

North Essex
Garden Communities



Financial Regulations

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NEGC CONFIDENTIAL TO RECIPIENT

1. Introduction

- 1.1. North Essex Garden Communities Ltd (the Company) is required by the Companies Act 2006 (as amended) to conduct its business efficiently and to ensure that it has sound financial management policies in place, which are strictly adhered to. Part of this process is the establishment of Financial Regulations, which set out the financial policies of the Company.
- 1.2. Financial Regulations provide clarity about the accountabilities of individual employees/contractors, the Group Managing Director (GMD), the Responsible Finance Officer (RFO) and the Board.
- 1.3. Employees should link the Financial Regulations with other documents which form part of the Company's Constitution, e.g. Articles and Shareholders Agreement.
- 1.4. These Financial Regulations may only be amended by approval of the Board which in turn requires resolution of its shareholders.
- 1.5. The RFO is responsible to the Board for the overall control of NEGC's financial affairs and the continuous provision of financial information.
- 1.6. The RFO is responsible for maintaining the integrity of the financial control systems of NEGC. He should be consulted, as required, over any proposed change to accounting and financial operations wherever they are performed.
- 1.7. As NEGC is formed of Braintree District Council (BDC), Tendring District Council (TDC), Essex County Council (ECC) and Colchester Borough Council (CBC), NEGC will make use of the existing policies and procedures from CBC as an interim arrangement until such time as NEGC's policies and procedures have been created and are formally approved by the NEGC Board and its shareholders.

2. Internal control

- 2.1. The Board has ultimate responsibility for establishing proper systems of internal control, whether financial or otherwise. Day-to-day responsibility for internal control is delegated to the RFO who shall provide the Board with an annual statement of assurance that the appropriate controls are in place and working effectively.
- 2.2. The RFO is responsible for ensuring that appropriate and effective systems of internal assurance and control (including proper segregation of duties, where applicable) are established, monitored and maintained.

3. Budget preparation, monitoring and control

- 3.1 Preparation of budgets for expected income and expenditure shall be co-ordinated by the RFO.

- 3.2 The budget is to be prepared in a form agreed by the Board in a manner that is consistent with the objectives of NEGC and its Long-Term Business Plan (or Interim Business Plan). When being considered by the Board, the annual budget should be accompanied by recommendations on its acceptability and its impact on overall finances.
- 3.3 The Board will consider and approve the annual budget no later than two months before the start of the financial year. Once approved by the Board and the Shareholders, the annual budget is to be used as the basis for authority to incur expenditure on individual headings up to the agreed levels and for comparisons between budgeted and actual results, until it is revised. To facilitate the Councils supporting NEGC, a high level budget will be tabled in October each year which will allow any financial requirements (of the Councils) to be incorporated into the timing of the LA partners budget setting process.
- 3.4 If, at the end of any financial period, the Budget for the next financial period has not been agreed by the Shareholders, NEGC will operate on the basis of the budget approved for the preceding year until such time the Budget for the next financial period has been approved by the Shareholders.
- 3.5 The GMD has authority to approve virements or transfers between budget headings, up to an amount of £50,000 or such other agreed amount as determined from time to time in consultation with the Chairman (up to a maximum of £100,000) or in consultation with the Board (above £100,000). Any such variations in budget headings initiated by the GMD or the Chairman shall be reported to the next meeting of the Board.
- 3.6 If during the financial year it becomes apparent that expenditure on a budget heading is likely to exceed the approved budget by an amount in excess of any allowable virement, the GMD, in consultation with the Chairman of the Board, will have authority to agree a budget virement or adjustment. Such an adjustment must be limited to a maximum of £100,000 and must be reported to the next meeting of the Board together with an indication of other areas of expenditure where compensatory savings could be made. The total approved budget for the year may not be exceeded without the approval of the Board and the Shareholders.
- 3.7 Nothing in these Financial Regulations will prevent GMD from incurring expenditure that is essential to meet any immediate needs created by an emergency, subject to such action being discussed beforehand with the Chairman of the Board whenever possible and being reported as soon as possible to the Board.
- 3.8 Inclusion of approved budgeted expenditure will constitute authority to incur such expenditure except where the Board has placed a condition on any item.
- 3.9 The RFO will present to the Board a quarterly report on the state of NEGC's finances and will report on the draft accounts of each financial year within one month of the financial year end and provide audited year-end accounts within three months of the year end.
- 3.10 The RFO will provide the Steering Committee with monthly reports as appropriate, of income and expenditure under each heading or approved

