



Financial Regulations Policy

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Elderpark Housing Association Limited

Financial Regulations

August 2018 Review

1 Introduction

The following document represents the financial regulations of Elderpark Housing Association. These regulations help the Association achieve its aims and objectives, help safeguard the assets of the Association and ensure its records are accurate and complete. In drawing up these regulations, the Association aims to comply with the relevant performance standards issued by The Scottish Housing Regulator and by doing so aims to ensure that it continues to provide a high quality housing service.

2 The Role of the Management Committee

2.1 Management Committee

The Management Committee has ultimate control over all aspects of the association's work and ensures that its financial and legal responsibilities are fully met. Where specific authority or responsibility is delegated to a sub-committee, that decision will be binding on members of that sub-committee and only a meeting of the Management Committee can overrule that.

To achieve ultimate control over the finances of the association, the Management Committee must:-

- ensure that the association operates as economically, efficiently and effectively as possible within the Association's overall objectives.
- be in control of the association's finances and ensure that expenditure of the Association is covered by income from all sources.
- ensure that the Annual Financial Statements are published in accordance with the association's rules and prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2014 and United Kingdom Accounting Standards including FRS102 within the required time period.
- ensure that all statutory returns are completed and submitted within the required time period.

2.2 The Chair and Vice Chair

The Chair and Vice Chair are elected by the Management Committee. Occasionally action may be required between meetings. If a decision is required relating to an area of responsibility, the CEO can require that the Chair of the Management Committee (or in their absence, the Vice Chair) approve a specific course of action. This action would subsequently be reported and ratified at the next Management Committee meeting.

2.3 The Committee Member

All committee members should satisfy themselves that they have sufficient access to all relevant information and are sufficiently informed to make decisions on matters affecting the Association.

3 Responsible Officers and Financial Administration

3.1 CEO

The CEO co-ordinates the activities of the other senior officers and reports back to the Management Committee.

3.2 Finance and Corporate Services Manager

The Finance and Corporate Services Manager is responsible to the CEO for the administration and control of the finance department and his responsibilities include:-

- a) Assisting in long-term planning.
- b) Assisting in the preparation of the Internal Management Plan.
- c) Assisting in the annual preparation of the Strategy and Development Funding Plan.
- d) Assisting in the preparation of Business Plans for raising private finance (as required basis only)
- e) Assisting in rent setting and ensuring rents are set at a level to cover all expenditure projected to be incurred in the forthcoming year, at an affordable level, this compares with other housing providers in the area.
- f) Co-ordination preparation of annual budget.
- g) Presenting Management Accounts to the Management Committee on a quarterly basis.
- h) Preparing the Annual Accounts in accordance with accounting requirements, liaising with the Association's auditors, presentation of the Annual Accounts to the membership at the Association's Annual General Meeting and ensuring these are timeously submitted to The Scottish Housing Regulator.

- i) Ensuring the requirements of the Industrial and Provident Society Acts are met concerning the requirements for the association to keep proper books and records and ensuring the audited accounts are available for submission to the Registrar by the association's Secretary by the due dates.
- j) Ensuring the requirements of the Charities and Trustee Investment (Scotland) Act 2005 are met with along with complying with the rules and regulations of the Office of the Scottish Charity Regulator (OSCR).
- k) Monitoring the day to day running of the Association's finances.
- l) Maintaining efficient systems of financial control and reporting.
- m) Safeguarding the assets of the association.
- n) Reviewing the financial procedures, regulations and policies as required.
- o) Ensuring that all development projects are financially viable and that all grants for such projects have been claimed and that adequate private finance has been arranged for such projects.
- p) Implementing and operating adequate Treasury Management policies with regard to both borrowing and investment.
- q) Assisting the Audit Sub-Committee in ensuring it complies with its remit as agreed by the Management Committee and laid out in the "Audit Sub Committee Remit Policy".
- r) Ensuring financial management is adhering to the recommendations from the Scottish Housing Regulator's "Regulatory Standards of Governance and Financial Management" "Raising Standards in Housing".

