

## **BLOCHAIRN HOUSING ASSOCIATION**

### **FINANCE POLICY and PROCEDURES**

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## 1. MANAGEMENT COMMITTEE

The Management Committee must make sure that the Association operates economically, efficiently and effectively within overall objectives; publishes Annual Audited Accounts and makes statutory returns.

## 2. STAFF STRUCTURE

**Director:** co-ordinate the activities of other Officers

**Finance Agent:** manage and control finance, including:

- advice on long term planning;
- assisting in the preparation of the Internal Management Plan;
- advice on rent setting;
- the annual Budget;
- quarterly management accounts;
- Annual Accounts;
- liaising with Auditors;
- fulfilling the requirements of the Industrial and Provident Society Acts and/or other authorities;
- monitoring the day to day running of the Association's finances;
- maintaining efficient systems of financial control and reporting;
- safeguarding the assets of the Association;
- insurance policies for buildings, office equipment and public liability;
- development projects funding, grants and loans;
- the Loan Portfolio
- investment of surplus funds.

**Finance Assistant:** day to day activity, record keeping, preparation of reports, etc directed or delegated by the Finance Agent or Director.

**Development Agent:** monitor Contracts.

## 3. BUDGET

### a) Preparation

The annual Budget will be prepared

- in a form agreed by the Management Committee
- in line with the Association's objectives
- as part of the planning process
- with separate sections for revenue and for the capital programme
- normally in January
- taking account of the rent setting process
- and approved by the Management Committee before 1 April

### b) Control

The Finance Agent will

- report to the Management Committee on the Annual Accounts by 30 June or before the Annual General Meeting.
- provide the Scottish Housing Regulator with Audited Annual Accounts by 30 September
- provide the Financial Services Authority (FSA) with an Annual Return as required
- provide the Scottish Charity Regulator (OSCR) with an Annual Return as required
- report to the Management Committee every three months on substantial variations between budgeted income and expenditure
- present Cash Flow Forecasts to the Management Committee every three months

- ask the Management Committee for approval for additional expenditure
- liaise with the Director to approve expenditure to meet immediate needs in an emergency and report to the Management Committee at the next meeting
- ask the Management Committee for approval for a new or amended policy

### **c) Delegated Authority**

The Management Committee will compare budgeted spending with actual spending every three months through the Management Accounts. Staff have delegated authority to spend within the approved Budget to:

- Director £10,000
- Other Staff £1,000
- Above £10,000 requires Management Committee approval
- Staff have delegated authority to authorise expenditure on development or capital works if funding has been approved by Glasgow City Council or other statutory authority

## **4. ACCOUNTING**

The Finance Agent will make sure that books and records are kept, including:

- *Nominal ledger*
- *Purchase ledger*
- *Sundry Debtors*
- *Rent Ledger*
- *Cash Book*
- *Petty Cash Book*
- *Property Register*
- *Right to Buy*
- *Capital Contracts Registers*
- *Payroll Records*
- *Assets Register*

## **5. AUDIT**

### **a) External**

The annual timetable will be

- draft Annual Accounts and Audit Schedules prepared for the Auditor after 31 March
- the Audit will normally begin before 30 June
- draft accounts submitted to the Management Committee at the meeting before the Annual General Meeting
- final Audited Accounts presented to the Annual General Meeting
- Audited Accounts signed and submitted to the Scottish Housing Regulator by 30 September

### **b) Internal**

The Management Committee will consider whether there should be a regular Internal Audit to review financial and other internal control procedures. The Internal Auditor will have access to all records, documents and correspondence

## **6. BANKING**

The Finance Agent is responsible for setting up and control of Bank Accounts and for investment of cash surpluses. The Finance Assistant will check Bank Accounts and Cash Book balances against each other every month. The Finance Assistant will make sure cheques and stationery are available and will keep a register of cheques/cashbook. The Director and Office Bearers (Chairperson; Vice Chairperson

and Secretary) are authorised to sign cheques. A cheque must be signed by two people. The Association's Bank Accounts are *Current Account 00602312; Rent Account 00602339; Bankline Account 00602320; Term Deposit Accounts are Variable.*

All bank transfers and salary related payments within the Bankline Electronic System will require any two authorisations from three authorised staff members who are the Director, Finance Assistant and Housing Services Officer.

## **7. CONTRACTS**

The Finance Agent will keep a Contract Register, showing accounts and payments, e.g. professional fees; sources of funding, etc. Payments to Contractors will be made when a certificate is issued by the architect, engineer or consultant. Important financial variations to a Contract will be reported to the Management Committee as soon as possible. Work or expenditure must be authorised by the Management Committee and funding must have been arranged. The Final Certificate of Completion will not be issued until the Finance Agent is satisfied that a detailed statement of account and all relevant documents have been produced. Claims by or against Contractors and professional consultants will normally be governed by the terms of the Contract. Issues not clearly within the terms of the Contract will normally be referred to the Association's Solicitor and a report will be submitted to the Management Committee. The Association will keep complete files for every Contract. Officers and consultants will take account of advice and guidance from the Scottish Housing Regulator (or other relevant authority).

