 Variations in actual income and expenditure against budget are to be reported to the Board every quarter (or as otherwise agreed) by the Finance Director.
- 5.4 Where a budget holder is responsible for a cost centre (a number of individual budgets grouped by service) additional expenditure on a non employee budget may be off set against an underspend in other non employee budgets within the same cost centre.
- 5.5 The Finance Director shall have authority to approve additional expenditure against an underspend in any type of expense subject to such variations being reported to the Board, and provided such expenditure shall be in accordance with approved business plan objectives.
- 5.6 Where a requirement for additional expenditure is identified which would result in the forecast net profit for the year being reduced by more than £25,000 from the approved budget, prior approval shall be sought from the Chair of the Board and shall be reported forthwith to Board.
- 5.7 Nothing in these financial regulations shall prevent the Chief Executive from approving expenditure that is essential to meet any immediate needs created by a sudden emergency subject to that action being reported forthwith to the Board.
- 5.8 The inclusion of items in the approved budget shall constitute authority to incur such expenditure save to the extent to which the Board shall have placed a reservation on any such item or items. Expenditure on any such reserved items may be incurred only when and to the extent that such reservation has been removed.

- 5.9 Where an identified member of staff proposes:-
- a new policy
  - a variation of existing policy
  - a variation in the means or timescale of implementing an existing policy

that affects or may affect the Company's finances, he/she shall, after consulting with the Finance Director, submit a report to the Chief Executive for consideration by the Board.

## **6. ACCOUNTING**

- 6.1 All accounting procedures and records of the Company shall be determined by the Finance Director in accordance with the requirements of statutory agencies and authorities.
- 6.2 The Finance Director is ultimately responsible for the compilation of all accounts and accounting records of the Company.
- 6.3 The following principles shall be observed where possible, in the allocation of accounting duties in order to ensure that proper segregation of duties exist:-
- the duties of providing information about money due to or from the Company and of calculating, checking and recording these sums shall be separated from the duty of collecting or paying them.
  - staff charged with the duties of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions
- 6.4 The intervals at which the accounting records are updated are specified in the detailed financial procedures of the Company.
- 6.5 Procedures for the maintenance of the accounting records may be found in the detailed Financial Procedures Manual.
- 6.6 Management Accounts should be presented on a quarterly basis to the Board. The accounts should present latest financial information to an accounting date within six weeks of the meeting.. The format and content of the management accounts will be determined by the Finance Director but must include actual year to date, full year estimated figures and an explanation of significant variances between full year estimated figures and budget.
- 6.7 The annual accounts will be prepared on the historical cost basis in accordance with United Kingdom Generally Accepted Accounting Practice (UKGAAP).
- 6.8 Final accounts are to be submitted to the Board for approval within six months following the financial year-end and prior to the Annual General Meeting.
- 6.9 Final audited and signed accounts must be submitted to Companies House within 9 months of the financial year-end and to the Homes and Communities Agency (HCA) within 6 months of the year end.



## **7. AUDIT REQUIREMENTS**

7.1 The Company will at all times comply with statutory and regulatory requirements.

### **7.2 External Audit**

7.2.1 The Board is responsible for agreeing the selection criteria for candidates for appointment as external auditors.

7.2.2 To ensure continuing value for money, the Company will carry out a formal tendering exercise for the external audit service at least every five years.

7.2.3 When required, tenders should be sought from at least three external audit firms. The Board should evaluate each tender and the firm offering the best value for money should be appointed. Short listed candidates will also be invited to make a presentation to the Board in addition to their written tender and this will be taken into consideration in the appointment process.

7.2.4 Following appointment the Board will require the firm to confirm in an engagement letter its acceptance of the appointment and to define the duties and responsibilities the firm is taking on.

7.2.5 The audit engagement letter remains effective from one audit to the next unless it is replaced by common agreement between the parties. The Finance Director will review the letter annually to ensure that it is still appropriate and report on this to the Board.

7.2.6 Before the external audit is started, the fee to be charged will be agreed with the auditor, ensuring that fees for additional services requested are shown separately.

7.2.7 The external auditor will prepare an audit plan each year. This will be discussed with the Finance Director who will agree the arrangements for its implementation.

7.2.8 The audit plan should include a reference on the extent to which the external audit intends to rely on internal controls and on any internal audit functions. It should also take into account the preparation of the annual accounts by the Company and the extent to which working papers and schedules are to be prepared by the auditor rather than the Company.

