

FORTH HOUSING ASSOCIATION LIMITED

FINANCIAL REGULATIONS

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FIN01

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FIN03 Treasury Management
FIN06 Procurement Policy



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FORTH HOUSING ASSOCIATION LTD
Financial Regulations

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1. Introduction

- 1.1 All Housing Associations are expected to exercise a high quality of financial management in all aspects of their business activities.
- 1.2 The Scottish Housing Regulator has issued Regulatory Standards of Governance and Financial Management (February 2019) and these regulations are drafted to ensure compliance with the seven Regulatory Standards set out in that document.
- 1.3 Forth Housing Association Limited's financial regulations are based on the following current management structure, see Appendix A: -
- 1.4 The Association currently operates under the Charitable Model Rules (Scotland) 2013 which are the constitution of the organisation. (The RSL's Model Rules are due to be approved at the AGM for adoption to conform with the Charitable Model Rules (Scotland) 2020).
- 1.5 The standing orders of the Association detail how the business of the organisation shall be run and include responsibilities, powers and remits of each Committee or Sub-Committee.
- 1.6 The financial regulations detail Committee and staff responsibilities together with details of generally accepted best practice.
- 1.7 The financial procedures set out how these regulations shall be implemented.

2. Management Committee Responsibilities

- 2.1 The Management Committee has ultimate responsibility for all aspects of the Association's affairs.
- 2.2 Statute requires the Management Committee to prepare financial statements for each financial year and it is the Management Committee who are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association. In practice this is delegated to the Association's finance agents.
- 2.3 The Management Committee are also responsible for safeguarding the assets of the organisation and for taking reasonable steps to prevent and detect fraud and other irregularities.
- 2.4 Committee Members also have a duty towards the Association, its staff, tenants of Forth Housing Association and the Community and must therefore take steps to satisfy themselves that they receive all necessary information to allow them to make reasoned and informed decisions. This decision may also be based on advice sought from external professional advisors where necessary. They must at all times seek to identify risks to the Association and mitigate the same.

3. Staff Responsibilities

- 3.1 The Director is responsible to the Management Committee for the promotion of the Association and for co-ordinating the activities of Line Managers. The Director is also responsible for the implementation of policy and procedural decisions taken by the Management Committee.
- 3.2 All Line Managers are responsible for the accountability and control of staff members within their section and for the security and control of all assets, cash and materials relating to that responsibility.
- 3.3 The responsibilities and duties of all staff members shall be contained within a suitable job description. The responsibilities and duties of any agents are contained within the relevant Minute of Agreement or Service Level Agreement.

4. Accounting

- 4.1 All accounting procedures of the Association shall be determined by the Association's Finance Agents in consultation with the Director and Finance Officer. These procedures must take account of statute, good practice and current guidance.
- 4.2 The format of the Association's financial records shall be determined by the Association's Finance Agents in consultation with the Director and Finance staff and must take account of audit requirements, good practice and current guidance.
- 4.3 The allocation of accounting duties should where possible take account of segregation of duties and records should be regularly updated.
- 4.4 All accounting policies of the Association shall be contained within the annual financial statements and shall be reviewed annually.

5. Audit Requirements

- 5.1 Audited financial statements require approval by the Management Committee and must be submitted to the Scottish Housing Regulator within 6 months of the financial year end. These accounts must be in the required format and contain the report of the external auditors. In addition, the financial statements must contain a report from the Management Committee, to include comment on past and future developments, together with a separate Management Committee report on the systems of internal financial control.

A copy of the auditor's Management Letter and the Management Committees' response to the Management Letter will also be submitted to the Scottish Housing Regulator within required timescales.

- 5.2 A year end timetable should be completed by the Association's Finance Agents in consultation with the Director and the Finance Officer and be agreed with the external auditors prior to commencement of the year end statutory audit.
- 5.3 The role of the external auditors must be clearly detailed in an Engagement Letter which shall be reviewed every three years in accordance with best practice. Preparation of the financial statements shall be undertaken by the Association's Finance Officer, in conjunction with the Finance Agents, and a Management Letter must be received annually by the Management Committee for consideration and response. In accordance with best practice, the Association shall review its external auditors every 7 years unless the service level dictates otherwise.
- 5.4 The Association's Director or Finance Agents have authority to access all records, documents, correspondence and cash sums for verification purposes. Any event involving or thought to involve fraud or irregularities or malpractice shall be notified to the Director, Chair or Secretary of the Association immediately for further investigation and action.
- 5.5 The internal and external audit functions shall be overseen by the Management Committee.

