

Financial Regulations

Version 4.0

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Culture, Learning and Libraries (Midlands)

FCA Registration Number: 7139

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**BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY**



Financial Regulations

1. General

1.1 These financial regulations govern the conduct of financial management of the society and may only be amended or varied by resolution of the Board. The Board is responsible in law for ensuring that its financial management is adequate and effective and that the Board has a sound system of financial control which facilitates the effective exercise of the Board's functions, including arrangements for the management of risk and for the prevention and detection of fraud and corruption.

These financial regulations are designed to demonstrate how the Board meets these responsibilities.

1.2 The Board will operate a Finance and Audit Committee (FAC) under terms of reference specifying the objectives of the committee, its membership, and limitation of scope and functions of the Board which are to be delegated.

The FAC will determine on behalf of the Board its accounting records and internal control systems. The Chief Finance Officer (CFO) will ensure that internal control systems are put in place and observed, and accounting records of the Board are maintained and kept up to date in accordance with proper practices.

1.3 The CFO, acting under the direction of the Board, will administer the Society's financial affairs in accordance with all relevant legislation and financial reporting standards, including the SORP. The Society will require that all board directors understand its financial affairs and the financial implications of their decision making.

1.4 The Society will maintain effective budgetary control over its financial affairs. This will be achieved by the preparation of an annual revenue and capital budget together with a cash flow forecast. The CFO will monitor financial performance against the budget on a monthly basis, reporting at least quarterly to the Board.

1.5 At least once a year, prior to approving the annual accounts, the Board will undertake a review of the effectiveness of its system of internal control which will be in accordance with proper practice.

1.6 The Society's financial records will be audited annually by an appropriately qualified auditor. The auditor will be appointed by and will report to the Members of the Society at its Annual General Meeting.

1.7 In these financial regulations, references to the Accounts and Audit Regulations will mean the provisions of the Co-operative and Community Benefit Societies Act 2014 and related legislation.

1.8 In these financial regulations the term 'proper practice' or 'proper practices' will refer to guidance issued by the Financial Conduct Authority and other relevant regulators, as updated from time to time.

2. Financial Planning

2.1 The CFO, in conjunction with the CEO and subject to approval of the Board, will establish a strategic financial framework as part of the Business Plan to incorporate the main issues facing the Society and to match policies with resources. Such financial planning will involve a consideration of medium-term plans, commitments and forecasts, together with the annual budget. The annual budget may then be the first year of a planned programme.

2.2 Significant new business initiatives (defined as revenue and/or capital expenditure exceeding £100,000 in a 12-month period) must be presented to the Board as a business case prior to financial or contractual commitment. Any business case must include as a minimum:

- a)** Description of the new service and potential opportunities that contribute towards the Society purpose;
- b)** Appraisal of options and recommendation for the approach to delivery of the business opportunity;
- c)** Set up costs, analysed by revenue and capital, clearly identifying funds at risk should the project fail to realise;
- d)** Income opportunities and revenue costs
- e)** IT and Operations implications and impacts
- f)** Risk analysis.

2.3 The Board will approve a reserves policy for the Society. This policy will be reviewed on an annual basis and the Society will report performance against its reserves policy in its annual financial statements.

2.4 Reserves Policy

2.4.1 Inspire is required to meet its costs from the income received through various funding agreements, all of which set out the services that should be supplied in order to fulfil the requirements

of such restricted income. Inspire must therefore manage its finances on a sustainable basis. We should not hold or accumulate excessive surpluses or deficits, as that would imply current service users subsidising future service users or vice versa.

2.4.2 In order to ensure financial sustainability, Inspire has set a target range of free reserves. Free reserves are reserves that are not tied up in fixed assets, restricted or designated funds. They are available to use as a source of working capital or to fund new investment. The target range for the period to 31st March 2021 recognises the current funding agreements in place and their minimum period. The target range also recognises that our liquidity is provided by the receipt of income in advance of delivering services. Because of this, Inspire is able to operate with zero free reserves.

2.4.3 The reserves will be built up from the unrestricted (earned) income.

2.4.4 The level of reserves should be calculated and monitored every twelve months by the Finance and Audit subcommittee (FAC).

2.4.5 This policy (appendix 1) is to be reviewed annually and whenever there are significant changes to the business, e.g. changes in staff hours or numbers and changes in income streams.

