
Financial Regulations and Contract Procedure Rules

Version 6

To: All Board Members and Employees

In any organisation it is essential to ensure sound financial administration. For Rykneld Homes Ltd (RHL) the Managing Director has overall responsibility for management and control of all resources. The Head of Finance 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 Head of Finance. Customers, 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 Managing Director, the Director of Property Services and Development, the Heads 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, RH needs to ensure it has sound financial policies in place and to which they are adhered. 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 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, Company Secretary, Managing Director, Director of Property Services and Development, Heads of Service and Service Managers. The Financial Regulations sets out the responsibilities attached to each.
- 1.4 Managers and staff should use these Financial Regulations as a guide to produce 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 Managers and staff 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, Employee Code of Conduct, which provide advice on specific issues.
- 1.6 Rykneld Homes is a wholly owned company of North East Derbyshire District Council (NEDDC) and a Registered Provider (RP) of Social Housing which owns and provides housing management and repairs and maintenance services. It manages approximately 7,500 properties in the ownership of NEDDC, who are the Company's sole parent. As an RP, the Company owns its own properties, and these Regulations also apply to the RP. Rykneld Homes is committed to assist NEDDC to achieve its corporate 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 Governance Handbook which contains the:
 - Memorandum and Articles of Association
 - Scheme of Delegation
 - Codes of Conduct and other Board 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 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 Head of Finance 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 Head of Finance 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

Overview 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 are notified to it.

The Managing Director

2. The Managing Director is responsible for the strategic management of the Company as a whole. He/she has a responsibility to provide information to the Board. 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 Director of Property Services and Development

3. The Director of Property Services and Development, for the purposes of the Financial Regulations, undertakes a deputising role for the Managing Director, and as a result where the Managing Director is mentioned throughout these regulations, the reader should also read that the Director of Property Services and Development will act as deputy.

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 Head of Finance

5. The Head of Finance 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 Head of Finance that in any financial year the likely out turn will be in excess of all likely sources of funding.

7. The Head of Finance must liaise with NEDDC on financial matters where the Management Agreement in force at that time requires them to do so.

Heads of Services Generally

8. All Heads of Service have a responsibility to ensure that all employees in their Directorates comply with all Standing Orders, Financial Regulations, and any other financial instructions the Head of Finance 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 Head of Finance 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 (SMT):
 - The Performance Management Framework
 - The Business Plan
 - The Annual Budget

Budgeting

Budget Guidelines

2. The Head of Finance 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 Head of Finance 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 Head of Finance 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 Head of Finance is responsible for the format of the budget in terms of the level of detail and the number and scope of cost centres.
6. The Senior Management Team is responsible for issuing the budget in detail to Service Managers, once approved, together with any other advice they consider appropriate.
7. It is the responsibility of each Head of Service 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. Each Head 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

3. The Managing Director 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.
4. The Senior Management Team is responsible for controlling total employee numbers. The Head of Corporate Services (HR) will manage the employment of staff.
5. The Head of Finance will advise 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

6. The management of budgets overall is the responsibility of the Managing Director.
7. The Head of Finance 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.
8. It is the responsibility of Heads of Service to monitor and control income and expenditure and to take any action necessary to avoid exceeding their budgets.

Register of Interests

9. 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

10. The Board are responsible for approving the Company's Risk Management Strategy and for taking decisions on internal control and audit issues; and for effecting proper insurance.
11. The Board is responsible for reviewing internal audit reports, the Company's Risk Register, these Regulations, and the Annual Financial Statements.

12. The Managing Director is responsible for preparing the Company's Risk Management Strategy and promoting it throughout the organisation.
13. The Head of Asset Investment is responsible for managing and advising the Board on insurance matters, putting in place insurance that complies with the requirements of the Board. Other Heads of Service are responsible for notifying the Head of Asset Investment of any changes in insurable risk and will submit claims in accordance with approved arrangements.
14. Heads of Service must consult the Head of Asset Investment before giving any indemnity on behalf of the Company.
15. Heads of Service must notify the Head of Asset Investment immediately of any loss, liability or damage that may lead to a claim against the Company. The Head of Asset Investment is responsible for notifying the Head of Finance of potential losses.

Security

16. All Heads 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 Managing Director 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 the Heads 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 the Service Head in respect of payments, income collection or ordering goods and services and the limits of any authority.

Financial Systems and Procedures

3. The Head of Finance is responsible for the operation of the Company's accounting system and for assuring him/herself 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 the Head of Finance and, where appropriate, the Company's internal and external auditors.
4. Heads 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 Heads of Service to meet specific service needs must be approved by the Head of Finance who will seek Board's approval, where appropriate.
6. Heads of Service must ensure that they have sufficient appropriately qualified staff and other resources to meet their responsibilities and must consult with the Head of Finance to ensure such employees have received appropriate financial training.

Data Protection

7. Heads 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 2018 and the Environmental Information 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 Managing Director will decide on employee membership of any partnership or other external body in which the Company is entitled to participate.
4. The Head of Finance 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 Head of Finance 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 Head of Finance 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. The Heads of Service are responsible for:
 - Ensuring appropriate approvals are obtained before the conclusion of any agreement.
 - Maintaining a Register of Contracts and partnerships in accordance with the Head of Finance. 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 Head of Finance 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.