4 Budget Preparation

- 4.1 The budget is to be prepared in a form agreed by the management committee. It is to be in line with the objectives of the association and will form part of the business planning process.
- 4.2 It will have separate sections for revenue operations and the capital programme.
- 4.3 Preparation will commence prior to the financial year end with input by the other sections heads. This process will run concurrently with the rent setting process.
- 4.4 The budget is to be discussed and approved by the management committee in the eighth month of the financial year (November).
- 4.5 Once approved, the budget is to be used as the basis for authority to incur expenditure within authorisation procedures (Section 24) and for comparison with actual monthly/quarterly results.
- 4.6 The management committee has power to delegate the authority to spend up to the approved budget limit.

5 **Budgetary Control**

- 5.1 Variances between actual income and expenditure against budget are to be reported to the management committee every quarter by the Finance and Corporate Services Manager. Variances that are greater than £1,000 over original budget (Set and Approved in November) must be backed up by an additional report with an explanation of the variance and a proposal on what corrective action can be taken to bring the account back into line with budget. The budget section with the greatest variance will be highlighted and a more in-depth report brought to Committee.

For this purpose, the budget holders are as follows:

Maintenance Manager

- Day to Day Repairs & Maintenance
- Cyclical Maintenance
- Planned Maintenance Expenditure
- Capital Expenditure in accordance with Section 24.1 (a)

Housing Manager

- Rental Income
- Service Charge Income
- Voids
- Bad Debts
- Commercial Rent
- Factoring Income
- Legal Expenditure
- Service Expenditure
- Capital Expenditure in accordance with Section 24.1 (a)

Development Manager

- Development Income (If applicable)
- Development Expenditure (If applicable)
- Community Centre
- Capital Expenditure in accordance with Section 24.1 (a)

Finance and Corporate Services Manager

- Salary Costs Office
- Overheads Loan
- Interest Receivable
- Insurance
- Capital Expenditure in accordance with Section 24.1 (a)

- 5.2 Additional expenditure over and above the revised budget, will only take place in exceptional circumstances and should be backed up by a report for approval by committee (This excludes any expenditure referred to in 5.3 below) The Chairperson and CEO can authorise additional expenditure up to an agreed amount as specified in the expenditure authorisation procedures (section 24); in between meetings of the management committee and subject to subsequent reporting to the committee (see Reg.2.2).
- 5.3 Nothing in these financial regulations shall prevent the CEO (or in his absence, the Deputy CEO) from incurring expenditure which is essential to meet any immediate needs created by an emergency, subject to such action being reported forthwith to the management committee.
- 5.4 The Finance and Corporate Services Manager shall keep the management committee informed, each quarter, as to the state of the Association's finances and shall report on the statutory accounts of each financial year within three months of the financial year end and provide The Scottish Housing Regulator with audited year end accounts within three months of the year end.
- 5.5 Where a senior manager proposes a new policy, or variation of existing policy, or a variation in the means or time scale of implementing an existing policy, that has not already been dealt with in the business plan and budget, then the Finance and Corporate Services Manager will submit a report on the subject matter to the management committee outlining possible effects that the proposition will have on the Association's finances.
- 5.6 The Finance and Corporate Services Manager shall have the authority to approve overruns of expenditure being offset against under runs of a similar type to an agreed amount (see section 24).

6 Accounting

- 6.1 All accounting procedures and records of the Association shall be determined by the Finance Manager in accordance with the requirement of statutory agencies and authorities.
- 6.2 All accounts and accounting records of the Association shall be the responsibility of the Finance and Corporate Services Manager.
- 6.3 Where possible, the following basic principle shall be observed:-

The duties of providing information about money due to or from the Association and the recording of these sums are separated from the duty of collecting or paying them.

- 6.4 The following books and records will be kept:-

Nominal Ledger	Purchase Ledger	Cash Book
Payroll Records	Petty Cash Book	Acquisition Register
Private Loan Register	Capital Contracts Register	Capital Contract Records

- 6.5 Procedures for maintaining these books/records are specified in the financial procedures of the Association.

7 External Audit

7.1 Responsibilities of the Association

The Association is required under the Housing Association Act 1985 to have an independent external audit carried out.

7.2 Responsibility of Audit Sub Committee

The Audit sub-committee should oversee the appointment of the External Auditor in doing so, the Audit sub-committee responsibilities are laid out in the "Audit Sub Committee Remit Policy".

