

fairley
HOUSING
association

FINANCIAL REGULATIONS

**AS WITH ALL OF THE ASSOCIATION'S POLICIES and PROCEDURES,
THIS DOCUMENT CAN BE MADE AVAILABLE ON TAPE, IN BRAILLE, AND
IN TRANSLATION INTO MOST OTHER LANGUAGES –**

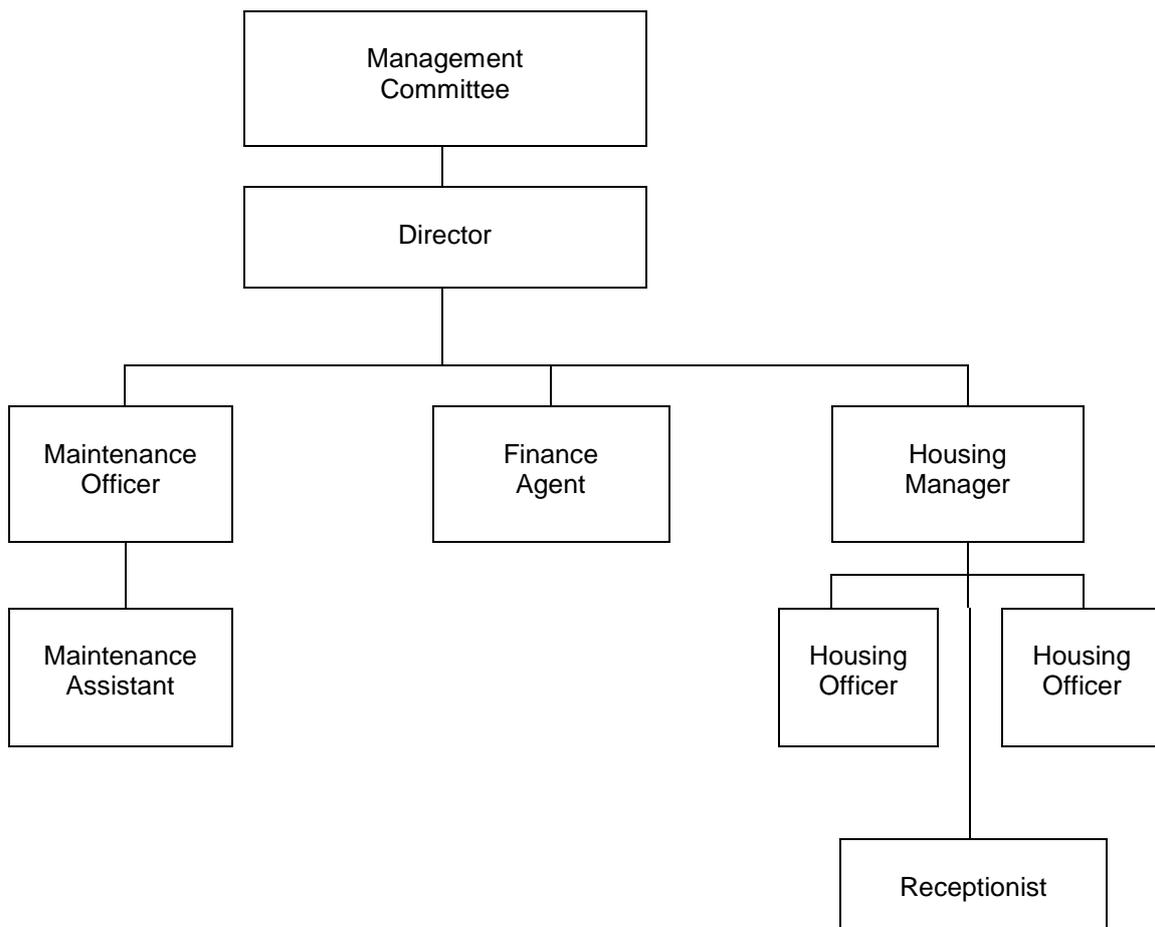
**PLEASE ASK A MEMBER OF STAFF IF YOU WOULD LIKE
A VERSION IN A DIFFERENT FORMAT**

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1. INTRODUCTION

1. All Housing Associations are expected to exercise a high quality of financial management in all aspects of their business activities.
2. It is expected that Associations shall have a good policy and procedure framework that complies with legislation, statutory guidance and good practice.
3. Faifley Housing Association's financial regulations are based on the following management structure:-



4. The Association currently operates under the Charitable Model Rules (Scotland) 2013 which are the constitution of the organisation.
5. The standing orders of the Association detail how the business of the organisation shall be run and include details of delegated responsibilities, powers and remits of each committee or sub-committee.

