



## **Provanhall Housing Association Limited**

### **FINANCIAL REGULATIONS**

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<b>DRAFTED</b>	<b>APPROVED</b>	<b>NEXT REVIEW</b>
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## **Linkage to Business Plan & Regulatory Standards Compliance**

### **Business Plan:**

Page 6	Aims, Vision and Core Values
Page 7	Future Direction
Page 7	Strategic Objectives
Page 8	Governance and Leadership
Page 33	Financial Position, Plans and Projections
Page 61	Strategic Delivery Plans

### **Regulatory Standards:**

Standard 3 – The RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay.

Standard 4 – the governing body bases its decisions on good quality information and advice, identifies, and mitigates risks to the organisation's purpose.

### **Risk and Financial Implications**

Robust financial control and management are essential to protect the Association's assets and allow continuity of service to its tenants.

Failure to have a suitable system of internal controls as well as adhering to regulatory and legal obligations, could lead to regulatory intervention, covenant default with lenders, and major reputational and financial loss.

### **Terms of Reference**

- Charities Statement of Recommended Practice (SORP) FRS102;
- Scottish Housing Regulator's (SHR) Regulatory Standards of Governance and Financial Management;
- Scottish Federation of Housing Associations (SFHA) Internal Audit Guidance
- Internal Audit Reports;
- Business Plan;
- SFHA Charitable Model Rules; and
- The Co-operative and Community Benefit Societies Act 2014.

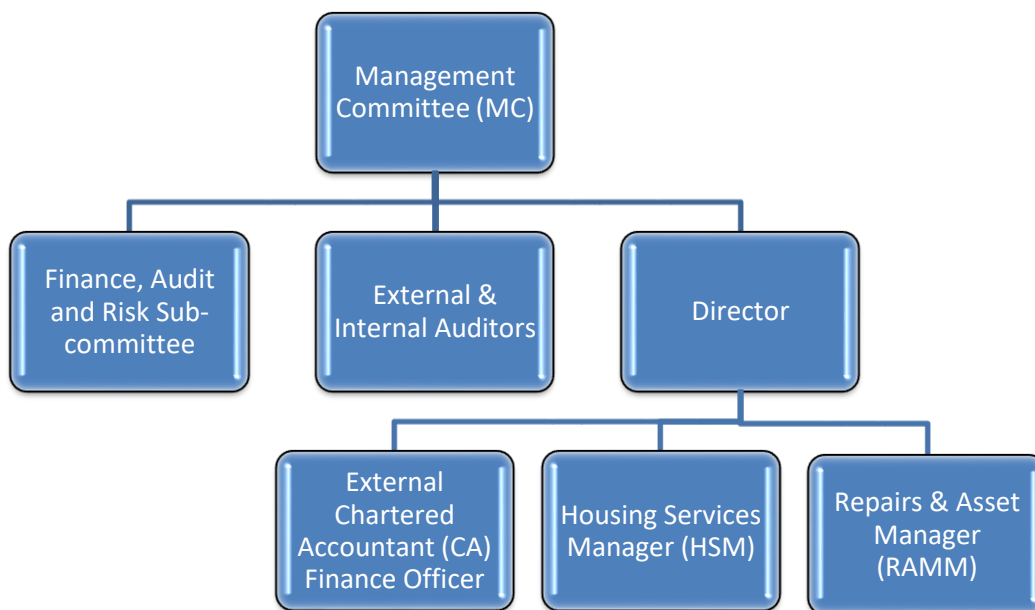
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## 1. INTRODUCTION

- 1.1 Provanhall HA (Association) is a community controlled registered social landlord and is managed by a group of volunteers who form the MC. Their role is to make sure that the Association is well run, meets the needs of customers and the local area and is responsive to what is important to local people. We may co-opt other people onto the MC from time to time where we feel we need specialist support. The MC appoints senior staff, agrees all the Association's policies and takes all the key strategic decisions. The Director and the senior team support the MC in these responsibilities.
- 1.2 The Association must demonstrate effective governance and sound financial management and must have a robust policy and procedural framework that complies with legislation, guidance and good practice.
- 1.3 Our Financial Regulations are based on the following current governance/management structure and relationships:



- 1.4 The Association currently operates under the Scottish Federation of Housing Associations (SFHA) Charitable Model Rules, which are the constitution of the organisation.
- 1.5 The standing orders of the Association detail how the business of the organisation shall be run and include delegated responsibilities, powers and remits of the MC and each Sub-committee.
- 1.6 The financial regulations detail Management Committee (MC), Sub-committee and staff responsibilities together with details of generally accepted best practice. They form a part of the overall system of financial and management control and take account of the Scottish Housing Regulator's (SHR) Regulatory Standards of Governance and Financial Management.
- 1.7 Compliance with the Financial Regulations is compulsory for all governing body members and staff. It is the responsibility of senior management to ensure that all staff are aware of the existence and content of these regulations.
- 1.8 Nothing in these Financial Regulations shall override instructions from or conditions

imposed by the Scottish Government, the SHR, and the Accounting Standards Committee of the Financial Reporting Council, the Financial Conduct Authority (FCA) and any other appropriate statutory organisation or any relevant current legislation. Nothing in the supporting Financial Procedures or other policies will override the principles embodied in the Regulations.

- 1.9 The Financial Procedures set out how these regulations shall be implemented. Any monetary sums referred to in the Financial Procedures (and Regulations) are exclusive of VAT.
- 1.10 A review of the Financial Regulations shall take place at least every 3 years or earlier if deemed appropriate by the Finance, Audit and Risk Sub-committee.

## 2. DEFINITIONS

- 2.1 In these financial regulations, the following words and phrases have the following specific meanings:

Director	The lead officer of the Association
Senior Staff	Housing Services Manager (HSM) and Repairs & Asset Manager (RAMM)
Staff	All employees of the Association except the Director and Senior Staff
The Scottish Housing Regulator	The statutory body responsible for regulation of the housing sector in Scotland
The Financial Conduct Authority	The financial regulator for Community Benefit Societies
GCC	Glasgow City Council – the strategic housing authority for the area
Financial Year	12-month period from 1 April to 31 March the following year

Other terms are defined when they are first used in the Financial Regulations.

