



West Highland Housing Association

CS015

Financial Regulations Policy

Approved Management Board: August 2021
Review Date: August 2022

Registered Charity in Scotland no. SC017357

FINANCIAL REGULATIONS REPORT

1. INTRODUCTION

1.1 The purpose of the Financial Regulations is to establish the control of the Finances and the financial management of the Association, through its Business Plans, Management Accounts, Annual Accounts and Financial Statements.

2. ROLES AND RESPONSIBILITIES

Management Board

The Management Board has ultimate responsibility for the Association's finances. Its financial responsibilities are to:

- Ensure the solvency of the Association
- Safeguard the Association's assets
- Ensure the effective and efficient use of resources
- Ensure compliance with all Regulatory Standards of Governance and Financial Management
- Ensure that financial control systems are in place and are working effectively
- Ensure that the Association complies with all relevant auditing and accounting legislation
- Approve the annual budget and to approve the annual financial statements.
- Ensuring that annual Audited Accounts be published in accordance with the Association's rules and all statutory returns completed within the required time period
- Recommend to the Annual General Meeting (AGM) the appointment of the Association's external auditors
- Ensure that short term budgets are in line with agreed longer-term plans and that they are followed
- ensuring that the Association operates as economically, efficiently and effectively as possible within the Association's overall objectives

Corporate Services Sub Committee

The Corporate Services Sub Committee scrutinises the financial, IT and Personnel work of the organisation. Its financial responsibilities are as follows:

- the control of the Association's finances and ensuring that expenditure of the Association is covered by income from all sources
- Examine annual budgets and financial statements and recommend their approval to the Management Board
- Consider any other matters relevant to the financial duties of the Management Board and make recommendations accordingly
- Ensure that the Management Board has adequate information to enable it to discharge its financial responsibilities
- Responsibility for identifying and approving appropriate performance measures for internal and external audit and for monitoring their performance

- Ensure that satisfactory arrangements are in place to promote economy, efficiency and effectiveness and that the Management Board can give an annual statement of assurance in respect of financial control systems

CHIEF EXECUTIVE

The Chief Executive is operationally responsible for ensuring that these Regulations are adhered to and will utilise internal audit and other consultancy to test their robustness, periodically.

Leadership Team

The Leadership Team, supported and advised by the Association's Financial Agent, is responsible to the Chief Executive Responsibilities include:

- Long Term Planning
- Operational objectives
- Preparation of options for rents setting
- Co-ordinating input for the Annual Budget
- Safeguarding the assets of the Association
- ensuring that all the Association's major projects have the required level of funding at the time it is required and that all eligible grants for such projects have been claimed and adequate loan finance has been arranged

Finance and Corporate Services Team

The Finance and Corporate Services Manager, supported by the Association's Financial Agent, is responsible for the administration and control of the Finance and Corporate Services Department. This team is responsible for the retention of records which by law is required to retain documents as follows:

- Accounts raised = 6 years
- Copies of receipts = 6 years
- Payroll records = 6 years
- VAT records = 6 years

For auditing and other purposes, the Association should retain other financial documents for a minimum of six years from the end of the last financial year they relate to.

The Financial Agent will draft long term projections and financial forecasts for the Senior Team and the Board.

3. TREASURY MANAGEMENT

- 3.1 The Association will operate all its treasury management activities in accordance with its established treasury management policy. This policy is structured to ensure the minimising of risk to the Association in terms of its investment and borrowing strategies and to ensure Management Board control through a process of regular reporting.
- 3.2 The Corporate Services Sub Committee will monitor the performance of the treasury management policy and report on its performance, as detailed within the policy, on a regular basis.

- 3.3 The Association will maintain full records of all banking, investment and borrowing activities.

4. BUDGET PREPARATION

- 4.1 The financial year will run from 1st April to 31st March each year.
- 4.2 The budget will to be prepared in a form agreed by the Management Board. It is to be in line with the objectives of the Association and will form part of the business planning process.
- 4.3 It will have separate sections for Revenue operations and the Capital/ Development programme.
- 4.4 Preparation will commence five/six months prior to the financial year end (October) with input from each department. This procedure will run concurrently with and intertwine with the rent setting process.
- 4.5 The budget is to be discussed by the Corporate Services Sub-Committee in the month of October/November of the preceding financial year and will be approved by the Management Board in the months February/March of the preceding financial year.
- 4.6 A copy of the approved Annual Budget should be sent to the Scottish Housing Regulator and our lenders.
- 4.7 Once approved, the budget is to be used as the basis for authority to incur expenditure in line with the Financial Authorisations Policy and Procedures and for comparison with actual monthly/quarterly results. A copy of the approved Budget will be supplied to Members of the staff team.
- 4.8 Costs outwith the budget or approved expenditure require the Management Board to delegate the authority to spend to an approved limit.

