



# **FINANCIAL REGULATIONS AND CONTRACT PROCEDURE RULES**

**April 2009**

**To: All Board Members and Employees**

In any organisation it is essential to ensure sound financial administration. For Rykneld Homes the Chief Executive has overall responsibility for management and control of all resources. The Director of Finance and Resources has responsibility for the financial administration of the Company's affairs and for the determining of the procedures and systems (whether electronic or not) to achieve this.

Financial Regulations and Procedures apply to all Board Members and employees and to all transactions. Where subsidiary rules are made these will be published. All eventualities cannot be covered in this document and so should you have doubts contact the Director of Finance and Resources. Tenants, leaseholders and others using the Company's services expect everyone involved with the Company to treat our resources with care and seek to obtain value for money - economy, efficiency and effectiveness - at all times.

The responsibilities of the Chief Executive, the Directors of Service and Service Managers are separately listed throughout this document.

It is important that all employees are familiar with the detail in this document as it applies to the activities they undertake. The depth and breadth of knowledge required will vary from individual to individual. It is a responsibility of Management to ensure this is achieved.

# FINANCIAL REGULATIONS AND CONTRACT PROCEDURE RULES

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# **FINANCIAL REGULATIONS AND CONTRACT PROCEDURE RULES**

## **A INTRODUCTION**

### **FINANCIAL REGULATIONS**

- 1.1 To conduct business efficiently Rykneld Homes needs to ensure it has sound financial polices in place and that they are adhered to. Part of this process is the approval and establishment of these regulations, which set out the financial policies of the Company.
- 1.2 Rykneld Homes has produced this updated set of Financial Regulations which reflects best practice and provides a practical source of advice to assist the running of the Company.
- 1.3 These Financial Regulations provide clarity about the responsibilities of specific individuals – Board Members, Chief Executive, Directors of Service and Service Managers. The Financial Regulations sets out the responsibilities attaching to each.
- 1.4 Directorates should use these Financial Regulations as a guide to producing robust internal procedures designed to manage their own particular services. It is considered that these procedures are written, regularly reviewed and available for inspection.
- 1.5 Directorates should also interpret these Regulations within the requirements of the Company's range of regulatory policies and procedures. For example, Contract Standing Orders, Schemes of Delegation, the role of the Finance and Audit Sub-Board, Employee Code of Conduct, which provide advice on specific issues.
- 1.6 Rykneld Homes is an Arms Length Management Company (ALMO) which provides housing management and repairs and maintenance services to 8,222 domestic properties in the ownership of North East Derbyshire District Council (NEDDC), who are the Company's sole shareholder. Rykneld Homes is committed to assist NEDDC to achieve its planning objectives and to seek continuous improvement and efficiencies. These Regulations have been written with this in mind and are fully supported by the Council.

- 1.7 The Company's governance structure is laid down in its Articles of Association which contains the:
- Scheme of delegation.
  - Contract procedure rules.
  - Financial Regulations.
  - Codes of Conduct and other protocols.

## **FINANCIAL PROCEDURES**

- 1.8 Each section of the financial procedures follows the format set out below:
- Why is this important?
    - This sets the procedure in context.
  - Key controls:
    - This sets out the controls put in place to ensure the Regulations are operated effectively.
  - Responsibilities of those involved.

## **B STATUS OF FINANCIAL REGULATIONS**

- 2.1 Financial Regulations provide the framework for managing the Company's financial affairs. They apply to every Board Member and employee of the Company.
- 2.2 The Regulations identify the financial responsibilities of the Board, Sub-Board's and senior staff members. Where responsibilities have been delegated a written record of this should be kept.
- 2.3 All Board Members and employees have a general responsibility for taking reasonable action to provide for the security of assets under their control and ensuring that the use of any resource is legal, properly authorised, is employed in pursuit of the Company's Business Plan aims and provides value for money.
- 2.4 The Director of Finance and Resources is responsible for ensuring continuous review of these Regulations and for advising the Board of any changes necessary and for reporting to Board any material breach of these Regulations.
- 2.5 The Company's requirements in respect of the implementation of these Regulations are contained in the Appendices.

- 2.6 The Director of Finance and Resources is responsible for issuing advice and guidance to underpin the Financial Regulations which Board Members, employees and any other person acting on the Company's behalf are required to follow.

## **C FINANCIAL REGULATIONS FOR RYKNELD HOMES LTD**

### **C(1) FINANCIAL REGULATION 1 – FINANCIAL MANAGEMENT AND CONTROL**

**Over view of financial accountabilities relating to:**

#### **The Board**

1. The Board is responsible for review and where appropriate amendment of the Company's Articles of Association, Schemes of Delegation, Codes of Conduct, Contract Procedures and Financial Regulations. It is also responsible for deciding on the appropriate course of action to be taken when material breaches of these framework documents is notified to it.

#### **The Finance and Audit Sub-Board**

2. The Sub-Board is responsible for making recommendations on the detailed content of these framework documents and reports from both external and internal Auditors for consideration by the Board. The Finance and Audit Sub-Board must have access to all information relevant to reaching an informed conclusion in these matters.

#### **The Chief Executive**

3. The Chief Executive is responsible for the strategic management of the Company as a whole. He/she has a responsibility to provide information to the Board and its Sub-Boards. He/she is responsible for establishing and maintaining a framework for management direction, style and standards and for monitoring the performance of the Company.

#### **The Company Secretary**

4. The Company Secretary is responsible for promoting and maintaining high standards of conduct through the production of and provision of training on Codes of Conduct for both Board Members and employees.

## **The Director of Finance and Resources**

5. The Director of Finance and Resources has a responsibility to report to the Board if the Company:
  - Has or is about to make a decision which involves or would involve incurring expenditure that is unlawful.
  - Has taken or is about to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause loss or deficiency on the part of the Company.
  - Is about to enter an item of account the entry of which would be unlawful.
6. In addition, a report must be made to the Board if it appears to the Director of Finance and Resources that in any financial year the likely out turn is in excess of all likely sources of funding.
7. The Director of Finance and Resources must liaise with NEDDC on financial matters where the Management Agreement in force at that time requires them to do so.

## **Directors of Service Generally**

8. All Directors have a responsibility to ensure that all employees in their Directorates comply with all Standing Orders, Financial Regulations and any other financial instructions the Director of Finance and Resources may issue from time to time.
9. They shall also ensure that existing and new employees are aware of these Regulations and Contract Procedure rules and understand the responsibilities of their respective posts:
  - That Regulations and Contract Procedures are followed by everyone in their Directorates.
  - Relevant records are kept and maintained.
  - Particular care is taken to ensure that those employees whose duties extend to budgeting, record keeping, ordering, income and payments are fully aware of the detailed appendices applying to them.
10. To consult the Director of Finance and Resources on any matter, outside of current budgets, which may have a financial impact on the Company.
11. To be responsible for securing and demonstrating value for money in their Service areas and for achieving financial performance targets.

## **The Decision Making Process**

12. The Board of the Company is responsible for approval of policy and the distribution of resources.
13. The Board may delegate decision making within overall Policy guidelines to Officers of the Company. Those areas where this applies are detailed in the Company's Scheme of Delegation.
14. The Company Secretary is responsible for advising the Board and Officers of the Company on who has responsibility for taking particular decisions.

## **C(2) FINANCIAL REGULATION 2 – FINANCIAL PLANNING**

### **Introduction**

1. The Board is responsible for the approval of the following which will be drafted and proposed by Senior Management Team:
  - The Performance Management Framework.
  - The Business Plan.
  - The 3-year Financial Plan.
  - The Annual Budget.
  - Value for Money Strategy

### **Budgeting**

#### **Budget Guidelines**

2. The Director of Finance and Resources is responsible for guidelines relating to budget preparation to be agreed by the Board which will account of:
  - Legal requirements.
  - Medium-term financial prospects.
  - Available resources.
  - Spending pressures.
  - Value for Money considerations.
  - Cross-cutting issues.
  - Any other consideration that may materially impact the Company's finances.

## **Budget Preparation**

3. The Director of Finance and Resources is responsible for ensuring that a revenue budget is prepared on an annual basis and is presented to Board for approval before the commencement of the financial year to which it applies.
4. The Director of Finance and Resources is responsible for presenting a report accompanying the budget which clearly establishes its viability in terms of available resources and gives assurance to the Board as to the Company's trading status.
5. The Director of Finance and Resources is responsible for the format of the budget in terms of the level of detail and the number and scope of cost centres.
6. During the budget setting process the Finance and Audit sub board have a review role and progress will be reported on a regular basis. Bids for competing resources will be considered by the Sub-Board and recommendations made to the Board on priorities. Consideration should be given to the views of other interested parties to ensure the resources are prioritised properly.
7. SMT is responsible for issuing the budget in detail to Service Managers, once approved, together with any other advice they consider appropriate.
8. It is the responsibility of each Director to ensure that the annual revenue budgets reflect agreed Service Plans and includes sufficient resource to deliver them.

## **C (3) FINANCIAL REGULATION 3 – CONTROL OF RESOURCES**

### **Internal Control**

1. Internal control refers to a method of operation that helps to ensure objectives are achieved in a way that promotes effective, efficient and economical use of resources and that the Company's assets and interests are safeguarded.
2. The Finance and Audit Sub-Board is responsible for the detailed review of matters relating to internal control and governance and making recommendations to Board on appropriate courses of action.
3. Each Director of Service has a responsibility to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve efficiency, effectiveness and economy and for achieving financial performance targets.

### **Employees**

4. The Chief Executive is responsible for providing overall management of staff and ensuring the proper use of any agreed system for the determination of the remuneration of any post.
5. Directors of Service are responsible for controlling total employee numbers.
6. Operating within the guidance note relating to the employment of staff and reporting requirements to Board.
7. Advising the Board each year of the amount required to fund the current approved establishment and where this is excess of available funding produce proposals to align spending.

### **Budget Monitoring**

8. The management of budgets overall is the responsibility of the Chief Executive.
9. The Director of Finance and Resources is responsible for providing appropriate financial information to enable budgets to be controlled effectively. He/she is also responsible for collating and reviewing budget monitoring information received from Service Managers and reporting to Board on variances and management options.
10. It is the responsibility of Directors of Service to monitor and control income and expenditure and to take any action necessary to avoid exceeding their budgets.

## **Register of Interests**

11. It is the responsibility of the Company Secretary to ensure that the Board agrees the procedures for registering Board Members and Senior Managers' interests and to ensure relevant data is collected annually.

## **Risk Management**

12. The Board are responsible for approving the Company's Risk Management Strategy and for taking decisions on recommendations received from the Finance and Audit Sub-Board on internal control and audit issues; and for effecting proper insurance.
13. The Finance and Audit Sub-Board is responsible for reviewing internal audit reports, the Company's Risk Management Register, these Regulations and the Annual Financial Statements and where appropriate making recommendations on actions to be taken to the Board.
14. The Chief Executive is responsible for preparing the Company's Risk Management Strategy and promoting it throughout the organisation.
15. The Director of Finance and Resources is responsible for advising the Board on insurance matters, putting in place insurance that complies with the requirements of the Board. Other Directors of Service are responsible for notifying the Director of Finance and Resources of any changes in insurable risk and will submit claims in accordance with approved arrangements.
16. Directors of Service must consult the Director of Finance and Resources before giving any indemnity on behalf of the Company.
17. Directors of Service must notify the Director of Finance and Resources immediately of any loss, liability or damage that may lead to a claim against the Company.

## **Security**

18. All Directors of Service must ensure appropriate records are properly maintained and securely held. They are also responsible for the identification of business critical systems and that these systems are adequately documented and that sound arrangements for the security and continuity in the event of disaster are in place and where applicable have been tested in advance.

## **C(4) FINANCIAL REGULATION 4 – SYSTEMS AND PROCEDURES**

### **Decision Making Process**

1. The Board is responsible for approving procedures for reporting its decision-making process and the financial information associated with them. The Chief Executive should provide a system for recording the Company's decisions and for the secure storage of media used to record those decisions.

### **Income and Expenditure**

2. It is the responsibility of Directors of Service to ensure that a proper Scheme of Delegation has been established and is operating effectively. It should record those employees authorised to act on behalf of the Board or Service Director in respect of payments, income collection or ordering goods and services and the limits of any authority.