budget and such other relevant information which is available; for example transaction listings..

4. Business Plan

- 4.1 The GMD will ensure that a business plan covering a period of five years, in accordance with 5.2 of the Shareholders' Agreement, and related financial projections are prepared and are reviewed and updated at least annually before the start of each financial year. The financial projections should be based on the approved budget and incorporate suitable assumptions.
- 4.2 The RFO will arrange for sensitivity testing of the projections and assumptions by reference to key risks identified in the strategic risk analysis. The RFO will arrange for the business plan and projections to be independently audited periodically and if required by the Board, any lender/investor or the Regulator.
- 4.3 The financial projections, including sensitivity testing analysis, will be considered in detail by the Steering Group and Statutory Finance Group before recommendation for approval by the Board. The business plan will be considered by the Board before the start of each financial year. The RFO will prepare a suitable timetable and plan to allow for the budget, business plan and stress testing to be considered and approved appropriately.
- 4.4 The RFO will prepare quarterly monitoring reports of performance against the financial projections.

5. Accounting

- 5.1 The RFO will provide guidance and training on the accounting principles and procedures to be used throughout NEGC by employees in all financial matters.
- 5.2 The RFO, subject to consideration and approval by the Board, will determine all accounting procedures and records of NEGC and its employees in accordance with the requirements of statutory agencies and regulatory authorities. Where appropriate, the RFO will seek guidance from NEGC's auditors or the Shareholders statutory finance officers.
- 5.3 All accounts and accounting records of NEGC shall be compiled under the direction of the RFO, who will be responsible for ensuring their accuracy.
- 5.4 The RFO will make sure that a proper segregation of duties exists between those employees responsible for collection of income or making payments and those employees responsible for providing information or examining and checking transactions relating to income or payments. As such, Contracts shall be signed by the GMD or in the GMD's absence, a NEGC Board member. Invoices will be authorised by the GMD and the NEGC Commercial Manager.

6. Audit requirements

External audit

- 6.1 The Board will appoint external auditors as required by company law and in a way consistent with the requirements of current guidance and codes of practice.
- 6.2 The Board will carry out an annual review of the auditors' performance before any recommendation that the Board reappoint the same auditors for a further period.
- 6.3 The RFO will arrange for the completion of external audits and will liaise with the external auditor. The timetable will make sure that draft accounts are considered by the Board before the Annual General Meeting, and that the financial statements are available for adoption at the Annual General Meeting, which will be held within six months of the end of the financial year.
- 6.4 The external auditors will be invited to present their annual final management letter to the Board and to discuss issues that have arisen during their work, including highlighting areas of concern and recommendations for improved efficiency and control.

Internal audit

- 6.5 The Board has ultimate responsibility for ensuring that an adequate system of internal control is implemented for safeguarding the assets of NEGC. The Board will make sure that adequate and effective internal audit takes place for the governance, financial and operational systems employed in the effective delivery of services.
- 6.6 At the RFO's discretion, an internal audit function may be provided either by any of the Shareholders acting independently or together or procured from an external agency.
- 6.7 Internal and external audit services will not be provided by the same organisation.
- 6.8 The internal and external auditors have direct access to the Chair of the Board to ensure the independence of the audit functions. Similarly, the Chairman of the Board will have a right of access to internal audit where he/she considers this necessary.
- 6.9 Internal auditors shall have authority to:
 - enter at all reasonable times any of NEGC's premises or land
 - have access to all records, documents and correspondence relating to any financial and other transactions of NEGC
 - require and receive without delay such explanations as are necessary concerning any matter under examination
 - require any NEGC employee to produce cash, or any other property under their control.

