



VauxhallOne Board 25th April 2012

Financial principles – a summary financial policies and procedures paper

1. Financial checks and balances

- a. It is necessary for the VauxhallOne Board to establish a number of financial policies and procedures to ensure that there are sufficient checks & balances in place from the outset as part of a robust financial system for VauxhallOne. The first step is to agree a number of financial principles that can inform these policies and procedures. The purpose of this paper is seek Board agreement of the financial principles and the key elements to be included in the respective policies and procedures (which the Board will be asked to approve in due course). These principles need to include the roles of the Board, the Finance and General Purposes Committee and Theme Groups; and underpin the procedures that will be established for:
 - b. Budget setting – Yearly and BID term budget(s).
 - c. Project and budget scrutiny/challenge process
 - d. Purchase Order system.
 - e. Payments system – computerised / on-line payments.
 - f. Budget reporting – management accounts.

2. Recommendations – what, why, by when

- a. Budget setting – The Board will set one-year and BID term budgets for individual Theme Groups at the outset of each financial year; and will retain the overall collective responsibility for approving the Business Plans of individual Themes; for monitoring spend against budget, and for agreeing any significant new project or variation to that budget during the course of the year. The budget-setting decisions of the Board will be supported by (1) the Finance and General Purposes Committee, which will be responsible for reviewing, and advising the Board on the Theme Groups' proposals for overall yearly Business Plans and budgets , and (2) The Theme Groups – which will be responsible for drawing up draft individual Theme Group Business Plans and budget proposals for each of the projects for which they are responsible.



More detailed procedures and processes will be developed where necessary to implement these broad principles and responsibilities in relation to setting annual and BID term budget(s):

- i. In broad terms, the main 'theme' Budgets will align to the pledges outlined in the BID proposal.
 - ii. The Budgets set by the Board will be informed by individual Theme Group Business Plans. However, the Board will agree and set yearly and BID term budgets which may not reflect amounts requested by the Theme Groups; and will also be informed by advice and comments from the Finance and General Purposes Committee (particularly where the sum of the proposals made in the draft Business Plans exceeds the total funding available)
 - iii. Business Plans to be produced by each Theme Group January / early- February each year for consideration initially by the Finance and General Purposes Committee, and then at the March Board – which will set budgets for the forthcoming year.
- b. Project scrutiny process – The Theme Groups will be responsible for ensuring that individual Projects for their theme area deliver to time and keep within the agreed budget; and they will be supported to do that by regular reports and financial information. Whenever they want to commission/contract items of expenditure, the Theme Groups will also be required to comply with formal procurement processes that will need to include some basic audit controls and safeguards; including formal “delegation levels”. The detailed procedures will establish overall “delegation levels” below which Theme Groups can authorise expenditure. Expenditure above that set level will be subject to independent scrutiny and/or approval by the Finance and General Purposes Committee - which will also periodically provide an element of independent scrutiny, challenge and advice in respect of both individual Project and Theme financial risks and expenditure. The Finance and General Purposes Committee may provide feedback on any issues and concerns to the relevant Theme Group, auditors, and/or the Board. The detailed written financial procedures will include detail about the Project Scrutiny Process to be put in place and will formalise the responsibilities and levels of delegated authority to approve expenditure of each body. . These processes and procedures will broadly include:

- i. **Authorisation/Approvals procedure for Theme Groups and Managers.**



1. Prepare yearly business plans detailing anticipated expenditure items and make an allocation for elements not confirmed.
2. Obtain at least 2 verbal quotes for expenditure over £500 and less than £2000.
3. Obtain at least three written quotes for expenditure of £2000 or more, but less than £10,000. Approval of Executive Director also requested for expenditure above £2000.
4. Gain approval from the project scrutiny and Approvals process of the Finance Committee for purchases over £2,000, and Board approval for purchases over £20,000 or if the Finance and General Purposes Committee judge that further information and/or strategic authority from the Board is required.
5. Authorise invoices related to their areas of responsibility prior to forwarding for payment

ii. Project Scrutiny and Approvals Process (for Finance and General Purposes Committee)