### **Financial Systems and Procedures**

3. The Director of Finance and Resources is responsible for the operation of the Company's in-house accounting system and for assuring themselves of the adequacy of systems operated on behalf of the Company by others. Any proposals to change methods of operation of systems, controls or the introduction of new systems must be agreed with Director of Finance and Resources and where appropriate the Company's internal Auditors.
4. Directors of Service are responsible for the proper and effective operation of financial processes within their Directorates.
5. Any changes to financial instructions and procedure notes by Directors to meet specific service needs must be approved by the Director of Finance and Resources who will seek Boards approval where appropriate.
6. Directors of Service must ensure that they have sufficient appropriately qualified staff and other resources to meet their responsibilities and must consult with Director of Finance and Resources to ensure such employees have received appropriate financial training.

## **Data Protection**

7. Directors of Service should ensure that where appropriate computer and other systems are notified in accordance with Data Protection legislation and that employees are aware of their responsibilities under the Data Protection Act 2000 and the Environmental Regulations 2004.

## **C(5) FINANCIAL REGULATIONS – EXTERNAL ARRANGEMENTS**

1. The Company is committed to both a lead and participatory role in partnership arrangements that either enhance current services or expand the range of services available.
2. The Board is responsible for approving delegations including frameworks for partnerships with public, private, voluntary and community organisations. It is also responsible for ensuring any contractual arrangements for any work for external bodies complies with Business Plan aims.
3. The Board will decide on director membership and the Chief Executive will decide on employee membership of any partnership or other external body in which the Company is entitled to participate.
4. The Director of Finance and Resources is responsible for ensuring the same high standards of conduct with regard to financial affairs and governance in partnerships that apply within the Company.
5. The Director of Finance and Resources must specify the accounting and audit arrangements to be adopted relating to partnerships and joint ventures and consider overall corporate governance arrangements when arranging contracts with external bodies. The Director of Finance and Resources must also ensure that a full risk appraisal, including a viable exit strategy, and a value for money review are undertaken and reported to Board before agreements are entered into.

6. All Service Directors are responsible for:
- Ensuring appropriate approvals are obtained before the conclusion of any agreement.
  - Maintain a Register of Contracts and partnerships in accordance with the Director of Finance and Resources which must include details of:
    - The aims and objectives of the contract/partnership.
    - Its approved duration.
    - The Company's commitment in cash or value.
    - A performance monitoring framework.
    - An exit strategy.
    - Proper documentation of all agreements.
- Also:
- Provide appropriate information to the Director of Finance and Resources to ensure that the Company's annual accounts can be properly completed.
  - Ensure that all staff participating in partnership working are aware that they are still bound by the Policies and Regulations of the Company.
7. Where the Company is participating in work that obtains grant or sponsorship aid in its own right the provisions of paragraphs 6 above apply.
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## **APPENDIX 1: FINANCIAL MANAGEMENT AND CONTROL**

1. Financial management standards.
  2. Management and controlling spending.
    - Revenue budget.
    - Scheme of virement.
    - Treatment of year end balances.
  3. Accounting policies.
  4. Accounting records and returns.
  5. Format of the accounts.
- 

### **1. Financial Management Standards**

#### ***Objectives***

All Board Members and employees have a duty to abide by the highest standard of probity when dealing with financial issues. This is achieved by ensuring that everyone understands the standards to which they are working and the controls that are in place to ensure these standards are met.

#### ***Responsibilities of the Director of Finance and Resources***

- To ensure the proper financial administration of the Company's affairs.
- To set financial standards and monitor their compliance.
- To ensure proper professional practices are adhered to, and act as head of profession in relation to the standards, performance and development of employees engaged in financial work.
- To ensure that financial information is available to enable timely and accurate financial reporting

#### ***Responsibilities of all Directors of Service***

- To promote and ensure adherence to financial standards and proper practices set by the Director of Finance and Resources in their Directorates.

## **2. Management and Controlling Spending**

### **A. *Revenue Budget***

#### **Objectives**

- A1. Budget management ensures that resources allocated by the Board are used for their proper purpose and are properly accounted for. Budget management is a continual process enabling the Company to review and adjust budget targets during the financial year. It also provides a mechanism to call to account Managers responsible for particular budgets.
- A2. By identifying and explaining variances against budgets the Company can quickly respond to changing resource needs and put in place remedial action to prevent overspending.

#### **Key Controls**

- A3. Key controls for managing the revenue budget are:
- Budget holders are responsible for managing those cost centres they have been allocated.
  - All budgeted expenditure is allocated to a Budget Manager.
  - Budget Managers are responsible for ensuring budgets are used to provide services of previously agreed quality and scope.
  - Budget Managers will follow approved processes for the ordering and purchase of goods and services; and the appointment of staff.
  - Income and expenditure are properly recorded and accounted for.
  - Performance measures are monitored in conjunction with budgets and where misalignment occurs, action to rectify the situation is taken.

#### **Responsibilities of the Director of Finance and Resources**

- A4. To establish an appropriate framework of budgetary management and control that will ensure that:
- Budget Management is exercised within the budget aggregate in total unless the Board agree and additional financial support is available from NEDDC.
  - Each Budget Manager has access to accurate information relating to income and expenditure on their cost centres to enable them to fulfil their role.

- All employees responsible for committing to expenditure must comply to the regulation and guidance in place.
  - Each cost centre has a single named Manager; responsibility for budget management should align itself closely with responsibility for committing expenditure.
  - Significant variances from approved budgets are investigated promptly with Budget Managers identifying cause and actions to be taken.
- A5. To administer and ensure adherence to the Company's Scheme of Virement.
- A6. To submit reports, compiled after consultation with directors of service, to the Board on a regular basis on current budgets and expenditure highlighting current areas of concern and risk assessments of likely risks and opportunities and a projection of total annual spend.

### **Responsibilities of Service Directors**

- A7. To maintain budgetary control within Departments and ensure proper accounting practices are maintained.
- A8. To ensure a single identifiable Budget Manager is allocated to each cost centre.
- A9. Ensure that the monitoring process also reviews performance levels indicated in any Service or Business Plan and where appropriate ensure that action is taken.
- A10. Ensure, after consultation with the Director of Finance and Resources, that Board approval is sought for any proposal which would:
- Create a material financial commitment for future years.
  - Initiate a new or cease existing policies.
  - Materially extend or reduce service provision.
  - Create or identify a new source of income.

Ensure that, where services are to be financed from grant or other income of a finite duration, an exit strategy is in place that does not rely on established sources of funding.

- A11. To ensure compliance with the scheme of virement.

A12. To consult with other Directors of Service where any budget or virement proposal may impact on another Service or another Service Director.

**B. Scheme of Virement**

B1. The scheme of virement is monitored by the Director of Finance and Resources to ensure compliance with guidelines set by Board who must approve any variation to it.

B2. Virement is the switching of budget allocation from one heading to another within a cost centre or from one cost centre to another. Virements must be consistent with the aims of Service and Business Plans.

B3. The Scheme of Virement is intended to allow flexible budget management within overall spending limits. Care must be taken that recurring expenditure is not financed by one off savings and the full year effects of decisions made part way through the year can be fully financed.

**Responsibilities of the Director of Finance and Resources**

B4. To report to Board on virements in excess of £50,000.

**Responsibilities of Service Directors**

B5. Exercise, after consulting with the Director of Finance and Resources virements on budgets under their control of up to £50,000 and report to Board on amounts over £50,000.

B6. Where a virement of any amount is proposed between Directorates, Board approval must be sought.

B7. No virements will be undertaken after the close of any financial year.

B8. Where a budget is held by the Director of Finance and Resources for distribution in a financial year or is used to identify efficiency or other gains, movements on these budgets will not be designated as virement in terms of reporting. Transfers undertaken solely for the purpose of reflecting budget ownership will not be designated as a virement.

B9. A schedule of all virements undertaken in any financial year must be made to the Finance and Audit Sub-Board at 3 monthly intervals.

### **3. Accounting Policies**

#### **Objectives**

1. The Board are responsible for the preparation of the Company's annual accounts in the formats required by the Companies Acts and current best practice. The Director of Finance and Resources is responsible for the provision of advice and technical assistance facilitating timely and accurate completion. The Finance and Audit-Sub Board is responsible for the detailed review of the annual accounts and for promoting discussion of the accounts and matters arising from them from a wide a range of contributors as possible.

#### **Key Controls**

2. The key controls for accounting policies are:
  - Suitable accounting policies are selected and consistently applied.
  - All decisions relating to financial matters are tested for reasonableness and prudence.
    - Statutory and other professional requirements are observed.
  - All reasonable steps are taken for the prevention and detection of fraud and other irregularities.

#### **Responsibilities of the Director of Finance and Resources**

3. To select and have approved by the Board suitable accounting Policies and ensure their consistent application. These Policies must be set out in each year's Statements of Account.

#### **Responsibility of Service Directors**

4. To adhere to approved accounting policies and seek the advice of Director of Finance and Resources on their application.

### **4. Accounting Records and Returns**

#### **Objectives**

1. Proper accounting records is one of the ways in which the Company demonstrates sound stewardship of its resources. The Company has a statutory duty to prepare annual accounts which present fairly its operations in the year. The accounts are audited providing assurance that they have been properly prepared.

## **Key Controls**

2. Key controls are:
  - All Board Members, Finance employees and Budget Managers operate within the accounting standards of the Company.
  - All transactions, contracts and commitments are recorded completely, accurately and on a timely basis.
  - Procedures are in place to allow accounting records to be reconstituted in case of failure.
  - An annual plan of internal audits is in place.

## **Responsibilities of the Director of Finance and Resources**

3. To determine accounting procedures and form of financial records to be kept by the Company.
4. On behalf of the Board, compile all accounts and compile or ensure others compile all necessary accounting records prior to any statutory requirement to complete.
5. To ensure that the retention periods for financial records are specified and communicated throughout the Company.
6. To comply with the following when allocating duties:
  - Separate the duty to provide information on amounts to be collected or paid from the duty to from the duty to collect or pay them.
  - Ensuring those with a role to check the accuracy of transactions are not involved in those transactions

## **Responsibilities of Service Directors**

7. Consult the Director of Finance and Resources before making any change to the format of any accounting record or process.
8. Comply with the principle in 6 above.
9. To maintain adequate records that provides an audit trail leading from the source of a transaction to its recording in the accounting statements.
10. Supply information required by the Director of Finance and Resources to enable the completion of the annual accounts.

5. **Format of the Accounts**

In line with the requirements of the Company's Act.

## APPENDIX 2: FINANCIAL PLANNING

1. Business and Service Plans
  2. Financial Strategy
  3. Budgeting:
    - (a) Resource allocation
    - (b) Preparing revenue budgets and medium term planning
    - (c) Capital Programmes
    - (d) Use of Reserves
- 

### 1. **Business and Service Plans**

#### **Objectives**

1. The Company publishes a Business Plan and Service Plans annually. The purpose of these Plans is to set out formally the Company's intentions on service provision, performance standards and resource requirement.

#### **Key Controls**

2. The key control is:

Ensure Business and Service Plans are produced to time, are consistent with each other and fully reflect the priorities and goals of the Company.

#### **Responsibilities of the Director of Finance and Resources**

3. To advise on and supply any financial information to be included in the Plans referred to here and also other Plans and Strategies published by the Company.
4. To ensure that the annual budget reflects the resource allocation required to achieve the aims of Business and Service Plans.

#### **Responsibilities of Service Directors**

5. To contribute to the planning process.
6. To contribute to the development of targets and objectives and the means of monitoring their success.

## **2. Financial Strategy**

### **Objectives**

1. The aim of the 3 year Financial Plan is to set out the framework for the financial operation of the Company in support of its Service and Business Plans. The Financial forecast, in conjunction with the planning process, dictates the direction of the revenue budget, and investment programmes.

### **Key Controls**

2. Key controls for the Financial Plan are:
  - To ensure its assumptions are consistent with the Company's Plans and Strategies.
  - To ensure it is reviewed annually, reflects changes and models potential changes which affect the Companies financial position.
  - To ensure the Plan is reflected in revenue budgets and revenue plans.