7.2.9 On completion of the audit the auditor will discuss any significant audit findings with the Company's Chief Executive Officer and Finance Director.

7.2.10 As soon as possible thereafter the senior member of the external audit team will present the audit findings to the Board in the form of a Management Letter. In the event that the auditor has no significant matters to report, this should be confirmed in writing.

7.2.11 The external auditor must also review the Board's statement on internal financial control and report to the Board on the review.

7.2.12 The Board must formally respond to the Management Letter in writing.

- 7.2.13 The Board should review the external auditor's performance annually taking output, quality and cost effectiveness into account. The review should also consider whether the terms of the engagement letter have been met and if they are still appropriate.
- 7.2.14 If performance is found to be satisfactory, the external auditor should be formally reappointed at the AGM.
- 7.2.15 If the Board is not satisfied with the external auditor's performance and is unable to satisfactorily resolve the issues identified as affecting performance, it will be necessary to seek the appointment of an alternative auditor in accordance with the provisions of the Companies Act.

### 7.3 **Internal Audit**

- 7.3.1 The Board is responsible for the appointment of the Company's Internal Auditor. The cost and quality of the internal audit service received was last benchmarked in October 2011. The service will be reviewed every three years going forwards to ensure value for money is being obtained and to consider the need to competitively tender the service.
- 7.3.2 The main responsibility of internal audit is to provide the Board, the Chief Executive and senior management with assurances on the adequacy of the internal control system and to alert them to any possibility of fraud and corruption.
- 7.3.3 The internal auditor is totally independent with regard to his planning and operations and at all times has access to the Board, Chief Executive and other senior staff.
- 7.3.4 The internal auditor will be requested to liaise with the Company's external auditors to identify areas of internal audit activity upon which the external auditor may place reliance.
- 7.3.5 The internal auditor will be requested to prepare (in liaison with the Audit and Risk Committee and CBH senior management) and present a plan of proposed audit work to the Board.. Periodic reports on progress against that plan will also be required together with information on any issues the internal auditor considers should be brought to the attention of the Audit & Risk Committee/Board.

### 7.4 **Other Auditors**

- 7.4.1 The Company may, from time to time, be subject to audit or investigation by external bodies such as HM Revenue and Customs who have statutory rights of access.

## **8. INCOME AND BANKING**

### **8.1 General**

- 8.1.1 The Finance Director is responsible for ensuring that appropriate procedures are in operation to enable the Company to receive all the income to which it is entitled. All receipts, invoices or other official documents in use must have the approval of the Finance Director.
- 8.1.2 The Finance Director is responsible for the prompt collection, security and banking of all income received.

### **8.2 Appointment of Bankers**

- 8.2.1 The Board is responsible for the appointment of the Company's bankers. The appointment shall be for an initial period of five years after which consideration shall be given to competitively tendering the service.

### **8.3 Banking Arrangements**

- 8.3.1 The Finance Director is responsible for liaising with the Company's bankers in relation to the Company's bank accounts and the issue of cheques. All cheques shall be ordered on the authority of the Finance Director who shall make proper arrangements for their safe custody.
- 8.3.2 Only the Board may authorise the opening or closure of a bank account for dealing with the Company's funds. All bank accounts shall be in the name of the Company.
- 8.3.3 All cheques drawn on behalf of the Company must be signed in the form approved by the Board. Details of authorised persons and limits for all types of payment including BACS and CHAPS shall be provided for in the Company's detailed financial procedures.
- 8.3.4 The Finance Director is responsible for ensuring that all bank accounts are subject to regular reconciliation on at least a monthly basis.

### **8.4 Cash Receipts**

- 8.4.1 All monies received by the Company from whatever source must be recorded on a daily basis and credited to the correct ledger account. Where appropriate, an authorised receipt of the Company should be issued.
- 8.4.2 All monies received must be remitted to the finance department and custody of all cash holdings must comply with the requirements of the Company's insurers.
- 8.4.3 No deductions may be made from any cash collected on behalf of the Company prior to paying in to the finance department, unless prior approval is obtained from the Finance Director.

8.4.4 Personal or other cheques must not be cashed out of money received on behalf of the Company.

## 8.5 **Other Income**

8.5.1 The Finance Director shall ensure that: -

- debtors' invoices are raised promptly in respect of income due to the Company on official invoices
- timely and effective action is taken to collect overdue debts in accordance with the Company's detailed financial procedures.
- outstanding debts are monitored and reports prepared for managers.