Appendix 1: Financial Management and Control

Contents

1. Financial Management Standards.
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 - Scheme of Virement
 - Transfer of Journals.
 3. Accounting Policies.
 4. Accounting Records and Returns.
 5. Format of the Accounts.
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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 Head of Finance

- 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

Responsibility of the Heads of Service

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

2. Managing 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:
 - Heads of Service are responsible for managing the cost centres they have been allocated
 - All budgeted expenditure and income are allocated to a Budget Manager
 - A Budget Manager is responsible for ensuring the budget is 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

Responsibilities of the Head of Finance

- 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
 - 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 the Heads 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 Heads of Service

- A7. To maintain budgetary control within Directorates and ensure proper accounting practice is 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 Head of Finance, 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 Heads of Service where any budget or virement proposal may impact on another Service or another Head of Service budget area of responsibility.

B. Scheme of Virement

- B1. The scheme of virement is monitored by the Head of Finance to ensure compliance with guidelines set by Board who must approve any variation to it.
- B2. Virement is the transfer 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.

Responsibility of the Head of Finance

- B4. To report to Board on virements in excess of £100,000 or 10% of the current Management Fee being received.

Responsibilities of the Heads of Services

- B5. Exercise, after consulting with the Head of Finance. virements on budgets under their control of up to and report to Board on amounts over these limits.

- B6. Where a virement of over £25,000 is proposed between Directorates, SMT 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 Head of Finance 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.
- B9. Transfers undertaken solely for the purpose of reflecting budget ownership will not be designated as a virement.
- B10. A schedule of all virements undertaken in any financial year must be made to the Board.

C. *Transfer of Journals*

- C1. Transfer journals is a means to “transfer” expenditure or income from one cost centre and subjective code in the accounts to another. They are mainly undertaken to correct initial coding errors or to reallocate costs on an appropriate basis.

Responsibilities of the Head of Finance

- C2. To check that journal transfers are correctly applied, and relevant supporting working papers are provided.
- C3. To ensure income and expenditure is not “netted” off through journal transfers.
- C4. To authorise a sample of journal transfers each period.

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 Head of Finance is responsible for the provision of advice and technical assistance facilitating timely and accurate completion. The Board is responsible for the detailed review of the annual accounts and for promoting discussion of the accounts and matters arising from them.

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.

Responsibility of the Head of Finance

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 the Heads of Service

4. To adhere to approved accounting policies and seek the advice of the Head of Finance 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 financial regulations 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 Head of Finance

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 the Heads of Service

7. Consult the Head of Finance 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 Head of Finance 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

Contents

1. Business and Service Plans.
 2. Budgeting:
 - (a) Revenue Budget Allocation.
 - (b) Capital Works – (NEDDC).
 - (c) Registered Provider Income and Expenditure.
 - (d) Preparing Revenue Budgets in accordance with the Companies Financial Framework.
 - (e) Use of Reserves.
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1. Business and Service Plans

Objectives

1. The Company publishes a Business Plan and produces 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 Head of Finance

3. To advise on and supply any financial information to be included in the Plans 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 the Heads of Service

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. Budgeting

A *Revenue Budget Allocation*

Objectives

- A1. It is essential that expenditure and income is carefully prioritised and fairly allocated in order to fulfil legal, contractual and development requirements. Expenditure includes employees, money, plant and equipment, materials and land, and buildings.

Key Controls

- A2. There is a discernible link between levels of budget allocation to Budget Managers and expected outcomes.
- A3. Budgets are allocated only through the use of approved processes.
- A4. Allocated budgets are only used for the purpose intended and in pursuit of approved Policies and objectives.
- A5. Budgets are made available only when required.
- A6. Expenditure is used with the minimum level of waste, inefficiency, and loss.

Responsibilities of the Head of Finance

- A7. To advise on methods available for the funding of budget allocations, especially those which enhance the Management Fee, Capital Allocation and Registered Provider schemes.
- A8. To play a full part in the allocation of available budgets to Budget Managers.

Responsibilities of the Heads of Service

- A9. To work within budget limits and to utilise budgets 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 – (NEDDC)*

Objectives

- B1. The Company incurs expenditure on behalf of NEDDC for capital works undertaken on their properties making use of funds allocated by them. There are, therefore, no considerations regarding the source of funding and its prudentialism. 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 total capital allocation for stock investment is set by NEDDC each year and communicated to Rykneld Homes. The individual work streams to be undertaken using the capital allocation is agreed with NEDDC and the Board prior to the start of the financial year.
- B3. Following Board approval any changes to the individual work streams within the overall capital allocation are to be notified to Board. Any new capital allocation approvals granted by NEDDC within a financial year will be reported to the Board.
- B4. Reports on the capital programme, in terms of both finance and physical progress, are to be reported to Board by the Head of Development and Regeneration.
- B5. To ensure value for money, by undertaking periodic market testing on all facets of capital spend.