7. Expenditure authorisations

- 7.1 The Board has delegated authority for the authorisation of expenditure commitments and approving invoices for payment in line with the approved budget to the GMD. The GMD may from time to time, issue specific delegated responsibilities to another NEGC Officer in accordance with the thresholds set in Appendix E hereto.
- 7.2 The purchase of land or property can only be enacted by the GMD, following approval by the Board.
- 7.3 The purchase of Contractors (Interim Resource) shall be capped at £700 per day up to a maximum of £50,000 per annum at the GMDs discretion. Any engagement valued at between £50,000 and £100,000 per annum will require approval by the Chairman or the Board (above £100,000 per annum).
- 7.4 The GMD may write off bad-debt up to a maximum of £5,000 at his sole discretion. Any bad-debt above £5,000 will however require consultation with the Chairman and Board approval before being considered obsolete and being duly removed from the NEGC accounts.

8. Contracts, Purchase orders and certificates

- 8.1 Official contracts and purchase orders will be issued for all works, goods or services to be supplied to NEGC, except for supplies of public utility services, periodical payments such as rent or rates, petty cash purchases or sundry payments or such other exceptions as the GMD may approve.
- 8.2 Orders will only be raised where there is specific budget provision to cover the estimated cost of the order. The GMD has authority to approve virements or transfers between budget headings, up to an amount up to an amount of £50,000 or such other agreed amount as determined from time to time in consultation with the Chairman (up to a maximum of £100,000) or in consultation with the Board (above £100,000)..
- 8.3 The GMD has NEGC Board Authority to enter into and execute contracts on the NEGC Boards behalf as an authorised signatory and to manage their execution.

9. Purchasing cards

- 9.1 The use of Purchasing cards is not currently permitted and NEGC will instead adopt Colchester Borough Council's Expenses Policy as and when appropriate.

10. Payments of accounts

- 10.1 Each application for payment must be approved by both the GMD and the Commercial Manager Such certification may be in manuscript or by secure electronic authorisation by each employee.

10.2 The Commercial Manager is responsible in the application approval for ensuring that:

- the prices, extensions, calculations, trade discounts, other allowances, credits, tax and allocation (i.e. coding) are correct
- the relevant expenditure has been properly incurred and is within the relevant budget provision
- appropriate entries have been made and in inventories, store records or stock books as required
- the account has not been previously passed for payment and is a proper liability of NEGC.
- the invoice identifies the purchase order or contract certificate to which it relates (which should be marked off against that order)

10.3 The GMD is responsible in the application approval for ensuring that:

- the work, goods or services to which the account relates have been received, carried out, examined and approved

10.4 The Responsible Finance Officer is responsible for ensuring:

- the expenditure is charged to a financial budget code for which that employee has authority
- the financial budget codes are correctly stated and appropriate for that expenditure
- adequate budget remains for the expenditure.

10.5 Once accounts have been correctly certified and authorised, they will be processed through NEGC's payments system under the direction of the RFO. The RFO will be entitled to make such enquiries and to receive such information and explanation as he/she may require about any payment.

10.6 Incorrect invoices should be resolved with the supplier by the Commercial Officer and either returned for amendment or appropriate credit agreed.

10.7 Each Budget Holder that has been delegated authority by the GMD to manage one or more Budget Headings shall, as soon as possible after the financial year end in each year, agree with the RFO any outstanding expenditure in relation to the previous financial year.

10.8 Apart from petty cash and other payment from advance accounts, the normal method of payment of money due from NEGC shall be by cheque or electronic transfer drawn on NEGC bank accounts and signed and approved by signatories duly authorised by the Board for the NEGC bank accounts.

10.9 The general rule is that invoices are paid within 30 days of receipt or subject to variations as agreed with the individual supplier of goods and services. NEGC will be sensitive to the needs of small local traders in particular.