### **Responsibilities of the Director of Finance and Resources**

3. To produce and update annually the 3 year Financial Plan.
4. To ensure the Plan reflects the aims of the Business Plan

### **Responsibilities of Service Directors**

5. To contribute to the development of the 3 year Financial Plan.
6. To ensure that financial contributions to the planning process by departments are consistent with current Company Policies and Procedures.

## **3. Budgeting**

### **A *Resource Allocation***

#### **Objectives**

- A1. It is essential that resource allocation is carefully prioritised and fairly allocated in order to fulfil our legal, contractual and development requirements. Resources include employees, money, plant and equipment, materials and land and buildings.

## **Key Controls**

- A2. There is a discernable link between levels of resource allocation to budget managers and expected outcomes.
- A3. Resources are acquired only through the use of approved processes.
- A4. Resources are only used for the purpose intended and in pursuit of approved policies and objectives.
- A5. Resources are made available only when required.
- A6. Resources are used with the minimum level of waste, inefficiency and loss.

## **Responsibilities of the Director of Finance and Resources**

- A7. To advise on methods available for the funding of resources, especially those which enhance the management fee and capital allocation.
- A8. To play a full part in the allocation of available resources to budget managers.

## **Responsibilities of Service Directors**

- A9. To work within budget limits and to utilise resources allocated in an efficient, effective and economical way.
- A10. To identify, quantify, implement and record opportunities to minimise resource requirements or consumption without detriment to service delivery.

## ***B Capital Works***

### **Objectives**

- B1. The Company makes capital payments on behalf of NEDDC for works undertaken on their properties making use of funds allocated by them. There are therefore no considerations regarding the source of funding and its prudence. It is however essential to ensure that this resource allocation is put to best use demonstrated by a clear planning process and actions to establish value for money.

### **Key Controls**

- B2. The works to be undertaken using the capital allocation and any other income source is agreed by the Board and the Local Authority prior to the start of any financial year.

- B3. Changes to the original programme of works are to be agreed by both the Board and NEDDC.
- B4. Reports on the capital programme in terms of both finance and physical progress are to be reported to each Finance and Audit Sub-Board.
- B5. To ensure value for money by undertaking periodic market testing on all facets of capital spend.

### **Responsibilities of the Director of Asset Management**

- B6. To prepare a programme of capital works for each financial year that demonstrably takes account of available finance, the need to establish and maintain Decent Homes Standard for all the Local Authority's properties, survey information, the results of tenant consultation and existing plans and strategies.
- B7. To prepare and submit in conjunction with the Director of Finance and Resources reports on current and projected expenditure and physical progress on capital schemes to each meeting of the finance and Audit Sub-Board.
- B8. To obtain the approval of the Board for schemes where estimated expenditure exceeds 5% of the programmed amount, such amounts may be met from any capital contingency or virement from other schemes.
- B9. To undertake market testing exercises in a manner and timing agreed by the Board on order to establish value for money.

### ***C Preparing revenue budgets in accordance with the Companies financial framework***

#### **Objectives**

- C1. The Company is a complex organisation providing a wide range of services. It needs to plan effectively and to have systems in place that allow resources to be allocated in accordance with its priorities. The budget is the financial expression of the Company's Plans and Policies.
- C2. Medium (3 year) term planning is the cycle within which the Company develops its plans. It is a continuous process of review and allows the Company to consider and prepare for future opportunities and risks.

#### **Key Controls**

- C3. Key controls are:
  - There is specific budget approval for all income and expenditure.

- The budget is sustainable in terms of assured levels of funding.
- Budget managers are known and are fully aware of their responsibilities and delegations.
- A monitoring process is in place to review the effectiveness and operation of budget preparation and any corrective action required is taken.

### **Responsibilities of the Director of Finance and Resources**

- C4. To prepare and submit reports on budget prospects, both immediate and where appropriate in the medium-term, to the Board including, anticipated levels and sources of funding.
- C5. To determine the detailed form of revenue estimates.
- C6. To prepare and submit reports on the aggregate spending plans of Directorates together with available funding; commenting on the sustainability of these proposals including reference where necessary to the Company's trading position.
- C7. To advise on the future or continuing impacts of current spending decisions.
- C8. To promote and facilitate the best use of resources by working with other Service Directors to identify opportunities to improve economy efficiency and effectiveness and by encouraging good practice in conducting financial appraisals and the financial aspects of service planning.
- C9. To prepare a budget framework which is reviewed by the Finance and Audit Sub-Board detailing the approach to be taken to general inflation, pay awards and other issues.

### **Responsibilities of Service Directors**

- C10. To prepare estimates of income and expenditure in consultation with the Director of Finance and Resources to be submitted to Board.
- C11. To prepare budgets which are consistent with the planning process and current procedures.

### **D. Use of Reserves**

#### **Objectives**

- D1 The Company will maintain a level of reserves which is considered adequate to fund expenditure which may arise in any financial year but is not included in the Company's revenue budget.

### **Key Controls**

- D2 The level of reserves is regularly reviewed and tested for adequacy and suitability.

### **Responsibilities of the Director of Finance and Resources**

- D3 To report to the Board, at least annually, the results of the review of any reserves.
- D4 To seek Board approval for the proposed use of reserves or any necessary addition to them.

### **Responsibilities of Service Directors**

- D5 To inform the Director of Finance and Resources of any circumstance that may require the creation of a reserve.

## **APPENDIX 3: CONTROL OF RESOURCES INCLUDING EMPLOYEES**

1. Internal Controls.
  2. Audit Requirements:
    - (a) Internal audit.
    - (b) External audit.
    - (c) Preventing financial irregularities.
    - (d) Hospitality and gifts.
  3. Non-Staff Resources:
    - (a) Security.
    - (b) Inventories.
    - (c) Stocks and stores.
    - (d) Intellectual property.
    - (e) Private use of Company assets.
    - (f) Asset disposal.
  4. Risk Management and Insurance
  5. Treasury management
  6. Imprest Accounts
  7. Money Laundering and the Proceeds of Crime Act
  8. Employees
-

## **1. Internal Controls**

### **Objectives**

1. The Company requires a system of internal controls to help to ensure all assets are managed properly and in pursuit of the Company's planning aims.
2. The Company has statutory and contractual obligations to meet and therefore require internal controls to identify, meet and monitor compliance with these obligations.
3. The Company faces a range of financial administrative and commercial risk, internal control is necessary to identify. Evaluate and counter those risks.
4. The system of internal control is established in order to provide assurance of:
  - Effective and efficient operations.
  - Reliable financial information reporting.
  - Compliance with law and regulation.

### **Key Controls**

5. Effective review on a regular basis.
6. Managerial control systems including defining policy, planning, monitoring financial and other performance. Taking appropriate anticipatory and remedial action. Promoting ownership of the control environment by defining roles and responsibilities.
7. Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties and authorisation and approval procedures.
8. An effective internal audit function that acts in accordance with statute, regulation and professional practice.

### **Responsibilities of the Director of Finance and Resources**

9. To assist the Company to put in place the key controls referred to above providing reasonable assurance of effective and efficient operation, internal control and compliance with law and regulation.
10. To ensure the system of internal control is documented, reviewed and promoted throughout the Company.

## **Responsibilities of Service Directors**

11. To manage processes in such a way as to ensure that established controls are being adhered to and to be satisfied that they are effective.
12. To update existing and establish new controls in consultation with Director of Finance and Resources and internal audit
13. To ensure employees have an understanding of the consequences of lack of control frameworks and any deliberate attempt to circumvent them.

## **2. Audit Requirements**

### **A *Internal Audit***

- A1. Internal Audit is part of the Company's system of internal control providing an independent appraisal function of that system of internal control and therefore contributes to the proper, economic, efficient and effective use of resources.

## **Key Controls**

- A2. Key controls for internal audit are:
  - It remains independent in its planning and operation.
  - The internal audit provider has direct access to the Finance and Audit Sub-Board.
  - Members of the internal audit service apply the highest professional standards to their work.

## **Responsibilities of the Director of Finance and Resources**

- A3. To ensure an internal audit function sufficient to provide oversight of the Company's systems and procedures in line with proper practice is in place.
- A4. To ensure that the Company's Internal Auditors have right of access to all documents and records including computer records that appear to them necessary for the completion of any audit and be entitled to require of any employee or Board Member any information considered necessary for the purpose of audit.
- A5. Ensure matters that may cause the Company loss either financial or reputational should be referred to the Company's Internal Auditors for investigation who will report to the Chief Executive who will implement any appropriate action.

- A6. Ensure the Company's Internal Auditor produce an Annual Audit Plan to be reviewed and approved by the Finance and Audit Sub-Board and the Board of the Company. The Auditor should liaise with SMT on the Audit Strategy and cover required.
- A7. Where, on being informed by the Internal Auditor, an appropriate response has not been made to audit recommendations the Director of Finance and Resources will raise this matter at SMT and ensure the matter is addressed.

### **Responsibilities of Service Directors**

- A8. Ensure that internal and external auditors are given access at all reasonable times to anything that they consider to be necessary for the purpose of their work and are supplied with information and explanation they seek.
- A9. To consider and respond promptly to audit recommendations.
- A10. To notify the Director of Finance and Resources of any suspected fraud or other irregularity and pending investigation ensure steps are undertaken to prevent further loss and secure any records against removal or alteration.
- A11. Ensure that any changes to existing or the inception of new systems used to maintain financial or asset records are agreed with the Director of Finance and Resources.

### ***B External Audit***

#### **Objectives**

- B1. The Company must, by law, produce an annual statement of accounts which must be audited and reported on by External Auditors. There is a further requirement to read the Directors report and raise any concerns on misrepresentation or inconsistency.

#### **Key Control**

- B2. The Company's External Auditor is appointed annually at the Company's Annual General Meeting by the Company's shareholder a process independent of both the Board and Officers of the Company.

### **Responsibilities of the Director of Finance and Resources**

- B3. To draw up a timetable for final accounts processes and advise staff and External Auditors .

- B4. To ensure External Auditors are given access at to reasonable times to anything which they consider necessary for the purpose of their work.
- B5. To ensure all records and systems are up to date and available for inspection.

## **C *Preventing Financial Irregularities***

### **Objectives**

- C1. The Company Policy on the prevention of loss by financial irregularity is set out in full in its Anti-Fraud and Corruption Policy which is issued to all Board Members and employees.
- C2. The Company will not tolerate fraud or corruption in the conduct of its business whether from inside or outside the Company.
- C3. There is an expectation that Board Members and employees will lead by example in adherence to and the promotion of legal requirements, rules, procedures and practices.
- C4. The Company expects all those it associates with to maintain high standards of conduct in their dealings with the Company and will take appropriate steps if this proves not to be the case.
- C5. The Company's Anti-Fraud and Corruption Policy is reviewed annually by the Finance and Audit Sub-Board together with the Company's approach to training in this area.
- C6. The Company has in place a confidential reporting code which applies to all staff and those providing goods and services to the Company. The code provides a procedure for confidential disclosure of concerns about suspected wrongdoing.
- C7. The Finance and Audit Sub-Board report annually to Board on the adequacy and use of this procedure and on the approach taken to ensuring that all potential users are aware of its existence and use.

### **Key Controls**

- C8. The key controls are:
  - Ensuring that the culture of Rykneld Homes is one which is open and transparent in its dealings, encouraging a culture of honesty.
  - Board Members and Management lead by example.

- All employees are aware of and are sufficiently trained to enable them to support the Anti-Fraud and Corruption Policy and utilise confidential reporting procedures.
- Managers at all levels deal swiftly with any matter they suspect may involve fraud or corruption.

### **Responsibilities of the Director of Finance and Resources**

- C9. To ensure adequate and effective audit arrangements for the Company.
- C10. To ensure actions in line with Policy are taken in cases of actual or suspected fraud or corruption.

### **Responsibilities of Service Directors**

- C11. To ensure prompt reporting of all instances of suspected fraud or irregularity are reported in accordance with current Policy.