Responsibilities of the Director of Property Services and Development

- B6. To prepare a programme of capital investment in the Council's stock for each financial year that demonstrably takes account of the current Asset Management Strategy, asset management data, repairs information, survey information and any other relevant factors. The programme will also be designed to prioritise the investment based on a professional assessment of the various data streams.
- B7. To prepare and submit, in conjunction with the Head of Finance, reports on current and projected expenditure and physical progress on capital schemes to each meeting of the Board.
- B8. Where the estimated expenditure of any of the individual work streams is expected to exceed its budget allocation, then the use of any capital contingency, budget virement or work stream deferment will be considered to ensure the overall programme remains within the total capital allocation. Any changes to the work streams within the programme will be reported to the Board.
- B9. If the total estimated expenditure is forecast to exceed the total capital allocation in any one year after all the above (B8) actions have been undertaken, then the Director of Property Services and Development, and the Head of Finance, must inform NEDDC at the earliest opportunity.

C Registered Provider Income and Expenditure

Objectives

- C1. As a Registered Provider, the Company must carefully manage the operational expenditure and income in relation to the properties it owns.

Key Controls

- C2. The Business Plan for each development will form the basis for the operational budgets for managing the Registered Provider properties.
- C3. All Registered Provider developments have Board approval.
- C4. All expenditure and income of the Registered Provider must be clearly identified and recorded to ensure it is both accurate and correct.

- C5. Reports on the actual operational income and expenditure are to be reported to the Board.

Responsibilities of the Director of Property Services and Development

- C6. To oversee the preparation of Development Business Plans.
- C7. To ensure all developments have a robust Business Plan and project appraisal that demonstrates a positive and viable financial outcome.

Responsibilities of the Head of Asset Investment

- C8. To prepare a detailed financial model for each Registered Provider development that shows capital investment, finance and all operational income and expenditure over a 30-year period. The model must consider whole life costing, financing, and cash flows.
- C9. To develop a clear set of parameters for the financial model that are accurate, realistic and reflect current practice.
- C10. To draw together the individual financial models into a Company Registered Provider model. To be used for financial management of the Registered Provider.
- C11. To report on Registered Provider developments.

Responsibilities of the Head of Finance

- C12. To monitor the operational income and expenditure of the completed developments against the individual financial models and the overall Company model.
- C13. To monitor the capital investment expenditure in new developments to ensure it remains in line with the Business Plan projections.
- C14. To ensure the financing arrangements for each development is put in place prior to scheme commencement.
- C15. To report on operational income and expenditure on a quarterly basis to the Board.
- C16. To review the overall financial position of the Registered Provider business at the end of each financial year end and provide a comprehensive report to the Board.
- C17. To review the overall financial position of the Registered Provider business following the completion of any new project and provide a comprehensive report to the Board.

D Preparing Revenue Budgets in accordance with the Companies Financial Framework

Objectives

- D1. 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.

- D2. Medium 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

- D3. 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 Head of Finance

- D4. 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.
- D5. To determine the detailed form of revenue estimates.
- D6. 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.
- D7. To advise on the future or continuing impacts of current spending decisions.
- D8. To promote and facilitate the best use of resources by working with other Heads of Service 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.

Responsibilities of Heads of Service

- D9. To prepare estimates of income and expenditure in consultation with the Head of Finance to be submitted to Board.
- D10. To prepare budgets which are consistent with the planning process and current procedures.

E Use of Reserves

Objectives

- E1. 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

E2. The level of reserves is regularly reviewed and tested for adequacy and suitability.

Responsibilities of the Head of Finance

E3. To report to the Board, annually, the results of the review of any reserves.

E4. To seek Board approval for the proposed use of reserves or any additions to them.

Responsibility of Heads of Service

E5. To inform the Head of Finance of any circumstance that may require the creation of a reserve.

Appendix 3: Control of Resources Including Employees

Contents

1. Internal Controls.
 2. Audit Requirements:
 - (a) Internal Audit.
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 3. Non-Staff Resources:
 - (a) Security.
 - (b) Inventories.
 - (c) Stocks and Stores.
 - (d) Intellectual Property.
 - (e) Private use of Company Facilities.
 - (f) Asset disposal.
 4. Risk Management and Insurance.
 5. Treasury Management.
 6. Imprest Accounts.
 7. Money Laundering and the Proceeds of Crime Act.
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-

1. Internal Controls

Objectives

1. The Company requires a system of internal controls to help to ensure all assets are managed properly and used in accordance with the Company's service and strategic 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 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 Head of Finance

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 Heads of Service

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 the Head of Finance 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.

Internal Audit is undertaken on Rykneld Homes behalf by a Joint Consortium with Chesterfield Borough Council as the host authority, operating under the terms of reference set out within the Audit Charter, agreed by the audit committees of the authorities within the consortium.

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 Board
- Members of the internal audit service apply the highest professional standards to their work.

Responsibilities of the Head of Finance

- 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 Managing Director who will implement any appropriate action.
- A6. Ensure the Company's Internal Auditor produces an Annual Audit Plan to be reviewed and approved by 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 Head of Finance will raise this matter at SMT and ensure the matter is addressed.

Responsibilities of Heads of Service

- 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 Head of Finance 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 Head of Finance.

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 parent, a process independent of both the Board and Officers of the Company.

Responsibilities of the Head of Finance

- 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 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.
- B6. To ensure NEDDC are informed of their role regarding the appointment of the External Auditors for the Company and to prepare reports regarding External Auditor performance.