## 3. INTERNAL FINANCIAL CONTROL

- 3.1 Internal financial control defined controls for:

- Provide reasonable assurance of the safeguarding of assets against unauthorised use or disposition.
- Provide reasonable assurance of the maintenance of proper accounting records and the reliability of financial information used in and published by the Association.

### Requirement for Internal Financial Control

- 3.2 In addition to our own need for a documented system of internal controls to achieve the aims set out above, it is a requirement of the Regulatory Advice Note: Internal Financial Controls and the Regulatory Standards (issued September 2014) for Registered Social Landlords that we include a statement in our published accounts which:
- Confirms that the MC acknowledges its responsibility for Internal Financial Control.
  - Includes a description of the key procedures for internal financial control.
  - Confirms that the MC has, in the last financial year, reviewed the effectiveness of the

system of internal financial control and reports. Where any weaknesses in the system of internal financial control have resulted in any material losses, contingencies or uncertainties, which require disclosure in the audited accounts.

- Explains that the system cannot provide absolute assurance against material loss or misstatement.
- Provides reason for any non-compliance.
- Covers the period between the balance sheet date and date accounts signed.

3.3 The External Auditors are required to review this statement and to report to members any discrepancies between it and the results of their audit work.

### **Responsibility for Internal Financial Control**

3.4 Responsibility for internal financial control lies with our MC in accordance with the Regulatory Standards. The MC are responsible for ensuring the control system defined above is; in place, adhered to and effective. All MC members and staff must adhere to the controls, which apply to any situation involving the Association. Day to day management and implementation of controls is delegated to the Director, the Finance Officer, the Finance Assistant and other staff (as outlined in detail within these Regulations).

### **Key controls**

3.5 The Association will at all times maintain the following key controls:

- Management accounts will be prepared quarterly and presented to the HR, FA&R for information and approval. A full report with supporting narrative will be presented to the HR, FA&R each quarter.
- The Association will prepare annually its Report and Financial Statements and arrange for an external audit to be conducted, within three months of the end of each Financial Year. An external auditor's Management Letter/Audit Report will be presented to the MC at the same time as the Report and Financial Statements.
- A budget for each financial year will be prepared then discussed and approved by the MC before each financial year commences.
- Segregation duties will be maintained where possible between initiating, actioning and recording a financial transaction.
- All borrowing decisions and changes to banking arrangements will be approved by the MC before being actioned.
- All bank transactions will be in accordance with delegated authority levels set out at section 28.

3.6 These financial controls are described in further detail in the appropriate sections of these Regulations.

## **4. MC RESPONSIBILITIES**

4.1 The MC has ultimate responsibility for all aspects of the Association's affairs. It is responsible for the leadership, strategic direction and control of the organisation and for ensuring it secures good outcomes for its tenants and service users.

4.2 Statute requires the MC to prepare a Report and Financial Statements for each financial year. It is the MC who is responsible for keeping proper accounting records. They must disclose (with reasonable accuracy) at any time the financial position of the Association.

4.3 The MC is also responsible for safeguarding the assets of the organisation and for taking reasonable steps to prevent and detect fraud and other irregularities.

- 4.4 MC members have a duty towards the Association, its shareholders, staff, tenants, other service users and the community in which it operates. They must seek good quality information and advice at all times to ensure their decisions are based on the same. This advice may need to be sought from external professional advisors where necessary. They must also ensure they have the skills and knowledge they need to be effective in their role. They must always seek to identify current and future risks to the Association and plan how they will avoid, manage or mitigate the same.

## **5. MC RESPONSIBILITIES**

- 5.1 It is good practice for Housing Association has to establish a Finance, Audit & Risk Sub-committee. The Financial Reporting Council provides guidance on the role of Audit Committees in its publication 'Guidance on Audit Committee' updated in April 2016. The Finance, Audit & Risk Sub-committee is an independent, advisory sub-committee of the Association's MC. Its main functions are overseeing:

- The accounting and internal control systems;
- The external audit function;
- The internal audit function; and
- The provision of the annual statement of assurance of financial control systems.

- 5.2 The membership and powers of the Finance, Audit & Risk Sub-committee will be in line with the Associations standing orders for sub-committees with the additional powers as follows:

- The Association's Director and External Chartered Accountant will attend all meetings but will leave if requested by the Chair of the Finance, Audit & Risk Sub-committee. The Association's internal auditor will be invited to attend a specific meeting, and will receive copies of all relevant papers for that meeting.
- The internal and external auditors have the right of access to the Chair of the Finance, Audit & Risk Sub-committee and may request a meeting without staff present.
- The Finance, Audit & Risk Committee has the right to receive all information it considers necessary from the Association's staff. All information received will be treated as confidential by the Finance, Audit & Risk Sub-committee members.

- 5.3 The Finance, Audit & Risk Sub-committee is responsible for:

- Advising the MC whether an appropriate system of accounting and internal control exists and for making recommendations for its improvement. In this, external and internal auditors and the External Chartered Accountant / Finance Officer will advise it.
- Recommending whether the MC should accept the external auditor's annual report on the effectiveness and efficiency of the Association's system of accounting and internal financial control.
- Recommending whether the MC should accept the internal financial control statement for inclusion in the annual report and financial statement of the Association.

## **6. STAFF RESPONSIBILITIES**

- 6.1 The Director is responsible to the MC for the implementation of strategic, policy and procedural decisions taken by the MC and the day-to-day management of the Association. The Director is responsible for promotion of the organisation and co-ordinating the activities of senior staff. The Director is responsible for ensuring the MC receives all information and relevant guidance and training to meet its obligations.

- 6.2 All senior staff are responsible for ensuring staff members within their section understand

their respective roles and responsibilities and for monitoring their performance against the same. They must ensure they and their staff are open about, and accountable for, all they do. They are responsible for the security and control of all assets, cash and materials relating to their section. They are also responsible for managing the financial budgets allocated to their area of responsibility.

- 6.3 The responsibilities and duties of all staff members shall be contained within a suitable job description. The responsibilities and duties of any agents or service providers are contained within a relevant contract, Minutes of Agreement or Service Level Agreement.