2.4.6 Nottinghamshire County Council has agreed that for Inspire to enable the reserve total to be established and maintained, that it would meet its contractual obligations to fund redundancy costs if the Society had a projected annual cash surplus of less than £120K, if the reserve had not met its agreed level.

3. Annual Budget and Budgetary Control

3.1 The financial year runs from 1 April to 31 March. A timetable for the preparation of annual budgets will be as follows:

Date Actions Required

30 June

- The County Council will provide pricing options or considerations it would like to see put forward in its budget proposals which may include suggested changes to the service specification, change to properties or any general change in demand.
- Budgetary pressures, growth, efficiency and reductions identified by the Inspire Leadership Team.
- Board review of strategic priorities and market conditions and approval of core economic assumptions (inflation etc)

30 August

- The Society will provide its budget proposal to the County Council

31 October

- The Council will respond to the budget proposals with observations and change requirements

31 December

- The final contract sum to be agreed by the Society and Council for the forthcoming year commencing on the following 1st April.

31 January

- Draft balanced budget is prepared by the Inspire Leadership Team

28 February

- Final budget approved by Board

3.2 Once approved, all budgets will be established on the computerised financial system by 31 March preceding commencement of the new financial year.

3.3 The annual budgets will form the basis of financial control for the ensuing year. Expenditure on revenue items may be incurred up to the amounts included for that class of expenditure in the approved budget.

3.4 No expenditure items may be incurred that will exceed the amount provided in the revenue budget for that class of expenditure. During the budget year, unspent and available amounts may be moved to other budget headings or to an earmarked reserve under the following delegations:

- a) variation up to £50K – approval by CFO
- b) variation < £200K – approval by CEO
- c) variation > £200K – approval by FAC

3.5 A budget holder will be assigned to all classes of expenditure. The CFO will ensure that monthly variance reports are available to enable budget holders to effectively manage the financial performance of their services. The FAC/Board will receive a report on financial performance quarterly.

3.6 Any surplus on the revenue account at the year-end will be carried forward to a subsequent year in the general reserves as determined by resolution of the Board.

3.7 No expenditure will be incurred in relation to any capital project and no contract entered into or tender accepted involving capital expenditure unless the Board or the CEO are satisfied that the necessary funds are available, or the requisite borrowing approval has been obtained.

4. Accounting and Audit

4.1 All accounting procedures and financial records of the Society will be determined by the FAC in accordance with the relevant financial reporting standards or Statements of Recommended Practice (SORP) and Finance Conduct Authority (FCA) regulations.

4.2 The CFO will prepare the annual financial statements of the Society, including the Society's Annual Return and a report thereon as soon as practicable after the end of the financial year and will submit them and the statutory registers to FAC and the Board.

4.3 The FAC will ensure that there is an adequate and effective system of internal assurance of the Society's accounting, financial and other operations.

4.4 An Internal Auditor may be appointed by the FAC to assist in the work required by the Board in accordance with internal controls assurance. The Internal Auditor, who will be competent and independent of the operations of the Board, will report on a regular basis with a minimum of one

annual written report in respect of each financial year. In order to demonstrate objectivity and independence, the internal auditor will be free from any conflicts of interest and have no involvement in the financial decision making, management or control of the Society.

4.5 The Internal Auditor will report to the CFO, but will have direct access to the CEO and the Chair of the Board as required in the discharge of their duties.

4.6 The CFO will, as soon as practicable, bring to the attention of the Board any correspondence or report from the Internal or External Auditors, unless the correspondence is of a purely administrative matter.

4.7 Any employee who suspects that an irregularity is being or has been perpetrated concerning the Society's affairs will immediately inform their Service manager or, where circumstances dictate, the CFO or CEO, who will take whatever steps necessary by way of investigation and report.

4.8 Any board member who suspects that an irregularity is being or has been perpetrated concerning the Society's affairs should immediately inform the CEO who will take whatever steps they feel necessary by way of investigation and report.

4.9 The Society recognises that, as a public service mutual and a Society, it must exercise the highest standards of financial governance, openness and transparency. As a result, the Society will treat any misuse or appropriation of assets as a serious abuse of trust that will result in disciplinary proceedings.

4.10 Where criminal proceedings might be necessary the CEO will be responsible for deciding whether to refer a matter to the Police.

4.11 The CFO will maintain a Fraud Register and present this to the FAC on an annual basis.

5. Banking and Cash arrangements

5.1 The Board's banking arrangements will be determined by the CFO and approved by the FAC. They will be regularly reviewed for efficiency. All accounts will be held in the registered name of the Society.