6. The financial regulations detail committee and staff responsibilities together with details of generally accepted best practice. They form part of the overall system of financial and management control and take account of the Scottish Housing Regulator's (SHR) Standards of Governance and Financial Management.
7. It is compulsory for all staff to comply with these financial regulations. It is the responsibility of the Director to ensure that all staff are aware of the existence and content of these finance regulations.
8. The Financial Procedures set out how these regulations shall be implemented.
9. A review of the financial regulations shall take place at least every three years.

2. MANAGEMENT COMMITTEE RESPONSIBILITIES

1. The Management Committee has ultimate responsibility for all aspects of the Association's affairs. It is responsible for the leadership, direction and control of the Association.
2. The Management Committee are responsible for ensuring that proper accounting records are kept and that annual audited accounts are published in accordance with the rules of the various regulatory bodies and that all statutory returns completed within the time period set out.
3. The Management Committee are responsible for safeguarding the assets of the Association and for taking reasonable steps to prevent and detect fraud and other irregularities.
4. Committee members have a duty towards the Association, its staff, tenants and the community and must therefore take steps to satisfy themselves that they receive all necessary information to allow reasoned and justifiable bases for decision making. They must ensure that they have the skills and knowledge required to be effective in their role.

3. STAFF RESPONSIBILITIES

1. The Director is responsible for co-ordination of other staff and for reporting back to the Management Committee. The Director is also responsible for the implementation of strategic policy and procedural decisions taken by the Management Committee and for the day to day management of the Association. The Director is also responsible for ensuring that the Management Committee receives all information and relevant guidance and training that it requires to carry out its function.
2. The Director is also responsible for ensuring all staff understand their respective roles and responsibilities and for monitoring performance.

3. All staff should be accountable for their own performance and accept responsibility for the security and control of all assets cash and materials relating to their duties.
4. The responsibilities and duties of all staff members shall be detailed within a suitable job description.
5. The responsibilities and duties of any agents or service providers shall be detailed within a relevant Minute of Agreement or Service Level Agreement.

4. FINANCIAL FORECASTING

1. The Director, along with the Finance Agent, will be responsible for financial forecasting in the short term (annual budget), medium term (five year financial projections) and long term (up to 30 years),
2. The Association shall prepare an annual budget to be approved by the Management Committee prior to the start of each new financial year. This budget will be sent to lenders and auditors as required.
3. The Association shall prepare Five Year Financial Projections as required by SHR. These projections will be presented to the Management Committee for approval prior to submission to SHR in accordance with their timescales. Copies will be sent to lenders and auditors as required.
4. Long term financial forecasts shall be presented to the management Committee for approval at least every three years. Copies will be sent to the lenders and auditors as required.
5. The Association shall prepare 30 year financial forecasts, taking account of its long term strategic plans, including new housing developments, long term plans for reactive, cyclical and major repairs, staff costs, overheads, rent levels loans and any other income & expenditure .
6. These 30 year forecasts shall include;
 - Details of assumptions used
 - Income & Expenditure Accounts projections
 - Balance Sheet projections
 - Cash flow projections
 - Key Performance Indicators
 - Comparison with covenants
 - Sensitivity Analysis
 - Supporting Narrative.