#### ***D. Hospitality and Gifts***

- D1. It should be clearly understood that the declaration/recording of gifts or hospitality received does not legitimise acceptance.
- D2. Hospitality should only be accepted where there is a connection to a specific work arrangement. Where meals are accepted they should be declared and recorded. Invitations of a predominantly social nature should be declined.
- D3. Gifts of a nominal value, such as calendars diaries etc may be accepted as long as the Company's name or insignia is shown and therefore regarded as advertising material.
- D4. Gifts of more than a nominal value offered to employees by Contractors, organisations, firms or individuals should always be declined and the offer brought to the attention of the relevant Service Director and recorded.

### **3. Non Staff Resources**

#### **A Security**

#### **Objectives**

- A1. The Company holds assets in its own right but is, in the main, responsible for the care of assets owned by others. The approach taken to the use and upkeep of the Council's housing stock is subject to separate agreement and housing law and not dealt with here. Asset here refers to items both owned and leased/rented by the Company.

## **Key Controls**

A2. Key controls are:

- Budget Managers obtain assets appropriate to provide agreed levels of service delivery.
- Resources are acquired using only approved procurement methods.
- Resources are only used for their proper purpose.
- Resources no longer required are promptly disposed of using approved methods.

## **Responsibilities of the Director of Finance and Resources**

- A3. To ensure that an Asset Register is maintained which records all assets of a material value owned or used by the Company.
- A4. To ensure the availability of records consistent with the charging for the use of assets where appropriate.

## **Responsibilities of Service Directors**

- A5. To formally notify the Director of Finance and Resources of any addition or reduction in the asset base to ensure full and accurate records are maintained.
- A6. To ensure the security and safe custody of all assets under their control
- A7. To ensure that no asset is used by an employee without proper authority.
- A8. To ensure that all assets are identified, their location recorded and suitable insurance provision is in place.
- A9. To consult with the Director of Finance and Resources where it is thought current security measures are inadequate.
- A10. To ensure cash holdings either those of the Company or those held on behalf of NEDDC are kept to a minimum.
- A11. To ensure keys to safes etc are secure and a responsible person is nominated for their safekeeping and losses are reported to the Director of Finance and Resources as soon as possible.
- A12. To record all asset disposals and ensure that disposals are carried out in accordance with agreed procedures.

- A13. To ensure that all employees are aware that they have a personal responsibility with regard to the protection of confidential information which may be protected by law or may possess a value to the Company resulting in loss were it to be disclosed.

## ***B Inventories***

### **Responsibilities of Service Directors**

- B1. To maintain inventories adequately describing the items they contain with an estimated value in excess of £500. Consideration should be given to placing attractive and portable items with a value of less than £500 on inventory and arranging for them to be security marked.
- B2. To check annually the items included on the inventory amending accordingly noting and taking action upon surpluses and deficiencies.

## ***C Stocks and Stores***

### **Responsibilities of the Director of Asset Management**

- C1. To make arrangements for the care and custody of stocks and stores in their directorate.
- C2. To ensure that stocks are maintained at reasonable levels and subject to regular physical check occasionally under audit supervision. All discrepancies should be recorded investigated and pursued to a satisfactory conclusion.
- C3. To write off discrepancies with Board approval if in excess of £5,000.
- C4. To authorise the write off and disposal of redundant stock. This should be by way of competitive quotation or auction unless decided otherwise in consultation with the Director of Finance and Resources.
- C5. To seek Board approval for the write off of redundant stock in excess of £5,000 (book value in the Stores Ledger).

## ***D Intellectual Property***

### **Objectives**

- D1. The term here means products of original thought such as inventions, computer programmes and writings. If an employee during the course of their employment then as a general rule they belong to the employer.

## **Key Controls**

- D2. In the event of the Company deciding to commercially exploit of intellectual property the matter will proceed in accordance with the Company's intellectual property procedures.

## **Responsibility of the Director of Finance and Resources**

- D3. To develop and determine good practice through the Company's intellectual property procedures.

## **Responsibility of Service Directors**

- D4. To ensure that employers are aware they should not make use of the Company's intellectual property privately.

## ***E Private use of Company Facilities***

- E1. Employees are reminded that equipment or facilities used by the Company may not be used for private purposes unless a specific Policy has been agreed by SMT for use within a regulated framework which may be monitored to ensure adherence. Under no circumstance may an employee undertake private work on Company premises or use the Company's equipment for such a purpose.

## ***F Asset Disposal***

### **Objective**

- F1. To avoid the inefficiencies associated with the ownership of assets whose costs outweigh the benefits of ownership.

### **Key Controls**

- F2. Assets must be disposed of in the appropriate way and at a time where the best possible price is obtained. For items of a significant value should be by tender or public auction.

### **Responsibility of the Director of Asset Management**

- F3. To advise on best practice for asset disposal

### **Responsibility of the Director of Finance and Resources**

- F4. To ensure appropriate accounting entries are made and income is received and banked.

## **Responsibilities of Service Directors**

- F5. To seek appropriate advice from the relevant source (internal or external) on the disposal of assets.

## **4. Risk Management and Insurance**

### **Objectives**

1. All organisations face risks to people, property and the continuance of operation which can affect service delivery and the achievement of corporate objectives. Risk is defined as the chance or possibility of loss, damage or injury caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk.
2. Insurance has been the means of protecting against loss but this approach is not the complete answer. By reducing or eliminating the incidence of loss the Company can improve service delivery, maximise resource use and reduce the cost of insurance whilst enhancing the reputation of the Company.
3. It is the responsibility of the Board to approve the Company's Risk Management Policy and to promote a culture of risk management throughout the business.

### **Key Controls**

4. Key controls are:
  - Procedures are in place to identify, assess, prevent or mitigate material risk and these procedures are embedded within the organisation.
  - Acceptable levels are determined and insured against where appropriate.
  - Managers are made fully aware of the range of risks for which they are responsible and are aware of the practices employed to manage them.
  - Procedures are in place to manage insurance claims within timescales.
  - A continuous monitoring process is in place to ensure regular review of the effectiveness of risk reduction strategies.
  - The Finance and Audit Sub-Board will receive a report at each meeting on the Risk Register and consider any changes and levels of effectiveness.

## **Responsibilities of the Director of Finance and Resources**

5. To prepare and promote the Company's Risk Management Statement.
6. To develop Risk Management Strategies with other Service Directors.
7. To effect corporate insurance cover and administer and negotiate all claims in consultation with relevant employees.
8. To administer claims by employees for loss where there is no legal liability up to £300.

## **Responsibilities of Service Directors**

9. To notify the Director of Finance and Resources of immediately of any loss, liability or damage that may lead to a claim against the Company together with all relevant information relating to the incident.
10. To notify the Director of Finance and Resources promptly of all new risks or assets which require insurance or any change to existing insurance requirements.
11. To consult with the Director of Finance and Resources on any indemnity the Company is requested to give.
12. To ensure that any person covered by the Company's insurance do not admit liability or make any offer of compensation which may prejudice the assessment of liability in the case of any claim.
13. To take responsibility for risk management having regard to advice from the Director of Finance and Resources and other specialist Officers.
14. To ensure regular risk reviews within their Directorates.

## **5. Treasury Management**

### **Objectives**

1. To ensure the Company's cash flow and investment of surplus funds are managed in a secure and efficient way either internally or by others.

## **Responsibilities of the Director of Finance and Resources**

2. To ensure that those managing the Company's funds have Policies and systems in place that ensure the maximum possible security of those funds whilst seeking the best possible return on investments available within those policies and systems.

3. To operate Bank Accounts considered necessary to the efficient operation of the Company.
4. To ensure any guidance on banking of either the Company's funds or funds being handled on behalf of others is complied with.

**6. Imprest Accounts**

**Responsibilities of the Director of Finance and Resources**

1. To provide employees of cash or bank imprest accounts to meet minor expenditure on behalf of the Company and to produce a framework of operation including prescribed amounts.
2. To maintain a record of petty cash advances and review their use regularly and ensure their safekeeping.
3. To reimburse petty cash holders as often as necessary to ensure efficient operation of the system.

**Responsibilities of Service Directors**

4. To ensure that:
  - Relevant vouchers and receipts are obtained for purchases.
  - Any cash or cheques are kept securely.
  - Cash and vouchers to the value of the imprest can be produced on demand.
  - All transaction re promptly recorded.
  - Reconcile and balance the account at least monthly using stationery designed for this purpose.
  - Provide a certificate of value to the Director of Finance and Resources on 31 March each year.
  - The imprest is never used for personal matters.

**7. Money Laundering and the Proceeds of Crime Act**

1. Money laundering is a term used for a number of offences involving the proceeds of crime and terrorist funds

2. The Proceeds of Crime Act 2002 and the Money Laundering Regulations 2003 place specific obligations on employees handling and processing cash transactions.
3. Whilst the risk is considered low considerable amounts of cash are handled on behalf of others and so it is dealt with here.

### **Key Control**

4. The Company has a Policy not to accept individual payments in cash in excess of £5,000.

### **Responsibilities of the Director of Finance and Resources**

5. To ensure staff are aware of their responsibilities under law and are appropriately trained.
6. To maintain an internal reporting mechanism including the nomination of a post assuming overall responsibility and the approach to be taken to reporting any suspicions officially.

### **Responsibility of Service Directors**

7. Service Directors must ensure that all employees are made aware of and receive appropriate training on their statutory obligations.

### **8. Employees**

### **Objectives**

1. In order to provide the highest level of service it is essential the Company recruits and retains knowledgeable staff qualified to an appropriate level. A system of establishment control must exist in which staffing requirements and budget allocations are matched.

### **Key Controls**

2. Key controls for human resources are:
  - That workforce planning is in place forecasting staffing requirements and cost.
  - That procedures are in place for monitoring employee expenditure against budget.
  - That controls are implemented that ensure employee time is used efficiently to the maximum benefit of the Company.

### **Responsibilities of the Director of Finance and Resources**

3. To ensure approved budget provision exists for all new and existing employees.
4. To act as advisor to other Service Directors on such matters as Single Status, PAYE, NI and pension contributions.

### **Responsibilities of Service Directors**

5. To ensure staffing and related budgets are an accurate forecast of the costs relating to their approved staffing levels .
6. To monitor employee activity to ensure the maintenance of adequate controls over such costs as sickness, overtime, unproductive time and temporary employment costs.
7. To ensure that effective systems of management exist to ensure the accuracy of working times recorded and expenses claimed.
8. To ensure that staffing budgets are not exceeded and agreed levels of service are met.
9. To ensure that the Director of Finance and Resources is informed if a material overspend or underspend on staffing is likely.
10. To ensure that the provisions contained in the Recruitment and Selection Policy concerning qualifications claimed, referees and CRB checks are complied with and the requirements contained in the Company's procedure note on recruitment are met.

## **APPENDIX 4: SYSTEMS AND PROCEDURES**

1. General
  2. Income
  3. Payments to Board Members and Staff
  4. Ordering and Paying for Goods and Services
  5. Taxation
- 

### **1. General**

#### **Objectives**

1. Service Directors operate a range of systems and procedures relating to the control of the Company's assets. These systems are almost exclusively IT based and the input into them must be accurate and procedures sound and well administered. They should contain controls to ensure transactions are properly processed and error detected and dealt with promptly.
2. The Director of Finance and Resources has a professional duty to ensure the Company's financial systems are sound and that any proposed changes to them are made after consultation with the Company's Internal Auditors.

#### **Key Controls**

3. A framework of financial and management information exists enabling the Company's targets budgets and plans to be formulated.
4. Performance is communicated to Managers on an accurate, complete and timely basis.
5. Early warning is provided of deviations from targets, plans and budgets that require management attention.
6. Operating systems and procedures are secure.
7. An ongoing audit of the Company's systems and procedures is maintained.

## **Responsibilities of the Director of Finance and Resources**

8. To make arrangements for the proper administration of the Company's financial affairs including:
  - Issue advice, guidance and procedures for the Company's Board, employees and those acting on the Company's behalf.
  - Determine the accounting system, form of accounts and supporting financial records.
  - Approve any changes made to existing systems or new systems introduced.