## **7. ACCOUNTING**

- 7.1 Our Director in consultation with the CA shall determine all accounting policies and procedures of the Association; they shall also be subject to approval by the MC. These procedures must take account of statute, regulatory requirements, good practice and current guidance.
- 7.2 The format of the Association's financial records shall be determined by the the Director in consultation with the External Accountant and must take account of statute, audit and regulatory requirements, good practice and current guidance.
- 7.3 The allocation of accounting duties should where possible take account of segregation of duties and records must be regularly updated.
- 7.4 All accounting policies derived from statute, regulatory requirements, good practice and current guidance shall be contained within the annual financial statements and shall be reviewed annually as part of the approval of the financial statements. The HR, FA&R for approval out with this cycle when changes are made, shall review accounting policies.

## **8. AUDIT REQUIREMENTS**

### **External Audit**

- 8.1 External auditors will be appointed at each Annual General Meeting following a recommendation by the MC and in line with the Association's Rules and current statutory requirements.
- 8.2 Auditors will be appointed following a tendering process, at least every 5 years (normally on a three plus 2-year appointment and subject to an annual renewal of the appointment). The Association shall review the performance of its external auditors annually and review the Engagement Letter every year 3 years unless the service level dictates otherwise.
- 8.3 The role of the external auditors must be clearly detailed in their Engagement Letter.
- 8.4 The Association's Finance Team will prepare the annual Report and Financial Statements. A year-end timetable must be completed by the Director and agreed with the external auditors prior to commencement of the year-end statutory audit. The Report and Financial Statements must be in the required format and contain the report of the external auditors. In addition, it must contain a Report from the MC to include comment on past and future developments together with a separate MC report on the systems of internal financial control.
- 8.5 Draft audited financial statements will be presented to the HR, FA&R for review and recommendation to the MC for approval at an appropriate meeting. Final audited



accounts will be laid before the Annual General Meeting to be held no later than 6 months after the end of the financial year.

- 8.6 Final audited and signed accounts will be submitted to the SHR, OSCAR, FCA, TPT and to the lenders within the required timescales following the financial year end.
- 8.7 A copy of the auditor's Management Letter/Audit Report and the MC's response thereon will also be submitted to the SHR within required timescales.
- 8.8 The external audit functions shall be overseen by the HR, FA&R and in line with good practice the HR, FA&R shall have the opportunity for a private session with the external and internal auditor at least once a year, without senior staff.

### **Internal Audit**

- 8.9 Internal auditors will be appointed to carry out a rolling programme of reviews of the effectiveness of the design and implementation of internal controls and procedures, including periodic review of adherence to the Financial Regulations and Financial Procedures.
- 8.10 The role of the internal auditors must be clearly detailed in an Engagement Letter provided by the internal auditor.
- 8.11 Internal auditors will be appointed following a tendering process and will be appointed for a maximum of 5 years (normally on a three plus 2-year appointment and subject to an annual renewal of the appointment).
- 8.12 The rolling internal audit programme shall be agreed by the HR, FA&R based on current risk assessments. The internal audit programme shall take account of concerns or recommendations from the Finance, Audit and Risk Sub-committee, Senior Management Team and by the risk register of the Association.
- 8.13 The HR, FA&R will review all internal audit reports and progress reports and will monitor the implementation of all agreed actions within set timescales. An annual report will be presented to the Finance, Audit and Risk Sub-committee.
- 8.14 The internal auditor will have access to all locations, staff, records and physical assets necessary for the performance of their role. Staff will provide the internal auditor with any explanations necessary as part of their review. No limitations will be placed on the scope of their review. Any such limitations will be reported to the HR, FA&R as soon as is practical.
- 8.15 The internal auditor may be asked to participate or advise in discussions relating to the formulation and installation of new systems, controls and procedures.

The internal auditor may assist in the protection of the assets of the Association by carrying out regular reviews of operations in order to detect system weaknesses, inefficiencies, fraud, misappropriation and losses due to waste or maladministration.

- 8.16 The internal auditor will also monitor compliance with the Association's Financial Regulations and Procedures.

## **9. FRAUD AND OTHER FINANCIAL IRREGULARITIES**

- 9.1 The primary responsibility for the prevention and detection of fraud and errors rest with the MC.
- 9.2 To assist in discharging its responsibilities in this area, the MC should receive directly any reports from the internal auditor on all cases of actual, attempted or suspected fraud or bribery detected during the normal course of their activities.
- 9.3 The Association will encourage any staff member to report any irregularities to the Director or Chairperson of the MC as outlined in the Association's Whistleblowing Policy and Anti-Bribery Policy.
- 9.4 Any matters arising which involves, or are thought to involve, irregularities concerning cash, property or assets, or any suspected irregularity in the operations of the Association, which has or could have a financial impact, shall be reported to the Chartered Accountant.
- 9.5 The CA must escalate any report to the Director who will alert the Chairperson of the MC. In relevant circumstances all staff may escalate any report directly to a senior staff member or any office bearer.
- 9.6 The Director or Chairperson of the MC will report any issue involving irregularities in the Association's activities to the MC at the next possible meeting and to SHR, if required, as a notifiable event in line with SHR guidance.
- 9.7 One or more of the senior staff team will investigate the report thoroughly. The internal auditor or other external specialist resource may be requested to assist in the investigation. The Director and Chairperson of the MC shall decide upon involvement of Police Scotland.
- 9.8 The Association will maintain a register of all incidents of actual or attempted fraud or bribery. The register will be annually reviewed by the MC and signed by the Chairperson of the MC. It will be open at all times to SHR and to the internal and external auditors.