7.3 Responsibility of Finance and Corporate Services Manager

- ☐ Preparation of annual accounts is to commence as soon as possible after the financial year end; draft accounts, together with all audit schedules, are to be available for the auditors by the time the audit commences (no later than mid-May).
- ☐ External audit should commence within approximately 6 weeks of the financial year end with an estimated completion within 9/10 weeks.
- ☐ Draft (final) accounts are to be submitted to the Management Committee for approval at the first available committee meeting (approval must take place prior to the annual general meeting).
- ☐ Final audited accounts are to be formally adopted at the annual general meeting and should be submitted to The Scottish Housing Regulator, the Registrar of Friendly Societies within 3 months and other bodies who require copies.

8 Internal Audit

- 8.1 Internal audit, independent of the Finance and Corporate Services Manager, should be arranged by the Audit Sub-Committee and should carry out an examination of the Development, Housing Management, Maintenance and Finance functions of the Association.
- 8.2 The scope and extent of it should be as proposed in the Internal Audit plan.
- 8.3 The Audit Sub-Committee is responsible for reporting to the Management Committee on internal audit.
- 8.4 The scope/limitation of the internal audit functions and the internal auditor's authority in carrying out its function is as agreed by the Audit Sub-Committee.
- 8.5 Whenever any matter arises which involved, or is thought to involve cash, stores or other property of the Association in any suspected irregularity, the CEO, Section Head or Committee shall forthwith notify the internal auditor who will take immediate steps to investigate and report.

9 **Banking**

- 9.1 The Finance and Corporate Services Manager:-
- 1) Shall be responsible for the setting up of all bank accounts.
 - 2) Shall be responsible for the stock of cheques (both computerised and manual).
 - 3) Shall be responsible for the investment of all temporary cash surpluses accruing to the Association
 - 4) Shall be responsible for ensuring that all cheques and cash (other than rental income) received by the Association are banked in accordance with the detailed financial procedures.
 - 5) May authorise the keeping of petty cash by officers for the payment of incidental expenses and may make advances for the purpose of such accounts.
 - 6) May authorise other cash advances to staff but only in accordance with the detailed financial procedures.
- 9.2 Cheques/BACS payments on all the Association's main bank accounts shall bear the signature of the CEO, Deputy CEO, Finance and Corporate Services Manager or Housing Manager and/or Committee Members as authorised by the Management Committee.
- 9.3 Cheques/BACS payments over the agreed limit specified in the financial procedures must be signed by two authorised persons.
- 9.4 Details of the monetary limits set for authorised persons can be found in the Association's detailed financial procedures.
- 9.5 Details of authorised persons can be found in the Association's detailed financial procedures.
- 9.6 Bank accounts held by the association are specified in the detailed financial procedures of the Association.
- 9.7 All bank accounts are reconciled to the cash book on a monthly basis.
- 9.8 Petty cash floats kept by the association are specified in the Association's detailed financial procedures.

10 Control of Cash, etc.

- 10.1 Cash floats kept by the Association are as specified in the Association's detailed financial procedures.
- 10.2 Such floats should be maintained on the imprest system whereby a float will be maintained at an agreed level.
- 10.4 Controls of all other inventories including furniture, fittings, equipment, plant and machinery are shown in Section 14.
- 10.5 A register of Documents of Title (share certificates, building society books, etc) is kept and all documents stored in a locked safe. Access to the documents is restricted to the CEO, Finance and Corporate Services Manager and other responsible persons as determined by the CEO/Finance Manager.

11 Contracts

- 11.1 Where contracts provide for payment to be made by stage completion, the Finance and Corporate Services Manager shall arrange for the keeping of a capital contracts register which shows:-
 - 1) The state of accounts on each contract between the association and contractor and consultant.
 - 2) Sources of funding for each contract and the amount of funding drawn down to date.
- 11.2 Payments to contractors on account of contracts shall be made only on a certificate issued by the Architect (or in exceptional circumstances where an Architect has not been appointed, the lead consultant or officer).
- 11.3 All variations in contracts which have a financial implication must be reported to the Management Committee with a detailed explanation as to the nature of the variation. Where practical, no additional expenditure shall be incurred until authorised by the Committee or alternative funding can be arranged.
- 11.4 The Finance and Corporate Services Manager, if he considers it necessary, shall examine final accounts for contracts and make enquiries and receive information as to the accuracy of the accounts. (This would only be exercised when a variation in a contract has a material financial implication).
- 11.5 Claims for contractors and professional consultants in respect of matters not clearly within the contract should be referred to the Finance and Corporate Services Manager for financial consideration. If considered necessary by the CEO, Finance and Corporate Services Manager or the Management Committee, the legal liability should be assessed by the Association's solicitors.