5. BUDGET PREPARATION

1. An annual budget must be approved by the Management Committee 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.
2. The annual budget will comprise of;

A statement of assumptions underlying the budget,
Statement of Comprehensive Income
Statement of Financial Position
Budgeted Income & Expenditure account and Balance Sheet,
Budgeted Cash flow Statement,
Capital Expenditure and Planned Maintenance analysis,
Monthly income and expenditure analysis,
Cost centre analysis,
Ratio analysis,
Loan Covenants analysis,
Narrative summary
3. Budget information will be collated by the Finance Agent who will prepare and present a draft budget to the Management Committee for consideration no later than February each year.
4. The Management Committee may approve the draft budget or recommend changes. Any such changes will be incorporated into a revised budget which will be presented to the Management Committee for approval no later than March each year.
5. Once approved, the budget will be used as the basis for authority to incur expenditure and for comparison with actual performance.
6. The Management Committee has power to delegate the authority to spend up to the approved budget limit.
7. Section heads will be responsible for ensuring that actual income/expenditure is in line with the budget for those areas under their control.

6. BUDGETARY CONTROL

1. The Finance Agent will prepare management accounts every quarter that will compare actual performance with budget performance. These management accounts will be presented to the Management Committee for approval.
2. The management accounts will highlight significant and material variances and will provide an explanation of these variances.

3. Nothing in these financial regulations shall prevent a staff member, after discussion with the Director, from incurring expenditure which is essential to meet any immediate needs created by a sudden emergency subject to their action being reported forthwith to the Director and Management Committee.
4. The inclusion of items in approved revenue estimates and capital projects shall constitute authority to incur such expenditure to the extent included in the budget.
5. A copy of the quarterly management accounts will be sent to the Association's lenders and auditors as required.
6. Where a staff officer proposes:
 - a new policy
 - a variation of existing policy
 - a variation in the means or time-scale of implementing existing policy

that affects or may affect the Association's finances, the officer shall discuss this with the Director and the Finance Agent prior to a report being submitted to the Management Committee for consideration.

7. ACCOUNTING

1. All accounting procedures and records of the Association shall be determined by the Finance Agent and the Director in accordance with requirements of statute, good practice and current guidance.
2. The Finance Agent is responsible for compiling accounts and maintaining accounting records in accordance with the relevant Minute of Agreement.
3. The allocation of accounting duties should take account of segregation of duties where possible.
4. All accounting policies of the Association shall be detailed in the annual financial statements and shall be reviewed annually when the accounts are being prepared.
5. Annual financial statements will be prepared to 31st March each year and will be made available for audit in accordance with a timetable agreed with the Association's auditor.
6. Audited financial statements will be presented to the Management Committee for approval at a time that will allow the approved financial statements to be available for the Association's AGM and to allow submission to various regulatory bodies in accordance with their respective timescales.

8. AUDIT REQUIREMENTS

1. Audited financial statements require approval by the Management Committee and must be submitted to SHR within 6 months of the financial year end. These accounts must be in the required format and contain the report from the external auditors. In addition, the financial statements must contain a report from the Management Committee on past and future activities, together with a separate Management Committee report on the systems of internal financial control.
2. A timetable will be agreed with the auditor to ensure that the year-end accounting and auditing processes will be completed in good time.
3. The role of the external auditors must be clearly detailed in an Engagement Letter which shall be reviewed every year and presented to the auditor as part of the audit process.
4. The external auditor should provide a Management Letter detailing their findings and recommendations. The Management Committee should formally respond to this Management Letter. Both the Management Letter and the response will be submitted to SHR as part of their annual submission requirements.
5. The Management Committee may agree to recommend the re-appointment of the existing auditor to shareholders every year at the AGM. However, this appointment should be the subject of a competitive tendering exercise at least every seven years, in accordance with good practice.
6. The internal and external audit functions shall be overseen by the Management Committee.
7. Internal and External Auditors shall have authority to:
 - enter at all reasonable times the Association premises or land
 - access all records, documents and correspondence relating to any financial and other transactions of the Association.
 - require and receive such explanations as are necessary concerning any matter under examination.
 - require any employee of the Association to produce cash, stores or any other Association property under his/her control.
8. The Association shall appoint an internal auditor following a tendering process. This appointment will be for a maximum of three years. The internal auditor will carry out an audit of the Association's systems, controls, procedures etc in accordance with a programme agreed between the Association and the internal auditor.