## **10. BUSINESS PLANNING**

- 10.1 The Association shall have in place a Business Plan framework (incorporating 30-year income and expenditure, balance sheet and cash flow projections) which sets out the strategic direction of the organisation.
- 10.2 The MC is ultimately responsible for the governance and direction of the Association and it is recognised that the business plan should represent a joint understanding by the MC and staff of what the Association wants to achieve, the choices available and the key risks faced. The MC and the Senior Management Team in consultation with staff, tenants, shareholders and other stakeholders as necessary shall therefore produce the business plan.
- 10.3 The content of the business plan should recognise and reflect the current SHR's Business Planning Recommended Practice for RSLs (Dec 2015). It should include:
  - Vision and Values
  - Profile of Association and achievements
  - Analysis of the Operating Environment (using PEST, SWOT and Risk Analysis)
  - Strategic Objectives

- Annual Delivery Plan
- Financial Analysis (including scenario planning and sensitivity testing)

- 10.4 On an annual basis, the Director will prepare a detailed operational Delivery Plan for the Association, within the framework of the business plan.
- 10.5 The Director shall produce an annual timetable to accompany the business planning process detailing the stages, processes and responsibilities in order to achieve the timetable.
- 10.6 The operational delivery plan will include performance targets and KPIs and shall feed into the annual budget setting process and the risk management procedures.
- 10.7 On at least a quarterly basis, progress against the delivery plan and targets/KPIs shall be reported to the MC. These reports shall be supported by the management accounts, other section reports and the risk register to ensure all aspects of the business plan are linked together and operating effectively.
- 10.8 On at least an annual basis, the achievement of strategic objectives will be considered and reported to the MC.

## **11. APPROACH TO FINANCIAL FORECASTING**

- 11.1 The Director and Chartered Accountant (CA) are responsible for long-term financial planning on behalf of the Association.
- 11.2 Long-term financial forecasts shall be forwarded to all lenders as well as external and internal auditors for information and consideration. Formal feedback shall be sought from all parties reading the assumptions employed and the financial outturns.
- 11.3 The Association will prepare and submit 5-year financial projections to SHR in the prescribed format and within the relevant timescales, which have been presented to and approved by the MC, all in accordance with existing guidance from SHR. A copy of this information shall be submitted to lenders and external auditors.
- 11.4 The Association shall undertake a review of its long-term financial projections on an annual basis in order to ensure that there continues to be a projected income and expenditure, balance sheet and cash-flow statement looking 30-years ahead. A full and detailed business plan review shall be undertaken every three years unless circumstances (including loan agreement terms and conditions) dictate that an earlier review is necessary. Appropriate sensitivity analysis must be applied to the long-term projections with details being incorporated into the business plan document.
- 11.5 The content of the 30 year financial forecasts shall include the following information as a minimum:
- Details of main assumptions employed and sources of information.
  - Statement of Comprehensive Income projections for 30 years.
  - Statement of Financial Position projections for 30 years.
  - Cash Flow projections for 30 years.
  - Key performance indicators data.
  - Covenant compliance schedules.
  - Appropriate sensitivity analysis.

- Schedules for all income and cost information and assumptions.
- Supporting narrative to confirm an overview of the projected outturns, any areas for further consideration, any areas of concern and any actions required that flow from production of the final information.

- 11.6 While the overall responsibility for this information lies with the CA, it is essential that an appropriate level of input from all senior staff be accounted for within the long term financial plans. In particular, the areas of rent levels, rent increases, investment and maintenance costs, staffing levels and costs and future development activity require agreed input.
- 11.7 Given the impact that inflation and interest rates may have on the expected financial position, the CA shall seek information from reputable sources regarding future expected rates for these areas. In addition, any real cost increase assumptions should take account of reputable sources.
- 11.8 The CA shall produce an annual timetable to accompany the financial forecasting process and this shall take account of:
- Provision of, review and agreement on future maintenance plans.
  - Provision of, review and agreement on rental, staffing and development assumptions.
  - Production of draft projections.
  - Management team discussion, review and agreement of draft projections.
  - Reporting to the MC for approval.
  - Provision of information to external parties.
  - Feedback to MC from external parties.
- 11.9 The importance of financial forecasting in relation to the Association's overall business planning process is recognised and timetables applicable to both processes require to be carefully aligned.

## **12. FINANCIAL PLANNING AND BUDGETING**

### **Preparation, Review and Approval**

- 12.1 The MC must approve an annual budget prior to the start of the financial year to which it relates. The setting of the annual budget forms part of the annual business planning cycle and will reflect the Association's current business plan, operational plans and longer term financial forecasts.
- 12.2 This annual budget will comprise of:
- A clear statement of main assumptions and sources of information underlying the budget.
  - Projected Statement of Comprehensive Income.
  - Projected Statement of Financial Position.
  - Projected Cash Flow Statement.
  - Detailed capital budgets for all projects.
  - Monthly cash flow projections.
  - Cost allocation information.
  - Appropriate ratio analysis.
  - Loan covenant compliance performance.
  - Any summary narrative commentary necessary for a clear understanding of the

budget.

- 12.3 The CA will prepare the budget on a roll over basis each year, taking into account the prior year budget, year to date variances and any known changes linking to the Business Plan. The CA will put in place a timetable which will take account of:
- Provision of budget planning information from budget holders.
  - Review of planned, cyclical and major repairs to be undertaken in line with the 30-year assumptions.
  - Submission of draft budget to senior staff and budget holders for review and approval.
  - Submission of draft budget to the HR, FA&R for review and discussion including the impact of any options or sensitivities where there is a potential material financial effect over the 12-month period.
  - Amendments because of HR, FA&R review.
  - Final approval of the budget by the MC.

### **Budgetary Control**

- 12.4 Once approved, the budget shall be regarded as the basis for authority to incur expenditure, subject to current Standing Orders, the Scheme of Delegation and any specific exemptions agreed with the MC. It should be recognised that changes in circumstances might result in changes to budgeted expenditure. Such changes must be approved by the MC.
- 12.5 It is the responsibility of all budget holders to control relevant budgets. Budgetary control will be assisted by production of quarterly management accounts and accompanying narrative reports comparing actual income and expenditure with budget estimates. The CA will report on actual income and expenditure against budget.
- 12.6 The CA will ensure that material variances are clearly explained within the narrative supporting the quarterly Management Accounts. Explanations of material variances will be sought from budget holders during the preparation of the management accounts where necessary. The Finance, Audit and Risk Sub-committee will decide the level of variance considered material, subject to annual review and approval by the Finance, Audit and Risk Sub-committee.
- 12.7 The quarterly management accounts should include the effect of likely future events on the financial position, together with details of the currently projected financial position of the Association at the year-end. Cashflow monitoring and covenant compliance will form a part of the management accounts. A copy of the approved budget and quarterly management accounts will be sent to the Association's lenders in-line with their timescales.
- 12.8 In emergencies, expenditure may be incurred beyond authorisation levels by obtaining the prior approval of the Director (or RAMM in the absence of the Director) and the Chairperson of the MC (or Office Bearer in the absence of the Chairperson of the MC), who will consult the CA, if possible, before agreeing to any request. Any such expenditure must be reported by the Director to the next meeting of the MC for retrospective approval.
- 12.9 Senior staff should ensure that when reports are issued to the MC or any Sub-committee, the financial implications of any course of action should be detailed. The CA should be consulted prior to any report that has material financial implications going to the MC or

Sub-committee.