C *Preventing Financial Irregularities*

Objectives

- C1. The Company Policy on the prevention of loss by financial irregularity is set out in full in its Fraud Prevention Policy which is issued to all Board Members and employees.
- C2. The Company will not tolerate fraud, bribery, 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 Fraud Prevention Policy is reviewed every three years by the Board, together with the Company's approach to training in this area.
- C6. The Company has in place a confidential reporting (Whistleblowing) policy which applies to all staff and those providing goods and services to the Company. The

policy provides a procedure for confidential disclosure of concerns about suspected wrongdoing.

Key Controls

C7. The key controls are:

- Ensuring that the culture of the Company 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 Fraud Prevention 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 Head of Finance

C8. To ensure adequate and effective audit arrangements for the Company.

C9. To ensure actions in line with Policy are taken in cases of actual or suspected fraud, bribery, or corruption.

Responsibilities of Heads of Service and Company Secretary

C10. 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 Head of Service and recorded by the Company Secretary.

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.

Responsibility of the Head of Finance

- A3. To ensure that an Asset Register is maintained which records all assets of a material value owned or used by the Company.

Responsibilities of Heads of Service

- A5. To formally notify the Head of Finance 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 Head of Finance 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 Head of Finance 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 hold a value to the Company resulting in loss were it to be disclosed.

B Inventories

Responsibilities of Heads of Service

- 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 Head of Finance

- C1. To make arrangements for the care and custody of stocks and stores.
- C2. To ensure that stocks are maintained at reasonable levels and subject to regular physical checks 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 Head of Finance.
- 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.

Key Controls

- D2. In the event of the Company deciding to commercially exploit intellectual property the matter will proceed alongside appropriate intellectual property procedures.

Responsibility of the Head of Finance

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

Responsibility of Heads of Service

- D4. To ensure that employees 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.
- E2. Under no circumstances may an employee undertake private work on any Company premises, or any property owned or managed by the Company.
- E3. Under no circumstances may an employee use the Company's equipment for undertaking private work.

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 Property Services and Development

- F3. To advise on best practice for asset disposal.

Responsibility of the Head of Finance

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

Responsibility of Heads of Service

- 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 Board will receive a quarterly report on the Risk Register and consider any changes and levels of effectiveness.

Responsibilities of the Head of Business Development

5. To prepare and promote the Company's Risk Management Statement.
6. To develop Risk Management Strategies with other Heads of Service.
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 Heads of Service

9. To notify the Head of Finance 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 Head of Finance promptly of all new risks or assets which require insurance or any change to existing insurance requirements.
11. To consult with the Head of Finance 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 Head of Finance 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. All functions of Treasury Management are undertaken by NEDDC on Rykneld Homes behalf.

Responsibilities of the Head of Finance

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 Head of Finance

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 Heads of Service

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 is promptly recorded
 - Reconcile and balance the account at least monthly using stationery designed for this purpose
 - Provide a certificate of value to the Head of Finance 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 2017 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 Head of Finance

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 Heads of Service

7. Heads of Service 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 Head of Finance

3. To ensure approved budget provision exists for all new and existing employees.
4. To act as advisor to other Heads of Service on such matters as Job Evaluation, Pay as You Earn (PAYE), National Insurance (NI) and pension contributions.

Responsibilities of Heads of Service

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 is met.
9. To ensure that the Head of Finance 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 employee checks is complied with, and the requirements contained in the Company's procedure note on recruitment is met.

Appendix 4: Systems and Procedures

Contents

1. General.
 2. Income.
 3. Payments to Employees.
 4. Ordering and Paying for Goods and Services.
 5. Company Credit Cards.
 6. Taxation.
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1. General

Objectives

1. Heads of Service 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 Head of Finance 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 Head of Finance

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 the Heads of Service

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 Head of Finance.
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 Business Continuity 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 Head of Finance.
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 should be undertaken at least annually, SMT to approve individual values up to £5,000 and additional Board approval required for any over £5,000
 - 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 Head of Finance

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 agree 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 the Heads of Service

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 six 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 Head of Finance.

3. Payments to Employees

Objectives

1. Employees costs are the largest item in the Company's budget and effective controls are essential to 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:
 - 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 Head of Finance

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 the Heads of Service

5. To ensure appointments are made within current policies and procedures and within budget allocations to approved, established posts.
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 Head of Finance 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 Head of Finance, must be issued for all goods and services by the Procurement Team only, with the exception of utility payments, property taxes, periodic payments such as rents, tax, petty cash payment or other exceptions specified by the Head of Finance.
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 Head of Finance.
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 services may be ordered by the appropriate person using approved ordering systems with a uniquely numbered order
 - All orders 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.
 - 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, and any errors promptly corrected.

Responsibilities of the Head of Finance

7. To approve the Official Purchase Order form 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.
10. To maintain a list of authorisations giving name, specimen signature or system privileges and authorised amounts that is regularly reviewed and forwarded SMT.

Responsibilities of the Heads of Service

11. To place orders via Procurement for goods and services up to amounts detailed in the annual approved budgets.
12. To place orders on an existing supply contract up to the value of the approved budget; amounts in excess of this for purchases relating to the Company's own revenue budget must be reported to the Head of Finance.
13. Where orders are being placed on behalf of NEDDC in the delivery of the approved capital programme, these Regulations and Contract Procedure Rules apply with the exception that prior Board approval is not required.
14. A report of all Contracts let must be reported to the Board on a quarterly basis.
15. To ensure only authorised employees place orders an up-to-date list of these employees and the limit of their delegation is kept. It should be noted that an authorising e-mail or the release of a requisition electronically carries the same weight as a manually signed order or requisition.
16. The signatory must be satisfied that budgetary provision exists, and the goods are appropriate and needed. The Procurement Section must ensure appropriate procurement procedures are followed. All involved are responsible for ensuring and demonstrating value for money.
17. 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 unless prior agreement and sign off by the Head of Finance
 - 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.

