

Section: 19

Financial Regulations

Financial Regulations govern the way the Company undertakes financial forward planning, annual budget-setting, budget monitoring and the closing of accounts. These aspects are set out in Part 1.

Financial Regulations also govern the way day to day financial administration is conducted and financial controls are exercised. These aspects are set out in Part 2.

Financial Regulations are supported by other elements of the Company's Constitution, in particular the Scheme of Delegation and Contract Procedure Rules.

Part 1 – Financial Management

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| 1 | Financial Forward Planning |
| 2 | Annual Budget Setting |
| 3 | Budget Management & Monitoring |
| 4 | Statement of Accounts |

1 Financial Forward Planning

- 1.1 The Head of Financial Services will maintain a Financial Forward Plan that covers a period of at least four financial years, including the current financial year.
- 1.2 The Financial Forward Plan will be reported in conjunction with the Annual Budget to the Board. Further updates may be reported during the year to the Board or Business Sub-Group.
- 1.3 The Financial Forward Plan will cover both revenue and capital and identify resources and proposals for expenditure in line with the Company's Business Plan.
- 1.4 The Financial Forward Plan will take account of all relevant known facts and forecasts, including:-
 - full year effects of previous decisions;
 - grants and subsidies;
 - changes in responsibility;
 - planned service developments and reductions;
 - changes in service demand;
 - inflation, pay awards and interest rates;
 - efficiencies;
 - levels of fees and charges;
 - reserves and balances.

- 1.5 The Financial Forward Plan may be a mixture of estimates and targets, with risks associated with both clearly set out.

2. Annual Budget Setting

- 2.1 The Head of Financial Services will issue a timetable for the annual budget-setting process. This will be linked with the delivery planning and will also take account of the Council's requirements in relation to the Housing Revenue Account and the capital programme. This will usually be by August of the preceding financial year.
- 2.2 The Business Sub-Group will receive a draft budget for consideration in December of the preceding financial year.
- 2.3 Following the Council's agreement of the Housing Revenue Account and rent levels the Board will approve the Company's management and operational budgets. This will normally be in March.
- 2.4 The budget must be based on reasonable estimates of expenditure and income, and take account of outturn forecasts for the current year and guidance from the Head of Financial Services on the appropriate level of reserves, balances and contingencies.

3. Budget Management & Monitoring

Latest Approved Budget

- 3.1 The Latest Approved Budget for a service or capital project is the budget determined by the Board prior to the start of the year, as amended by approved variations throughout the year (e.g. virements, returns to the central contingency and allocations from it). The Head of Financial Services is responsible for maintaining the latest approved budget.

Budget Monitoring

- 3.2 Primary responsibility for budget management rests with Heads of Service, who are responsible for monitoring their budgets throughout the financial year and for ensuring they do not overspend.
- 3.3 Forecast overspends of less than £50,000 on a service revenue budget or capital-project budget will be reviewed as part of normal budget monitoring arrangements.
- 3.4 As soon as a Head of Service forecasts an overspend greater than £50,000 on any cost centre for which they are responsible, they must notify the Head of Financial Services immediately, regardless of whether the overspend can be contained within the their overall budget.

- 3.5 Having notified the Head of Financial Services of a forecast revenue budget overspend the Head of Service must submit proposals for offsetting the forecast overspend, together with an assessment of the impact these measures will have on service delivery and performance targets.
- 3.6 The Head of Financial Services, following consultation with the Chair of the Business Sub-Group, will then either approve the proposed recovery plan or instruct the Head of Service to consider alternative options for offsetting the forecast overspend, together with a deadline for the further response.
- 3.7 Where the Head of Financial Services is satisfied that the Head of Service cannot identify options for offsetting the forecast overspend, the Head of Financial services will submit a report to the next meeting of the Business Sub-Group setting out all the available options.
- 3.8 Heads of Service are required to notify the Head of Financial Services of all underspends or windfall benefits arising within their services, which must in the first instance be returned to the contingency provision. Where surpluses arise from new business consideration will be given to profit-share with the service area.
- 3.9 Allocations from the central contingency will be approved by the Business Sub-Group following the receipt from a Head of Service of a fully costed proposal to incur expenditure that is broadly in line with planned development (including full year effect).
- 3.10 The Head of Financial Services will make regular reports to Business Sub-Group and Board on budget monitoring.
- 3.11 In cases of urgency or emergency, the Chief Executive Officer may approve revenue or capital expenditure in excess of the latest approved budget.
- 3.12 The Head of Financial Services may approve revenue or capital expenditure not provided for within the latest approved budget if satisfied that:-
- the expenditure is wholly reimbursable to the Company; or
 - compensatory savings have been identified; and
 - there are no significant full year effects.