5. BUDGETARY CONTROL

- 5.1 The variations in actual income and expenditure against budget are to be reported to the Corporate Services Sub-Committee in order there is closer scrutiny of the finances. The reports will then be provided for the Management Board.
- 5.2 Where additional expenditure is identified the procedure for delegated authority is defined as part of the Financial Authorisation Policy and Procedures.
- 5.3 The delegated authority to incur expenditure which is essential to meet an immediate need created by an emergency is laid out in the Financial Authorisations Policy and Procedure.

- 5.4 The Finance and Corporate Services Manager shall keep the Corporate Services Sub Committee informed, each quarter, as to the position of the Association's finances and the Financial Agent shall report on the Statutory Accounts each financial year within five months of the financial year-end and provide the Scottish Government with audited Year End Financial Statements within six months of the year end.
- 5.5 Separate approval from the Management Board should be sought for any new proposal, not allowed for under the existing budget, which would involve the incurring of additional expenditure, during the period for which the Management Board had already approved a budget or programme of capital expenditure.

6. ACCOUNTING

6.1 All accounting procedures and records of the Association shall be maintained in accordance with the requirements of the statutory agencies and authorities.

6.2 The following books/records will be kept:-

- Nominal Ledger
- Purchase Ledger
- Rent Ledger
- Petty Cash Book
- Property Register
- Register of other fixed assets
- Loan Portfolio
- Capital Contracts Records
- Payroll Records

6.3 A chart of accounts will be maintained by the Finance and Corporate Services Team, which will incorporate coding structures for all the books/records above. Only the Finance and Corporate Services Manager can insert/delete codes in the chart of accounts.

7. EXTERNAL AUDIT

7.1 Preparation of Annual Accounts is to commence two to four weeks after the financial year end and draft accounts together with audit schedules are to be prepared for the Auditors by the time the Audit commences.

7.2 The Audit should commence within three months from the financial year end. A timetable will be agreed with Link Group and the Auditors by April of each year.

7.3 Draft accounts are to be submitted to the Management Board at the meeting prior to the Annual General Meeting for approval and signature.

7.4 The final audited accounts are to be adopted at the Annual General Meeting and submitted to the Scottish government within six months after the end of the financial year, (30th September).

8. BANKING

8.1 The Finance and Corporate Services Manager:

- shall be responsible for the setting up and control of all bank accounts;
- shall be responsible for the stock of cheques, stationery and for the maintenance of a register of cheques;
- shall be responsible for the investment of all temporary cash surpluses;
- may authorise the keeping of petty cash floats by officers for the payment of incidental expenses and may make advances for the purposes of such accounts.

8.2 Cheques drawn on the Association's main bank accounts shall bear the signature of the authorised persons as detailed in the Financial Authorisations Policy and Procedures.

8.3 BACS drawn on the Association's main bank account shall bear the signature of the authorised persons as detailed in the Financial Authorisations Policy and Procedures.

8.4 Current Bank Accounts held by the Association and details of authorised persons can be found in the Association's Financial Authorisations Policy and Procedures.

8.5 All bank accounts are reconciled to their respective nominal ledger analysis code on a monthly/quarterly basis.

8.6 The Petty cash float kept by the Association is to be reconciled to the respective nominal ledger analysis code monthly.

9. LOANS

9.1 The Association may take out loans for the Development programme – development overdraft, or for 25/30 years for the development or for the maintenance programme. Any requirement for a loan will be scrutinised by the Corporate Services Sub Committee and approved by the Management Board.

9.2 Any loans taken through security by assets will required to be part of a specific consent to the Scottish Housing Regulator. Until the consent has been received no loan can be drawn down.