- 11.6 Where completion of a contract is delayed beyond the contract period, it should be the duty of the Development Manager, where appropriate, to take action in respect of a claim for liquidated and ascertained damages.
- 11.7 The Association should maintain comprehensive files for every contract that has been or is being undertaken or is planned. Such files should contain all relevant documents and correspondence (this relates to both finance and development sections).
- 11.8 All officers and consultants shall have regard to the requirements of The Scottish Housing Regulator in respect of matters relating to contracts.

12 Depreciation Policy

- 12.2 Depreciation is provided on housing properties to the extent that development administration costs capitalised are not funded through HAG and, in the opinion of the Management Committee, the property's value does not reflect the excess administration costs incurred.
- 12.3 The Association maintains its office properties to a high standard through a high level of maintenance and consequently are depreciated at the same rate as the housing properties, structure, this rate is as noted in the Association's Accounting Policy.
- 12.4 Rates of depreciation for the other categories of fixed assets are set at a rate in accordance with the Association's Accounting Policy or at a rate as authorised by the Finance and Corporate Services Manager.
- 12.5 Small items of capital expenditure, such as office equipment, below an amount specified by the Finance and Corporate Services Manager are treated as repairs and replacements and written off in the year of purchase.

13 Property Register

- 13.1 A property register will be maintained by the Housing Manager recording an adequate description of each house owned in terms of address, location, number of rooms and number of persons.
- 13.2 For each house owned, the property register will include the following financial data:-
- 1) current rent and service charge (where applicable) being charged
 - 2) review dates.
- 13.3 Shared ownership houses will also state the current tranching position and the current rent will be adjusted in proportion to the tranche levels and in accordance with the rent policy for setting shared ownership rents.
- 13.4 The form in which the property register is to be kept by the Housing Manager will be agreed between the Housing Manager and the Finance and Corporate Services Manager.

14 Assets (Other Than Property)

- 14.1 An inventory of assets shall be maintained recording an adequate description of equipment and fittings owned by the Association, the office and section it is kept in.
- 14.2 Rates of depreciation for fixtures, fittings, equipment, motor vehicle and office improvements are set out in accordance with the association's accounting Policy or as authorised by the Finance and Corporate Services Manager.
- 14.3 The Finance and Corporate Services Manager shall be responsible for maintaining an annual check of all items on the register.
- 14.4 Each section head shall ensure that equipment, plant and machinery is adequately maintained (this can, if required, be referred back to the admin section within the Association).
- 14.5 The Association's property shall not be removed other than in the ordinary course of the Association business or used other than for the Association's purposes.

15 Insurances

- 15.1 The Finance and Corporate Services Manager (or nominated officer) shall affect all insurance cover and the Maintenance Manager shall negotiate all claims, where necessary, in consultation with other Section Heads.
- 15.2 All Section Heads should advise the Finance and Corporate Services Manager of all new risks, properties, vehicles, equipment, plant and machinery which require to be insured or of any alterations affecting existing insurance policies.
- 15.3 The Finance and Corporate Services Manager, Housing Manager and Maintenance Manager must be notified of any loss, liability, damage or event which is likely to lead to a claim.
- 15.4 The Finance and Corporate Services Manager must be notified of any material claim (in accordance with the detailed financial procedures) by the Housing Manager or Maintenance Manager.
- 15.5 All appropriate members (staff and committee) of the Association will be included in a suitable fidelity guarantee insurance policy.
- 15.6 All insurance shall be reviewed on an annual basis (subject to any longer term agreement).

16 Orders

- 16.1 Official orders shall be issued for all work, goods or services to be supplied to the Association except for the supply of public utility services, periodic payments and other office overheads as the Finance and Corporate Services Manager may approve.
- 16.2 Official orders are to be signed by staff members approved by the appropriate section head and/or the Finance and Corporate Services Manager.

16.3 A copy of all orders shall be returned to the Finance and Corporate Services Manager attached to the appropriate invoice.

17 Income

17.1 The collection of all money due to the association shall be under the supervision of the Finance and Corporate Services Manager. In the case of rental income, the Housing Manager is the responsible manager.

17.2 Section heads are responsible for issuing the Finance and Corporate Services Manager with information on all amounts for agency services, factoring services, tenant's repairs and any other amounts due to ensure that all amounts due to the Association are correctly recorded.