11. Employment status of suppliers

- 11.1 It is necessary to consider the circumstances of each supplier and determine whether that supplier should be treated as self-employed or as an employee of NEGC. The nature and amount of work that a supplier, typically a sole trader or small unincorporated business, carries out for NEGC can mean that they should be treated as employees of NEGC and taxed accordingly.
- 11.2 An assessment of employment status must be completed for all suppliers before first payment is made. The assessment should be completed by the RFO. The assessment checklist describes features that may indicate self-employed status and the decision will be a balanced judgement based on the evidence collected. Completed assessments will be retained.
- 11.3 Assessments of unincorporated organisations/suppliers that have been assessed as self-employed should be reviewed annually to make sure that this judgement remains appropriate.
- 11.4 If the assessment indicated that a supplier ought to be considered as an employee then the supplier should be informed of the assessment and either invited to become an employee or required to withdraw as a supplier.

12. Salaries, wages and pensions

- 12.1 NEGC pay levels (excluding the GMD) will be consistent with market principles and be kept under review by the GMD
- 12.2 Items to be included in pay (including variable hours, overtime etc.) must be authorised by the GMD. In terms of the GMD remuneration will be set by the NEGC Board.
- 12.3 Employees of NEGC Ltd will be paid on the 28th of each month or, if this is not a banking day, on the immediately preceding banking day. Payments will be made under arrangements approved and controlled by the RFO. Payments will be made by bank transfer to the employee's nominated account unless otherwise agreed by the RFO in exceptional circumstances.

13. Travel and business expenses

- 13.1 All claims for payment of business expenses, travelling and incidental expenses will be approved by the GMD or may be approved by Commercial Manager up to the value of £250. All expense/petty cash claims for payment of travel/business expenses must be in accordance with the NEGC Travel and Expenses Policy.

Expenses claimed on behalf of the GMD may only be authorised for payment by the Chairman of the Board.

- 13.2 All claims for a financial year are to be submitted within one month of the financial year-end.
- 13.3 Employees' claims submitted more than three months after the expenses were incurred will be paid only with the approval of the RFO.

14. Income

- 14.1 The collection of all money due to NEGC will be under the supervision of the RFO.
- 14.2 All employees are responsible for providing the RFO with such information concerning work done, goods supplied or services rendered – including contracts, leases and other agreements – to enable the determination of income due to NEGC.
- 14.3 The RFO will ensure that income due to NEGC is pursued and that all reasonable efforts are made for full recovery.
- 14.4 All money received by employees of NEGC will, without delay, be paid to the RFO or as directed into NEGC bank account. No deduction will be made from the income without authority of the RFO.
- 14.5 No amount can be written off unless all practical procedures for recovery have been tried.

15. Fixed assets

Asset Register

- 15.1 The GMD and Responsible Finance Officer will be responsible for maintaining a fixed asset register for all items above £500, recording an adequate description of furniture, fittings and equipment, plant and machinery and other equipment owned by NEGC.
- 15.2 NEGC's property will not be removed other than in the ordinary course of business.
- 15.3 Employees responsible for individual assets shall ensure that property and equipment is maintained in good working order.

Asset and Liabilities Register

- 15.4 An Asset and Liabilities Register is to be maintained by the RFO.
- 15.5 This will maintain a register of documents, for example, deeds, which will incorporate a record of the location of individual documents.

Disposals

- 15.6 Any fixed asset owned by NEGC may be disposed of or scrapped by the RFO, where he/ she is satisfied that that asset has exceeded its useful economic life or is no longer required for the continuing business.
- 15.7 Where an asset is disposed, the RFO must obtain its current value before agreeing any disposal and must obtain the best value available.

- 15.8 Losses written off as a result of disposal of assets will be reported to the next meeting of the Board.
- 15.9 The RFO will ensure that the Asset Register is updated accordingly.
- 15.10 The RFO is responsible for ensuring that no confidential information is left on the item to be disposed.