10 RENT ACCOUNTING AND OTHER CHARGES

- 10.1 The Chief Executive will be responsible for setting rents as directed by the Rent Policy.
- 10.2 The timetable for the preparation, approval and consultation for the annual rent setting review process is detailed in the Association's Rent Policy and will be implemented with effect from 1st April each year.
- 10.3 The Finance and Corporate Services Manager will monitor the day to day running of the Rent Accounting and other charges and be responsible for:-
- The setting up and control of the rent account and other charge systems.
 - The monthly/quarterly reconciliation of the systems detailing void losses, arrears and technical arrears, reporting to identified Officers for performance monitoring and other issues.
 - The calculation and notification of annual increases to interested parties as approved by Management Board.
 - Ensuring posting of income, refunds, and adjustments inclusive of Housing Benefit.
 - The monitoring of invoicing for rechargeable repairs and fees. Ensuring adequate accounting procedures are maintained.
 - Maintaining a register of charges

11 CONTRACTS

- 11.1 In terms of the Association's Development and Maintenance Programme, competitive tendering or working to a framework will be the normal method of procurement. Tendering will be invited in line with the Tendering Policy.
- 11.2 As part of the Association's Development Programme, the Management Board will require to approve the:
- Acquisition of a site/property
 - Approval/Acceptance of a tender
- 11.3 Where contracts provide for payment to be made by instalments, the development agent will arrange for the keeping of control accounts which will show:
- the state of accounts on each contract between the Association and the Contractor together with other related payments e.g. professional fees
 - the sources of funding for each contract and the amount of funding drawn down to date

- 11.4 Payments made to contractors on account of contracts shall be made only on a certificate issued by the supervising officer (or Architect, Engineer or Consultant). Payments made to architect etc. shall only be made on approval as detailed in the Financial Authorisations policy and Procedures.
- 11.5 Any variation to a contract which has a financial implication shall be reported to the Corporate Services Sub-Committee as soon as practicable. Work or expenditure shall be stayed until authorisation is granted. The Management Board has delegated the authority to authorise an overspend between Meetings as laid out in the Association's Financial Authorisations Policy and Procedures.
- 11.6 The final certificate of any contract shall not be issued until the appropriate identified Officer (or External Consultant) has produced to the Chief Executive a detailed statement of account and all relevant documents.
- 11.7 The Chief Executive to the extent he/she considers necessary can examine final accounts for contracts and he/she shall be entitled to make such enquiries and receive such information and explanations as he/she may require in order to satisfy him/herself as to the accuracy of the accounts.
- 11.8 Significant claims from Contractors and Professional Consultants in respect of matters not clearly within the terms of any existing contract shall be referred to the Solicitor for consideration of the Association's legal liability and, where necessary, to the Chief Executive for financial consideration before any settlement is made.
- 11.9 Where completion of a contract is delayed beyond the contract period, it shall be the duty of the Identified Officer concerned to report to the Chief Executive who can consider, and where appropriate, take action in respect of any claim of liquidated damages.
- 11.10 The Association should maintain a comprehensive file for every contract, whether completed, underway or planned. Such files should contain all relevant documents and correspondence.
- 11.11 All officers and consultants shall have regard to the requirements of Scottish Government in respect of matters relating to contracts.

12. PROPERTY REGISTER

- 12.1 The acquisition of land or properties, as part of the Association's development programme will require the authorisation of the Management Board
- 12.2 The disposal of any land or housing will require the approval of the Management Board, prior to applying for formal approval from the Scottish Government <Z:\SCOTTISH HOUSING REGULATOR\Disposals\Disposals\August 2015 - Consent to disposals - pre portal version with form - for publication.pdf>

- 12.3 A Property Register will be maintained recording an adequate description for each house owned in terms of address, location, number of rooms, number of persons.
- 12.4 For each house owned, the Property Register will include the following:
- purchase price and related costs
 - date of entry
 - details of standard security
 - cost of construction or rehabilitation
 - amount of grant acquired for purchase, construction or rehabilitation
 - amount of loan outstanding, attributable to the cost of purchase, construction or rehabilitation
 - current rent being charged
- 12.5 Shared ownership properties will also state the current tranching position, and accordingly, items listed above will be adjusted in proportion to tranche levels.
- 12.6 LIFT properties will state the percentage share purchased and the valuation of the property at time of purchase. The share held by the Scottish Ministers should also be noted.

13. ASSETS (other than property)

- 13.1 An inventory of assets shall be maintained recording an adequate description of equipment and fittings owned by the Association.
- 13.2 Rates of depreciation for the different categories of Fixed Assets will be set in line with the accounting policy set out in the association's Annual Accounts.
- 13.3 The Finance and Corporate Services Manager shall be responsible for maintaining an annual check of all items on the Fixed Asset Register, recording any additions or disposals throughout the year.
- 13.4 The Head of Section will ensure that property and equipment within their control is maintained in good working order, reporting faults through the correct procedures.
- 13.5 The Association's property shall not be removed other than in the ordinary course of the Association's business or used other than for the Association's purposes.