5.2 The Society will operate a current account for transactional purposes. In addition, a savings account will be used for the investment of surplus cash where this provides a higher rate of return at no risk of loss to the Society.

5.3 On cost effectiveness grounds, the Society will pursue a "digital by default" approach and seek to conduct financial transactions by electronic methods wherever possible.

5.4 Two authorised signatories or named delegated must approve all forms of financial instruments drawn on the Society's bank account, including electronic payments, salary payments, cash transfers, direct debits, standing orders, cheques and foreign exchange instructions.

5.5 The CFO will plan for the provision and administration of corporate payment cards (payment cards and similar financial products e.g. fuel cards) where there is a business need. Any cards issued must be used wholly and exclusively for business use. In no circumstances should they be used for personal purchases or expenses.

5.6 Expenditure incurred via payment card must be certified and authorised in accordance with Society procedures. Staff holding payment cards must ensure that appropriate supporting information, such as an invoice or tax receipt is obtained to ensure internal control and comply with tax requirements.

5.7 Individual security passwords to electronic banking systems will be uniquely issued to authorised staff. Access passwords must be held securely and never shared.

5.8 Cheques will only be ordered on the authority of the CFO who will make proper arrangements for their safe custody and control. Internal transfers of cheques will be recorded, and a discharge of liability signature will be obtained.

5.9 Bank reconciliations will be undertaken on all bank accounts on a regular basis and be subject to review by the CFO or Assistant Senior Finance Officer (ASFO).

5.10 The CFO will determine the need for petty cash funds within the Society. Petty cash arrangements must not be used for personal or non-business use in any circumstance.

5.11 Petty cash is only to be used for minor and irregular purchases where it is impractical to establish a payment account with the supplier. Staff should seek to obtain a VAT receipt (where applicable) for

goods purchased from petty cash. Petty cash should not normally be used for purchases exceeding £50. Petty cash will not be used either to pay or to reimburse travel and subsistence costs for staff or volunteers.

5.12 All petty cash accounts will be administered by an authorised person. When making a claim on petty cash, the person claiming reimbursement and the person administering petty cash must sign to acknowledge the cash transfer.

5.13 Preparation for petty cash ready for entry into the finance system is to be done by the Petty Cash administrator, with supporting receipts and sign off by said PC administrator before handing over to the Business Support Team at Inspire HQ. Any inconsistencies in reconciliation should be reported to the CFO immediately. Petty cash will be reconciled monthly and approved by the CFO or ASFO.

5.14 At 31 March annually each petty cash administrator will provide a certificate of petty cash held for year-end verification. The CFO will arrange for a periodic review of the adequacy and efficiency of petty cash arrangements.

6. Orders for work, goods and services

6.1 No employee will commit the Society to any expenditure without the prior approval of the appropriate budget holder. Raising an order commits the Society to a liability that must be covered by an approved budget. Any potential commitment to incur expenditure above approved budgets that cannot be met by savings within the same activity centre must be reported immediately to the CFO.

6.2 Appointed budget holders or their delegates will be able to raise Purchase Orders for their own cost centres as follows:

Value of order	Authorisation
< £50	Nominated staff
lowest of < £2,500 or the unspent budget	Budget holders
< £10,000	Exceptional cost centres
< £25,000	Inspire Leadership Team
< £50,000	CEO

6.3 An official order or letter will be issued for all work, goods and services generated through the Society's Purchase Order Processing System unless a formal contract is to be prepared or an official order would be inappropriate. Copies of orders will be retained for audit purposes. Official orders will apply for all procurement with the following exceptions:

- a) Property rents, business rates and associated charges
- b) Utility charges, including telecoms, electricity, gas and water services
- c) Professional services such as audit, legal and other consultancy
- d) Services provided under contract to the Society
- e) Services provided through petty cash, credit card or e-commerce.

6.4 Orders will be completed in sufficient detail to identify the volume of goods required, the agreed or estimated price and the general ledger code against which costs will be charged.