### **13. CASH CONTROLS**

- 13.1 Bank accounts held by the Association, details of authorised signatories and signing details are detailed at Section 29 below.
- 13.2 Procedures for the receipt of funds are detailed in the Financial Procedures.
- 13.3 A petty cash float not exceeding £700 shall be held for making small payments and properly authorised expenses. The Finance Assistant has day-to-day responsibility for petty cash payments. In the absence of the Finance Assistant, the Finance Officer will assume responsibility for petty cash payments. Detailed petty cash procedures are set out in the Financial Procedures.
- 13.4 The Finance Assistant on a monthly basis must reconcile all bank accounts and petty cash accounts to the relevant books of account. These reconciliations shall be reviewed and certified as accurate by the Finance Officer.
- 13.5 The Finance Assistant shall be responsible for the safe custody of all banking documents, including cheques, and cash floats. These should be held within the office safe(s) as set out in the Financial Procedures.

### **14. DEBTORS CONTROLS**

- 14.1 The Association acknowledges the requirement to maximise income collection in order to generate as much income as possible via interest receipts.
- 14.2 Where external funding for projects is made available to the Association, all grant claims must be submitted timeously in order to ensure receipt of funds prior to payment (where allowed) or as soon as possible (in line with grant offer conditions) after payment has been made.
- 14.3 Rental income payments are the main source of revenue income for the Association and operational procedures shall be reviewed regularly in order to monitor their effectiveness. A monthly report on rental information shall be prepared by the HSM and submitted to the Housing Management Sub-committee.
- 14.4 Factoring account invoices shall be issued, on a quarterly basis, in accordance with the Factoring Policy and a monthly report to be determined by the HSM.
- 14.5 All other sums due and outstanding to the Association shall be summarised within the quarterly management accounts. Such sums shall include rent and factoring arrears, insurance claims outstanding and outstanding chargeable repairs and improvement works for owners.
- 14.6 Procedures relating to rents and other income generating areas shall incorporate information on debtor control including the basis for monitoring and reporting sums due.
- 14.7 All amounts considered irrecoverable must be formally reported to and approved by the Housing Management Sub-committee before write off. This also includes rent advance write offs.
- 14.8 Write offs should take place annually, in March, following the year end being closed.

14.9 Responsibility for debtors control within the Association is as follows:

- Rent arrears and service charges – HSM
- Factoring arrears – HSM
- Insurance claims outstanding – HSM and RAMM
- Re-chargeable repairs – RAMM
- Wider role claims outstanding – HSM
- All other sums due – CA, Finance Officer and Finance Assistant

## **15. ASSET CONTROLS**

- 15.1 The originals of all title deeds shall be held in secure storage by the Association's solicitors or bankers. The HSM will maintain a register of all title deeds and will confirm to the Housing Management Sub-committee on an annual basis that all title deeds are properly held.
- 15.2 The Association shall maintain a fixed asset register detailing all furniture, fittings and equipment and other items classed as capital assets, owned by the organisation. The register should detail acquisition date, disposal date, estimated useful life for depreciation purposes and cost. In addition, the invoice number will be documented within the register, which may be held in electronic format.
- 15.3 The Association shall undertake annual reviews of the register to verify continued ownership and existence of these fixed assets. This task shall be undertaken by the Finance Officer with the CA being informed of the outcome to allow for disposals to be carried out as necessary.
- 15.4 Office Equipment Maintenance contracts and leasing contracts shall be entered into for such fixed assets as appropriate and a separate register shall be held by the Association. Details to be inserted on these registers include; service provider, start date, termination date and asset being maintained/leased and cost. This register shall be updated on a quarterly basis by the Corporate Services Assistant and may be held in an electronic format. The RAMM will maintain such details for stock related maintenance contracts and leasing contracts.
- 15.5 Details of any asset/equipment disposals, including details of sums received (if applicable), shall be reported to and authorised by the HR, FA&R within the quarterly management accounts.
- 15.6 The RAMM and CA will ensure a register of all properties owned by the Association is maintained and kept up to date. The housing properties register shall ensure the Association complies with the requirements of component accounting. The current housing register used by the Association is known as the component accounting spreadsheet. The component accounting spreadsheet may be replaced by a suitable software system, as approved by Committee. This holds records of all housing assets by phase, split into relevant components. Component and property replacements and disposals, along with depreciation charges of housing property assets shall be updated on the component accounting spreadsheet in a timely manner (at the end of each contract and reconciled monthly by the CA). Copy invoices for all replacements will be attached to the invoice record on SDM as the invoice is processed, the staff member processing the invoice will do this. The resultant journals shall be posted by the CA.

