



MUIRHOUSE HOUSING ASSOCIATION



MUIRHOUSE HOMES

**Title of Policy:**

Financial Regulations

**Date of Adoption or Last Review:**

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**Lead Officer:**

Barry Allan, Finance & Corporate Services Manager

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**Scottish Social Housing Charter Outcomes & Standards:**

**Regulatory Standards of Governance and Financial Management:**

Regulatory standard 3 requires RSLs to manage resources to ensure its financial well-being and economic effectiveness. RS 3.1. The RSL has effective financial and treasury management controls and procedures, to achieve the right balance between costs and outcomes. The RSL ensures security of assets, the proper use of public and private funds, and access to sufficient liquidity at all times.

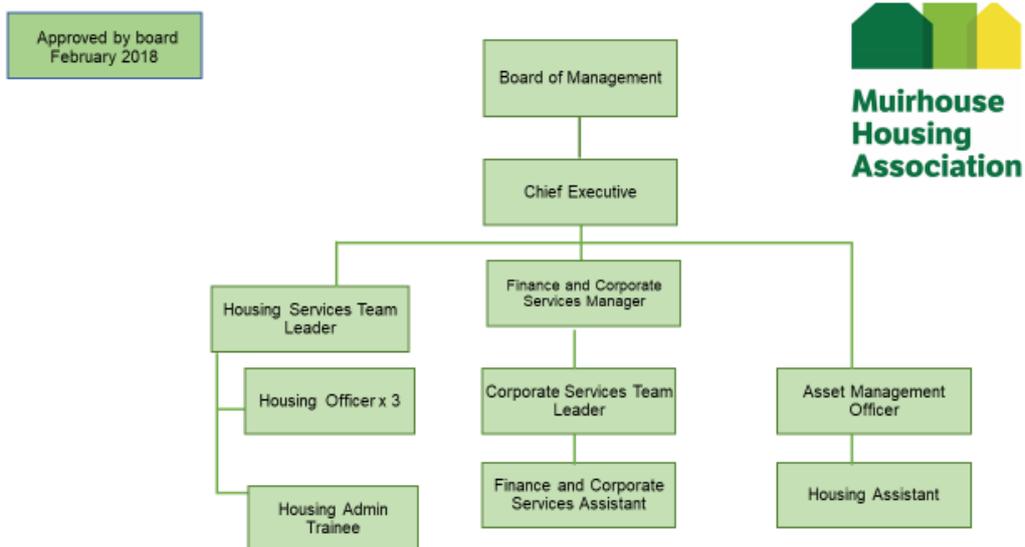
# Policy: Financial Regulations

**MUIRHOUSE HOUSING ASSOCIATION  
LIMITED  
Financial Regulations**

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# 1. INTRODUCTION

- 1.1 The Association must demonstrate effective governance and sound financial management and must have a robust policy and procedural framework that complies with legislation, guidance and good practice.
- 1.2 Muirhouse Housing Association Limited's Financial Regulations are based on the following current governance/ management structure and relationships: -



- 1.3 The Association currently operates under the Scottish Federation of Housing Associations (SFHA) Charitable Model Rules 2013 which are the constitution of the organisation.
- 1.4 The Association has a trading subsidiary, Muirhouse Homes Limited which is a private limited company. These financial regulations will equally apply to Muirhouse Homes unless otherwise stated.
- 1.5 The standing orders of the Association detail how the business of the organisation shall be run and include delegated responsibilities, powers and remits of each committee and of subsidiary Boards.
- 1.6 The financial regulations detail Board, Committee, subsidiary Board and staff responsibilities together with details of generally accepted best practice. They form a part of the overall system of financial and management control and take account of the Scottish Housing Regulator's (SHR) Regulatory Standards of Governance and Financial Management.