6.5 All employees are responsible for obtaining value for money at all times. The minimum number of quotations or tenders to be invited from appropriate contractors for a given estimated value of contract (all sums stated relate to value excluding VAT) is as follows:

Value of purchase	Procurement requirement
Under £1,500	Budget holder's discretion
£1,501 to £5,000	two oral quotations confirmed in writing
£5,001 to £25,000	not less than three organisations written quotations
£25,000 to EU tender threshold of £189,330*	EU tender threshold (currently (as at Jan20) £189,330* for contracts under the Public contracts Regulations 2015) Invite at least three organisations to submit written formal quotations submitted by a specified date and time and based on a written specification and evaluation criteria (referred to hereafter as "a tender");
above EU tender threshold (currently (as at Jan20) £189,330* for contracts under the Public contracts Regulations 2015)	comply with the requirements of the Public Contracts Regulations 2015 or the Concession Contracts Regulations 2016 as required by those regulations in relation to the award of the contract in question.

*note this figure will be reviewed each January

6.6 Tenders are to be reviewed by two employees, who will in normal circumstances be the relevant service manager and the CFO, who will maintain a record of tenders that is available for inspection by trustees. The relevant Service manager will review submitted tenders for completeness. Any adjustment to the price for the specified works following post tender evaluation is to be reported to the CFO.

6.7 If less than three tenders are received for contracts above £50,000 or if all the tenders are identical the Board may make such arrangements as it thinks fit for procuring the goods or materials or executing the works.

6.8 All quotations and tenders can be approved by the CEO provided the agreed price is within 110% of the budgeted sum, or excess costs are below £5,000 (whichever is the lower) and where the over commitment can be accommodated within the service's budget. Any quotations or tenders above this level of variance must be approved by the FAC. When applications are made to waive financial regulations relating to contracts to enable a price to be negotiated without competition, the request will be made to the FAC asking for approval of the request prior to purchase agreement.

6.9 The Board will not be obliged to accept the lowest or any tender, quote or estimate.

7. Contracts

7.1 All contracts will be passed through the Society's compliance procedures prior to engrossment.

7.2 Only board members can execute contracts on behalf of the Society, save and to the extent that any employee has been authorised by the board to do so.

8. Payment of Accounts

8.1 Apart from petty cash or other payments from advance accounts, the method of payment will be BACS, cheque or other financial instrument drawn on the Societies bank account.

8.2 The Society recognises the importance of making prompt payment on accounts, whilst balancing the need for the effective management of working capital. Normal supplier payment terms will be 30 days and payments are processed at least twice a month. Advantage will be taken of early payment discounts if it is economic to do so.

8.3 All invoices for payment will be examined, verified and certified in accordance with the systems in place which require an authorised order and confirmation that the:

- a) Goods or services charged for have been received by the Society;
- b) Quantity and quality is correct;
- c) Price is as agreed, and the invoice is arithmetically correct;
- d) Invoice has not been paid previously.

8.4 Once verified, invoices will be passed to an employee authorised to approve payment. Service Managers will supply to the CFO a listing of staff authorised to undertake this function and notify any changes to this list.

8.5 The new WAP and Sage system imposes controls in determining who is authorised to raise Purchase Orders, authorise Purchase Orders and authorise Invoices for payment. A full audit trail is maintained in the system.

8.5.1 An authorised employee is recognised as an authorised Purchase Requisitioner, nominated by a budget holder to raise Purchase orders against defined cost centres. Amounts over £50 will require authorisation of the budget holder or delegated deputy. A delegated deputy must be requested in advance by ten working days of the requirement, in writing sent to the CFO to enable review and operational requirements to be put in place.

8.5.2 Budget Holders (or their delegated deputies) can authorise invoices against their own budget cost centre up to a standard value of £2,500.

8.5.3 Some specific Budget Holders have increased authority to a higher limit of £10,000 to accommodate higher value invoices, e.g. IT Manager. These higher values are specific to exceptional areas and have been agreed by the Inspire Leadership Team member and CFO in advance.

8.5.4 The system will not permit a budget holder to exceed their annual budget without further authorisation of their line manager (or delegated authority), and confirmation of where the additional expenditure will be funded from.

8.5.5 Inspire Leadership Team members have an authorisation limit of up to £25,000

8.5.6 The CEO can singularly approve items up £50,000. Higher values will require 2 Inspire Leadership Team members.

8.5.7 Amounts over £100,000 will require Board approval in line with rule 2.2, but will not apply to existing Inspire contracts e.g. Quarterly IT payments to NCC which are over £100,000.

8.6 Finance Business Support staff only will process non-Purchased Ordered Invoices. Invoices in relation to valid Purchase Orders will be processed through the WAP and SAGE systems, which will ensure verification and appropriate approval.