18. To ensure a person, other than the one who originates an order or requisition, is responsible for the procedures above.
19. 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.
20. Encourage suppliers to accept payment by the Company's most effective means. Payment by Direct Debit should only be made after approval by the Head of Finance.
21. To ensure best value by using the Company's Procurement Section for all purchases.
22. To operate within the Company's Value for Money and Procurement Strategy and Contract Procedure Rules and ensure that the requirements contained in these documents are known and understood by staff involved.
23. To inform the Head of Finance immediately of any expenditure to be incurred as a result of statute or Court Order where there is no budget.
24. To ensure all records are stored for the periods defined in the Guidelines for the Retention of Financial Records.

5. Company Credit Cards

Objectives

1. To ensure that there is adequate control in place for those staff that have been allocated a Company Credit Card.

General

2. To provide flexibility of procurement certain Managers and staff are allocated a Company Credit Card to facilitate procurement requirements within their roles or for the Company.

Key Controls

3. Key controls for the use of a Company Credit Cards are:
 - Senior Management team approve which Managers and staff are allocated a Company Credit Card
 - A register is maintained of the Managers and staff that have been allocated a Company Credit Card
 - Appropriate expenditure limits are established for individual transactions
 - Appropriate expenditure limits are established for each card
 - All transactions must relate to Company business and be supported by a receipt to support the transaction and allow expenditure allocation within the accounts and VAT accounting.

Responsibilities of the Head of Finance

4. To maintain a register of Managers and staff that have been allocated a Company Credit Card.
5. To set an appropriate expenditure limit for individual Credit Card transactions.
6. To set an appropriate expenditure limit for individual Credit Cards.
7. To undertake a monthly reconciliation of Credit Card transactions and to ensure all expenditure is recorded against the appropriate budget heading within the accounts.

Responsibilities of Company Credit Card holders

8. To keep the Company Credit Card in a safe location.
9. To ensure the Company Credit Card and associated pin number is not held in the same location.
10. To ensure that all Credit Card receipts, and any supporting documentation is retained and passed to Finance at the end of each month.
11. To immediately inform the relevant Bank and the Head of Finance should a Company Credit Card go missing.

6. 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 Head of Finance

3. To ensure completion of all Her Majesty's Revenue and Customs (HMRC) 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 within timescales.
5. To ensure the Company's VAT partial exemption calculation is undertaken each quarter.
6. To ensure the Company's duties regarding the Construction Industry Tax Deduction Scheme are properly carried out.
7. To maintain up to date guidance on taxation matters and approve all taxes for payment on the Company's behalf.
8. To review all transactions where Stamp Duty Land Tax may be payable.
9. To account for Corporation Tax, consulting with the Company's External Auditor, where necessary, and submitting returns within timescales.

Responsibilities of the Heads of Service

10. To ensure all income and expenditure has the correct VAT liability.
 11. All new sources of income are notified to the Head of Finance 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. Where in doubt, raise concerns with the Head of Finance.
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Appendix 5: External Arrangements

Contents

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 professionally managed.

Partnerships General

2. The Company will enter partnerships in order to:
 - Support the delivery of the Business Plan
 - Enhance service provision
 - Access new resources
 - Forge new relationships
 - Reduce 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 and 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 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 with 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 Head of Finance

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 the Senior Management Team

10. The 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 the Heads of Service

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 Head of Finance and showing at least the information required in (6), (11) and (12) 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 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 Head of Finance

3. To:
 - Maintain records of expected grants
 - Ensure all funding received is correctly accounted for
 - Ensure all claims for funds are accurate and made by the due date
 - Identify any long-term implications of funding arrangements and consideration is given to them before arrangements are entered into
 - Promote and facilitate the maximising of grant income
 - Ensure the requirements in these regulations, including audit arrangements are met
 - To maintain a register of any liability generated by the acceptance of grant and the associated grant conditions.

Responsibilities of the Heads of Service

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.

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 the Heads of Service

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 Head of Finance.
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 Head of Finance 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 the Managing Director and Director of Property Services and Development has delegated authority under Financial Regulations.

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

“Consortium” – means an organisation which the Company utilises after approval by SMT for the procurement of goods and services.

“Designated Officer” – means an employee authorised by the Managing Director and Director of Property Services and Development to be responsible for the custody, opening and recording of tenders, whether paper or electronic.

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

“Head of Finance” – means RHL’s Head of Finance or anybody delegated by him/her to carry out the functions allocated to that post by these Rules.

“EU Contract” – means a contract caught by the Supply, Works, or Services Contract Regulations.

“The Managing Director and Director of Property Services and Development” – means the Managing Director and Director of Property Services and Development at RHL.

“Financial Regulations” – means the parts of RHL Financial Regulations relating to contracts.

“Company” – means an individual, partnership or limited Company.