17.3 All cash and cheques received on behalf of the Association shall be transferred, without delay, to the Finance and Corporate Services Manager for banking in accordance with the detailed procedures of the Association.

17.4 Any transfers of money between employees will be recorded and signed by the receiving officer.

17.5 No income due shall be written off as a bad debt without authorisation of the management committee.

18 Expenditure

18.1 Apart from exceptional cash payments, as referred to in the detailed financial procedures, the normal method of payment of expenditure due by the association shall be by BACS or cheque drawn on the association's bank account.

18.2 The officer responsible for issuing works orders is responsible for examining, verifying and certifying the related invoices. Limits on expenditure authorisation are detailed in Section 24.

18.3 Statements or photocopies of invoices will not be accepted by the finance department for processing (in the event of an invoice being held from payment – a photocopy is held in the finance section for information only), e-copies will be accepted.

18.4 All invoices are processed through the finance department, which is responsible for checking additions and extensions and passing to the appropriate department for certification.

18.5 Before certifying an account, the appropriate staff member responsible for certifying the account shall ensure that:-

- 1) An order was raised and relates to the works, goods, and services as identified on the account.
- 2) The works, goods or services to which the account relates have been received, examined and approved.

- 3) Prices, additions, extensions and discounts are correct.
- 4) Appropriate entries have been made in all stock records.
- 5) The account has not previously been passed for payment and is a proper liability of the Association.

- 18.6 The appropriate staff member shall approve the invoice or payment voucher, as applicable.
- 18.7 Once accounts have been certified, the Finance and Corporate Services Manager shall examine them and shall make enquiries if considered necessary.
- 18.8 Responsibility for payment of an account lies ultimately with the senior officer who signs the payment authorisation. The senior officers who have authority to approve payment are specified in the detailed financial procedures.
- 18.9 As a general rule, invoices are paid within 30 days or as agreed with the supplier.

19 Petty Cash

- 19.1 At both the Association's offices, petty cash is held for the purpose of making payment for properly authorised expenditure.
- 19.2 The officers who are approved to authorise petty cash vouchers are specified in the Association's detailed financial procedures.
- 19.3 Reimbursement of the cash to an adequate level is carried out when required and approved by the Finance and Corporate Services Manager.

20 Salaries and Pensions

- 20.1 All salary reviews are approved by the Management Committee.
- 20.2 All monthly staff are paid on a set day each month.

21 Treasury Management

- 21.1 The association shall follow CIPFA Treasury Management in Housing Associations:-
- 1) A Code of Practice
 - 2) A Guide for Finance CEOs and Treasury Managers
- 21.2 The treasury policy statement shall be monitored by the Management Committee.
- 21.3 All money in the hands of the association shall be aggregated for the purposes of treasury management.

- 21.4 The Finance and Corporate Services Manager and Finance staff shall act in accordance with the revised “CIPFA Code of Practice” and “Raising Standards in Internal Audit”.
- 21.5 Within 6 months of the association's year end, a detailed report on treasury management should be presented to the Management Committee.
- 21.6 All recommendations on borrowing shall be delegated to the Finance and Corporate Services Manager and CEO. The officers shall act in accordance with CIPFA's Code of Practice.

22 Travel, Subsistence, Telephone and Other Allowances

- 22.1 All claims for payment of travelling expenses and subsistence allowances shall be signed by the appropriate staff member and certified by their section Manager.
- 22.2 All claims by Managers must be approved by the CEO or Depute CEO.
- 22.3 Claims by the CEO must be approved by the Depute CEO or Finance and Corporate Services Manager.
- 22.4 A telephone allowance is paid to the association's Chairperson and must be approved by the CEO, Depute CEO or Finance and Corporate Services Manager.
- 22.5 Taxis may be ordered by staff / committee on association business on the verbal approval of the CEO, Depute CEO or manager.

23 Irrecoverable Income

- 23.1 The writing off of irrecoverable income must be approved by the Management Committee.

24 Expenditure Authorisation

- 24.1 The Management Committee has approved the following procedures for the authorisation of expenditure:-
- a) Capital expenditure (other than properties)
 - b) Capital expenditure (properties)
 - c) Maintenance expenditure
 - d) Other expenditure.

25 Review

This policy will be reviewed every three years, the next review being due in August 2021, or sooner, if legislative or best practice changes require this.