## **16. PROCUREMENT, CONTRACTS & TENDERING**

- 16.1 The Scottish Government has set out procedures that should be followed by public bodies when procuring works, services or supplies. This is intended to facilitate good practice and consistency across the Scottish public sector. The Association will therefore, in general, follow these procedures to ensure compliance with current legislation and guidance. Where works or services require to be tendered in accordance with the Financial Regulations, the Association will follow the Scottish Government procedures, subject to minor revisions to take account of other internal governance or policy documents.
- 16.2 All works, goods and services will be procured in accordance with the terms of the Associations procurement policy and the following will apply:
- All works to Association properties should only be issued to contractors selected from the Association has approved framework of contractors. Where works are of a specialised nature and there is none suitable on the framework, or there is none available to undertake the work within the required timeframe, work can be awarded to non-framework contractors. The award of work to such contractors should be infrequent and is conditional upon suitable references having been obtained for the proposed contractor and the award of the work must have been preauthorised by the RAMM who will report the use of a non-framework contractor to the Repairs Sub-committee at the next meeting.
  - Where costs are between £5,000 and £15,000 reasonable efforts should be made to obtain three quotes. Where it is not possible to obtain three quotes, perhaps in the instance of a specialist contract, or within the timeframe required, a pragmatic view will be taken. The awarding of any works of this value, where three quotes have not been possible, must be preauthorised by the RAMM who will report this to the Repairs Sub-committee at the next meeting.
  - Contractors invited to quote for works between £5,000 and £15,000 of a maintenance nature should be selected from the Association's approved framework of contractors. Where works are of a specialised nature and there is none suitable on the framework, where possible, a list of three suitable firms must be compiled for quoting purposes and the Repairs Sub-committee advised at the next meeting. The awarding of any works of this value, where three quotes have not been possible, must be preauthorised by the RAMM who will report this to the Repairs Sub-committee at the next meeting.
  - All contractors on the framework shall have an equal opportunity to quote for works and no one contractor will be invited to quote significantly more than others. A list of tendered or quoted works will be presented at the next Repairs Sub-committee meeting.
  - Tenders will be required where costs are in excess of £15,000 and shall be advertised on the SFHA website or by other suitable means.
  - Where costs are in excess of £50,000 the process of tendering will be in line with current procurement legislation.
- 16.3 Entering contracts and placing orders for works, goods and services will be in accordance with current procedures, in particular the approved budget limits and Authorisation Levels.
- 16.4 Where contracts for new-build or maintenance projects, or for annual services, provide for payment to be made by instalments, the CA and Finance Officer shall keep records detailing the position of accounts on each contract, together with any other payments and the related professional fees.
- 16.5 Payment to contractors, whether on account or the final account, shall be made in



accordance with the financial procedures. The Director and CA shall meet regularly with the RAMM to agree and monitor expenditure on contracts.

- 16.6 The Committee must be provided with quarterly updates on the progress of all major contracts, including a summary of the position of accounts on each contract. The RAMM shall prepare and provide this report to the Repairs Sub-committee.

## 17. ANNUAL MAINTENANCE PROGRAMME

- 16.1 As part of the financial planning process, the RAMM will prepare an annual maintenance and improvement programme. This will itemise the works to be completed in the next financial year, analysed between reactive, cyclical and planned works.
- 16.2 Approval of the budget by the MC will constitute authority for the relevant staff to proceed with the work set out in the annual maintenance and improvement programme in accordance with the requirements of Procurement, Contracts & Tendering and Authorisation Levels.

## 18. BOOKS, REGISTERS AND COMPUTER DATA

- 18.1 As a minimum requirement the following books and registers must be maintained by the Association:

Cashbook	FA FO	Rent Ledger	FA FO
Petty Cash Book	FA FO	Office Inventory	FA FO
Nominal Ledger	FA FO	Register of Loans	Dir CA
Purchase Ledger	FA FO	Register of Disposals	Dir CA
Sales Ledger	FA FO	Register of Frauds and Bribery	Dir CA
Payroll Records	Dir CA	Register of Payments & Benefits	Dir CA
Fixed Asset Register (housing)	FA FO	Register of Interests	Dir CA
Fixed Asset Register (other)	FA FO	Register of Members	Dir CA
Cashbook	FA FO	Register of Gifts & Hospitality	Dir CA
Complaints Register	Dir CA	Seal Register	Dir CA
Tender Register/Receipt Book	Dir CA		

- 18.2 Responsible staff member refers to individual having responsibility for maintenance of and administration relating to each register. This responsibility may be delegated to another staff member by the responsible staff member.
- 18.3 All such books and registers together with other relevant papers or information may, where appropriate, be kept in an electronic format and must be securely stored when not in use.
- 18.4 In conducting its operations, the Association must comply with all aspects of the General Data Protection Regulation (GDPR) 2018. All such matters are the responsibility of the Director.
- 18.5 The Association's IT Coordinator is the Director. The system administrator is the Director.

## 19. SECURITY

- 19.1 All senior staff are responsible for maintaining proper and adequate security at all times for buildings, furniture, equipment, and other assets, and any cash under their direct control. The Director is responsible for overall security and any risks to the Association must be notified to the Director immediately.
- 19.2 All information held on computer must be backed up and stored in line with the IT policy. It is the responsibility of the Director to ensure that this task is undertaken.
- 19.3 Access to computer systems must be restricted by the appropriate use of passwords and other security measures, which should never be shared.
- 19.4 The Director will ensure that there are adequate systems in place covering the security and use of all data (personal and sensitive information) relating to applicants, tenants, members of staff, contractors and of the public held either in electronic or paper format, to comply with the General Data Protection Regulation (GDPR) 2018.
- 19.5 Current office key holders are permanent members of staff.
- 19.6 The Association operates 2 safes for the following main purposes:

Safe	Location	Purpose
Computer Room Safe	Computer Room	Petty cash box, Receipt books, Food bank vouchers
Director Room Safe	Director Room	Spare cupboard keys

- 19.7 The petty cash box will be held in the computer room safe at all times unless in use. The rent received via cash in office will be transferred straight to petty cash. The Finance Assistant in a locked drawer holds the keys to the petty cash box, the keys will be passed to the Corporate Services Assistant or Director as necessary to ensure business continuity.
- 19.8 Access to the safe is restricted to:

Safe	Access
Computer Room Safe	Corporate Services Assistant, Finance Assistant Finance Officer, Director
Director Room Safe	Corporate Services Assistant, Director

- 19.9 Each safe is accessed as follows:

Safe	Access
Computer Room Safe	Combination code
Director Room Safe	Combination code

Any combination code will be changed on at least a six-monthly basis, and/or when there is an authorised staff member change, by the Finance Assistant for the computer room safe and the Corporate Services Assistant for the Director room safe. The change will be communicated to all authorised staff.

- 19.10 Under no circumstances should other staff members be given access to the safe, told the

safe combination code or given the safe keys, or retain possession of the petty cash keys. In all cases safe and petty cash, keys must be retained in the possession of the authorised staff member who, under no circumstances, should leave keys unattended.