“OJEU” - means the Official Journal of the European Union.

“Standard Form Contract” – means contracts issued by the relevant professional body for that type of supply where one exists.

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 The Head of Finance will advise on the interpretation of these rules and will, where appropriate, seek professional guidance to remove the possibility of doubt.

2. Financial Regulations

- 2.1 These Contract Procedure Rules are to be read in conjunction with the Financial Regulations.

3. Purpose/Objectives

- 3.1 The purpose of these Rules is to ensure:

- The Company and NEDDC obtains value for money
- Compliance with the law, including European Union (EU) Procurement Directives
- Fairness in the treatment of contractors/suppliers
- Probity in the award of contracts
- The interests of the Company and NEDDC and their employees is properly safeguarded
- The prevention of fraud and corruption
- Demonstrate a best value approach.

4. Coverage/Compliance

- 4.1 All purchases and contracts made by or for any part of the Company, except where provided for elsewhere in the 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 and anyone who is not an Officer, but who is authorised to carry out any of the Company's contract functions, such as an Architect or Surveyor, that they comply with the Company Contract Procedure 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
- care in the community and other social care contracts for the placement of individual clients
- where an approved consortium is being used to obtain goods or services
- 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 Head of Finance.

6. **Waiver**

6.1 A waiver from any of the provisions of these Rules may be made by the Company or, in the cases of urgency, by the Managing Director and the Director of Property Services and Development.

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.

6.4 Where the exercise of any waiver is not a matter of urgency, then Senior Management Team approval must be sought.

7. **Managing Director and Director of Property Services and Development Responsibility**

7.1 The Managing Director and Director of Property Services and Development are responsible for making sure that all tendering procedures carried out by the Company and all contracts awarded by it comply with these Rules and Financial Regulations.

7.2 In particular, the Managing Director and Director of Property Services and Development 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 appropriate advice where there is any doubt on how to proceed or to apply these Rules and the advice of the Head of Finance on the Financial Regulations.

8. Scheme of Delegation

- 8.1 The Managing Director and Director of Property Services and Development must compile and maintain a scheme of delegation for the Company.
- 8.2 The scheme of delegation compiled under 8.1 must be in the form of a register and detail the names and position of employees approved for the purpose of price testing/quotations, tendering, and entering into contracts and placing orders on the Company's behalf, and the maximum contract value allocated to each employee for these purposes.

9. EU Procurement

- 9.1 Although the United Kingdom (UK) is no longer a member of EU the existing EU procurement legislation currently remains in place.
- 9.2 Contracts for the supply of goods or services or for works over the "prescribed thresholds" must be tendered in accordance with the EU 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 Company's Procurement Team will obtain these values and make them known to the Managing Director and Director of Property Services and Development.
- 9.3 The threshold figures in 9.2 relate to the total value of the contract, net of VAT, not the annual value. The EU 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.
- 9.4 Where they apply, the EU 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.
- 9.5 Where the EU thresholds are exceeded, or in any area of doubt, the Authorised Officer must obtain appropriate advice to ensure full compliance with the Directives. The Authorised Officer must also provide the Chief Legal Officer of NEDDC with copies of all notices placed in OJEU.

10. Public Contract Regulations 2015

- 10.1 All procurement undertaken must comply with the Public Contract Regulations 2015. The requirement to advertise tender opportunities with a value above £25,000 on 'Contracts Finder' must be followed unless the Authorised Officer has satisfied themselves that the Regulations do not apply. Where tender opportunities are not advertised a note of the reasons for this must be made on the contract file.
- 10.2 Contract awards should also be notified on 'Contracts Finder' subject to the same procedure as 10.1 above.

11. Specifications

- 11.1 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.
- 11.2 The budget holder seeking to procure an external supplier is responsible for developing the specification. The Authorised Officer will not proceed with undertaking any procurement until a specification is provided.
- 11.3 All tender documentation must be approved by the Procurement Team prior to the procurement commencing.
- 11.4 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.
- 11.5 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.”
- 11.6 Specifications must not include any requirement which discriminates against other EU member states.

12. Pre-Tender Enquiries

- 12.1 The Managing Director and Director of Property Services and Development 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.
- 12.2 No company must be led to believe that the information they offer will lead to them being awarded the contract.
- 12.3 The Managing Director and Director of Property Services and Development may, before seeking tenders, seek Expressions of Interest for potential suppliers through the electronic procurement system.

13. Contract Value

- 13.1 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.
- 13.2 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.
- 13.3 Schedule of Rates – if there is a recurring or regular demand for work, or the supply of goods and materials or services, for which the Company's requirements cannot be accurately defined, tenders should generally be invited on the basis of a schedule of rates and, where appropriate, estimated frequencies.

14. Framework Agreements

- 14.1 Framework agreements that have been procured in compliance with all relevant regulations and legislation can be used, as appropriate, if deemed to be the most suitable procurement route for the specific requirement.
- 14.2 Depending on the complexity of the framework agreement, direct selection may not be allowed without running a further mini competition. Each framework will have guidelines that must be followed in order to select the most suitable supplier.
- 14.3 The proposed use of any framework agreement must be approved by the Senior Management team prior to commencing a procurement.
- 14.4 If a framework agreement is utilised to meet the procurement need of the Company there is no need to advertise this requirement.