9. The internal auditor will report its findings and recommendations to the Management Committee for consideration.

9. FRAUD AND OTHER FINANCIAL IRREGULARITIES

1. The primary responsibility for the prevention and detection of fraud and errors rests with the Management Committee.
2. To assist in discharging its responsibilities in this area, the Management Committee may instruct the internal or external auditor to carry out any investigations it considers necessary in cases of actual, attempted or suspected fraud.
3. The Association will encourage any staff member to report any irregularities to the Director or Chairperson in accordance with its Whistleblowing policy.
4. Any reports of suspected fraud should be recorded in a Register of Frauds and Bribery.
5. The Director in conjunction with the Management Committee will determine if any such matters should be reported to the Police.
6. The Director in conjunction with the Management Committee will determine if any such matters should be reported to the Scottish Housing Regulator as a Notifiable Event.

10. CASH CONTROLS

1. Bank accounts held by the Association are detailed in the Association's Financial Procedures.
2. Procedure for the receipt of funds are detailed in the Association's Financial Procedures.

[REDACTED]

[REDACTED]

[REDACTED]

6. The Finance Agent will reconcile all bank accounts to the nominal ledger every month.

[REDACTED]

11. CONTRACTS & TENDERING

1. All works, goods and services will be procured in accordance with the Association's Tendering policy.
2. Where contracts provide for payment to be made by instalments, arrangements will be made to monitor the payments made to the contractors and consultants to ensure that total payments are within the agreed contracted sum.
3. Payments to contractors on account of contracts shall be made only on a certificate issued by the Consultant (quantity surveyor, engineer or architect) or other appropriate invoice.
4. Subject to the provisions of the contract, in each case every variation shall be authorised in writing by:
 - the Director
 - the consultant engaged by the Association when an outside consultant is appointed
5. Any such variation that results in total costs increasing beyond the originally agreed contract sum, shall be reported to the Management Committee as soon as practicable. In any such event work or expenditure shall be postponed until authorised by the Management Committee.
6. Claims from contractors in respect of matters not clearly within the terms of any existing contract may be referred to the Association's solicitor for consideration of the Association's legal liability and, where necessary, to the Management Committee before a settlement is reached or any offer of settlement is made.

12. DEPRECIATION POLICY

1. Any fixed asset owned by the Association will be depreciated over the expected useful life of the asset.

The Association is required to use component accounting for its properties and other fixed assets and as such individual components which are above the materiality level (as identified by the Association's Auditors) require to be depreciated individually.

The remaining items in the Association's properties will be depreciated over the expected life of the structure of the buildings.

2. Rates of depreciation for the different categories of fixed assets are as detailed in the Association's Annual Accounts.

3. Small items of expenditure, such as office equipment costing below £100 are treated as repairs and replacements and written off in the year of purchase.

13. FIXED ASSET REGISTER

1. A fixed asset register shall be maintained recording a description of furniture, fittings and equipment, plant and machinery and other capital equipment owned by the Association, and the form in which the fixed asset register shall be kept is to be determined by the Director and Finance Agent.
2. The Association will carry out an annual check of all fixed assets under its control to verify continued ownership and existence of these fixed assets.
3. Maintenance Contracts shall be entered into for such fixed assets as appropriate and a separate register shall be held by the Association to record these details. Details to be recorded include; service provider, start date, termination date, asset being maintained and cost.
4. The Association's property shall not be removed other than in the ordinary course of Association business. Where items are removed for purposes of training etc authorisation must be given by the Director prior to any removal.

14. INVESTMENTS AND BORROWINGS

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

15. INCOME

1. Rental income is the main source of revenue income. Rents will be set annually by the Management Committee to be collected on a monthly basis. A report on rental income and arrears/prepayments will be presented to the Management Committee every quarter for consideration.
2. The Finance Agent should be informed of any amounts to be recharged to external bodies in order that invoices can be issued. The Finance Agent will record details of all invoices issued and match payments received to the invoices issued.
3. All receipt books and other such items shall be in a form suitable for maintaining appropriate financial records.

4. All money received by any staff member shall be recorded and deposited in the Association's safe in accordance with guidelines laid down in the financial procedures.