1. The Finance and General purposes Committee will undertake an independent Project Scrutiny and Approvals Process for all project expenditure proposals/commissioning over the value of £2,000.
2. There will be a four stage process as follows:
 - a. A *project development plan* for each project will be written by the staff team in collaboration with the relevant Theme Group.
 - b. The Finance and General Purposes Committee will meet in February/March of each year to provide independent scrutiny of all project/budget proposals for the next financial year in order to support the Board in approving project Business Plans and annual budgets at its March meeting.
 - c. Where Theme Groups initiate new (or materially changed) Projects during the course of the year, they will similarly need to obtain Finance and General Purposes and / or Board approval (depending on size, which will similarly be informed by independent scrutiny from the Finance and General Purposes Committee (which will meet regularly during the financial year,



- in oto scrutinise the project development plans as soon as is practicable; and it will/ will assess the content of the plans against agreed criteria (such as the BID's "Proposal".
- d. The outcome of the Finance and General Purposes Committee's scrutiny will be reported to the next available meetings of the Board to support their collective consideration/decision of the proposals.
- iii. The Finance and General Purposes Committee will also require its written Terms of Reference to cover its ongoing Finance duties. These will broadly include:
1. The Committee will be responsible for regularly independently reviewing actual income and expenditure against budget figures (at a more detailed level than would normally be possible at a meeting of the Board), and will draw attention to any potential matters of concern to the Theme Groups and/or Board.
 2. Making recommendations to the Board concerning significant financial risks, variations and / or alterations, and budget pressures/choices.
 3. Reviewing the financial detail behind the Theme Group draft Business Plans in Feb/March and providing independent advice and scrutiny on them to help inform the Board's decisions.
- c. Purchase Order system. A formal Procedure will need to be put in to place that will comply with normal auditing controls and standards. System to include the following key points:
- i. System will need to complement the 'Authorisation/Approvals Procedure' and other controls
 - ii. Method adopted will need to provide greater certainty re projected expenditure and improve the level of forward control.
 - iii. System will need to require officers to obtain a Purchase Order number prior to placing an order.
- d. Payments system – computerised / on-line payments will be used. A procedure will need to be written and agreed, the basics of which will include:
- i. Payments will be "batched". All payments pending will be entered into a spreadsheet with the date, payee, description of goods or services, amount



(gross, VAT, net), folio number, allocation to expenditure area, and category of expenditure.

- ii. Two days before the payment date the spreadsheet will be sent by e-mail to the cheque signatories for review. Signatories then have two days in which to respond - to raise any queries about any payment or to confirm that payment can be made. A positive response from at least two signatories (including at least one on the Finance and General Purposes Committee will be required before the payments are processed. Whenever possible payments will be processed in one session each month.
 - iii. Assistant to enter payments on-line but authorisation will be required from Executive Director or Financial Manager before payments are released from bank account.
 - iv. Quarterly a meeting will be convened with one of the three signatories to review batch payments by comparing the spreadsheet with the actual invoices and with the bank statements.
- e. Budget reporting – management accounts. Members of the Board have collective responsibility for the overall Financial controls and solvency. Summary Financial reports will be presented to each Board meeting including:
- i. Lifetime forecast (for 5 year BID)
 - ii. Budget / forecast for year
 - iii. Expenditure for year – split in to quarters and updated for each meeting
 - iv. Income for year – split in to quarters and updated for each meeting

In addition, more detailed reports maybe provided to the Theme Groups and the Finance and General Purposes Committee – each of which will be expected to highlight any significant potential concerns to the main Board.

3. Next steps – policies and procedures

- a. Principles agreed by the Board on the 25th April 2012.
- b. Policies and procedures written and circulated for Board approval