## **Responsibilities of Service Directors**

9. To ensure accounting records are properly maintained and held securely.
10. To ensure all documents with financial implications are retained in accordance with arrangements agreed by the Director of Finance and Resources.
11. To ensure a complete audit trail for all transactions passing through their Directorates.
12. To incorporate appropriate controls that all inputs, processes and outputs are complete accurate and timely.
13. To ensure staffing structures provides for appropriate segregation of duties to minimise risk.
14. To ensure there is a documented Disaster Plan which allows the business to resume quickly in the event of interruption.
15. To establish a Scheme of Delegation identifying Officers authorised on their behalf and determine the limits of their authority.
16. To supply lists of authorised employees with specimen signatures and delegated limits to the Director of Finance and Resources.
17. To ensure that where systems contain personal data they are registered in accordance with data protection legislation.
18. To ensure computer equipment and software are protected from loss and damage.

19. To ensure that employees are aware of their responsibilities to observe access controls and maintain password security and of their obligations under the requirements of the Computer Misuse Act 1990.

## **2. Income**

1. Income can be a vulnerable asset and effective methods of collection are necessary to ensure all income due to the Company is identified, collected, receipted and banked properly. In the case of income collected on behalf of NEDDC their procedures must be followed.

### **Key Controls**

2. The Key Controls for income are:
  - All income due is identified and charged from the correct person.
  - Effective action is taken to pursue debt.
  - The Company does not accept cash payment in excess of £5,000.
  - Formal approval for write off is obtained.
  - Ensures appropriate accounting adjustments are made.
  - Appropriate provision is made for bad or doubtful debts.
  - All records relating to income are retained for the defined period for that type of record.

### **Responsibilities of the Director of Finance and Resources**

3. To agree arrangements for income collection and approve all procedures, systems and documentation.
4. To ensure the control and storage of information relating to income either paper or electronic are satisfactory.
5. To ensure the correct treatment of VAT on all transactions and provide advice to others.
6. To review arrangements for separation of duties.
7. To agreed recovery procedures are reviewed and adhered to.
8. To ensure arrangements are in place for the prompt banking of Company income.
9. To report all amounts written off, not requiring Board decision, annually.

## **Responsibilities of Service Directors**

10. To ensure invoices are issued promptly and maintain records that will allow any debt to be pursued in the event of non-payment.
11. To hold securely all records relating to income for a period of 6 years plus the current accounting year.
12. To only issue invoices for amounts in excess of £25 unless a lower amount is agreed with the Director of Finance and Resources.

### **3. Payments to Employees**

#### **Objectives**

1. Employees are the largest item in the Company's budget and effective controls are essential and ensure only amounts due are paid and that payments are in accord with an employees' Conditions of Employment.

#### **Key Controls**

2. The key controls relating to employees are:
  - Proper authorisation procedures and adherence to corporate procedures are adhered to for.
    - Starters.
    - Leavers.
    - Variations.
    - Enhancements.
  - Ensure procedures are in place to ensure payments are valid and made only to bona fide employees and are within Conditions of Employment.
  - Regular comparison between payroll costs and budgets.
  - Payroll documents are retained and stored safely for an appropriate period of time.

## **Responsibilities of the Director of Finance and Resources**

3. To arrange for a secure and reliable payroll service that satisfies the Company's requirements which must include the ability to:
  - (a) Record and control tax superannuation and other deductions.

- (b) Make payments of travel, subsistence and other claims to both employees and Board Members.
- 4. To ensure payments are made by the most economically advantageous means.

#### **Responsibilities of Service Directors**

- 5. To ensure appointments are made within current policies and procedures and within budget allocations.
- 6. Employee names on the payroll are regularly reviewed and compared with current establishment.
- 7. To ensure all payroll transactions are processed through the payroll system only. Careful consideration should be given to the employment status of “self employed” or “sub-contracted” workers. Advice should be sought from the Director of Finance and Resources if there is any doubt.
- 8. To certify all other amounts claimed. Procedures must be in place to ensure that all claims are valid and economical.
- 9. To ensure data is collected and passed to the Company’s payroll provider to allow complete tax reporting.

#### **4. Ordering and Paying for Goods and Services**

##### **Objectives**

- 1. Public money must be spent with demonstrable probity and in accordance with the Policies of both the Company and NEDDC. The Company’s procedure should help to ensure that Services receive value for money in their purchasing arrangements. These Regulations should be read in conjunction with the Company’s Contract and Purchasing Procedure notes.

##### **General**

- 2. Every Board Member and employee of the Company has a responsibility to declare any link or personal interest they have with suppliers or Contractors if they are engaged in contractual or purchasing decisions for the Company.
- 3. Official Orders in a form approved by the Director of Finance and Resources must be issued for all work by the Procurement Section only with the exception of utility payments, property taxes, periodic payments such as rents, petty cash payment or other exceptions specified by the Director of Finance and Resources.

4. Apart from petty cash, all payments should be made via Bacs transfer and only in exceptional circumstances by cheque. The use of Direct Debit or other payment methods require individual prior agreement of the Director of Finance and Resources.
5. Orders must not be raised for personal or private purchases nor should personal or private use be made of Company Contracts.

### **Key Controls**

6. Key controls for the ordering of goods and services are:
  - All goods and service may be ordered by the appropriate person using approved ordering systems with a uniquely numbered order.
  - All orders are placed are in accordance with the Company's Contract procedure rules and procedure notes on ordering goods and services.
  - Goods and services are checked on receipt to ensure they are in accordance with the order.
  - Payments are authorised by employees able to certify the goods received conform to price, quantity and quality.
  - The processes of ordering, receipt of goods and the authorisation of payment will be carried out by different employees.
  - All appropriate documents are retained and stored for the period defined in the Company's guidelines for the retention of financial records.
  - All expenditure, including VAT, is recorded against the appropriate budget heading any errors promptly corrected.

### **Responsibilities of the Director of Finance and Resources**

7. To approve the form of Official Orders and associated terms and conditions.
8. To make payment irrespective of budget availability where the payment is required by statute or Court Order.
9. To ensure arrangements for the payment of creditors are the most economic available.

## **Responsibilities of Service Directors**

10. To place orders via Procurement for routine items up to amounts detailed in the annual estimates.
11. To place orders on an existing supply contract up to the value of £25,000, amounts in excess of this for purchases relating to the Company's own revenue budget must be approved by the Board.
12. Where orders are being placed on behalf of NEDDC in perusal of the approved capital programme these Regulations and Contract Procedure rules apply with the exception that prior Board approval is not required. A report of all Contracts let must be reported to the next feasible meeting of the Finance and Audit Sub-Board.
13. To ensure only authorised employees place orders and an up to date list of these employees and the limits of their delegation is kept an authorising e-mail or the release of a requisition electronically carries the same weight as a manually signed order or requisition.
14. The signatory must be satisfied that budgetary provision exists and the goods are appropriate and needed, the Procurement Section must ensure appropriate tendering procedures take or have taken place. All involved are responsible for ensuring and demonstrating value for money.
15. To ensure payment is made only on a proper invoice checked, coded and certified for payment and the relevant Order endorsed as paid. The following conditions must be met:
  - Payment should not be made in advance of receipt of goods or service.
  - The invoice has not been previously paid.
  - Expenditure has been properly incurred and is within budget.
  - Prices and arithmetic are correct and discounts taken.
  - Taxation is properly accounted for.
  - The invoice is correctly coded.
  - Appropriate accounting entries made.

16. To ensure a person other than the one who originates an order or requisition is responsible for the procedures above.
17. To maintain a list of authorisations giving name, specimen signature or system privileges and authorised amounts that is regularly reviewed and forwarded to Director of Finance and Resources.
18. To ensure payments are not made on copied or faxed invoices unless specific approval has been obtained and all steps have been taken to ensure the invoice has not been paid.
19. Encourage suppliers to accept payment by the Company's most effective means. Payment by Direct Debit should only be made after approval by the Director of Finance and Resources.
20. To ensure best value by using the Company's Procurement Section for all purchases.
21. To operate within the Company's Procurement Strategy and Contract Procedure Rules and ensure that the requirements contained in these documents are known and understood by staff involved.
22. To inform the Director of Finance and Resources immediately of any expenditure to be incurred as a result of statute or Court Order where there is no budget.
23. To ensure all records are stored for the periods defined in the Guidelines for the Retention of Financial Records.

## **5. Taxation**

### **Objectives**

1. The Company must ensure it maintains its tax affairs in good order. Taxation matters can be complex and the results of error costly. It is important therefore all concerned are aware of their responsibilities.

### **Key Controls**

2. Key controls on taxation are:
  - Budget Managers are provided with relevant information on taxation issues.
  - Budget Managers are aware of record keeping requirements.
  - All taxable transactions are properly carried out and accounted for within known timescales.

- Returns are made to appropriate authorities within timescales.

### **Responsibilities of the Director of Finance and Resources**

3. To ensure completion of all HMCR returns regarding PAYE.
4. To ensure the completion of the Company's return of VAT inputs and outputs are accurate and returned to the HMRC in within timescales.
5. To ensure the Company's duties regarding the Construction Industry Tax Deduction Scheme are properly carried out.
6. To maintain up to date guidance on taxation matters on the Company's VAT manual.
7. To account for Corporation Tax consulting with the Company's External Auditor where necessary and submitting returns within timescales.

### **Responsibilities of Service Directors**

8. To ensure all income and expenditure has the correct VAT liability.
9. All new sources of income are notified to the Director of Finance and Resources to ensure proper tax treatment.
10. All invoice coding slips, bank paying in slips and debtors accounts are completed in accordance with instructions.
11. To ensure where building works are undertaken Contractors fulfil the requirements of the Construction Industry Tax Deduction Scheme.
12. To ensure all persons employed by the Company are added to the payroll and tax is deducted from the payroll except where are bona fide self-employed or are employed by a recognised Employment Agency.
13. To follow the advice in the Company's VAT Manual and where in doubt raise concerns with the Director of Finance and Resources.

## **APPENDIX 5: EXTERNAL ARRANGEMENTS**

1. Partnerships
  2. External Funding
  3. Work for Third Parties
- 

### **1. Partnerships**

#### **Objectives**

1. Increasingly Companies involved in the public sector work co-operatively with other service providers from the private, public and voluntary sectors, these arrangements need to be properly managed.

#### **Partnerships General**

2. The Company will enter partnerships in order to:
  - Enhance service provision.
  - Access new resources.
  - Forge new relationships.
  - Spread risk.
3. A partner is:
  - An organisation undertaking, part funding or participating as a beneficiary of the project.
4. Partners participate by:
  - Acting as project sponsor or deliverer solely or with others.
  - Acting as a funder in the provision of cash or in kind contributions.
  - Being the beneficiary group of the activity or project.
5. Partners have common responsibilities:
  - To assume a role in the partnership appropriate to their skills and resources.
  - To act in good faith at all times and in the best interest of the partnerships aims.

- To make known conflicts of interest.
- To promote sharing of knowledge, skills.
- To maintain the confidentiality of sensitive information owned as a result of partnership working.
- To act within the terms of the project and within the general requirement to demonstrate probity in dealing with public funds.

## **Key Controls**

6. The key controls for partnerships are:

- Each partnership must be justified by a normal Business Case and subject to a formal legal agreement.
- All the Companies Financial and Procurement Regulations apply where applicable and employees involved are aware of these requirements.
- Formal documentation of the roles and responsibilities of each partner before commencement.
- All partnerships should be formed in accordance within agreed criteria and after proper consultation and in accordance with guidance contained in the Company's Partnership Handbook.
- A register of all partnerships and grant funded arrangements is maintained and contains the following:
  - Its aims and objectives.
  - Its approved duration.
  - The Company's commitment in terms of finance or other resources.
  - The accountable organisation for the partnership.
  - Performance monitoring and reporting framework.
  - The Company's exit strategy on completion or termination of a partnership or the cessation of grant funding.
- Audit arrangements must, as a minimum include access for the Company's Auditors at all times to all records and documents held and those employees involved in the partnership.

## **Responsibilities of the Director of Finance and Resources**

7. To advise on the effectiveness of the proposed framework of controls and responsibilities for any partnership.
8. To advise on the key elements of any partnership including:
  - Financial viability.
  - Accounting and audit requirements.
9. Arrange for appropriate audit scrutiny.

