

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

- 1) **Director:** co-ordinate the activities of other Officers
- 2) **Finance Agent:** manage and control finance, including:
 - advise on long term planning
 - assist in the preparation of the Internal Management Plan (IMP)
 - advise on rent setting
 - the annual Budget
 - quarterly management accounts
 - Annual Accounts and liaising with Auditors
 - fulfilling all legal requirements
 - monitoring day to day running of 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
- 3) **Finance Assistant:** day to day activity, record keeping, preparation of reports, etc as directed or delegated by the Finance Agent or Director
- 4) **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 and with separate sections for revenue and for the capital programme. This will normally in January, taking account of the rent setting process. The Budget will be 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, at least, before the Annual General Meeting
- provide the Scottish Housing Regulator with a 5-year financial projection by 30 June
- provide the Scottish Housing Regulator with Audited Annual Accounts by 30 September
- provide the Financial Conduct Authority (FCA) 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 review accounts every three months. Staff have delegated authority to spend within the approved Budget (Director £10,000; Other Staff £1,000). Above £10,000 requires Management Committee approval. Staff are delegated to authorise development or capital works spending if funding has been approved by Glasgow City Council or other statutory authority

4. ACCOUNTING

The Finance Agent will make sure that records are kept, including *Nominal ledger; Purchase ledger; Sundry Debtors; Rent Ledger; Cash Book; Petty Cash Book; Property Register; Capital Contracts Registers; Payroll Records and Assets Register.*

5. AUDIT

a) External

The annual timetable will be

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

b) Internal

The Management Committee will appoint Internal Auditors 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 monitor Bank Accounts and Cash Book balances. The Finance Assistant will make sure that internet banking is available for all bank accounts. Bank transfers and salary related payments will require two authorisations from authorised staff members.

7. CONTRACTS

The Finance Agent will keep a Contract Register and make payments when a Certificate is issued by Consultants. Material financial variations will be reported to the Management Committee. The Final Certificate of Completion will be issued when the Finance Agent is satisfied that a statement of account and relevant documents have been provided. Claims will normally be governed by the terms of the Contract or may be referred to the Association's Solicitor and a report submitted to the Management Committee. Advice and guidance from the Scottish Housing Regulator (or other relevant authority) will be considered.

8. TENDERING

Tendering will be used, where appropriate, to obtain value for money, for works of more than £20,000. Normally, a minimum of three contractors will be invited to tender. Tenders will be stamped and kept securely until opened. Late tenders will not normally be accepted. Tender opening will be attended by two Committee members and the Director. Contractors will be given an opportunity to correct obviously unintended errors. A Tender Report will be submitted 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 computer 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 houses sold.

10. ASSETS REGISTER

A Register of assets will describe of equipment and fittings, acquired or disposed of. The Register will be updated annually by the Finance Assistant at 31 March.

11. INCOME

The Finance Assistant will deal with money received. Factoring and rechargeable repair invoices can be paid by Standing Order, Direct Debit, in cash at the Association's office or on line. Rent can be paid through the ALL PAY system or by Housing Benefit, Universal Credit or Arrears Direct. In exceptional circumstances, cash may be accepted at the office and a receipt provided. Income due will not be written off without the authorisation of the Management Committee.

a) Rechargeable Repairs

Tenants will be charged 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. Repairs required due to the Tenant's own equipment or fittings will be recharged. If property or fittings are damaged in a criminal act, by someone unconnected to the Tenant, the Association may ask the Tenant to obtain a Crime Reference Number from the Police.

The Housing Services Assistant 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 and will be offered the option of paying by instalment. Reminder letters will be issued if payment is not made. Tenants may appeal the decision to recharge and will be encouraged to follow the Complaints Procedure. Staff can use 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 Nominal Ledger, Sundry Debtors Account. The Finance Assistant will post money received and 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 according to the Written Statement of Services. The Finance Assistant will liaise with the Housing Assistant 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 annually 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, the Finance Assistant will update and post cash and transfers to the appropriate accounts; reconcile the Rent Account with the Nominal Ledger; check bank balances; update salary records; update Cost Control sheets and update the Asset Register as items are purchased/disposed of.