6. Budgeting

- 6.1 An annual budget prepared in advance of the financial year end must be approved by the Management Committee of the Association. This budget must be accompanied by a statement of main assumptions, cash flow projections, monthly income and expenditure details, appropriate ratio analysis and a summary commentary. It will be completed by the Association's Finance Officer, in conjunction with the Finance Agents after consultation with the Director and all other members of the Management Team.
- 6.2 The budget shall be regarded as the basis for authority to incur expenditure. It should be recognised that changes in circumstances may result in changes to budgeted expenditure. Such changes must be approved by the Management Committee.
- 6.3 On a quarterly basis the Association shall prepare management accounts which shall compare actual results to date (from the books of account) with the estimates contained within the budget. Material variances must be clearly explained within the narrative supporting the management accounts. In addition, the effect of likely future events on the financial position should be contained within the quarterly management accounts together with details of the currently projected financial position of the Association at the year-end.
- 6.4 Where expenditure is necessary as a result of danger to life, limb or property such expenditure shall be incurred and reported to the Management Committee as soon as possible thereafter.

- 6.5 Where expenditure in excess of the budget is required, authorisation must be sought from the Management Committee, unless the previous paragraph applies or the sums are not material.
- 6.6 The Director / Management Team may authorise a virement of budgets up to £10,000 where it is considered appropriate, i.e. within a similar budget heading such as cyclical maintenance to planned maintenance. Any such decision must be subsequently reported to the Management Committee. Any proposed virement in excess of this amount must first be approved by the Management Committee.
- 6.7 The Association shall prepare and submit 5 year financial projections to the Scottish Housing Regulator in the prescribed format and within the relevant timescales all in accordance with existing guidance from the Scottish Housing Regulator.
- 6.8 The Association shall undertake a review of its long-term projections on an annual basis in order to ensure that the projected annual position remains on target with the 30 year cash flow projections. A full and detailed business plan review shall be undertaken every three years unless circumstances 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.

7. Cash Controls

- 7.1 Bank accounts held by the Association, details of authorised signatories for BACS transfers and cheque signing are contained within the Association's detailed financial procedures.
- 7.2 Procedures for the receipt of funds are detailed in the financial procedures.
- 7.3 Petty cash procedures are detailed in the Association's financial procedures.
- 7.4 All bank accounts must be reconciled to the relevant books of account by the Finance Officer at least on a monthly basis. These reconciliations shall be periodically reviewed and certified as accurate by the Finance Agents/Director.
- 7.5 The Finance Officer shall make arrangements for the safe custody of all banking documents including cheques.

8. Debtors Controls

- 8.1 The Association acknowledges the requirement to maximise income collection in order to generate as much income as possible via interest receipts.

- 8.2 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.
- 8.3 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 quarterly report on rental information, as determined by the Director and Tenant Services Manager, shall be presented to the relevant Committee.
- 8.4 Factoring accounts shall be issued timeously at each quarter-end and a quarterly report, to be determined by the Director and the Association's Finance Agents, shall be presented to the Management Committee.
- 8.5 All other sums due and outstanding to the Association shall be summarised within the Quarterly Management Accounts. Such sums shall include insurance claims outstanding and chargeable repairs due to the Association.
- 8.6 All procedural documents shall incorporate information on debtor control including the basis for monitoring and reporting sums due.
- 8.7 All amounts written off as irrecoverable must be formally reported on and approved by Management Committee in accordance with the Association's Arrears Policy.
- 8.8 Responsibility for Debtors control within the Association is as follows: -
- (i) Rent Arrears – Tenant Services Manager
 - (ii) Factoring Arrears – Tenant Services Manager
 - (iii) Insurance Claims outstanding Tenant Services manager
 - (iv) Rechargeable Repairs – Tenant Services Manager
 - (v) Scottish Housing Grant Claims – Development Coordinator
 - (vi) Wider Action Claims – Tenant Services Manager
 - (vii) All other sums due – Finance Officer / Finance Agent
- 8.9 Quarterly Management Accounts shall detail separately, within the Debtors analysis, relevant sums due under each category.