8.7 Payments will only be made against documents that are clearly marked invoices. Payments will not be made against statements to ensure that duplicate payments are avoided, and the maximum amount of VAT is recorded and recovered from HMRC. Payments for VAT must display the suppliers VAT registration number.

8.8 Payments direct from the bank account without an invoice will not be paid unless there are exceptional circumstances prevailing and there is absolute approval from the CFO or CEO.

8.9 Changes to bank details of suppliers will only be undertaken following a series of checks, with the use of small sum test payments to prevent fraud.

9. Payment of salaries and expenses

9.1 The Board, on advice from the CEO, is responsible for approving remuneration structures that lead to the effective recruitment, retention and development of staff.

9.2 The CEO has delegated authority to establish staffing structures that deliver the Society's objectives within overall financial limits as set out in the business plan and annual budgets.

9.3 The CFO will make arrangements to pay all salaries, wages and allowances properly payable by the Society to its employees. Payments will be made by BACS no later than 27th of each month. The CFO will be responsible for the maintenance of all payroll records, including those of a statutory nature such as income tax, national insurance, tax credits, salary sacrifice schemes (where applicable) and occupational pensions.

9.4 As part of the Society's annual budget proposal, the Board will approve any general (Society wide) salary increases of staff. The approved budget minute will be authority for the salary increase to be made.

9.5 The Board will approve all retirements on the grounds of ill-health or service efficiency where the decision affects future liabilities in relation to pension scheme costs. In making this decision, the board will be presented with estimates of the actuarial strain placed on the fund to allow a comparison with any operational benefits that may result from the pending retirement.

9.6 Where retirements on the grounds service efficiency are sort in relation to changes instigated by the County Council, including changes in the grant funding situation as April 2016 would require approval by the County Council as outlined in services contract in section 17 (pages 14-15).

9.7 Salary advances may be made in exceptional circumstances subject to approval from the CFO and CEO.

9.8 Time records or other pay documents such as overtime will be in a form agreed by the CFO and will be certified by relevant Service Manager.

9.9 The Society will use a Payroll Bureau for the calculation and payment of net salary costs. In accordance with agreed procedures, Line Managers will update the Payroll Bureau of all matters affecting the payment of salaries, wages and emoluments, and in particular:

- a) Appointments, resignations, dismissals, suspensions, secondments, retirements and redundancies;
- b) Absences from duty for sickness or other reason apart from approved leaver;
- c) Changes in remuneration other than normal increments and pay awards.

9.10 Where a salary overpayment occurs, the CFO must be informed immediately. The employee or former employee will be informed by the Service Manager in writing of the overpayment, and action will be agreed to recover any sums overpaid. Any exceptional proposal to not collect overpayments (on the grounds of efficiency, hardship or elapsed time) must be approved in accordance with the Societies write off procedures (see section 11.11).

9.11 All claims for travel and expenses will be made approved by the employees' line manager or delegated deputy. All non-mileage claims should be supported by a VAT receipt, ticket or demands for payment where appropriate.

9.12 Service Managers are responsible for determining staff that are authorised to approve claims for travel and expenses. A list of authorised personnel will be provided to the CFO along with subsequent changes to the list. Self-authorisation of expense claims is not permitted, and any claims made by the CEO will be approved a nominated member of the Inspire Leadership Team.

9.13 The authorisation of a claim will be taken to mean that the authorising officer is satisfied that the fees and expenses:

- a) Comply with the Society's rates, regulations and procedures;
- b) Were properly and necessarily incurred on the Society's behalf;
- c) Have been correctly calculated; and
- d) Have not previously been passed for payment.

10. Treasury Management

10.1 The Board will determine the capital structure and borrowing requirements for the Society. The CFO will be responsible for ensuring the Society operates within these parameters.

10.2 The CFO will ensure that the Society operates within any funder guarantees and meets covenant terms as may be set out in financial agreements. Any potential breach of covenant must be reported to the Board as soon as possible.

10.3 All borrowings will be affected in the name of the Society, after obtaining any necessary borrowing approval. Any application for borrowing approval will be approved by Board as to terms and purpose.

10.4 All loans and investments will be negotiated in the name of the Society and will be for a set period in accordance with Board policy.

10.5 The Board will consider the need for an Investment Policy which, if drawn up, will be in accordance with relevant regulations, proper practices and guidance. Any Policy will be reviewed annually.