8.5.2 The Finance Director is responsible for implementing credit arrangements and indicating a period in which different types of invoice must be paid.

## 8.6 **Write Off of Arrears and Bad Debts**

8.6.1 Requests to write-off CBH debts, or to refer CBC debts to the Council for write-off, are made by the Housing & Communities Director and Finance Director.

8.6.2 For any individual debt over £4,000, the Chief Executive will also approve write-off.

## 8.7 **Security of Documents**

8.7.1 The Company Secretary is responsible for the safekeeping of official and legal documents relating to the Company. Signed copies of deeds, leases, agreements and contracts must be forwarded to the Company Secretary who shall ensure that they are held securely.

# 9. **EXPENDITURE**

## 9.1 **General**

9.1.1 The Finance Director is responsible for ensuring accurate and timely payments are made to suppliers of goods and services to the Company.

## 9.2 **Authorities**

9.2.1 SLT members are responsible for purchases within their departments. Purchasing authority may be delegated to named individuals within the service area.

9.2.2 Invoice authorisation is managed via approval limits within the Company's ERP system and reporting on these limits is readily available. The Finance Director will review these limits annually for appropriateness.

- 9.2.3 SLT members and other budget holders are not authorised to commit the Company to expenditure in excess of an approved budget.
- 9.2.4 The authorised member of staff or budget holder certifying the invoice for payment must be different from the member of staff responsible for signing the order form.

### 9.3 **Petty Cash**

- 9.3.1 Petty cash will be controlled through an imprest system. Detailed guidance will be issued by the Finance Director and be contained in the Company's financial procedures.
- 9.3.2 At the end of each financial year, or more frequently if required by the Finance Director, a certificate of the balances held must be completed by the member of staff responsible for the float and countersigned by the Financial Controller.

### 9.4 **Purchase Orders**

- 9.4.1 The ordering of goods and services shall be in accordance with the Company's detailed financial procedures.
- 9.4.2 The computerised Purchase Order Processing (POP) system shall be used whenever possible for the purchase of all goods and services, except those made using petty cash.
- 9.4.3 It is the responsibility of the Finance Director to ensure that all purchase orders refer to the Company's conditions of contract.

### 9.5 **Contracts**

- 9.5.1 All contracts with suppliers for goods and services shall be awarded in accordance with relevant detailed financial procedures, ensuring compliance with any relevant statutory regulation and the principle of best value for the Company. Procedures shall be varied, depending on the estimated value of the related contracts, as follows:-
- Contracts with a value less than £10,000 can be awarded by an authorised member of staff on the receipt of a written quotation from a single supplier
  - Contracts with a value between £10,000 and £50,000 can be awarded by an authorised member of staff on the receipt of a written quotation from at least three suppliers (provided that such a number of suppliers can be identified)
  - Contracts with a value between £50,000 and £100,000 can be awarded by an authorised member of staff on the receipt of a written quotation from at least five suppliers (provided that such a number of suppliers can be identified).

- Contracts in excess of £100,000 require a formal tendering process to be adopted, as detailed in financial procedures, and a report to be submitted to Board for approval.

## **9.6 Payment of Invoices**

- 9.6.1 The procedures for making all payments shall be in a form specified by the Finance Director.
- 9.6.2 The Finance Director is responsible for deciding the most appropriate method of payment for categories of invoice.
- 9.6.3 The Finance Director is responsible for ensuring that expenditure within the company does not exceed funds available.
- 9.6.4 Payments will only be made by the Company with the Creditor Payment Control Procedure.
- 9.6.5 As stated in the procedure, payments greater than £25,000 require sign off by two members of the Senior Leadership Team prior to processing.
- 9.6.6 Invoices must be passed to the Finance department as soon as they have been certified or the latest purchase order is received.

## **10. SALARIES AND WAGES**

### **10.1 General**

- 10.1.1 The Corporate Services Director is responsible for all payments of salaries and wages to all staff including payments for overtime or services rendered. The payroll function will be carried out by the Human Resources Division of GOSS under a service level agreement. All time sheets and other pay documents will be in a form prescribed or approved by the Finance Director.
- 10.1.2 All staff will be appointed to the salary scales approved by the Board and in accordance with appropriate conditions of service. All letters of appointment must be issued by the Human Resources Manager.
- 10.1.3 SLT members are responsible for notifying the Human Resources Manager of the following matters: -
  - Appointments, resignations, dismissals, supervisions, secondments and transfers.
  - Absences from duty for sickness or other reason, apart from approved leave.
  - Changes in remuneration
- 10.1.4 The Corporate Services Director shall be responsible for keeping all records relating to payroll including those of a statutory nature.