In all circumstances, the expenditure must be consistent with the Business Plan and performance management plans.

- 3.13 For the Repairs and Maintenance Budget the Asset Management Sub-Group rather than the Business Sub-Group shall receive regular detailed reports.

Barnet Homes' Capital Budget

- 3.14 Barnet Homes' capital budgets are for items chargeable over more than one year in accordance with the company's accounting policy. The budgets will be agreed annually by the Business Sub-Group.

- 3.15 Any amendments to capital budgets must be agreed by the Business Sub-Group.

Council's Capital Budget

- 3.16 The Heads of Asset Management and Financial Services will produce an outline capital budget covering at least a four year period, taking account of funding availability. This will be approved by the Council and the Board in March, along with the Business Plan.
- 3.17 All variances from planning budgets are measured and agreed by the Investment Planning Group, chaired by the Head of Financial Services and comprising officers from the Heads of Asset Management and Financial Services areas.
- 3.18 Regular reports on the capital programme will be made to both the Asset Management Sub-Group and the Council. Reports will include the impact on service delivery and performance targets and, where appropriate, proposed changes in funding streams. These must be agreed by the Head of Financial Services.
- 3.19 There is a close relationship between Financial Regulations and Contract Procedure Rules.

Further Responsibilities of Heads of Service

- 3.20 Heads of Service in conjunction with the Head of Financial Services must establish local arrangements for budget monitoring within their services.
- 3.21 Heads of Service must put in place local management information systems, where appropriate, to supplement information obtained from financial systems.

Note : Local arrangements should be designed to increase control over the commitment of expenditure since financial information systems in the main reflect decisions already taken. The development of non-financial information is often very effective (e.g. regular reviews of staffing levels compared to budgeted turnover expectations and numbers of agency staff employed to cover vacancies). A good understanding of average/unit costs combined with good monitoring of "throughput" can also enhance budget monitoring.

- 3.22 Heads of Service should establish schemes for delegation of financial management that clarify day to day responsibility for budget monitoring and management within their services, which should be documented and agreed with the Head of the Financial Services. These schemes should make provision for managers within the service to have full responsibility for budget decisions in the absence of the Head of Service.
- 3.23 In preparing all estimates of expenditure and income, Heads of Service must give full consideration to full year effects of their proposals. Where appropriate,

financial risk assessments and exit strategies should be prepared in advance of committing expenditure.

Note : Problems with full year effects can arise in a variety of circumstances, including:-

- *restructures and regradings*
- *pilot projects*
- *bids for external funding*
- *tender evaluation*
- *submitting tenders for external work*
- *forecasting overspends.*

3.24 Before a Head of Service makes a decision that could affect the budget of another Head of Service they must first consult with the other Head(s) of Service.

3.25 Heads of Service must consult the Head of Financial Services at an early stage on any current or future matter or decision that has financial implications.

4. Statement of Accounts

The Head of Financial Services is responsible for making arrangements for closing the accounts and producing the annual Statement of Accounts, as well as all matters relating to their audit.

4.2 The Statement of Accounts will be prepared in accordance with relevant guidelines and submitted to Companies House within the relevant timescale.

4.3 Heads of Service must provide the Head of Financial Services with information required to close the accounts and complete all grant and subsidy claims.

4.4 The report of the external auditors will be presented to the Business Sub-Group together with an appropriate action plan. The Business Sub-Group will monitor progress against this action plan.

Part 2 – Financial Administration

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1. Introduction

- 1.1 These Financial Management Rules apply to all financial transactions of Barnet Homes.
- 1.2 They are designed to safeguard the interests of Barnet Homes and individual members of staff by setting out clear procedures to be followed under the various sections.
- 1.3 This should be used in conjunction with other points of the constitution, legal requirements and other codes of practice which may be issued under 1.5 of this section.
- 1.4 The Head of Financial Services, after discussion with the relevant Head of Service, may report any breach of this Code to the Business Sub-Group.
- 1.5 These Financial Management Rules may be supplemented at any time by other codes of practice or instructions issued by the Head of Financial Services.