10.6 In the absence of an Investment Policy, the Society will hold any surplus cash with its Clearing bank provider. In doing so, the Society may use deposit or money market accounts with a maximum notice term of 6 months.

10.7 All investments of money under the control of the Board will be in the name of the Society.

11. Income

11.1 The CFO will maintain prompt and proper arrangements for the collection, custody, control and accounting of all cash and remittances due to the Society.

11.2 The Board has responsibility to establish and vary charges with a view to the long-term financial health of the Society. The range of charges should be reviewed at least every two years to ensure it remains competitive and cost effective. The power to vary charges will not apply to charges prescribed by Nottinghamshire County Council or relevant statute.

11.3 In setting charges, board members should be aware of the full costs involved in providing services, and the overall contribution required from services as set out in the annual budget, medium term financial plan or other target.

11.4 The CFO will ensure the proper determination of output VAT on sales and services, and that charges collected as an agent of the local authority and other statutory bodies are fully recognised, collected and dispersed.

11.5 The CFO is responsible for the timely and complete upload of cash and EPOS sales to the General Ledger. Feeder account reconciliations will be undertaken on a monthly basis and subject to independent review. Monthly debtor reports will be reviewed, and necessary action undertaken in line with the debt recovery process.

11.6 The CFO will establish and agree with local managers secure, cost effective and proportionate arrangements for the transport of cash collections to bank. The frequency of banking will be determined by local conditions including (but not limited to) the average value of cash collections at each site. Cash held overnight at each library must be held in a secure manner and must always be below cash indemnity levels as set out in the Society's insurance arrangements.

11.7 The CFO is responsible for promptly raising charges to customers for non-cash sales, thereby enabling effective and timely recovery action to be taken where necessary. All accounts will be raised on official invoice through the Society's Sales Order Processing system.

11.8 All official receipts, forms, tickets, vouchers and similar documents will be ordered, controlled and stored by the CFO and issued in accordance with approved procedures. No receipt given by an employee or volunteer for money received will be in a form other than on an official receipt.

11.9 Personal cheques will not be cashed out of money held on behalf of the Society.

11.10 The CFO will continually monitor sums owed to the Society and ensure that recoverable debt is fairly stated in the Society's accounts.

11.11 Write offs of debt with a value less than £350 will be recommended by the CFO and presented to the CEO. Any write off of debt above £350 requires approval of the FAC. The debt recovery procedure is to be followed to mitigate financial risk by passing debt onto the preferred debt recovery agency, avoiding write off where possible. Documentary evidence must be retained and available for independent assessment.

11.12 The FAC will receive an annual report of all debt written off by the Society

12. Stock and Equipment

12.1 The employee in charge of each unit will be responsible for the care and custody of stock and equipment in that section.

12.2 Delivery Notes will be obtained in respect of all goods received. All delivered goods must be checked as to quantity and quality at the time delivery is made and notification recorded in the procurement system.

12.3 Stocks will be kept at the minimum levels consistent with operational requirements.

12.4 Stocks and stores records will be subject to independent test checks at least annually and will include a review of the level and condition of stock. Surpluses or deficiencies will be reported to the CFO.

12.5 The employee in charge of each unit will be responsible for the disposal of surplus stocks and stores subject to prior agreement of the Service manager and the CFO. This will be by competitive tender, public auction or such other manner which is most beneficial to the Society. Any planned disposal of equipment exceeding £5,000 (excluding VAT) must be approved by the FAC.

13. Assets, Properties and Estates

13.1 The CFO will make appropriate arrangements for the custody of all title deeds of properties occupied by the Society. The CFO will ensure a record is maintained of all properties occupied by the Society, recording the location, extent, plan, reference, nature of the interest, tenancies granted, rents payable and purpose for which held.

13.2 No property will be sold, leased or otherwise disposed of without the authority of the Board, together with any other consents required by law and subject always to any lease or loan arrangement entered with a third party, including Nottinghamshire County Council, save where the estimated value of any one item of tangible movable property does not exceed £5000.

13.3 Fixed asset registers will be retained by the CFO for all the Society's purchased fixed assets. The register will be reconciled to the general ledger on a half yearly basis. A monthly balance sheet reconciliation will be maintained by the CFO.

13.4 Capitalisation and depreciation policy will be determined by the FAC following advice from the CFO and in accordance with Financial Reporting Standards. The initial approach is to capitalise long term assets with an economic value in excess of £500. Grouped assets that meet these criteria will also be capitalised.