## **Responsibilities of Senior Management Team**

10. Senior Management Team (SMT) must (taking professional advice where appropriate):
  - Establish, maintain and review the legal framework for the operation of partnerships which involves the Company.
11. Ensure all proposed partnerships are:
  - In pursuance of the Company's aims.
  - Subject to legal contract.
  - Adequately defined.
  - Insurance is in place to protect the Company from risks associated with the partnership.
  - Financially viable.
12. A constitution or similar document exists that defines:
  - Limits of financial liability.
  - Ownership of assets arising from the partnership.
  - Methods of securing confidentiality and the extent of data sharing.
  - The roles and responsibilities of each partner.
  - The regulatory framework of operation.
  - The exit strategy on cessation.
  - Dispute resolution processes.

## **Responsibilities of Service Directors**

13. To ensure Board approval before any negotiations with any prospective partners commence.
14. To maintain a register of all partnerships in a manner defined by the Director of Finance and Resources and showing at least the information required in 6 above.
15. To ensure accountability frameworks exist for each partnership which includes agreement on the prevention and addressing of overspending, dealing with inflation and efficiency savings.
16. To ensure where budgets are pooled the Company's procedures for budget monitoring and procurement are followed.
17. To ensure financial records relating to partnerships are retained in accordance with the advice contained within the guidance on the retention of financial records.
18. To ensure that all proposed agreements are subject to review by SMT before commencement.
19. To ensure resources are in place to meet the obligations imposed by the partnership.
20. To ensure the partnerships performance against aims and objectives and against financial targets is monitored and reported to the Finance and Audit Sub-Board on a quarterly basis for the life of the arrangement.

## **2. External Funding**

1. The Company is determined to provide optimum service levels by securing funding from all suitable sources. The term 'external funding' means finance from a source other than NEDDC and will normally be in the form of grant aid or sponsorship. The term 'grant' is used below for all income of this type.

## **Key Controls**

2. Key controls on external funding are:
  - To ensure conditions and requirements of funding are fully understood and complied with.
  - To ensure funds are sought for activities that are central to the Company's aims.

- To ensure where matched funding is required consideration is given to impacts on current and future budgets.

### **Responsibilities of the Director of Finance and Resources**

3. To:

- Maintain records of expected grants.
- Ensure all funding received is correctly accounted for.
- To ensure all claims for funds are accurate and made by the due date.
- To identify any long term implications of funding arrangements and consideration is given to them before arrangements are entered into.
- To promote and facilitate the maximising of grant income.
- To ensure the requirements in these regulations including audit arrangements are met.

### **Responsibilities of Service Directors**

4. To provide plans showing how funds will be used to support business planning objectives and any conditions attached to the release of funds.
5. To ensure claims are made as specified and that the audit requirements of the funding body can be met.
6. To ensure there is an exit strategy in place.
7. To ensure Board approval is sought prior to any agreement is entered into.
8. To maintain up to date records of all sources of external funds.

### **3. Work for Third Parties**

#### **Objectives**

1. Working for others outside of our current arrangement with NEDDC provides the opportunity to obtain economies of scale and to retain expertise within the business. On achieving 2 Stars, the Company will be able to undertake work for others the approach to be taken is given below.

#### **Key Controls**

2. To ensure proposals are properly costed, at least self-financing and not at variance with the Company's ethos.

3. To ensure proper contractual and insurance arrangements are in place and approval to undertake work for third parties is obtained from SMT.

### **Responsibilities of Service Directors**

4. To ensure Board approval is obtained before any commitment is entered into.
5. To ensure necessary skills and resources are available to undertake contractual requirements.
6. To ensure all necessary documentation is maintained.
7. To maintain a register of all Contracts entered into with third parties in a manner specified by the Director of Finance and Resources.
8. To ensure appropriate insurance cover is in place.
9. To ensure the Company is not put at risk from bad debts.
10. To ensure prompt and accurate billing procedures are in place.
11. To ensure that contracts are not subsidised by the Company.
12. To ensure services undertaken do not impact adversely on the Company's core activities.
13. To make available to the Director of Finance and Resources all information required to allow production of the statement of accounts.

## **APPENDIX 6: CONTRACT PROCEDURE RULES**

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## 1. DEFINITIONS AND INTERPRETATIONS

### 1.1 Definitions

*“Authorised Officer”* - means an employee to whom a Chief Officer has delegated authority under Financial Regulations.

*“Approved List”* - means a list of approved firms maintained by the Company and NEDDC

*“Central Purchasing Scheme”* - means NEDDC’s Central Purchasing Scheme.

*“Chief Legal Officer”* - means NEDDC’s Chief Legal Officer or in his/her absence the Chief Solicitor or Principal Solicitors.

*“Chief Officer”* - means Chief Executive of NEDDC or Chief Executive of Rykneld Homes Ltd

*“Construction line”* - means the national register of construction services created and owned by the Department of Environment Transport and the Regions and operated in partnership with Capita.

*“Contract File”* - means a record of all matters relating to a contract.

*“Designated Officer”* - means an employee authorised by a Chief Officer to be responsible for the custody, opening and recording of tenders.

*“Executive Board Member”* - means any member who has been appointed as such by the board of Rykneld Homes Ltd.

*“Chief Finance Officer”* - means NEDDC’s Chief Finance Officer or anybody delegated by him/her to carry out the functions allocated to that post by these Rules.

*“Director of Finance and Resources”* means Rykneld Home’s Director of Finance and Resources or anybody delegated by him/her to carry out the functions allocated to that post by these Rules.

*“EC Contract”* - means a contract caught by the Supply, Works or Services Contract Regulations.

*“Financial Regulations”* - means the parts of Rykneld Homes Ltd Financial Regulations relating to contracts.

*“Firm”* - means an individual, partnership or limited company.

*“Highway Contracts”* - means contracts for highway maintenance or improvement, works or traffic safety schemes which are based on a standard form contract, below £100,000 in value and anticipated to last no longer than 14 weeks.

*“Recharged Services”* - means services provided by NEDDC to Rykneld Homes Ltd but does not include services provided following a competitive tendering exercise.

*“NEDDC Service Provider”* - means a provider from within NEDDC.

*“Legal Division”* - means NEDDC’s Legal Division within the Corporate Services Department.

*“OJEC”* - means the Official Journal of the European Community.

*“Procurement Officer”* - means the procurement officer in the Corporate Services Department.

*“Standard Form Contract”* - means contracts issued by recognised professional bodies such as the RIBA or ICE.

## 1.2 Interpretation

1.2.1 All references to contract values in these Rules means the total cost, not the annual cost, net of VAT.

1.2.2 NEDDC's Chief Legal Officer will advise on the implementation and interpretation of these Rules and his/her views will be binding.

1.2.3 NEDDC's Chief Legal Officer may issue guidance on the implementation and interpretation of these Rules and officers must have regard to that guidance and have good reasons for departing from it.

## 2. FINANCIAL REGULATIONS

2.1 These Contract Procedure Rules are to be read in conjunction with the Financial Regulations with particular reference to Regulations E and H.

## 3. PURPOSE/OBJECTIVES

The purpose of these Rules is to ensure:

- the Company and NEDDC obtains value for money
- compliance with the law, including European Community (EC) Procurement Directives
- fairness in the treatment of contractors/suppliers
- probity in the award of Company and NEDDC contracts
- the interests of the Company and NEDDC and theirs employees are properly safeguarded
- the prevention of fraud and corruption
- a best value approach.

## 4. COVERAGE/COMPLIANCE

4.1 All purchases and contracts made by or for any part of the Company and NEDDC, except those covered by Rule C5 of Financial Regulations, must comply with these Contract Procedure Rules, including contracts for:

- buying and selling goods, plant, equipment and materials
- building, landscaping, engineering and maintenance works
- providing services, including research and consultancy services
- hire, rental or lease of goods, plant and equipment.

4.2 It must be a condition of any contract between the Company/NEDDC and anyone who is not an officer but who is authorised to carry out any of the

Company's/NEDDC's contract functions, such as an architect or surveyor, that they comply with these Rules and the Financial Regulations.

## 5. EXCLUDED AREAS

5.1 The only exemptions from these Procedural Rules are:

- sale or purchase of land
- leases, licences, easements or similar rights over land
- personal contracts of employment
- Internally Recharged Services
- schools operating under NEDDC's scheme for funding schools
- care in the community and other social care contracts for the placement of individual clients
- goods or services obtained under, and in accordance with, the Central Purchasing Scheme
- purchase of library books
- goods purchased at a public auction
- corporate funding agreements for grants to voluntary organisations
- engagement of Counsel.

5.2 Alternative regulatory schemes for contracts relating to excluded areas should, where appropriate, be drawn up and approved by the Director of Finance.

## 6. WAIVER

6.1 A waiver from any of the provisions of these Rules may be made by the Company/NEDDC or in the cases of urgency, by a Chief Officer in consultation with the Chief Legal Officer.

6.2 In all cases referred to in 6.1, the body or person exercising the waiver must:

- be satisfied that the waiver is justified
- only waive those Rules which are relevant to the special circumstances.

6.3 A written record of any waiver must be kept on the Contract File. The record must include justification for the waiver and, where relevant, the circumstances requiring urgent action.

## 7. CHIEF OFFICER'S RESPONSIBILITY

7.1 Chief Officers are responsible for making sure that all tendering procedures carried out by their department and all contracts awarded by it comply with these Rules and Financial Regulations.

- 7.2 In particular, Chief Officers must make sure that:
- any employee directly involved in the tendering, award or management of a contract is adequately trained so they have a proper understanding of these Rules and Financial Regulations
  - the records required by these Rules and Financial Regulations are maintained and retained for the specified periods
  - they obtain the advice of the Chief Legal Officer where there is any doubt on how to proceed or to apply these Rules and the advice of the Director of Finance and Resources on the Financial Regulations.

## 8. SCHEME OF DELEGATION

- 8.1 Each Chief Officer must compile and maintain a scheme of delegation for his/her department.
- 8.2 The scheme of delegation compiled under 8.1 must be in the form of a register and detail the names and grades of employees approved for the purpose of price testing, tendering and entering into contracts and placing orders on the Company/NEDDC's behalf and the maximum contract value allocated to each employee for these purposes.

## 9. CENTRAL PURCHASING SCHEME

- 9.1 The Central Purchasing Scheme covers many items required on a daily basis. Prices and suppliers are published in a catalogue. Where a product or service is included in the Central Purchasing catalogue, it must be ordered from the approved supplier indicated unless expressly agreed otherwise by the Procurement Manager.

## 10. EC PROCUREMENT

- 10.1 Contracts for the supply of goods or services or for works over the "prescribed thresholds" must be tendered in accordance with the EC Public Procurement Directives. The prescribed thresholds change every two years and are quoted in European Currency Units (ECUs). The Sterling equivalent is recalculated each year on 31 December, The Chief Legal Officer must be contacted to find out the revised amounts.
- 10.2 The threshold figures in 10.1 relate to the total value of the contract, net of VAT, not the annual value. The EC Directives include details of how this value should be arrived at, particularly when the contract is for an indefinite period or has an option to renew. The Directives prohibit any attempt to split the contract artificially so as to bring each part under the threshold.

- 10.3 Where they apply, the EC Procurement rules impose requirements on such matters as where the notice seeking tenderers must be placed, its format, minimum tender periods and the award criteria.
- 10.4 Where the EC thresholds are exceeded, or in any area of doubt, the Authorised Officer must consult with the Chief Legal Officer to ensure full compliance with the Directives. The Authorised Officer must also provide the Chief Legal Officer with copies of all notices placed in OJEC.
11. APPROVED LISTS/CONSTRUCTION LINE
- 11.1 There will be no requirement for Chief Officers to compile an Approved List for construction projects or consultancy services where an appropriate Construction line list is available.
- 11.2 Chief Officers will, whenever practicable and in the Company/NEDDC's financial interests, compile and maintain Approved Lists of contractors/suppliers/consultants who are capable of satisfactorily performing contracts of the type and size for which they have been approved.
- 11.3 In choosing Firms for Approved Lists, Chief Officers must use NEDDC's corporate questionnaire, plus appropriate supplementary questions, and must specifically enquire about and vet Firms for:
- technical ability, capacity and experience
  - health and safety records and standards
  - financial standing, in consultation with the Director of Finance and Resources
  - equalities record/policies
  - insurance arrangements.
- 11.4 Approved Lists, and amendments, must be approved by the Board of Rykneld Homes
- 11.5 Approved Lists will indicate whether the Firms named are approved for all contracts or for specified values or categories.
- 11.6 Approved Lists must be reviewed and re-advertised at least every four years. On review, each Firm on the list must be sent a notice inviting them to re-apply.
- 11.7 The initial Approved List will be drawn up after placing an advertisement inviting applications in an appropriate local paper and trade publications provided that when only one of these methods is used Chief Officers must keep a written record giving the reasons why.