15. Requirement to Obtain Quotes or Tenders

Procurement values up to £2,999

- 15.1 For goods and services up to £2,999, an appropriate requisition should be completed by the relevant budget holder and passed to the Procurement Team for processing.

Procurement values between £3,000 and £10,000

- 15.3 For goods and services contracts between £3,000 and £10,000, three or more quotes shall be obtained. In cases of urgency these may initially be oral quotes but, if so, they must be confirmed in writing within seven days.

Procurement values above £10,000 but below £25,000

- 15.5 For procurement values above £10,000 but below £25,000, three written quotes should be obtained via the electronic procurement system.
- 15.6 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 authorised through the Senior Management Team.

Procurements values between £25,000 and £250,000

- 15.7 Where a proposed contract of a value between £25,000 and £250,000, consideration of the most suitable procurement route must be undertaken by the Authorised Officer and budget holder seeking to secure the contract and agreed with the Managing Director and/or Director of Property Services and Development.
- 15.8 All procurement routes authorised under the Public Sector Regulations are available, however, the following options should be considered and one of these normally used. Use of other procurement options should be discussed with the Managing Director or Director of Property Services and Development.
- (i) Open tender.
 - (ii) Use of Consortia – Framework contract/agreements (with single appointment or mini-tender).
 - (iii) Establishment of a Dynamic Purchasing System (DPS).
- 15.9 The budget holder seeking to secure an external supplier is responsible for ensuring that all the documentation required by the Authorised Officer to comply with the Public Sector Regulations and these procedures are provided.

Contracts over £250,000

- 15.10 Where a proposed contract exceeds £250,000 then the provisions of 15.7-15.9 will apply.

16. Dynamic Purchasing System (DPS)

- 16.1 Where a proposed contract is between £25,000 and £250,000 and an appropriate Supplier List has been established utilising a DPS, an invitation to tender will be sent to as many companies on the supplier list on the particular DPS that meet the required criterion.
- 16.2 Where a DPS has been established and contract(s) have been awarded, the suitability and performance of the DPS should be reviewed as a minimum every 12 months and, where necessary, the DPS should be re-advertised during its contract period.

17. Tender Instructions

- 17.1 All tenders will be processed through the electronic procurement system of the Company.
- 17.3 The electronic procurement system will provide a full audit trail including correspondence and clarification questions between all parties. Responses to clarification questions will be provided to all bidders unless deemed to be of commercial/confidential nature.
- 17.4 Tenders submissions MUST be returned via the electronic procurement system to provide a full audit trail throughout the procurement process. Tenders will only be evaluated against the electronic submission through the system.
- 17.5 Late submission of tenders will not be accepted and will be blocked by the system.

- 17.6 Tender submissions will be evaluated against the selection criteria outlined within the invitation to tender documentation. This will be carried out by a tender panel as agreed at the pre-tender stage of the process.
- 17.7 The procurement project will be archived and available for audit purposes as a permanent record of the process undertaken.

18. Tender Evaluation Criteria

- 18.1 Contracts should be evaluated and awarded on the basis of value for money (i.e., the best mix of quality and effectiveness for the least outlay over the period of the use of the goods or services bought).
- 18.2 Life cycle costing (or other similar methods) should be used when cost is an award criterion. Life cycle costing may include environmental factors based on objectively verifiable and non-discriminatory criteria.
- 18.3 When applying award criteria, best price-quality criteria may include environmental and/or social aspects as long as they relate to the works, supplies or services to be provided under the contract.
- 18.4 Special conditions relating to economic, innovation, environmental, social, or employment-related considerations may be stipulated in relation to the performance of contracts. Such conditions must be linked to the subject matter of the contract.
- 18.5 The proposed evaluation criteria for all contracts must be approved by the Procurement Team in conjunction with the relevant budget holder.
- 18.6 Where contracts above £250,000 are being procured, the relevant Head of Service should also be invited to confirm the evaluation criteria.

19. Post-Tender Clarifications

- 19.1 Any areas of a tender submission that are ambiguous or potentially misleading and could affect the outcome of the tender evaluation should be clarified with the bidder. All clarifications should be sought and confirmed in writing through the Procurement Portal.

20. Post-Tender Negotiations

- 20.1 The Managing Director and Director of Property Services and Development may authorise negotiations with tenderers after the submission of tenders where such negotiations relate materially to the proposed contract.
- 20.2 Negotiations will normally only be conducted with the company whose tender has been evaluated as the most acceptable but, where other tenders are close to the leading tender, these companies can be part of the negotiation process if deemed appropriate by the Managing Director and Director of Property Services and Development.
- 20.3 An Authorised Officer will be appointed 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.

20.4 The Authorised Officer 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 Authorised Officer and the other Team members confirming it to be accurate. This document should be stored on the electronic procurement system for audit purposes.

20.5 Any change to the specification or price arising from the post tender negotiations must be recorded on the electronic procurement system.

20.6 A negotiated price may be accepted by the Managing Director and Director of Property Services and Development only after consultation with and the agreement of the Head of Finance.

20.7 Copies of all agreed documentation should be stored on the electronic procurement system against the relevant project for audit purposes.

21. Acceptance of Tender (including other than lowest)

21.1 A contract evaluation award report must be completed and sent to the Senior Management Team for approval. The Senior Management Team is authorised to accept the most economically advantageous bid following an evaluation award report.