10.1.5 All payments must be made in accordance with the Company's detailed payroll financial procedures and comply with HM Revenue and Customs regulations.

## 10.2 Pensions

10.2.1 The Board is responsible for undertaking the role of employer in relation to appropriate pension arrangements for employees.

10.2.2 The Finance Director is responsible for day to day pension matters including: -

- Paying of contributions to pension schemes
- Preparing annual returns required by pension schemes

## 10.3 Travel, Subsistence and Other Allowances

10.3.1 All claims for subsistence allowances, travelling and incidental expenses shall be completed in a form approved by the Finance Director.

10.3.2 Claims by members of staff must be authorised by their Line Manager or Chief Executive in the case of the Corporate Services Director, the Finance Director, the Property Director and the Housing and Communities Director.

## 11. FIXED ASSETS

11.1.1 The Finance Director is responsible for the maintenance of a register of fixed assets and will determine the classes of fixed assets and the form in which the registers must be maintained.

11.1.2 Acquisition of fixed assets may only be made if provision has been made within the budget and purchasing must be carried out in accordance with the appropriate financial regulations.

## 11.2 Asset Disposal

11.2.1 Disposal of assets must be in accordance with the Company's detailed financial procedures.

11.2.2 The disposal of assets with an estimated residual value in excess of £5,000 shall be subject to the prior approval of the Board.

## 12. OTHER

### 12.1 Risk Management

12.1.1 The Board is responsible for developing a risk management strategy in order to identify the risks facing the Company and the types of protection required to mitigate these risks. The strategy should cover important potential liabilities and

be sufficient to meet any potential risk to all assets. This strategy will be approved by the Board on an annual basis.

## **12.2 Insurance**

12.2.1 The Finance Director is responsible for effecting insurance cover. He/she is responsible for obtaining quotes, negotiating claims and maintaining the necessary records. He/she will also deal with the Company's insurers and advisers about specific insurance problems.

12.2.2 SLT members must ensure that any agreements negotiated within their departments with external bodies cover any legal liabilities to which the Company may be exposed. SLT members must give prompt notification to the Finance Director of any potential new risks and additional property and equipment which may require insurance and any alterations affecting existing risks.

12.2.3 SLT members must advise the Finance Department, immediately, of any event that may give rise to an insurance claim. The Finance Department will notify the Company's insurers and, if appropriate, prepare a claim in conjunction with the SLT member for transmission to the insurers.

12.2.4 The Financial Controller will keep a register of all insurance effected by the Company and the property and risks covered.

12.2.5 All staff using their own vehicles on behalf of the Company shall maintain appropriate insurance cover for business use.

## **12.3 Taxation**

12.3.1 The Finance Director is responsible for advising SLT on all taxation issues in the light of guidance issued by the appropriate bodies and the relevant legislation as it applies to the Company.

12.3.2 The Finance Director will issue instructions to SLT on compliance with statutory requirement including those concerning VAT, PAYE, National Insurance and corporation tax.

12.3.3. The Finance Director is responsible for maintaining the Company's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate. The Finance Director is also responsible for developing an effective taxation strategy which will minimise the tax burden to the Company.

## **12.4 Security**

12.4.1 SLT members are responsible for maintaining proper security at all times for all buildings, stock, stores, furniture, cash, etc, under their control. They shall consult with the Finance Director in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

12.4.2 The loss of safe keys must be reported to the Finance Director immediately.



12.4.3 SLT members shall be responsible for maintaining proper security and privacy of information. Access to areas where data is stored either physically or on computer media will be restricted to authorised persons.

12.4.4 Information relating to individuals held on computer will be subject to the provisions of the Data Protection Act. A data protection officer shall be nominated to ensure compliance with the Act.

## **12.5 Hospitality**

12.5.1 The limits concerning acceptable expenditure for entertaining guests from outside bodies are set out in the Company's code of practice on hospitality.

12.5.2 Members of the Board and members of staff should refuse all material hospitality and gifts offered by an individual or company that does or could provide services to the company where they are offered as an inducement to secure favour (bribery). Any hospitality or gifts that are accepted must be recorded in the Register of Gifts and Hospitality.

***Approved by the Board 26 March 2014***