- 19.11 A register shall be maintained of all items held within the safe. Documents should be signed out when removed by an authorised member of staff and signed back in when returned. A weekly check should be made by the Corporate Services Assistant to ensure all items are present in the safe. Director can do this task if the Corporate Services Assistant is on leave.
- 19.12 Any cheques received by incoming post should be recorded on an incoming mail register, and passed to the Finance Assistant to review and verify.
- 19.13 The loss of office, property or petty cash keys must be notified to the Director immediately.

## **20. INSURANCES**

- 20.1 The Director shall affect all insurance cover on behalf of the Association with assistance from CA, HSM, RAMM, Finance Officer and Finance Assistant.
- 20.2 All senior staff of the Association shall advise the Director of events likely to result in a change to the Association's insurance requirements.
- 20.3 The Director, in consultation with the CA, HSM, RAMM, Finance Officer and Finance Assistant, shall review all insurances during the year and report to the MC thereon.
- 20.4 The submission of all insurance claims is the responsibility of the RAMM.
- 20.5 The Employer's Liability Insurance Certificate will be displayed in the public reception area for each place of business.
- 20.6 The Association shall ensure, prior to contracts commencing, that written agreement is received from external contractors that they shall insure and take responsibility for all works in progress. The Association in advance of such works commencing must receive a copy of the insurance cover in place.

## **21. RISK MANAGEMENT**

- 21.1 The Association's approach to managing risk is detailed within the Risk Management Policy.
- 21.2 All current activities and proposals for new activities will be subject to risk assessment specified in the Risk Management Policy.
- 21.3 Where potential risks are identified, the activity will be included in the current Risk Matrix together with measures to manage, avoid or mitigate the risk.
- 21.4 The Director will provide the current risk matrix and a report to the MC on a quarterly basis, providing an update regarding progress to mitigate the key strategic risks to the Association.

## **22. VALUE FOR MONEY**

- 22.1 The Association shall seek to obtain value for money in terms of any fixed asset investments, its contractual commitments and in its day-to-day operational activities. Returns on investments shall be managed in line with the Treasury Management Policy and Strategy.
- 22.2 The selection of an appropriate method of procurement, the use of tendering procedures, the selection of appropriate financing options and a balancing of quality and cost or other appropriate cost benefit analysis shall be undertaken by the Association in its decision making process.

## **23. TREASURY MANAGEMENT**

- 23.1 All investment of funds or arrangements for seeking and managing private finance shall be undertaken in accordance with the Association's Treasury Management Policy.
- 23.2 Day to day operation of the policy will be delegated to the Director and CA, subject to any exceptions as set out in the Treasury Management Policy.
- 23.3 The CA will report to the HR, FA&R on borrowing and investments on a quarterly basis, or more frequently if required, as specified in the Treasury Management Policy.

## **24. TRAVEL, SUBSISTENCE & OTHER ALLOWANCES**

- 24.1 All claims for payment of car allowances, subsistence allowances, travelling and incidental expenses shall be authorised and paid in accordance with the Association's policies and procedures on Committee Expenses and Staff Expenses.
- 24.2 All claims for payments of travel, subsistence and other expenses will require to be authorised in accordance with the current Financial Procedures.

## **25. ENTITLEMENT, PAYMENTS & BENEFITS POLICY**

- 25.1 The giving and receiving of gifts and hospitality shall be in accordance with the Association's Gifts, Entitlement, and Payments & Benefits Policy.
- 25.2 All MC members and staff shall ensure that they declare any interest about any aspect of the Association's activities as required by the Rules and all regulatory requirements. The Director shall maintain the Register of Interests in accordance with the Association's Entitlement, Payments and Benefits Policy.

## **26. DONATIONS**

- 26.1 The Association's approach to donations is detailed within the Donations Policy.
- 26.2 All requests must be in writing and be submitted to the MC for approval.

## **27. NEW PROJECTS AND ACTIVITIES**

- 27.1 Prior to committing the Association to any new projects or activities, a full options appraisal and financial assessment shall be carried out and reported to the MC for consideration and approval.

- 27.2 In the event that the new project or activity results in a net financial cost to the Association then the overall impact on the Association's long-term financial projections requires be considering and reporting on as part of the overall assessment report.
- 27.3 External specialist and legal advice shall be taken where appropriate.

## 28. BENCHMARKING AND PERFORMANCE ANALYSIS

- 28.1 The Association's Director shall ensure that reports will be submitted to the HR, FA&R and MC on the following frequency/areas:

<b>A</b>	<b>Management Accounts including performance relative to budget, loan covenant compliance and financial ratios</b>	Quarterly
<b>B</b>	<b>Analysis of business plan KPI targets</b>	Bi Annual
<b>C</b>	<b>Analysis of business plan priorities</b>	Annual
<b>D</b>	<b>Comparison of results with SHR published ratios and statistics</b>	Annually
<b>E</b>	<b>Annual return on charter and benchmarking results</b>	Annually

The Human Resources, Finance, Audit & Risk sub-committee (HR, FA&R) and MC may consider issues arising from the above in detail.

- 28.2 All senior staff are responsible for the provision of information relating to their department in line with an agreed timetable confirmed by the Director and included within the business plan. Senior staff, when providing relevant data or statistics summaries shall have available the detailed calculations or file attachments that represent the source of the summary data or statistics provided. The Director or a delegated representative shall review relevant information provided in order to ensure accuracy and consistency of reporting before presenting to the Committee.