21.2 The evaluation award report must be attached to the electronic procurement system for audit purposes.

22. Contract Award

22.1 No contract may be awarded unless the expenditure involved has been included in the approved estimates for capital and revenue accounts or has otherwise been approved by NEDDC.

22.2 The Authorised Officer must send a Contract Award Notice to the OJEU (where the procurement has been advertised through OJEU) within the specified time of the award of an EU Contract.

22.3 The tender will be awarded electronically, and the successful bidder notified through the system. Unsuccessful bidders will be notified in the same way.

- 22.4 Contract award details will be sent to Contracts Finder for publication where the procurement value is above £25,000. This applies to any and all procurement routes taken where the value is above £25,000.

23. Form/Preparation of Contracts

- 23.1 For all contract awards between £25,000 and £250,000 an appropriate form of contract will be required to be completed and signed between both parties. A copy of the signed contract will be held within the electronic procurement system. Contracts of £250,000 must be signed by the Managing Director and Director of Property Services and Development and one other Officer in accordance with a scheme of delegation drawn up by SMT.

All hard copies of signed contract documents are to be held by the Company librarian.

- 23.2 Every contract over £250,000 will be in writing and be:

- drafted after taking appropriate advice by the Managing Director and Director of Property Services and Development and approved by SMT
- a Standard Form Contract with appropriate amendments.

- 23.3 Where the contract price is less than £250,000, the Authorised Officer must use professional judgement to decide the form of the contract but should follow the advice and any model conditions currently available for that type of contract and generally seek advice, where necessary.

24. Sealing/Signing of Contracts

- 24.1 All contracts over £250,000, and all contracts under seal, whatever their value, must be submitted to the Chair of the Board and Company Se for signing/sealing, together with details of Board approval, delegated authority or other approval authorising the award of the contract. Such contracts will be attested by any one of the following:

- Company Secretary
- A second Board Member.

25. Records of Contracts and the Retention of the Contract File

- 25.1 The Company Secretary will maintain a written register of all contracts sealed on behalf of the Company.

- 25.2 The details to be kept under 25.1 include:

- the date of the contract
- the name of the contractor
- brief details of the nature of the contract

- the value of the contract.

25.3 Contracts must be retained safely for the life of the contract, plus any extension period, plus a further six years.

25.4 The Contract file must be retained for three years following the payment of the final account on the contract.

26. Fixed Contracts and Options to Extend

26.1 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 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.

26.2 An option to extend a fixed term contract by up to two years can be exercised by the Managing Director and Director of Property Services and Development in consultation with the Head of Finance.

27. Contract Extension

27.1 Where no extension clause exists in a contract, any proposed extension may be permitted providing:

- a) The extended contract period is by a single period of no more than six calendar months.
- b) It adds more than 20% to the estimated value of the contract.
- c) It does not contravene any Procurement Regulations.

27.2 Any contract extension in these circumstances must be approved by the Managing Director and Director of Property Services and Development in consultation with the Head of Finance.

28. Follow-on Contracts

28.1 Where a 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 Managing Director and Director of Property Services and Development without another competitive tendering exercise. The application of this protocol must be reported to Board as soon as possible after the decision has been made.

28.2 The procedure under 30.1 can only be used once before competitive tenders are again required.

29. 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 budget holder concerned must follow the directions in the Financial Regulations.

30. Consultants

- 30.1 The employment of consultants or specialist advice, the total cost of individual contracts which is estimated to exceed £25,000, shall be subject to the prior approval of the Head of Finance.
- 30.2 Any appointment of consultants or professional advisors must be subject to approval by SMT.

31. Information Technology

- 31.1 No purchase of IT equipment may be undertaken without consulting with the IT Manager and be authorised by the Head of Corporate Services and/or the Head of Finance or Senior Management Team.
- 31.2 The purchase of any computer hardware or software, whatever the value, which is to be linked to NEDDC's network must have the prior written approval of NEDDC's IT Manager.

32. Security/Guarantees

- 32.1 Where a contract for works or services is estimated to exceed £25,000, the Managing Director and Director of Property Services and Development must 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.
- 32.2 The form of any bond or guarantee and the size of the bond must be agreed with the Head of Finance who must take advice, where appropriate.
- 32.3 The Head of Finance must be consulted before a parent company guarantee is accepted.
- 32.4 Written records of the Risk Assessment, and any decisions or consultations made or carried out under this Rule, must be made and retained on the Contract file.

33. Work/Services for Third Parties

Contracts below £100,000

- 33.1 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, a full business case must be produced and submitted to SMT for consideration.

Contracts £100,000 or over

- 33.2 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 above, a full Business Case must be produced and submitted to Board for approval, and no expenditure may be made until that approval is received.

34. Declarations of Interest: Employees and Consultants

- 34.1 Employees must declare in writing any material interest which may affect the contract process.
- 34.2 The Managing Director and Director of Property Services and Development must keep completed employee declarations of interest on the individual's personal file and a register of employee declarations, indicating the names and position of those declaring and the nature of their declaration.
- 34.3 The Managing Director and Director of Property Services and Development must make sure consultants appointed by them make declarations of interest and that a record is kept on the Contract file of any consultants' declarations.
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