## **8. TENDERING**

Tendering procedures will be used, where appropriate, to obtain value for money. A minimum of three contractors will normally be invited to tender for works of more than £20,000. Returned Tender Envelopes will be date and time stamped and kept in a safe until opened. Tenders will be opened as soon as practicable after the closing date for tendering. Late tenders will not be accepted and will be returned to the contractor unopened. Tender opening will be attended by two Committee members and the Director. Contractors that have submitted tenders will be given the opportunity to correct any obviously unintended errors. The Director will provide a Tender Report to the Committee.

The Association will consider both quality and price and accept the tender that provides the best overall value. However, if the Association has established a good working relationship with a contractor, exceptional service is being provided and tenant satisfaction is high, the Association would not wish to jeopardise the relationship by embarking on a process where the established contractor may be unsuccessful in a tendering process. This could happen, for example, if another contractor proposes an extremely low price simply to win a contract. A process of negotiation may be more appropriate and is the preferred option.

## **9. PROPERTY REGISTER**

A Property Register within the SDM system will have a description of each house owned, including address, rooms, person size, date of entry and current rent being charged. A Right to Buy Register will be kept with details of the cost of construction or rehabilitation; the amount of grant for purchase and the amount of loan outstanding relating to the cost of purchase, construction or rehabilitation.

## **10. ASSETS REGISTER**

A list of assets will be kept with a description of equipment and fittings acquired or disposed of by the Association. The Register will be updated annually to the 31 March.

## **11. INCOME**

The Finance Assistant will deal with the collection of money. Staff will provide details of work done, goods or services supplied and of other amounts due. Factoring and rechargeable repair invoices can be paid by Standing Order, Direct Debit, in cash at the Association's office or by cheque. Rent must be paid through the ALL PAY system or by Housing Benefit or Arrears Direct. Only in exceptional circumstances will cash be accepted at the office. A receipt must be given for money received and it will be banked by the Finance Assistant as soon as possible. Receipt of cash or cheque must be entered into the Cash Book. No income due will be written off as a Bad Debt without the authorisation of the Management Committee.

### **a) Rechargeable Repairs**

The Association will charge Tenants for the cost of repairs required due to the neglect, carelessness or abuse of property by the Tenant, a member of the Tenant's household or visitors. Recharges will also be made for repairs needed because of problems caused by the Tenant's own equipment or fittings. If property or fittings are damaged because of a criminal act by someone not connected to the Tenant the Association might ask the Tenant to get a Crime Reference Number from the Police.

The Housing Services Assistants will deal with administration of rechargeable repairs. If possible, the Tenant will be asked to agree to pay for the repair before it is ordered. If this is not possible the Tenant will be advised in writing within 5 working days. The Tenant will be given an invoice by the Finance Assistant and will be offered the option of paying by instalment. Reminder letters will be issued if payment is not made. Tenants who are unhappy about a recharge will be encouraged to follow the Complaints Procedure. Staff can use their discretion and not charge for a repair if the amount is less than £100. Amounts over £100 will be referred to the Management Committee.

An invoice will be recorded in the Sundry Debtors Account in the Nominal Ledger for rechargeable repairs. The Finance Assistant will post all monies received and will reconcile this account monthly. The Management Committee will normally review outstanding debts every three months.

### **b) Factoring**

An annual Management Fee will be charged as stated in the Factoring Agreement with the Owner. The Management Fee will be reviewed annually and will normally increase by the same percentage as rents in properties owned by the Association. A deposit or float will be charged to the owner which will be refunded on the sale of the property, less any outstanding accounts. Common repairs will be charged as in the Written Statement of Services. The Finance Assistant will check the account every month and will liaise with Housing Assistants who will pursue outstanding balances. Outstanding debts will not be written off without the approval of the Management Committee.

## **12. INSURANCES**

The Director will make sure there is insurance cover and will negotiate claims, in consultation with other Staff, where necessary. The Director will review insurances every year and Staff will advise the Director of new risks and of anything affecting existing insurance policies. Staff will tell the Director immediately, in writing, of personal loss, liability or damage or any event likely to lead to a claim. Staff will be

included in a fidelity guarantee. All Agents contracted to the Association will provide proof of Professional Indemnity Insurance. The Finance Assistant will forward a completed claim, with a copy invoice or estimate, to the Insurers and keep an Insurance Claims File.

### **13. END OF MONTH - UPDATE OF RECORDS**

At the end of each month

- cash, cheques and transfers will be updated and posted to the Nominal, Purchase and Sales ledger or equivalent
- the Rent Account will be reconciled with the Nominal Ledger
- bank balances will be checked
- salary records will be updated
- Cost Control sheets will be updated
- the Asset Register will be updated as items are purchased/disposed of

### **14. PETTY CASH**

The Finance Assistant will operate a petty cash system with a float of £300. A Petty Cash Book will be kept and will normally be balanced every month. Expenditure will be detailed on a Petty Cash Voucher and receipts attached where possible. Petty Cash Vouchers will be signed by the receiver and approved by the Finance Assistant or the Director.