- 1.7 Compliance with the Financial Regulations is compulsory for all staff. It is the responsibility of section heads to ensure that all staff are aware of the existence and content of these regulations.
- 1.8 Nothing in these Financial Regulations shall override instructions from or conditions imposed by the Scottish Government, the SHR, and the Accounting Standards Board of the Financial Reporting Council, the Financial Conduct Authority (FCA) and any other appropriate statutory organisation or any relevant current legislation. Nothing in the supporting Financial Procedures or policies will override the principles embodied in the Regulations.
- 1.9 The Financial Procedures set out how these regulations shall be implemented.
- 1.10 A review of the Financial Regulations shall take place at least every 3 years or earlier if deemed appropriate by the Board.

## 2. DEFINITIONS

- 2.1 In these financial regulations, the following words and phrases have the following specific meanings:

Chief Executive	The Chief Executive of the Association (CE)
Senior Staff	The Finance & Corporate Services Manager (FCSM), the Housing Services Leader (HSL)
Staff	All employees of the Association except the Chief Executive, and Senior Staff
The Scottish Housing Regulator	The statutory body responsible for regulation of the Association
The Financial Conduct Authority	The financial regulatory body responsible for regulation of the Association
CEC	City of Edinburgh Council
Financial Year	The 12 month period from 1 April one year to 31 March the next.

Other terms are defined when they are first used in the Financial Regulations

### **3. INTERNAL FINANCIAL**

#### **Definition**

3.1 Internal financial control can be defined as: ‘the controls established

- To provide reasonable assurance of the safeguarding of assets against unauthorized use or disposition;
- To provide reasonable assurance of the maintenance of proper accounting records and the reliability of financial information used in and published by the Association.’

#### **Requirement for Internal Financial Control**

3.2 In addition to its own need for a documented system of internal controls to achieve the aims set out above, it is a requirement of the Regulatory Advice Note: Internal Financial Controls and the Regulatory Standards (issued September 2014) for Registered Social Landlords that the Association includes a statement in its published accounts which:

- Confirms that the Board acknowledges its responsibility for Internal Financial Control;
- Includes a description of the key procedures for Internal Financial Control;
- Confirms that the Board has, in the Financial Year, reviewed the effectiveness of the system of Internal Financial Control; and
- Reports whether any weaknesses in the system of Internal Financial Control have resulted in any material losses, contingencies or uncertainties which require disclosure in the audited accounts
- Explains that the system cannot provide absolute assurance against material loss or misstatement;
- Provides reason for any non-compliance;
- Covers the period between the balance sheet date and the date the accounts are signed;
- Covers the whole group where that is appropriate.

3.3 The External Auditors are required to review this statement, and to report any discrepancies between it and the results of the audit work.

#### **Responsibility for Internal Financial Control**

3.4 Responsibility for Internal Financial Control lies with the Board of the Association in accordance with the Regulatory Standards. The Board is responsible therefore for ensuring that the control system defined above is in place, is adhered to and is effective. All Board members and staff must adhere to the controls which apply to any situation involving the Association. Day to day management and implementation of controls is delegated to the CE and FCSM and other staff (as outlined in detail within these regulations).

## **Key controls**

- 3.5 The Association will at all times maintain the following key controls:
- Management accounts will be prepared monthly for management use and presented, with supporting narrative, to the Board meeting each quarter.
  - The Association will prepare annual accounts for external audit, and arrange for an external audit to be conducted, within two months of the end of the Financial Year and an External Auditor's Management Letter will be presented to the Board at the same time as the Annual Accounts.
  - A budget for each Financial Year will be prepared then discussed and approved by the Board before each Financial Year commences.
  - Segregation duties will be maintained between initiating, actioning and recording a financial transaction.
  - All borrowing decisions and changes to banking arrangements will be approved by the Board before being actioned.
  - All bank transactions are in accordance with delegated authority as per section 29
- 3.6 These financial controls are described in further detail in the appropriate sections of the Financial Regulations.

## **4. BOARD OF MANAGEMENT RESPONSIBILITIES**

- 4.1 The Board has ultimate responsibility for all aspects of the Association's affairs. It is responsible for the leadership, strategic direction and control of the Association and for ensuring it secures good outcomes for its tenants and service users.
- 4.2 Statute requires the Board to prepare financial statements for each financial year and it is the Board that is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association.
- 4.3 The Board is also responsible for safeguarding the assets of the Association and for taking reasonable steps to prevent and detect fraud and other irregularities.
- 4.4 Board members have a duty towards the Association, its staff, tenants, other service users and the community in which it operates. They must therefore seek good quality information and advice at all times and ensure their decisions are based on the same. This advice may need to be sought from external professional advisors where necessary. They must also ensure they have the skills and knowledge they need to be effective in their role. They must at all times seek to identify current and future risks to the Association and mitigate the same.