14. PETTY CASH

The Finance Assistant will operate a petty cash imprest system, with a float of £300, and balanced the account each month.

15. EXPENSES

Expenses will be paid according to 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 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. Authorised invoices will be paid promptly, with payments made at least every 14 days

b) Payment

The Finance Assistant will post payments to the Purchase Ledger and/or Cash Book. Bank transfers require any two authorisations from authorised staff members

18. HOUSING GRANT

A works certificate or fee claim will be checked against approved expenditure for the Contract by the Development Agent or Finance Agent. A claim form will be completed by the Finance Assistant. 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 payment is received this will be recorded in the Cost Control file. Variations between the amount claimed and the amount received the reasons will be recorded. The Finance Assistant will enter details of Grant receipts on the Cost Control Sheets and will make sure that works certificates are paid within the agreed 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 will be reconciled to the Nominal Ledger.

20. SALARY

Salary details will be recorded in Staff members' files 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 RBoS Account. Salaries will normally be paid to reach employees' bank accounts on the 22nd of each month.

21. TREASURY MANAGEMENT

The strategy will be set out in the annual Budget, prepared by the Finance Agent. Treasury Management is defined as the management of cash flows, banking, money market and capital market transactions; the effective control of the risks associated with these activities and the pursuit of optimum performance consistent with such risks. The underlying principle of the strategy is that the Association is risk-averse.

The Association will adhere to the standards set by the Scottish Housing Regulator and is committed to achieving Value for Money.

While many eco-investments may be considered socially responsible investments, and vice versa, the two are not mutually inclusive. Socially responsible investing is the practice of investing only in those companies which satisfy certain moral or ethical criteria. This may include companies with an interest in the environment, but also supports various other social and religious issues.

Eco-investing narrows in on the interests of sustainable environmental issues. Specifically, eco-investments focus on companies who work on renewable energy and clean technologies.

The Association will only invest surplus cash with, or borrow from, institutions that conduct business in an eco-friendly and socially responsible way.

Risks identified include:

- **Liquidity, cash management and investment risk.** Sufficient liquid funds or easily accessible borrowing facilities of no less than £750,000 must be available to meet expenditure
- **Funding and refinancing risk.** The Association will not normally rely on any single lender and will avoid lending terms which are unfavourable or inconsistent with business plan assumptions or current loan covenants
- **Institution credit risk.** Banks may default unexpectedly and this must be managed to minimise this risk
- **Interest rate risk.** The Finance Agent will review the interest rate risk the Association is exposed to and advise decide on how best to manage this
- **Market risk.** The Association will avoid risk rather than try to maximise return; avoiding investments that can be compromised by adverse market fluctuations
- **Fraud, error or corruption.** Internal controls will minimise the possibility and effect of fraud, error, money laundering corruption or other eventuality

Investment

- a) Investments must be approved by the Management Committee
- b) Day-to-day operations will rest with the Finance Agent
- c) The overriding principle guiding the investment of surplus cash is the preservation of the capital value of the Association's resources
- d) The Association is eligible to receive compensation under the terms of the Financial Services Compensation Scheme (FSCS)
- e) Credit ratings will be a key source of information but have their limitations. Account will be taken of generally available market information, including quality financial press, market data and government support for banks
- f) Funds will be invested in cash deposits in UK banks and building societies
- g) Funds will not be held in foreign currency or invested in stocks and shares, or in index linked loan transaction or hedging arrangements
- h) The maximum investment with any individual financial institution should not exceed 50% of total liquid funds except in the main business account

Borrowing

- a) The Association will borrow from UK banks and building societies
- b) The maximum amount will be restricted by the Rules and lending covenants
- c) Security over property will be provided to the value agreed with the lender
- d) Borrowing must have the prior approval of the Management Committee

22. IRRECOVERABLE INCOME

Irrecoverable income may be written off with Management Committee approval.

23. MEDIUM- AND LONG-TERM PLANNING

The Internal Management Plan (IMP) will include financial projections for the Medium (3-5 Years) and Long-Term (5+ Years). The IMP will be reviewed annually.

24. RISK MANAGEMENT STRATEGY

A Risk Management Strategy will be review annually.

29 June 2021