### **15. EXPENSES**

Expenses will be paid as in the Committee Members' Expenses Policy and the Staff Conditions of Service.

### **16. ORDERS**

Works orders will be issued for repairs to the Association's houses.

### **17. INVOICES**

#### **a) Receipt**

Invoices will be stamped, given a voucher number, arithmetically checked, initialled and entered in the Purchase Ledger by the Finance Assistant. A brief note of expenditure category will be put on the grid stamp. Invoices will be given to the appropriate Staff member to authorise for payment. The invoice will be signed or initialled and returned to the Finance Assistant for payment.

#### **B) Payment**

Cheque signatories must check invoices. The cheque must be attached to the invoice and the date that the invoice is paid and the cheque number must be entered on the face of the invoice. Payments must be posted to the Purchase Ledger and/or Cash Book. All bank transfers within the Bankline Electronic System will require any two authorisations from three authorised staff members who are the Director, Finance Assistant and Housing Services Officer

### **18. HOUSING GRANT**

When a works certificate or fee claim is received it will be checked against approved expenditure for the Contract by the Development Agent or Director. A claim form will be completed by the Finance Assistant and signed by the Development Agent or Director. The original works certificate and copies of fee invoices will be sent with the claim and a copy will be filed in the Cost Control file. Certificates and fee notes will be noted in the Purchase Ledger. When money is received the payment advice will be filed in the Cost Control file. If there is a difference between the amount claimed and the amount received the reasons will be noted in the file and the Director

informed. The Finance Assistant will enter details of Grant receipts on the Cost Control Sheets. The Finance Assistant will make sure that works certificates are paid within the prescribed period. The Finance Agent will make sure that Development Allowances are claimed and received.

### **19. PRIVATE FINANCE**

Private Finance will be drawn down after all Grant has been claimed or deferred. The Finance Agent will write to the lender, enclosing a copy of the certificate or an invoice requesting that money is transferred. A copy will be filed in the Cost Control file. When the Finance Agent is satisfied that money has been transferred a payment will be made to the Contractor/Consultant. Payments will be entered on the Cost Control Sheets. Private Finance bank statements for all schemes will be held and reconciled to the Nominal Ledger.

### **20. SALARY**

Salary details will be recorded in each Staff member's file and paid according to grading and increments, normally in EVH Conditions of Service. Deduction will be made for pension contributions, where applicable. Details of current salaries, hourly rates and standard deductions for each member of Staff are kept in the salary file. Salaries are paid directly to employee's bank account via the Royal Bank of Scotland Bankline Account. Salaries are paid to reach employees' bank accounts on the 22nd of each month or as occasionally agreed.

### **21. TREASURY MANAGEMENT**

The Finance Agent is responsible for the arranging deposits for surplus cash and for the borrowing of capital from selected lenders.

#### ***a) Approved Organisations for Investment***

Security of funds is a high priority. All investments will be placed with approved institutions. These are listed in the Association's Treasury Management Strategy.

#### ***b) Investment***

The Association will try to optimise rather than maximise a return on the cash as higher returns from investments carry higher risk. Cash will be held in term deposit accounts of 1; 3; 6 or 12 months. A short term deposit allows advantage to be taken of upward trends in interest rates. A longer term enables some degree of cover if interest rates decrease. The most suitable low risk deposits in terms of interest rates will be identified at the time of renewal. Surplus short term cash (less than 31 days) is held in the Association's Current Account.

#### ***c) Borrowing***

Ordinary loans will be raised for development projects and borrowing will be agreed by the Management Committee. The Association will vary the lender and type of loan but will not enter into complicated, sophisticated or expensive versions. A good level of free reserves will be carried to lessen the risk from punitive interest rate levels.

#### ***d) Authorisation of Bank Transactions***

The Management Committee will approve term deposits taking account of the projections for the coming 12 months. On a daily basis the Finance Assistant will check accounts balances. Money will be transferred in or out of the Bankline account to maintain the current account balance £25,000. This process may be automatic as arranged with the bank.

#### ***e) Reporting and Monitoring***

The Management Committee will receive Cash Flow Projections every three months included within the Management Accounts. Exceptional borrowing requirements will be presented to the Management Committee, including details of approval by the relevant authority and by the lender. Day to day Treasury Management will be carried out by the Finance Assistant and supervised by Finance Agent.

**22. IRRECOVERABLE INCOME**

Irrecoverable income will not be written off without the prior approval of the Management Committee.

**23. MEDIUM AND LONG TERM PLANNING**

The Internal Management Plan (IMP) will include financial projections covering the Medium Term (3-5 Years) and Long-Term (5+ Years). The IMP should be reviewed on an annual basis.

**24. RISK MANAGEMENT STRATEGY**

A Risk Management Strategy will be review annually by the Management Committee.

***April 2018***