9. Asset Controls

- 9.1 The Association shall maintain a fixed asset register detailing all furniture, fittings and equipment owned by the organisation. The register should detail acquisition date, disposal date, estimated useful life for depreciation purposes and cost. In addition, copies of invoices relating to each asset purchased shall be contained within the register. The updating of the fixed asset register shall be the responsibility of the Finance Officer, in consultation with the Association's Finance Agents.

- 9.2 The organisation shall undertake an annual review of the register to verify continued ownership and existence of these fixed assets.
- 9.3 Equipment Maintenance 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 the register include service provider, start date, termination date, and asset being maintained and cost. This register shall be updated on an annual basis by the Assistant Finance Officer.
- 9.4 Details of any asset/equipment disposals, including details of sums received (if applicable), shall be reported to Committee.

10. Contracts

- 10.1 All service contracts, of over £10,000 annual value, entered into by the Association require the authorisation of the Management Committee, unless the sum is within an agreed specified budget.
- 10.2 Any material variations, defined as cumulative sums over £10,000, to contracts require the approval of the Management Committee.

11. Books, Registers and Computer Data

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

Books and Registers	Responsible Staff Member
(a) Cashbook on SAGE	Finance Officer
(b) Petty Cash Spreadsheet	Assistant Finance Officer
(c) Nominal Ledger	Finance Officer
(d) Fixed Assets Register	Finance Officer
(e) Register of Disposals	Finance Officer
(f) Register of Frauds	Finance Agent
(g) Entitlements Payments and Benefits Register	Director
(h) Register of Interests	Director
(i) Register of Members	Director
(j) Register of Gifts & Hospitality	Director
(k) Complaints register	Director
(l) Tender Register/Receipt Book	Director
(m) Seal Register	Director
(n) Rent Records	Assistant Finance Officer
(o) Equipment Maintenance Contract Register	Assistant Finance Officer

- 11.2 Responsible staff member refers to individual having responsibility for maintenance of register etc.

- 11.3 All such books and registers together with other relevant papers or information must be securely stored when not in use.
- 11.4 All information held on computer must be backed up on a daily basis. It is the responsibility of the Assistant Finance Officer to ensure that this task is undertaken.
- 11.5 In conducting its operations the Association must comply with all aspects of data protection legislation. All such matters are the responsibility of the Director.
- 11.6 The Association's IT coordinator is the Assistant Finance Officer under the direction of the Management Team.

12. Security

- 12.1 Each Line Manager is responsible for maintaining proper and adequate security at all times for furniture, equipment, cash and other assets under their control. The Director is responsible for overall security and any risks to the Association must be notified to the Director immediately.
- 12.2 Current staff members are all office key holders including the Association's cleaning company.
- 12.3 The petty cash box is operated by the Assistant Finance Officer under the supervision of the Finance Officer. The petty cash tin will always be held in the office safe unless in use. The petty cash tin is unlocked by use of a combination code which is known to the finance staff members.
- 12.4 The Association operates a fire-proof safe. Access to the safe is restricted to the finance staff members and in all cases safe keys must be retained in the Association's keys cabinet and only used by authorised staff member who, under no circumstances, should leave keys unattended.
- 12.5 Any staff with access to the safe are required to ensure that the safe is locked and that keys are removed when the relevant transactions have been completed.
- 12.6 The loss of office, property or safe keys must be notified to the Director immediately.

13. Insurances

- 13.1 The Finance Officer, in conjunction with the Director and Finance Agents, shall arrange for all insurance cover on behalf of the Association subject to the management team confirming cover requirements.

- 13.2 All Line Managers of the Association shall advise the Finance Officer in writing of events likely to result in a change to the Association's insurance requirements.
- 13.3 The Finance Agents, in consultation with the management team, shall review all insurances during the year and report to the Management Committee thereon.
- 13.4 The submission of all insurance claims is the responsibility of the Development Coordinator and the Tenant Services Manager.
- 13.5 The Employer's Liability Insurance Certificate will be displayed in the public reception area.

14. Risk Management

- 14.1 The Association's approach to managing risk is detailed within the Risk Management Policy.
- 14.2 The Management Team shall monitor the effectiveness of the above policy and shall report annually thereon, as part of the Business Plan, to the Management Committee.

15. Value for Money

- 15.1 The Association shall seek to obtain value for money in terms of its fixed asset investments, its contractual commitments and in its day-to-day operational activities.
- 15.2 The selection of an appropriate method of procurement the use of tendering procedures, the selection of appropriate financing options, a balancing of quality and cost or other appropriate cost benefit analysis shall be undertaken by the Association in its decision making process.
- 15.3 The Association's Management Committee shall monitor the effectiveness of value for money achieved by the Association and consider this when making any major expenditure decisions.