16. Control of stocks

- 16.1 If a stock of any item is kept the RFO will ensure that there are proper procedures for the issue and control of the stock, including carrying out regular stock takes.
- 16.2 If a loss arises as a result of a stock take or other stock adjustment, the GMD has delegated authority to write off such losses. Such write offs will be reported to the next meeting of the Board.
- 16.3 All amounts written off must be recorded in the Register of Losses held by the RFO.

17. Investments and borrowings

- 17.1 It is essential that NEGC's investments and borrowing are properly and professionally managed, and to this end NEGC Ltd will follow CIPFA's Treasury Management in the Public Services – Code of Practice and Cross Sectorial Guidance Notes.
- 17.2 A Treasury Management Policy and an annual treasury strategy will be agreed by the Board and the Shareholders, and thereafter its implementation and monitoring will be delegated to the RFO.
- 17.3 All investments of money under its control will be made in the name of NEGC.
- 17.4 All securities which are the property of (or in the name of) NEGC will be held in the custody of NEGC's bankers or custody agents, as appropriate, except where held by a lending authority.
- 17.5 All borrowings will be within the limits authorised and will be effected in the name of NEGC.
- 17.6 The RFO will maintain adequate records of all borrowings of money by NEGC.
- 17.7 The RFO will report to the Board no less than twice in each financial year on the activities of the treasury management operation and on the exercise of treasury management powers that have been delegated.
- 17.8 The RFO will present an annual report to the Board on treasury management within three months of the financial year end.

18. Banking

- 18.1 Bank accounts will only be opened with the approval of the Board. All arrangements with NEGC bankers will be made by the RFO who shall be authorised to operate such bank accounts.
- 18.2 Payments from NEGC's bank accounts can only be made upon the authority of two authorised signatories. Authorised signatories for the issue of cheques and giving of other instructions will be as approved by the Board from time to time.
- 18.3 All blank cheques and cheque books will be ordered only on the authority of the RFO, who will make sure that proper arrangements are made for their safe custody.

19. Control of cash

- 19.1 The RFO will be responsible for maintaining a petty cash float or floats for the reimbursement of minor items of expenditure up to £30 for each item.
- 19.2 The amount of petty cash imprests will be determined by the RFO from time to time.
- 19.3 Receipted vouchers (which should include a VAT registration number) will be needed to support the petty cash forms.
- 19.4 The petty cash float will be agreed at the end of each month and be kept locked in a secure place.

20. Insurances

- 20.1 The RFO will be responsible for procuring and administering all insurances for NEGC, which will be arranged following the approval of the Board. The RFO will be responsible for determining the procedures for the reporting, recording and recovery of insured losses.
- 20.2 Employees must immediately notify the RFO in accordance with the appropriate procedure, of any loss, liability or damage or any event likely to lead to a claim (informing the Police where appropriate unless otherwise directed).
- 20.3 The RFO will be responsible for arranging, no less than annually, a review of all insurance cover and reporting on that review to the Board.
- 20.4 Employees must agree the terms of any indemnity which NEGC is requested to give with the RFO.

21. Taxation

- 21.1 The RFO is responsible for submitting all statutory and other returns to HM Revenue & Customs relating to VAT and other taxation matters, and for obtaining and giving advice and guidance to employees on taxation matters.

22. Security procedures

- 22.1 The RFO is responsible for ensuring that proper security arrangements are maintained at all times for buildings, stocks, furniture, equipment, cash, books and records, and so on.
- 22.2 Every employee has a responsibility to consult the RFO in any case where security is thought to be defective or where special security arrangements may be needed.
- 22.3 The RFO will agree the maximum limits for any cash held, which will not be exceeded without authorisation. All cash held will comply with the limits and other requirements for the time being of NEGC insurers.
- 22.4 Keys to safes or similar containers should be carried by the authorised employee(s) at all times. Loss of any such keys should be reported to the RFO immediately. Duplicate keys will only be issued in exceptional circumstances on satisfaction that all reasonable efforts have been made to recover lost keys. No keys should be marked in such a way as to make them identifiable to any person who is not authorised to hold that key.
- 22.5 The RFO will make sure that suitable arrangements are in place for back-up usage of computer facilities in the event of a serious malfunction.
- 22.6 The RFO will ensure that NEGC is registered with the Information Commissioner under the Data Protection Act 1998 or any other legislation as from time to time enacted