16. DEBTORS CONTROL

1. The Association acknowledges the requirement to maximise income collection.
2. Where external funding for projects is made to the Association all grant claims must be submitted timeously in order to ensure receipt of funds prior to payment where appropriate.
3. Rental income payments are the main source of revenue income for the Association and operational procedures for recording and processing these payments shall be reviewed regularly in order to monitor their effectiveness. A quarterly report on rental information to be determined by the Housing Manager will be presented to the Management Committee.
4. Factoring accounts shall be issued timeously in accordance with the Factoring Policy. Details of factoring income, arrears etc will be included in the quarterly management accounts.
5. All other sums due and outstanding shall be summarised within the quarterly management accounts. Such sums shall include insurance claims, chargeable repairs etc.
6. A report detailing amounts to be written off as irrecoverable will be presented to the management Committee from time to time for approval. These reports will not contain names of tenants etc involved No amounts shall be written off as a bad debt without the authorisation of the Management Committee.

17. INSURANCES

1. The Director in conjunction with the Housing Manager/Maintenance Officer shall effect all insurance cover and negotiate all claims in consultation with other officers where necessary.
2. Staff members must give prompt notification to the Director of all new risks, properties or vehicles which require to be insured and of any alterations affecting existing insurance policies.
3. All staff members shall notify the Director of any loss, liability or damage or any event likely to lead to claim and inform the police where appropriate.
4. All appropriate employees should be included in a suitable fidelity guarantee insurance policy.

5. The Director will annually, or more frequently, if deemed necessary, review all insurances in consultation with other staff members as appropriate.
6. The submission of all insurances claims is the responsibility of the Director/Maintenance Officer.
7. The Employers Liability Insurance Certificate will be displayed in the reception area.
8. The Association shall ensure that written agreement is received from external contractors that they shall insure and take responsibility for all works in progress. A copy of the insurance in place should be submitted to the Association.

18. JOB ORDERS

1. Official job orders shall be in a form approved by the Director and should be signed by appropriate staff members as laid down in the financial procedures.
2. Official job orders shall be issued for all work, goods and services to be supplied to the Association except for supplies of public utility services, for periodical payments such as rent and rates, for petty cash purchases etc.
3. Job orders may be placed online or by e-mail. Printed confirmation of such orders shall be matched against the invoice when received.

19. PAYMENT OF ACCOUNTS

1. Apart from petty cash, the normal methods of payment of money due from the Association shall be by BACS or cheques.
2. The process of paying by BACS or cheque is set out in the Association's Financial Procedures.

A list of payments will be set up in the BACS online payment system by the Finance Agent. This will be presented to the Director along with back up invoices. [REDACTED] will then authorise the payments in the online BACS system. The Finance Agent will then print off a copy of the authorised payments list which will be signed by a Committee Member who is an authorised signatory.

Cheques drawn on the Association's bank account must be signed by 2 authorised signatories.

Where appropriate, purchases can also be made using the Association's credit card as set out in the Financial Procedures.

3. The Staff Member responsible for issuing an order is responsible for examining, verifying and authorising the related invoice(s). Before authorising an invoice the staff member should determine that:
 - the work, goods or services to which the invoice relates have been received, carried out, examined and approved
 - the prices, extensions, calculations, trade discounts, other allowances, credits, tax and allocation are correct.
 - the relevant expenditure has been properly incurred, is within the relevant estimate provision
3. Once invoices have been correctly authorised, they should be passed promptly to the Finance Agent for payment.
4. Responsibility for the authorisation of an invoice lies ultimately with the staff member who signs the payment authorisation.
5. The Association will maintain a record of suppliers/contractors bank account details for payment purposes. Any changes to such details must be confirmed with a known contact of that supplier/contractor before any payments are made.

20. ASSOCIATION CREDIT CARD

1. The Association's credit card should be held in the safe except when in use.
2. Use of the credit card should be limited to transactions which must be paid in advance. The credit card should not be used when normal ordering/invoicing systems can be used.
3. The authorised signatory in the credit card is [REDACTED].
4. [REDACTED] has delegated authority to make purchases with the credit card of up to £1,000. Any payments above this limit must be approved by the Management Committee in advance.
5. No other staff member may make a purchase with the credit card without first obtaining the permission of the Director.