16. Treasury Management

- 16.1 All investment of funds or arrangements for seeking and managing private finance shall be undertaken in accordance with the Association's Treasury Management Policy.

17. Travel, Subsistence & Other Allowances

- 17.1 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 Members' and Staff Expenses.

18 . Gifts, Hospitality & Interests

- 18.1 The giving and receiving of gifts and hospitality shall be in accordance with Association's Entitlements, Payments and Benefits Policy.
- 18.2 All Committee members and staff shall ensure that they declare any interest with regards to any aspect of the Association's activities as required by the Code of Conduct.

19. Donations

- 19.1 The Association's approach to donations is detailed within the Corporate Donations & Sponsorship Policy.

20. Benchmarking and Performance Analysis

- 20.1 The Association's Director on an at least annual basis shall ensure that there are full written reports to the Management Committee on the following areas:
- (a) Annual and Statistical Performance Return results.
 - (b) Analysis of Internal Management Plan targets achieved.
 - (c) Comparison of results with the Scottish Housing Regulator 'Digest' ratios
 - (d) Comparison of results with Association's annual budget.
 - (e) Comparison of actual and estimated loan covenant results

The Association's Management Committee may consider issues arising from the above in greater detail.

21. Expenditure Authorisations

- 21.1 The Management Committee approve budgets prior to the beginning of the financial year and staff have delegated authority to spend within these budgets. In addition, staff have authority to spend within agreed funding approvals on development and capital expenditure.
- 21.2 There are three levels of procedures involved in authorising expenditure.
- a) taking on the commitment to spend
 - b) certification that the expenditure is arithmetically correct
 - c) approving the invoice after goods or services received
- b) & c) are covered within the Financial Procedures (Item 6).

21.3 Approval of Commitment to Spend

Notwithstanding the following, it should be noted that all expenditure over £10,000 must be procured in line with the Association's procurement procedures.

i) Capital Expenditure (other than development and property management)

a)	Under £10,000 or within agreed specified budget*	Director
b)	Over £10,000 or above agreed specified budget*	Management Committee

ii) Development Expenditure (properties)

a)	Purchase of a property or site	Management Committee
b)	Consultants Fees / Works Costs within approved contract sums	Development Coordinator
c)	Consultants Fees / Works Costs above approved contract sums	Management Committee

iii) Staff Appointments, Salaries & Staff Costs

a)	Staff appointments within agreed staff compliment/budget	Director
b)	Temps	Director
c)	Salary Reviews	Management Committee in line with EVH agreements
d)	Staff Expenses	Director
e)	Committee Expenses	Office Bearer
f)	Director Expenses	Office Bearer
g)	Overtime	Director

iv) Property Management Costs

a)	Repairs & Maintenance up to £1,000	Assistant Tenant Services Officer
b)	Repairs & Maintenance up to £5,000	Senior / Property Services Officer
c)	Repairs & Maintenance up to £10,000 or within agreed specified budget*	Tenant Services Manager
d)	Repairs & Maintenance up to £10,000 or within agreed specified budget*	Director

e)	Repairs & Maintenance over £10,000 or above agreed specified budget*	Management Committee
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v) Office Administration & Other General Expenses

a)	Up to £500	Corporate Services Assistant or Assistant Finance Officer
b)	Up to £1,000	Finance Officer/Projects & Communications Coordinator
c)	Up to £10,000 or within agreed specified budget*	Director
d)	Over £10,000 or above agreed specified budget*	Management Committee

vi) Housing Management

a)	Legal Fees up to £1,000	Housing Services Officer
b)	All costs up to £5,000 or within agreed specified budget*	Tenant Services Manager
c)	All costs up to £10,000 or within agreed specified budget*	Director
d)	All costs over £10,000 or above agreed specified budget*	Management Committee

* An agreed specified budget is a sum specifically designated as part of the annual budget approval process by Management Committee, or a specific Committee debate eg a specified budget sum for a particular initiative, purchase, proposed contract etc.

For those items of expenditure, the person authorising the payment must ensure that the expenditure is within agreed budget for the year or within agreed variances.

22.0 Review

22.1 The policy shall be reviewed at least every 3 years.