- 11.8 Chief Officers may, in consultation with the Chief Legal Officer and Chair of the Board, suspend a Firm from an Approved List until the next meeting of the Executive if they have serious concerns about the financial stability, technical capability or health and safety practices of the Firm, or there are allegations of impropriety requiring investigation.
- 11.9 The Board has the power to remove or suspend any Firm from an Approved List.
- 11.10 When there is an Internal Provider on the relevant Approved List, they must automatically be invited to tender.
- 11.11 Approved Lists should ideally contain a minimum of six Firms.

## 12. SPECIFICATIONS

- 12.1 The Authorised Officer must make sure that the tender documents include a specification giving details of the quality, performance, safety or other characteristics required of the works, services or supplies.
- 12.2 Technical specifications must be defined by reference to the relevant European specifications or, where they do not exist, in the following order:
- British technical specifications
  - British standards implementing international standards
  - other British standards and technical approvals
  - any other standards.
- 12.3 Specification must not refer to supplies of a particular make or source unless:
- it is justified by the contract requirement
  - the contract requirement cannot otherwise be described precisely and intelligibly provided in the latter case the references are accompanied by the words “or equivalent”.
- 12.4 Specifications must not include any requirement which discriminates against other EU member states.

## 13. PRE-TENDER ENQUIRIES

- 13.1 Chief Officer may authorise pre-tender enquiries to be made of potential tenderers prior to the issue of an invitation to tender where, for example, the technical specification is so complex that it cannot be drawn without confirmation from prospective tenderers.
- 13.2 No Firm must be led to believe that the information they offer will lead to them being awarded the contract.

13.3 A written record, of all such enquiries, responses and related meetings detailing the individuals present, must be made by the Authorised Officer and kept on the Contract File.

#### 14. CONTRACT VALUE

14.1 All contract values quoted in these Contract Procedure Rules must be based on an estimate of the total cost of the contract, (for ongoing supply, this means the cost over the full life of the contract), carried out by the Authorised Officer who must keep a written record of how it was arrived at on the Contract File.

14.2 Contracts must be packaged to best ensure service delivery, competition and value for money and must not be artificially divided into two or more contracts to avoid the application of these Rules.

#### 15. REQUIREMENT TO OBTAIN QUOTES OR TENDERS

Contracts between £1,000 and £5,000

15.1 For contracts between £1,000 and £5,000, three or more quotes shall, where practical, be obtained. In cases of urgency these may initially be oral quotes but, if so, they must be confirmed in writing within seven days.

Contracts above £5,000 but below £20,000

15.2 For contracts above £5,000 but below £20,000, three written quotes must be obtained. However, in cases of urgency, or for any other good reason, the Authorised Officer may obtain fewer quotes, provided the reasons are recorded in writing and retained on the Contract File.

15.3 The Authorised Officer must record on the Contract File:

- the subject matter of the quote
- the names of the Firms invited to quote
- their responses, including details of any quotes received
- the reasons why the successful quote was accepted.

Contracts between £20,000 - £50,000

15.4 Where a proposed contract is between £20,000 and £50,000 in value and a relevant Approved/Construction line List is available, an invitation to tender will be sent to at least three Firms on that Approved/ Construction line List chosen in accordance with 16, or to all of them if there are less than three, unless the Authorised Officer decides that it is not appropriate

to use the Approved/ Construction line List and his/her decision and reasoning are recorded in writing and retained on the Contract File.

- 15.5 Where an Approved/Construction line List is not available, or the Authorised Officer decides not to use it, then tenders can be sought direct from at least three Firms and the Authorised Officer must keep a written record on the Contract File of the reasons for choosing them.
- 15.6 Where an Approved / Construction line List is not used and it is proposed to invite less than three Firms, then a specific waiver must be obtained under Rule 6.

#### Contracts over £50,000

- 15.7 Where a proposed contract exceeds £50,000 and a relevant Approved/ Construction line List is available, an invitation to tender will be sent to at least four Firms on that list chosen in accordance with 16, or to all of them if there are less than four, unless the Authorised Officer decides that it is not appropriate to use the Approved/Construction line List in consultation with the Chief Legal Officer.
- 15.8 Where an Approved/Construction line List is not available, or the Authorised Officer decides not to use it, then either of the following procedures can be used:
- a) public notice inviting direct tenders in accordance with 17
  - b) public notice inviting expressions of interests in accordance with 17. After which at least four Firms must be invited to tender unless fewer express an interest. However, if only one Firm expresses an interest then the written consent of the Chief Legal Officer must be obtained to proceeding and he/she may require the contract to be more widely advertised
  - c) for contracts of a specialist nature, tenders can be sought direct from at least four Firms provided that the Authorised Officer consults the Chief Legal Officer and the appropriate Executive Member and records in writing on the Contract File the justification for using this course of action rather than giving public notice.
- 15.9 Where the Approved/Construction line List or public notice procedure are not used and it is proposed to invite less than four Firms, then a specific waiver must be obtained under Rule 6.

#### 16. TENDERING FROM APPROVED/CONSTRUCTIONLINE LISTS

- 16.1 Firms on an Approved/Construction line List must be invited to tender in strict rotation except that up to 50% of the tender list, excluding an Internal

Provider, may be nominated by the Authorised Officer in accordance with 16.2.

16.2 The Authorised Officer may nominate a Firm for a tender invite from the Approved/Construction line List if:

- it is the existing contractor, or
- it has worked on an earlier stage of the project in the last two years, or
- it has carried out similar work satisfactorily for NEDDC in the last two years
- it has submitted a closely competitive tender for similar works in the last two years.

16.3 Chief Officers may in consultation with the Chief Legal Officer authorise an exemption from the requirements of 16.1.

16.4 In all cases Authorised Officers must record on the Contract File how they compiled a tender invitation list from the Approved List.

## 17. TENDERING FOLLOWING PUBLIC NOTICE

17.1 For all contracts requiring public notice an advertisement must be placed in at least one local newspaper and one appropriate trade journal. The advertisement must give details of the contract and how tender documents can be obtained or inspected.

17.2 Where following a public notice only selected Firms will be allowed to tender, the advertisement must state the period within which expressions of interest must be received. The Authorised Officer must then require Firms who express an interest to complete and return a questionnaire.

17.3 The Authorised Officer must place on the Contract File copies of the public notices and a record of where and when such notices were published.

## 18. SELECTION OF TENDERERS

18.1 When choosing Firms to invite to tender, other than from an Approved/Construction line List, the Authorised Officer must have particular regard to their financial standing and technical ability.

18.2 The selection of Firms must not be based on the “non-commercial” matters in Section 17(4) of the Local Government Act 1988.

18.3 Authorised Officers must record on the Contract File which Firms were invited to tender and why and the reasons the unsuccessful Firms were not invited.

## 19. TENDER INSTRUCTIONS

- 19.1 Tenders can be received both electronically and in hard copy format. Therefore, tender instructions must clearly state the method, format, date and time of submission for the tenders to be considered.
- 19.2 For submission by conventional means, the instructions must make it clear that tenders will only be considered if they are received at a specific place and by a specific time and date in a sealed plain envelope with the word "Tender" and the name of the contract written on it.
- 19.3 For electronic tendering, tenders will only be accepted if they are returned via the Electronic Tendering Software package. A timed receipt must be offered to the tenderers on the submission of completed bids. Envelopes containing any additional bid information should be properly sealed and submitted as in 19.2 above.

### Schedule of Rates

- 19.4 If there is a recurring or regular demand for work, or the supply of goods and materials or services, for which NEDDC's requirements cannot be accurately defined, tenders should generally be invited on the basis of a schedule of rates.

## 20. RECEIPT, CUSTODY, OPENING AND RECORDING OF TENDERS

### Custody of Quotes (for Contracts below £20,000)

- 20.1 Chief Officers must make sure that there are procedures in place for the proper receipt and retention of quotes.

### Contracts £20,000 up to £50,000

- 20.2 Chief Officers will:
- designate officers in their department who are independent of the tendering process to receive and open tenders
  - set up a system for the receipt, custody, opening and recording of tenders. The system must be notified to, and approved by, the Director of Finance and Resources.
- 20.3 On receipt a tender envelope must be marked with the date and time of receipt and be signed by the receiving officer. The tender envelope will remain in the custody of a Designated Officer until they are opened in accordance with paragraph 20.7.

- 20.4 No tender received after the deadline for receipt must be considered unless it can be proved that the tender was delayed within Company/NEDDC offices through no fault of the tenderer and arrived before the other tenders had been opened.
- 20.5 The reason for rejecting any tender envelope, for example it is late, must be recorded in a register by a Designated Officer.
- 20.6 Tenders other than late tenders will be opened:
- after the deadline for tender submissions
  - at the same time and place
  - in the presence of a Designated Officer and an employee involved in inviting the tenders.
- 20.7 The Designated Officer must at the time of opening tenders record the following details:
- the date and time
  - the name of each tenderer
  - the amount of each tender
- and this record must be signed by all persons present at the tender opening. The Designated Officer must sign after the last tenderer's name to prevent any addition to the record.
- 20.8 The Designated Officer and any other person present at the opening of tenders must also initial the tender form page and any other page of the tender on which the tenderer has entered a final price.
- 20.9 All tenders received and opened will be retained by the department. Unsuccessful tenders will be kept for two years after opening. The successful tender will be kept for the period specified in Standing Order 29.4.
- 20.10 If an Internal Provider submits a bid, no employee involved in the preparation or submission of that bid must be present when the tenders are opened.
- 20.11 A Designated Officer must consult and follow the advice of the Chief Legal Officer if in any doubt as to whether to consider a tender for any reason, including:
- its late submission
  - a qualified tender.

## Contracts over £50,000

- 20.12 The department inviting the tenders must make arrangements for the receipt, custody and opening of tenders for contracts estimated at over £50,000 by the Corporate Services Department.
- 20.13 On receipt tender envelopes must be marked with the date and time and be signed by the receiving officer. The tender envelopes will remain in the custody of the Corporate Services Department until they are opened in accordance with paragraph 20.16.
- 20.14 No tender received after the deadline for receipt must be considered unless it can be proved that the tender was delayed within Rykneld Homes / NEDDC offices through no fault of the tenderer and arrived before the other tenders had been opened.
- 20.15 The reason for rejecting any tender envelope, for example it is late, must be recorded in a register by a Designated Officer.
- 20.16 Tenders other than late will be opened:
- after the deadline for tender submissions
  - at the same time and place
  - in the presence of a Designated Officer and an employee involved in inviting the tenders.
- 20.17 The Designated Officer must at the time of opening tenders record the following details:
- the date and time
  - the name of each tenderer
  - the amount of each tender
- and this record must be signed by all persons present at the tender opening. The Designated Officer must sign after the last tenderer's name to prevent any addition to the record.
- 20.18 Everyone present at the opening of tenders must also initial the tender form page and any other page on which the tenderer enters a final price.
- 20.19 All tenders received and opened will be safely retained by the department inviting the tenders. Unsuccessful tenders will be kept for two years. The successful tender will be kept for the period specified in Standing Order 29.4.

20.20 If an Internal Provider submits a bid, no employee involved in the preparation or submission of that bid must be present when tenders are opened.

## 21. TENDER EVALUATION

21.1 All tenders will be evaluated according to price and such other factors as the department inviting tenders considers relevant.

21.2 When the award criteria is other than price alone, that is the most economically advantageous tender, the department inviting tenders must:

- specify the award criteria in the tender instructions
- draw up and apply an evaluation model against which to judge tenders.