2. Accounting

- 2.1 All accounting arrangements across the company shall be in a manner approved by the Head of Financial Services, taking into account best practice guidance issued by relevant external bodies.
- 2.2 There must be adequate separation of duties whenever possible to ensure that no one officer is able to handle any financial transaction from start to finish.

3. Internal audit

- 3.1 The Head of Financial Services will ensure that an adequate and effective system of internal audit operates within the Company.
- 3.2 Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the company's operations.
- 3.3 The objective of internal auditing is to assist officers and Directors in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with assurance, analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed. This objective includes promoting effective control at reasonable cost.
- 3.4 The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organisation's system of internal control and the quality of performance in carrying out assigned responsibilities
- 3.5 Internal Audit is independent of the activities audited. Independence permits internal auditors to render the impartial and unbiased judgements essential to the proper conduct of audits.
- 3.6 Any suspected irregularity involving any asset, or the exercise of any function, of the Company must be reported by the appropriate Head of Service to the Head of Financial Services to inform the overall assurance that can be delivered. The primary responsibility for the prevention, detection and investigation of fraud lies with line management.
- 3.7 The Head of Financial Services, or authorised representative, shall have authority to:-
- enter any Company premises;
 - have access to all records, documents, correspondence and assets of the Company;
 - receive such explanations as are necessary concerning any matter under examination, and
 - require any employee of the Company to produce cash, stores or any other Company property under his or her control
- 3.8 The Company's Heads of Service shall have regard to the principles of risk management, and to the Company's risk management policy. Internal Audit will review the adequacy and effectiveness of the Company's arrangements for risk management.
- 3.9 The Head of Financial Services will produce a statement of internal control annually to the Board setting out the effectiveness of control systems and any weaknesses

identified.

4. Banking Arrangements

- 4.1 The Head of Financial Services must approve all banking arrangements across the Company, and must be satisfied over the safe keeping of all controlled banking stationery.
- 4.2 Cheques drawn on the Company's main bank accounts shall be authorised by the facsimile signature of the Head of Financial Services.
- 4.3 Cheques above certain financial limits set by the Head of Financial Services shall be manually countersigned by those designated officers set out in writing by the Head of Financial Services.

5. Security of Assets

General

- 5.1 Heads of Service are responsible for the proper security of all buildings, stocks, furniture, equipment and cash etc. within their service. The Head of Financial Services shall exercise a co-ordinating role on security issues and shall be consulted where it is felt that security is inadequate or in special circumstances.
- 5.2 Maximum limits for cash holdings shall be set by the Head of Financial Services, which may not be exceeded without prior authority.
- 5.3 All keys to safes and the like items shall be carried on the person of the officer responsible. Heads of Service shall keep a record of key holders. Any loss of keys shall be reported to the Head of Service.
- 5.4 Heads of Service are responsible for the proper security and privacy of all information held in computer systems under their control, and for ensuring that these systems are can only be accessed by authorised personnel.

Land & Property

- 5.5 The Head of Housing Services shall maintain an indexed register (terrier) on behalf of the Council of all houses and flats provided under the Housing Acts.
- 5.6 This record will show its location and details of interest and rents payable and tenancies granted.

Other Assets

- 5.7 Heads of Service must maintain inventories of all assets employed in their service, and make arrangements for these to be checked at least annually.
- 5.8 Any surpluses/deficits in excess of a figure set by the Head of Financial Services

shall be reported to him/her. The Head of Financial Services shall agree the action to be taken in relation to these differences, including, if necessary reporting to the Business Sub-Group.

- 5.9 Company assets may only be used for company business, and may only be removed from company premises with the consent of the Head of Service. The officer removing the asset then becomes responsible for the safekeeping of the asset.
- 5.10 All Company assets shall, wherever possible, be security marked.
- 5.11 Heads of Service are responsible for the sale or disposal of assets employed in their service, and for accounting for these transactions. All disposals are to be notified to the Head of Financial Services Including demonstrating that value for money has been achieved.