13.5 The Society's assets will not be removed, other than in the ordinary course of business, or used other than for the Society's purposes, except in accordance with specific directions issued by the relevant Service Manager and subject always to any lease or loan arrangement entered with a third party, including Nottinghamshire County Council.

13.6 The employee in charge of each unit will be responsible for the disposal of surplus assets subject to the agreement of the Service Manager and the CFO. This will be by competitive tender, public auction, or such other manner which is most beneficial to the Society. Any planned disposal of a single or group of assets exceeding £5,000 (excluding VAT) must be approved by the FAC and subject always to any lease or loan arrangement entered with a third party, including Nottinghamshire County Council.

13.7 When disposing of assets, Service Managers must ensure that responsibility for maintaining the asset in effective working condition, and protecting against third party claims, transfers to the new owner. This is particularly relevant for surplus plant and machinery.

13.8 The employee in charge of each unit is responsible for keys and security access devices held by staff to all property, including safes, cash boxes, strong rooms and computer terminals, security systems and any other secure item within their sphere of operation or area. The loss of any key or access device will be reported to the relevant Service Manager immediately.

13.9 Service Managers will ensure that staff who leave the Society's employment or cease to be required to hold keys surrender their access devices immediately and where necessary codes are changed.

14. Insurance

14.1 The FAC, following appropriate advice, is responsible for determining appropriate insurance cover for the Society. Insurance cover will be reviewed at least annually to ensure that insurances remain adequate and compliant with contractual requirements.

14.2 The CFO is responsible for establishing effective claims reporting and handling procedures for the Society. Service Managers and Library/Site Managers will give prompt notification to the CFO of all new risks, properties, equipment or vehicles which require to be insured and any alterations affecting existing insurances.

14.3 All additions or deletions of vehicles in ownership or on lease (>14 days) will be reflected on the Motor Insurance database of the Society's insurer.

14.4 The Board will receive an annual report of claims made to assist board members in future decision on insurance cover and excesses.

15. Risk Management

15.1 The Board is responsible for putting in place arrangements for the effective management of risk. The CEO and Assistant CEO will prepare for approval by the FAC, a risk management framework in respect of all activities of the Society.

16. Management Information

16.1 The Assistant CEO will be responsible for maintaining proper security and privacy of all information held by the Society in digital or paper form. Proper consideration will always be given to the appropriate use and control of customer and supplier data and the prevention unauthorised access to systems.

16.2 The Heritage Services Manager will be designated as the Data Protection Officer and will be responsible for ensuring that the Society acts in accordance with the provisions of all Data Protection legislation, including the General Data Protection Regulations (GDPR)

16.3 Each Service Manager, following advice from the Heritage Services Manager, will retain official documents for the periods as determined by legislation or the Society.

17. Donations, gifts and hospitality

17.1 The FAC has overall responsibility for ensuring that donor conditions associated with gifts or legacies are fully honoured. Conditional donations will be retained as designated or reserved funds (as applicable) of the Society. The CFO has day to day responsibility for compliance with donor conditions.

17.2 The CFO is responsible for compliance with HMRC Gift Aid regulations and conditions.

17.3 All staff should treat with extreme caution any offer, gift or favour of hospitality that is made to them personally (see Inspire Code of Conduct section 4.10 – 4.12)

17.4 Any gifts accepted in line with the Code of Conduct should be noted in the Society's Gifts and Hospitality register kept by the CFO.

17.5 All staff should, where possible, seek to avoid the private use of consultants, contractors, suppliers or professional advisers who undertake work on behalf of the Society. If the use of such individuals or bodies cannot be reasonably avoided, special advantage should not be sought. Any works > £5,000 plus VAT should be notified to the CFO. Any negotiated staff discounts that are widely available to staff are excluded from this restriction. IR35 processes must be adhered to also to ensure employee or contractor status, with appropriate records retained.

18. Revision of Financial Regulations

18.1 It will be the duty of the FAC to review the Financial Regulations of the Society on an annual basis. The CFO will monitor changes in legislation and proper practice and will advise the Board of any requirement for a consequential amendment to these financial regulations.

Responsible person: Peter Gaw

Approved by Board: July 2016

Amended: November 2018

Amended: November 2019

Reserve Policy

Introduction

1. The reserves policy is part of Inspires' corporate governance framework and is consistent with our legislation and strategic intent. It is consistent with HM Treasury's guidance for the financial management of public bodies. The policy explains the relevance of reserves and cash for Inspire and the purposes for which Inspire needs to hold reserves and cash. The process by which the minimum levels of reserves are calculated is stated.