## 22. ALTERATION OF TENDERS

Tenderers will not be allowed to alter their tender after the last date fixed for return, although, if an arithmetical error is discovered before the tender is accepted, Chief Officers may at their discretion either:

(a) tell the tenderer of the error and give it the opportunity to:

- confirm without amendment or
- withdraw its tender

or

(b) tell the tenderer of the error and give it the opportunity to:

- confirm it without amendment or
- correct the error

But option (b) may only be used after consultation with the Director of Finance and Resources.

## 23. POST-TENDER NEGOTIATIONS

23.1 Chief Officers may authorise negotiations with tenderers after the submission of tenders but before an award of a contract only in the following circumstances:

- in order to try and reduce the contract price to the estimated or budgeted level
- to obtain an adjustment on the delivery or content of the contract where it is considered that none of the tenders submitted are satisfactory.

- 23.2 In deciding whether to authorise such negotiations, the Chief Officer must follow the advice issued by the Chief Legal Officer on post-tender negotiations.
- 23.3 Any decision of a Chief Officer to authorise post-tender negotiations must be recorded in writing, including the reasons for it, and retained on the Contract File.
- 23.4 Negotiations will normally only be conducted with the Firm whose tender has been evaluated as the most acceptable but, where other tenders are very close to the leading tender, the Firms who submitted them must also be part of the negotiation process.
- 23.5 A team of at least two employees appointed by the Chief Officer, at least one of whom must be a senior employee of Principal Officer grade or above, must conduct the negotiations.
- 23.6 The Chief Officer will appoint a leader for the negotiating team who will be responsible for ensuring that the highest standards of integrity and fairness are observed and in particular that:
- other tenderers are not disadvantaged
  - competition is not distorted.
- 23.7 The team leader must make sure that a proper written record is made and retained of all negotiations. The record must include details of:
- everyone present
  - the name of the tenderer
  - time and place of negotiation
  - information provided by and given to the tenderer
  - any agreement reached.
- The record must be signed and dated by the team leader and the other team members confirming it to be accurate.
- 23.8 Any change to the specification or price arising from the post tender negotiations must be recorded in writing and the tenderer must sign and date the revised version.
- 23.9 A negotiated price may be accepted by Chief Officers only after consultation with and the agreement of the Director of Finance and Resources.

## 24. ACCEPTANCE OF TENDER (including other than lowest)

- 24.1 A Chief Officer or Authorised Officer is authorised, following compliance with Financial Regulations, to accept any quote below £20,000.
- 24.2 A Chief Officer or Authorised Officer is authorised, following compliance with Financial Regulations, to accept the lowest tender if there is to be a payment by the Company/NEDDC, or highest tender if payment is to be made to the Company/NEDDC. In addition, where the award criteria is other than price alone they authorise the acceptance of:
- a tender other than the lowest where payment is to be made by the Company/NEDDC, if it is not more than 5% or £5,000 (whichever is the greater) higher than the lowest tender and it is judged to be the most economically advantageous applying the published award criteria
  - a tender other than the highest, where payment is to be made to the Company/NEDDC, if it is not more than 5% or £5,000 (whichever is the greater) lower than the highest tender and it is judged to be the most economically advantageous applying the published award criteria.
- 24.3 In cases of urgency, Chief Officers may, in consultation with the Chief Legal Officer, authorise the acceptance of a tender not coming within 24.2.
- 24.4 Chief Officers must keep a written record of the reasons why a tender, other than the lowest, has been accepted under 24.2 and 24.3. This record must include details of the published award criteria and the application of the evaluation model drawn up under 21.2.
- 24.5 Any tender, other than one coming within 24.2 or 24.3, can only be accepted after the Executive has considered a report on the matter and approved acceptance.

## 25. DISCLOSURE OF TENDERS

- 25.1 Within 21 days of the award of a contract over £20,000, the Authorised Officer must write to all Firms invited to tender, telling them the name of the successful tenderer and the amount of each tender.
- 25.2 No information other than that referred to in 25.1 must be disclosed to tenderers or any other external body without the consent of the Chief Legal Officer.

## 26. CONTRACT AWARD

- 26.1 No contract may be awarded unless the expenditure involved has been included in the approved estimates or capital or revenue accounts, or has otherwise been approved by or on behalf of NEDDC.

26.2 The Authorised Officer must make sure that evidence of the authority to spend is recorded on the Contract File.

26.3 The Authorised Officer must send a Contract Award Notice to the OJEC within 48 days of the award of an EC Contract and send a copy to the Chief Legal Officer.

## 27. FORM / PREPARATION OF CONTRACTS

27.1 Every contract over £50,000 will be in writing and be:

- drafted or approved by the Legal Division or
- a Standard Form Contract.

27.2 Where the contract price is less than £50,000, the Authorised Officer must use professional judgement to decide the form of the contract but should follow the advice and any model conditions issued by the Legal Division and generally seek their advice where necessary.

27.3 An official order must be issued for all works, goods and services to be supplied to NEDDC.

## 28. SEALING/ SIGNING OF CONTRACTS

28.1 All contracts over £50,000, subject to 28.3, and all contracts under seal, whatever their value, must be submitted to the Director of Finance & Assets and Resources for signing/sealing, together with details of the minute number, delegated authority or other approval authorising the award of the contract. Such contracts will be attested by any two of the following:

- Chief Finance Officer
- Chief Legal Officer
- Chief Solicitor
- Principal Solicitors
- Chief Conveyancer

28.2 Contracts of £50,000 or less must be signed by a Chief Officer and one other officer in accordance with a scheme of delegation drawn up by the Chief Officer and approved by the Director of Finance and Resources.

28.3 The Chief Finance Officer and one other officer identified in NEDDC's Scheme of Delegations may sign Highway Contracts of up to £100,000 in value.

## 29. RECORDS OF CONTRACTS AND THE RETENTION OF THE CONTRACT FILE

- 29.1 The Director of Finance and Resources must keep a written register of all contracts sealed on behalf of the Company/NEDDC.
- 29.2 Chief Officers must keep a register of all contracts of over £20,000 and signed by them or signed by an officer under the scheme of delegation approved under Standing Order 28.2.
- 29.3 The details to be kept under 29.1 and 29.2 include:
- the date of the contract
  - the name of the contractor
  - brief details of the nature of the contract
  - the value of the contract.
- 29.4 Contracts made under seal must be safely retained for twelve years from the date of sealing and other contracts must be safely retained for six years from the date of signing.
- 29.5 The Contract File must be retained for three year following the payment of the final account on the contract.

## 30. FIXED CONTRACTS AND OPTIONS TO EXTEND

- 30.1 All contracts which are not tied to the completion of a specific job, or in the case of supply contracts to a fixed quantity of goods, must, unless express Board/NEDDC approval is obtained, be for a fixed period of no longer than three years but may include an option to extend the period by up to two years.
- 30.2 An option to extend a fixed term contract by up to two years can be exercised by a Chief Officer in consultation with the Director of Finance and Resources, only if:
- the total estimated overall cost to NEDDC during the extended period does not exceed £100,000
  - the price/rates for the extended period are either no more than 5% greater than that paid in the last year of the original contract or, if there is a fluctuation clause in the contract, the rate of inflation.
- 30.3 The Board / NEDDC must approve a contract extension not coming within 30.2.

## 31. CONTRACT EXTENSION

- 31.1 Any proposed extension to a contract which would:

- a) extend the contract period by at least 50% or more than three calendar months (calculated by taking the aggregate of all extensions to the contract); or
  - b) add more than 20% to the estimated value of the contract (calculated by taking the aggregate of all extensions to the contract); or
  - c) mean the works, services or goods to be added to or deleted from the contract are substantially different must be approved by a Chief Officer or the Board/NEDDC if the increased cost is likely to exceed £100,000.
- 31.2 All extensions not caught by 31.1 may be approved by an Authorised Officer who must keep a written record of such approval and the reason for it on the Contract File.

## 32. FOLLOW-ON CONTRACTS

- 32.1 Where a construction contract has been awarded following a competitive tendering exercise and it is proposed, within 12 months of that award, to let a further contract for work of a similar size and nature, then a price for that further work may be negotiated with the original contractor and the further contract awarded to it by the Chief Officer without another competitive tendering exercise.
- 32.2 The procedure under 32.1 can only be used once before competitive tenders are again required.

## 33. ADDITIONAL EXPENDITURE

As soon as it becomes apparent that the expenditure on a scheme exceeds or is anticipated to exceed the approved budgeted levels the Chief Officer concerned must follow the directions in the Financial Regulations.

## 34. CONSULTANTS

- 34.1 The employment of consultants or specialist advice, the total cost of individual contracts which is estimated to exceed £50,000, shall be subject to the prior written approval of the Director of Finance and Resources.
- 34.2 Any appointment of consultants or professional advisors must, where practical, follow any advice issued by the Chief Legal Officer.

## 35. INFORMATION TECHNOLOGY

- 35.1 For information technology purchases estimated to be over £10,000, advice must be sought from the Finance and IT Manager in the Finance and Resources Directorate.
- 35.2 The purchase of any computer hardware or software, whatever the value, which is to be linked to NEDDC's networks must have the prior written approval of NEDDC's IT Manager.
- 35.3 All procurements of computer hardware or software should follow any advice on such contracts issued by the Chief Legal Officer.

## 36. INTERNAL PROVIDERS

- 36.1 The Director of Asset Management may in cases of urgency invite tenders for contracts of £20,000 and over without complying with Rule 15 provided at least three Firms are invited to tender.
- 36.2 For the purposes of admission to Approved Lists and the selection, tender and award of contracts, Internal Providers will be treated as separate organisations.
- 36.3 No formal contract is possible between Internal Providers and the client department. The provisions of the completed tender documents, including contract conditions, will govern their relationship. In case of any dispute the matter will be referred to the Director of Finance and Resources for a decision.

## 37. SECURITY / GUARANTEES

- 37.1 Where a contract for works or services is estimated to exceed £100,000, Chief Officers must, unless they are using an Approved List to invite tenders, carry out a risk assessment and must give consideration to securing the due performance of the contract in one or more of the following ways:
- a retention of a percentage of the sums payable until the works or services have been satisfactorily completed
  - liquidated damages
  - the provision of a performance bond or parent company guarantee
  - use of the contract guarantee reserve fund.
- 37.2 The Legal Division must approve the form of any bond or guarantee and the size of the bond must be agreed with the Director of Finance and Resources.
- 37.3 The Director of Finance and Resources must be consulted before a parent company guarantee is accepted.
- 37.4 Written records of the risk assessment carried out under 36.1 and any decisions or consultations made or carried out under this Rule must be made and retained on the Contract File.

## 38. WORK / SERVICES FOR THIRD PARTIES

Contracts below £100,000

- 38.1 Before any tender is submitted or a contract is entered into to carry out works for or supply goods or services to an external body for an estimated cost less than £100,000 the Chief Legal Officer and Director of Finance and Resources must have been consulted in writing.

Contracts £100,000 or over

- 38.2 Before any tender is submitted or a contract entered into to carry out works for or supply goods or services to an external body for an estimated cost of £100,000 or more, the proposal must have been approved by Board/NEDDC.
- 38.3 In cases of urgency, Chief Officers in consultation with the Chief Legal Officer and the Director of Finance and Resources may authorise the submission of a tender or entering into a contract to provide goods or services to an external body where the estimated cost is over £100,000.

## 39. NOMINATED SUPPLIERS AND SUB CONTRACTORS

Where a Sub Contractor or Supplier is to be nominated by the appropriate Chief Officer to the main Contractor these Rules and the Financial Regulations will apply.

## 40. DECLARATIONS OF INTEREST: EMPLOYEES AND CONSULTANTS

- 40.1 Employees must declare in writing any material interest which may affect the contract process.
- 40.2 Chief Officers must keep completed employee declarations of interest on the individual's personal file and a Departmental register of employee declarations, indicating the names and grades of those declaring and the nature of their declaration.
- 40.3 Chief Officers must make sure consultants appointed by them make declarations of interest and that a record is kept on the Contract File and a Departmental register of consultants' declarations.