## 29. INCURRING AND AUTHORISING EXPENDITURE LEVELS

- 29.1 Only those staff with the delegated authority to do so will incur an expenditure commitment approve an invoice or authorise a payment. The Finance Officer will process no payments or Finance Assistant until all the approvals below have been completed.
- 29.2 The MC approves budgets prior to the beginning of each financial year and staff have delegated authority to spend within these budgets subject to Standing Orders and the current Scheme of Delegated Authorities.
- 29.3 The Director who shall report such matters for retrospective approval to the MC may approve any non-emergency expenditure up to £5,000 in total, outwith set budgetary limits.
- 29.4 The following procedures are involved in incurring and authorising expenditure:
- Approving the commitment to spend prior to ordering goods or services
  - Approving invoice after goods or services are received, confirming details and accuracy
  - Approving payment of invoice
  - Processing payment of invoice
- There will be at least two different people involved in these procedures.  
The acquisition of goods or services is also subject to the following processes:

a)	Over £5,000 (Inc. VAT)	3 quotes
b)	Over £15,000 (Inc. VAT)	Quick Quote Tender on PCS
c)	Over £50,000 (Inc. VAT)	PCS or OJEU tender

## 29.5 Authorisation Levels

Staff have delegated authority to Approve Invoices subject to checking the value, VAT, Total, Work or Purchase Order, Date & Tax Point, Supplier Account detail, Supplier name and address are all in order and agreed. Staff may only Approve Invoices for Budget (Nominal) code(s) they have been assigned. Staff have delegated authority to Authorise the Approved payment (where required) – based on the table of authorities by the **Budget Holder**

### i) Capital Expenditure (excluding Properties)

Up to £15,000	RAMM HSM
Up to £20,000	Director
Over £20,000	Director with Approval of MC

### ii) Capital Expenditure (Properties)

Purchase of a property	MC
Development spend within approved contract sums	RAMM HSM Director
Component replacement spend within approved contract sums	RAMM HSM Director
Contract variations up to £15,000	RAMM
Contract variations up to £20,000	Director
Contract variations over £20,000	MC

### iii) Property, Housing, Factoring & Maintenance Expenditure

Property, Housing, Factoring & Maintenance Expenditure		
Budget Approval Value, 1st Authoriser	Budget Authorisation Value	Job role
£20,000	Up to £1,000	TSA
£20,000	<£7,500	TSO can approve singularly up to £7,500
£50,000	<£15,000	RAMM, RAMSO plus one other authoriser
£50,000	<£20,000	Director plus one other authoriser
£1,000,000	>£50,000	MC instructs Director plus one other authoriser

### iv) Staff and Committee Expenditure

Creation of new permanent posts	MC
Staff appointments and temporary contracts (up to G7)	Director
Staff appointments and temporary contracts (up to G10)	Director
Salary reviews	MC
Salary payments	RAMM, HSM, Director

<b>HMRC P32 payment</b>	Finance Officer, Director
<b>TPT pension payment</b>	Finance Officer, Director
<b>Staff expenses</b>	RAMM, HSM, Director
<b>Director expenses</b>	Chairperson
<b>Committee expenses</b>	RAMM, HSM, Director
<b>Overtime</b>	Director, MC

#### iv) Office Administration and Other General Expenditure

<b>Office Administration and Other General Expenditure</b>		
<b>Budget Approval Value, 1st Authoriser</b>	<b>Budget Authorisation Value</b>	<b>Job role</b>
£20,000	Up to £1,000	Corporate Services Assistant, FA/FO
£50,000	<£15,000	RAMM, RAMSO, HSM plus one other
£50,000	<£20,000	Director plus one other authoriser
£1,000,000	>£50,000	MC instructs Director plus one other

### 30. AUTHORISED SIGNATORIES

- 30.1 The following is the list of signatories authorised to act in each area. The person preparing cannot be the person authorising, except in the case of emergency, which must be reported to the MC Office Bearers and the next MC meeting.

<b>Cheque/BACS Payments</b>	
Prepared by	Finance Officer
Authorised by	RAMM, HSM, Director
<b>Transfer of funds</b>	
Day to day funds transfer between Operational Accounts. (BoS internal moves transfer to loan accounts)	Finance Officer
<b>Transfers from one institution to another</b>	
Prepared by	Finance Officer
Authorised by	RAMM, HSM, Director
<b>Grant Offers</b>	
Authorised by	RAMM, HSM, Director
<b>Grant Claims</b>	
Prepared by	RAMM, HSM
Authorised by	RAMM, HSM, Director
<b>Private Finance Drawdown</b>	
Prepared by	RAMM, HSM
Authorised by	Director

### Bank Account Signatories

Account signatories to be Director, HSM and RAMM. The MC member signatories will be the Office Bearers:

Alan Hume, Director. Christine Morris, Secretary. Linda Cameron, Char.

Bank account details for cash or investment that signatories relate to are as follows:

Bank of Scotland, Nationwide Building Society, Royal Bank of Scotland

- 30.2 A copy of all sample signatures must be retained and managed by the Finance Officer and should be used to verify signatures and should be updated any time there is a change of authorised staff.
- 30.3 The MC will be required to authorise any changes to authorised signatories, this approval needs to be minuted.
- 30.4 Should any of the positions within the authorised signatories schedule become vacant, the MC will approve replacement.
- 30.5 Internet banking access and authorisation is also governed by the authorised signatory's schedule.

### 31. BUDGET HOLDERS

31.1 The following is the list of budget holders responsible for each area of budget:

<b>Director</b>	Employee Costs Consultants (non-maintenance) Advertising & Promotion Committee Expenses Staff Recruitment Donations	General Legal Fees Other Fixed Assets New Build Projects Staff/Committee Training Subscriptions Wider Action
<b>HSM</b>	Bad Debts Estate Management	Tenant Participation
<b>RAMM</b>	Component replacement costs Consultants (maintenance) Reactive Maintenance Void Costs	Major Repairs Cyclical Maintenance Office Repairs Factoring costs
<b>Finance Officer</b>	General Expenses Audit Fees Heat, Light & Cleaning Insurance Loan Payments Bank Charges	Equipment Purchase/Leasing/Maintenance Printing & Stationery Postage Office Rent & Rates Telephones

### 32. AMENDMENT OF FINANCIAL REGULATIONS

- 32.1 Only the MC has authority to make changes to the Association's Financial Regulations.
- 32.2 Amendments to Financial Regulations may be required for the following reasons:
- Changes in statute, regulatory guidance, rules, standing orders, or delegated authorities which contradict or otherwise require a change in the Financial Regulations;
  - Recommendations from internal or external auditors; or
  - Operational experience of the Association.
- 32.3 Amendments to the Financial Regulations may be proposed to the MC by:
- A MC member
  - The Director
  - The CA
- 32.4 Committee members must receive a report clearly articulating the proposed change(s) and why they are required.
- 32.5 Amendments to the Financial Regulations are subject to the usual Committee voting procedures as set out in the Standing Orders. Any amendments approved have immediate effect unless the MC resolves otherwise.