Stocks

- 5.12 Heads of Service are responsible for the safekeeping of stocks held and shall not allow levels held to exceed reasonable levels. All records, returns and accounts shall be held in a form approved by the Head of Financial Services and returns will be submitted as and when required.
- 5.13 The condition of stocks shall be checked on a regular basis by the Officer responsible for them.
- 5.14 Heads of Service must ensure that stock items above a value determined by the Head of Financial Services are checked at least once each financial year.
- 5.15 All surpluses or deficits identified during stock takes shall be entered onto an adjustment record and the appropriate Head of Service, with the agreement of the Head of Financial Services, may write-off deficiencies or bring surpluses into account.
- 5.16 The Head of Financial Services or authorised representative may have access to all stock and may make such checks as thought necessary.

6. Imprest Accounts

- 6.1 The Head of Financial Services must authorise all imprest accounts.
- 6.2 The imprest account holder must:-
 - provide a certificate showing the state of the account, when requested by the Head of Financial Services;
 - only reimburse expenditure up to a limit set by the Head of Financial Services;
 - obtain receipts for all payments made, which should be proper VAT receipts wherever possible;

- properly account for VAT in all float reimbursements;
- not allow the account to be overdrawn and shall arrange for reimbursement at regular intervals;
- not pay any salaries or wages from the account;
- not pay income into the account;
- provide the Head of Financial Services with a full account for the advance when ceasing to be the imprest account holder.

7. Income

- 7.1 Officers should encourage payment in advance or at point of service delivery wherever possible, and minimise the amount of credit given to customers.
- 7.2 All records relating to income due to the Company or the Council, accounts raised, and receipts issued shall be in a format agreed by the Head of Financial Services, in conjunction where appropriate with the Council's Borough Treasurer.
- 7.3 Officers responsible for controlled stationery must keep it secure.
- 7.4 Methods of payment must be agreed by the Head of Financial Services.
- 7.5 The Head of Financial Services may authorise payment by instalments if full payment cannot be obtained immediately.
- 7.6 Officers receiving monies shall keep an accurate and chronological account of all receipts and bankings.
- 7.7 Monies received must be banked on the day of receipt wherever possible, and not later than the next working day. All amounts paid in must be referenced to enable subsequent identification of the accounts to which they relate.
- 7.8 No deductions may be made from monies received.
- 7.9 Heads of Service must notify the Head of Financial Services of all monies due to the Council under contracts, leases or other agreements and the cessation of use or change of user affecting this income.

Invoicing & Debt Recovery

- 7.10 Officers responsible for raising invoices must ensure that VAT has been properly accounted for and that the debt is recorded in a format approved by the Head of Financial Services.
- 7.11 Officers responsible for the collection of amounts invoiced should only put forward amounts for write-off after all appropriate steps to recover the debts have been exhausted.
- 7.12 A review of every debt should be undertaken at least quarterly.

7.13 Officers should follow the requirements outlined in the company's overarching Income Collection Strategy.

8. Insurance

8.1 The Head of Financial Services is responsible for arranging adequate insurance cover for the Company and keeping comprehensive records of all risks covered.

8.2 Heads of Service must notify the Head of Financial Services immediately of all new areas of risk and of any change of circumstances likely to affect existing insurance risks. The Head of Financial Services will at least annually provide Heads of Service with a statement of existing insurances for verification.

8.3 Any incident which could give rise to an insurance claim must be promptly notified to the Head of Financial Services by the relevant officer, who shall also inform the Police if appropriate.

8.4 The Head of Financial Services will handle all insurance claims, in conjunction with the Company's legal advisors and/or the insurance company if proceedings are issued.

8.5 The Head of Financial Services will examine all new, or amendments to existing policies as required in respect to contractors or other persons in which the Company has an interest.

8.6 Officers must consult the Head of Financial Services in all cases where the Company is requested to give an indemnity.

8.7 Officers in receipt of a motor vehicle allowance must produce registration documents, insurance policy, certificate of insurance and test certificate if required by the Head of Financial Services. Insurance policies must be comprehensive and cover use on official business.