23. Retention of documents

- 23.1 The RFO is responsible for ensuring that all financial and other records are retained for such periods as are required by HMRC and Companies House,

Appendix A – Definitions

In case of conflict between the Financial Regulations and the Shareholders Agreement and the Articles of Association, the order of precedence shall be:-

1. Shareholders Agreement
2. Articles of Association
3. Financial Regulations
4. Other policies as required in clause 1.8

In these Financial Regulations reference to:

Amendment: These financial rules may not be amended, change, altered, waived or, save as provided for in Regulation 3.8, without the consent of the NEGC Board.

Articles of Association means the NEGC **Articles of Association** dated/signed 30th January 2017.

The Board means the full Board of North Essex Garden Communities Limited or any committee of the Board or individual Board Member that the full Board has duly authorised to act for it in the matter under consideration.

The NEGC Budget Headings include the following sections, as approved by the Board:

- Development Corporation Mandate
- Business Strategy and Plan
- Masterplanning
- Infrastructure & Utilities
- Commercial delivery
- North Essex Economic Strategy
- Public Relations & Communications Strategy
- NEGC Company Matters

The NEGC Budget categories that apply within each of the Budget Headings include the following sections, as approved by the Board:

- Project Resource / Delivery Team
- Legal Support
- Delivery Support
- Planning
- Community & Communications
- Contingency

The Council/s refers to either Braintree District Council (BDC), Essex County Council (ECC), Tendring District Council (TDC) and/or Colchester Borough Council (CBC).

Commercial Manager (CM) means the NEGC Commercial Manager or alternate employee as nominated by the GMD, to hold this area of responsibility

Director means a Director of the Company from time to time

Group means NEGC and its subsidiaries from time to time.

Group Managing Director (GMD) means the NEGC Group Managing Director, appointed by the Board from time to time.

NEGC means North Essex Garden Communities Ltd;

NEGC Officer means any employee or consultant of NEGC

Responsible Finance Officer (RFO) means the NEGC Finance officer, appointed to enable the GMD to manage the financial controls effectively; or in the absence of such an appointment, a nominated Council officer appointed by the Board from time to time.

Shareholders Agreement means the Shareholders agreement dated/signed 30th January 2017

NEGC CONFIDENTIAL TO RECIPIENT

Appendix B - Document Control Sheet

Title:	Financial Regulations		
Electronic File Name & location:	NEGC Financial Regulation Sept 2018 v1.11		
Consultation with stakeholders:	Monitoring Officers and section 151 officers from (i) Braintree District Council (BDC), (ii) Essex County Council (ECC), (iii) Tendring District Council (TDC) and (iv) Colchester Borough Council (CBC).		
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1.10	New	May 2018	Original Document
1.11	Minor revision	Sept 2018	Paragraph 3.3 amended to bring in line with NEGC Ltd Articles of Association & Shareholders Agreement

Appendix C – NEGC Financial Limits / Delegations

The GMD may formally delegate financial authority from time to time, in agreement with the Chairman and / or the Board; where the Chairman's authority is exceeded.

In so doing, formally in writing, the following contract / order thresholds must not be exceeded:

Role	Maximum Financial Authority
NEGC Officer	£1,000 per transaction
NEGC RFO	£5,000 per transaction
NEGC CM	£10,000 per transaction
NEGC GMD	£50,000 per transaction
NEGC Chairman	£100,000 per transaction
NEGC Board	£500,000 per transaction
NEGC Shareholders	Above £500,000 per transaction