Responsibilities

2. The Board of Trustees ensure that we manage our resources responsibly and that we act in the best interests of the organisation and the people we serve. The Board has responsibility for approving and monitoring the implementation of this policy.
3. The Finance and Audit Committee are responsible for monitoring and supervision of the current and future financial situation and associated risks to the organisation, for approving the policy and for the periodic review of the policy as set out in the relevant section.
4. The Inspire Leadership Team is responsible for providing clear and focused leadership of the organisation, and to ensure our financial stability.
5. The Chief Finance Officer is the policy owner and is responsible for managing our reserves level within the policy range, ensuring this policy is reviewed in line with corporate requirements. And for developing and reviewing the policy; developing an organisational communications plan for the policy; and managing queries about the policy on a day-to-day basis.

Definitions of reserves

6. Free reserves are the funds which Inspire can spend freely on any of its purposes. It excludes restricted and designated funds, endowments and fixed assets.
7. The reserves of Inspire are represented in the accounts by the 'Society funds', with the unrestricted funds (excluding pension reserve) being the free reserves. These society funds represent the net accumulated surplus or deficit since the organisation came into existence for restricted and unrestricted funds.
8. Restricted (designated) reserves are held for specific use in line with the purpose for which they were given.

Principles

- 9.** We are a not for profit organisation and, in line with the principle of intergenerational equity, we should normally aim to break even over the long term, not accumulating large surpluses or deficits. This will ensure that current members are not subsidised by future members or vice versa.
- 10.** Unlike a local authority we are not legally required to set an exactly balanced budget each year.
- 11.** Our main contract (NCC) states we are to work towards a free reserve of £850k,

Levels of free reserves

- 12.** Reserves should be held to cover operating costs for the period of which it would need to close operations - the equivalent to one month's operating costs, to ensure financial sustainability. The NCC contract requires notice of two months, which combined with this reserve ensures three months provision is in place.
- 13.** The minimum level of free reserves is zero. Charities' reserves policies usually set a minimum level of free reserves equivalent to three months operating costs, but whilst we operate under the agreement with Nottinghamshire County Council which is funded in advance of expenditure providing liquidity, and the funding attached to it our income is secure, during the period of this agreement we do not require free reserves equivalent to three months' operating costs. If the NCC contract changes the policy is to be reviewed without delay.
- 14.** Given the context of the current agreement with Nottinghamshire County Council and the limited amount of unrestricted (earned) income currently being received, this policy proposes a target range of free reserves for the next five years that recognises that we are unlikely to be able to increase our reserves over that period.
- 15.** The proposed upper limit of the range for the next five years is £850k free reserves (equivalent to one month's operating cost). The proposed lower limit is £100k free reserves, as Inspire would receive monies in advance for any ongoing costs for activities.
- 16.** The value for free reserves is calculated as the current years budgeted operating costs for activities not funded in advance and central activities, for one month.

Policy

- 17.** Inspire is required to meet its costs from the income received through various funding agreements, all of which set out the services that should be supplied in order to fulfil the requirements of such restricted income. Inspire will not hold or accumulate excessive surpluses or deficits, nor subsidising future service users from other funds.

- 18.** The target range for the period to 31st March 2021 recognises the current funding agreements in place and their minimum period.
- 19.** If reserves exceed or fall below the target levels, the FAC is to consider the reasons for this in order to consider any corrective action, if any, that needs to be taken, and whether this is short term or an ongoing impact which may trigger a broader review of finances and reserves.
- 20.** The target range of reserves will inform the annual budget setting process, helping to ensure that budgets are sustainable and will be reported to the Board of Inspire as part of the proposed budget for each financial year.

Reporting

- 21.** The financial commentary section of the Annual Report will comment on the actual levels of free reserves relative to the target range and (if applicable) how Inspire plans to address free reserve levels that are outside the target range.
- 22.** Reserves levels and forecasts will be monitored as part of monthly corporate financial reporting, with regular reports provided to the Board of Trustees, Finance and Audit Committee and the Inspire Leadership Team.

Review of the policy

- 23.** This policy will be reviewed in outline by the by the board of Inspire annually as part of the approval of the Annual Report and Accounts and will be reviewed in detail every two years by the Finance and Audit subcommittee, or more frequently if appropriate due to changes in circumstances.