9. Payment of Accounts

9.1 The Company's Payments Policy provides detailed guidance on the payment of accounts.

9.2 Methods of payment (e.g. cheque, BACS) must be agreed by the Head of Financial Services.

9.3 The names of officers authorised by Heads of Service to certify invoices must be notified in advance to the Head of Financial Services. When certifying invoices for payment these officers must first check that:-

- the works, goods or services to which the account relates corresponds to those shown on the relevant official order or that one of the exemptions set out in the Contracts Procedure Rules applies;

- the works, goods or services to which the account relates have been received or satisfactorily carried out and have been examined or approved;
- the prices, additions, calculations, discounts, other allowances and VAT are correct, and that the invoice is a proper VAT invoice;
- the expenditure has been properly incurred (official order raised, authority given), there is budgetary provision and the expenditure has been correctly coded;
- the appropriate entries have been made in inventories, stores records or stock books;
- the invoice has not previously been passed for payment.

9.4 Processes for the certifying of invoices within service areas must be approved by the Head of Financial Services.

9.5 To enable the company to comply with the Late Payment of Commercial Debts Act, no amended invoices will be accepted. Heads of Service must:-

- return an invoice to the supplier and seek a new invoice with a revised date, whenever:-
 - the invoice is dated prior to receipt of goods, works or services and this is contrary to the agreed payment terms;
 - the invoice is incorrect;
- when certifying an invoice for payment that was initially disputed, record on the certification form the date on which the invoice was actually validated.

9.5 Invoices that are not produced in an acceptable format will not be passed for payment. This includes invoices that do not comply with VAT Regulations.

9.6 Heads of Service should explore the possibility of early payment discounts with all suppliers of goods, works and services. These should be checked with the Head of Financial Services before acceptance.

9.7 Heads of Service, prior to authorising payments in advance, must undertake a risk assessment of the supplier or service provider defaulting. All payments in advance in excess of £5,000 must be notified to the Head of Financial Services.

10. Salaries, Wages & Pensions

10.1 All appointments shall be made in accordance with the terms and conditions of the Company and the approved establishments, grades and rates of pay.

10.2 The Head of Corporate Services shall calculate and pay all remuneration, pensions, compensation and other emoluments to current and former employees or shall approve and control alternative arrangements for this.

10.3 Heads of Service must provide to the Head of Corporate Services:-

- the names and specimen signatures of all officers authorised to sign personnel records;
- relevant details of appointments, leavers and any other change of circumstances that may affect payment or the nature of duty of any of their staff;
- details of absences due to sickness, accidents on or off duty, special leave without pay or other paid leave or absence;
- certified time-sheets for staff paid at hourly or weekly rates, at intervals and in the format determined by the Head of Corporate Services.

10.4 Salaries shall normally be paid direct to the employee's bank account. All payments shall be made direct to the person concerned unless that person authorises otherwise.

10.5 Payment will normally only be made on the normal date except in respect of holidays or the person leaving the Company before that date. The Head of Financial Services has discretion to make an advance in exceptional circumstances.

10.6 The Head of Corporate Services will periodically circulate a list of all salaried staff for Heads of Service to verify.

11. Travelling, Subsistence & Financial Loss Allowance

11.1 All claims for payment of car allowances shall be properly certified and in a format approved by the Head of Financial Services. The names of certifying officers and specimens of their signatures shall be forwarded to the Head of Financial Services.

11.2 The certification of any claim shall mean that the certifying officer is satisfied that the journeys were authorised, expenses were properly and necessarily incurred and that the allowances should be paid by the Company.

11.3 The Head of Financial Services shall make payments of travelling or other expenses to Members of the Board or its Sub-Groups who are entitled to make such claims. All claims shall be made on the approved form.

12. Grants

12.1 The Head of Financial Services must be consulted on all applications for grant-funding proposed for the company. In proposing applications officers should consider the following factors in particular:-

- how the bid supports the company's aims and objectives
- whether the bid is for capital or revenue funding
- any match-funding requirements from the company's own resources, whether in cash or in kind
- any match-funding requirements from other organisations or individuals, how these

will be secured and any risks associated with them.

- 12.2 Where the bid is for capital funding officers must consider the ongoing cost of maintaining the asset.
- 12.3 In all cases the bid should state whether the funding is to support existing or new activity, and an exit strategy provided for when the external funding ceases.
- 12.4 Any acceptance of grant funding must be approved by the Head of Financial Services or his representative.
- 12.5 Any expenditure and income in relation to grant funding must be readily identifiable in the company's financial system and the Head of Financial Services will advise on the appropriate coding to be used.
- 12.6 Claims for payment of grant must be certified by the Head of Financial services or his representative. He shall be provided with a claims timetable by the relevant Head of Service, together with details of conditions for payment.