14. INCOME

- 14.1 The collection of all money due to the Association shall be under the supervision of the Finance and Corporate Services Manager.

- 14.2 A receipt for any cash received by an employee on behalf of the Association shall be issued at time of receipt. Cash income collection sheet to be completed and reconciled on a daily basis with cash being deposited in the bank. Reconciled cash income sheets to be passed to the Corporate Services Manager. Large amounts of cash must be deposited in the safe until the end of the day when banking is done. Where possible the amount of cash held in the Association safe overnight should not exceed £500.
- 14.3 No income due shall be written off as bad debt without the authorisation of the Management Board or the Chief Executive within the limits agreed in the Financial Authorisations and linked to the Bad Debt Policy.
- 14.4 Any adjustments to the individual rents accounts must be approved by the Finance and Corporate Services Manager, unless they are as a result of an inputting error which was identified and corrected with a batch of payments. Copies of all adjustments made to rent accounts must be kept on file as part of the end of period reconciliation.
- 14.5 The Finance and Corporate Services Manager may authorise a repayment of rent of any overpayment of rent to be repaid to the tenants.

15. INSURANCES

- 15.1 The Finance and Corporate Services Manager will ensure that Buildings Insurance for all properties is in place as well as insurance for fixtures and fittings. This is done in conjunction with Link Group.
- 15.2 Officers shall give prompt notification to the Finance and Corporate Services Manager of all new risks, properties or assets which require to be insured and of any alterations affecting existing insurance policies.
- 15.3 All Officers shall notify the Finance and Corporate Services Manager, of any loss, liability or damage or any event likely to lead to a claim.
- 15.4 In terms of residential properties the Operations Manager will ensure that all claims are made within the appropriate timescale as laid out by the Insurance Company.
- 15.5 Other insurances for which appropriate cover has to be held are:-
- Office Buildings
 - Fidelity Guarantee
 - Employers Liability
 - Public Liability
 - Money
 - Computers
 - Office Contents
 - Engineering (Play parks and Lifts/Hoists etc)
 - Personal Accident
 - Directors and Officers Liability

- 15.6 The Chief Executive will be responsible for ensuring that all parties contracted by the Association have Public Liability and/or Professional Indemnity Insurance cover in place.
- 15.7 The Association will tender for insurance cover on a periodic basis, to ensure continued value for money.

16. ORDERS

- 16.1 Levels of authority to commit expenditure for works/goods are detailed in Financial Authorisations policy and procedures. The appropriate procedures for tender returns must be observed.
- 16.2 Official orders shall be issued for all work, goods or services to be supplied to the Association except for suppliers of public utility services or for periodic payments such as rent or rates.
- 16.3 Orders are to be approved and signed only by designated Officers.

17. EXPENDITURE

- 17.1 Only Designated Officers have authority to incur expenditure as laid out in the Financial Authorisations Policy and Procedure.
- 17.2 Designated Officers can only incur expenditure for which they are responsible as outlined in the Financial Authorisations Policy and Procedure.
- 17.3 No expenditure, capital or revenue, shall be incurred without adequate provision in the budget, unless otherwise approved of by the Management Board.
- 17.4 The designated Officer responsible for issuing orders must examine, verify and certify related invoices, contract certification and any other payment voucher arising from his/her section.
- 17.5 Before any payment is made the designated officer shall have satisfied him/herself that:
- the work, goods or services to which the original order related has been received, carried out, examined and approved
 - the price is correct
 - the account has not been previously passed for payment
 - whereupon the Designated Officer will certify correct, authorise for payment and code the relevant invoice/payment voucher and pass to the Corporate Service Manager for payment
- 17.6 Where possible all payments will be made by way of BACS, where this is not possible then a cheque will be issued and signed by authorised signatories as laid out in the Financial Authorisations Policy and Procedures.

- 17.7 As a charitable organisation the Association will offer small donations to local groups. The broad principles for donations will be that the group is local to the Association's area and that there is some link to tenants or other stakeholders.

18. SALARIES & EXPENSES

- 18.1 All staff salary/wage rates must be approved by the Management Board.
- 18.2 All staff salaries will be paid by way of BACS on the 26th day of each month or the previous nearest working day if a bank holiday.
- 18.3 Overtime will not normally be paid by the Association. The Chief Executive may authorise time in to be taken in lieu of work undertaken as laid out the Toil Policy. In exceptional circumstances payment of overtime may be made following authorisation by the Chief Executive.
- 18.4 Board and Staff expenses will be paid in line with the Board Expenses Policy and Staff Expenses Policy.