21. SALARIES, WAGES AND PENSIONS

1. The annual salary review is carried out by Employers in Voluntary Housing (EVH) and must be approved by the Management Committee prior to implementation.

2. Details of wages to be paid each month will be passed [REDACTED] to the Finance Agent for processing. The Finance Agent will process the wages for each month and set up the payment details on the BACS online system and send details to the Director to authorise payment.
3. For new posts the salary/wages level will be recommended by the Director and be approved by the Management Committee.
4. The Director will be responsible for ensuring the Finance Agent is notified of all matters affecting the payment of wages, and in particular:
 - appointments, resignations, dismissals, suspension, secondments and transfers.
 - any (un)authorised, unpaid absence from duty e.g. jury duty.
 - changes in remuneration, other than normal increments, and pay awards and agreements of general application.
 - information necessary to maintain records of service for superannuation, income tax, national insurance etc eg change of address/name.

details of any court orders or wages arrestment.
5. Details of sickness absences should be kept for each member of staff to ensure that maximum benefits are not exceeded.
7. Details of annual leave days taken by staff should be recorded to ensure that maximum entitlements are not exceeded and to identify any unused entitlement at the financial year end.

22. TRAVEL, SUBSISTENCE AND OTHER ALLOWANCES

1. All claims for payment of car allowances, subsistence allowances, travelling and incidental expenses shall be authorised and paid in accordance with the financial procedures and Committee Members expenses policy.

23. BOOKS, REGISTERS AND COMPUTER DATA

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

<u>Books and Registers</u>	<u>Responsible Staff Member</u>
Cashbook	Finance Agent
Petty Cash Book	Finance Agent
Nominal Ledger	Finance Agent
Purchase Ledger	Finance Agent
Sales Ledger	Finance Agent

Fixed Asset Register	Director
Office Inventory	Director
Register of Disposals	Director
Register of Frauds	Director
Register of Interests	Director
Register of Payments & Benefits	Director
Register of Members	Director
Register of Gifts and Hospitality	Director
Complaints Register	Director
Tender Register (Revenue & Capital)	Director
Seal Register	Director
Rent Ledger	Housing Manager

2. All information held on the computer server should be backed on a daily basis and back-up tapes should be removed from the Associations office at night. It is the responsibility of the Director to ensure that this task is undertaken.

24. SECURITY

■ All staff are responsible for maintaining adequate security for all the Association's assets, including cash, under their control. ■

2. Access to computer systems must be restricted with the appropriate use of passwords which should be changed from time to time. A formal policy on password should be in place, the details of which should be included in the Association's IT policy.
3. The Director will ensure that suitable systems are in place regarding the security and use of all data held by the Association, ensuring compliance with GDPR requirements.

6. ■
7. The loss of office property or any keys must be notified to the Director immediately.

25. GIFTS AND HOSPITALITY

1. The giving and receiving of gifts and hospitality shall be in accordance with the Association's Payments and Benefits policy.

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 Association's policy.

26. DONATIONS

1. The Association's approach to donations is detailed in its Donations Policy.
2. All donations must be approved by the Management Committee.

27. RISK MANAGEMENT

1. The Association's approach to risk management is detailed within the Risk Management policy
2. All proposals for new activities should be subject to a risk assessment.
3. Where new risks are identified the activities will be included in the Risk Analysis schedule.
4. The Director will maintain and update the Risk Analysis Schedule and present this to the Management Committee at least once per annum.

28. VALUE FOR MONEY

1. The Association shall seek to obtain value for money in terms of; any fixed asset investments, its contractual commitments, and its day to day operational activities.
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 cost benefit analysis shall be considered as part of the Association's decision making process.

29. PERFORMANCE ANALYSIS

1. The Director shall ensure that reports are provided to the Management Committee in the following areas;
 - Performance against Business Plan Targets
 - Comparison of results with SHR published ratios and statistics
 - Comparison of results with the annual budget
 - Comparison of results with loan covenants.
 - The annual Return of the Charter