## **5. AUDIT & RISK COMMITTEE RESPONSIBILITIES**

### **Introduction**

5.1 It is accepted as good practice for associations to establish an Audit & Risk Committee. The Financial Reporting Council provides guidance on the role of the Audit & Risk Committee in its publication 'Guidance on Audit Committees' published in April 2016. The Audit & Risk Committee is an independent, advisory sub committee of the Association's Board. It is appointed by and responsible to the Board. Its main functions are overseeing:

- The Association's accounting and internal control systems;
- The Association's risk management;
- The Association's external audit;
- The Association's internal audit: and
- The provision of the annual statement of assurance in respect of financial control systems.

5.2 The composition of the Audit & Risk Committee is as follows:

- Between three and seven members, with a quorum being three, and with at least one member with a background in finance, accounting or auditing. The Chair is elected by the Audit & Risk Committee; if only one member has a background in finance, accounting or auditing, he/she would normally be the Chair;
- The Chair of the Association may not chair the Audit & Risk Committee, and vice-versa;
- A co-opted member of the Board may not Chair the Audit & Risk Committee, and does not count towards the quorum of the Audit & Risk Committee.
- The Association's CE and FCSM will attend all meetings; but will leave if requested by the Chair. The Association's internal and external auditors will be invited to attend a specific meeting without staff being present at least once a year, and will receive copies of all relevant papers for that meeting;
- The internal and external auditors have a right to access to the Chair of the Audit & Risk Committee and may request a meeting without staff present;
- The Audit & Risk Committee has the right to receive all information it considers necessary from the Association's staff. All information received will be treated as confidential by Audit & Risk Committee members.

## **Audit & Risk Committee Responsibilities Accounting and Internal Control Systems**

5.3 The Audit & Risk Committee is responsible for:

- Advising the Board whether an adequate system of accounting and internal control exists, and for making recommendations for its improvement. In this it will be advised by external and internal auditors and the FCSM
- Recommending whether the Board should accept the Internal Auditor's annual report on the effectiveness and efficiency of the Association's system of Accounting and Internal Financial Control; and
- Recommending whether the Board should accept the Internal Financial Control statement for inclusion in the Annual Accounts of the Association.
- Recommending whether the Board should approve the Audited Statutory Accounts for sign off.

## **6. STAFF RESPONSIBILITIES**

6.1 The CE is responsible to the Board for the implementation of strategic, policy and procedural decisions taken by the Board and the day to day management of the Association. The CE is also responsible for the promotion of the Association and for co-ordinating the activities of other Senior Staff. The CE is responsible for ensuring the Board receives all information and relevant guidance and training which it requires to meet its obligations.

6.2 All Senior Staff are responsible for ensuring staff members within their section understand their respective roles and responsibilities and for monitoring their performance against the same. They must ensure they and their staff are open about, and accountable for, all they do. They are responsible for the security and control of all assets, cash and materials relating to their section. They are also responsible for managing the financial budgets allocated to their area of responsibility.

6.3 The responsibilities and duties of all staff members shall be contained within a suitable job description. The responsibilities and duties of any Agents or service providers are contained within a relevant contract, Minutes of Agreement or Service Level Agreement.

## **7. ACCOUNTING**

7.1 All accounting procedures of the Association shall be determined by the Association's FCSM in consultation with the CE. These procedures must take account of statute, good practice and current guidance.

7.2 The format of the Association's financial records shall be determined by the Association's FCSM in consultation with the CE and must take account of audit requirements, good practice and current guidance.

- 7.3 The allocation of accounting duties should where possible take account of segregation of duties and records should be regularly updated.
- 7.4 All accounting policies of the Association shall be contained within the annual financial statements and shall be reviewed annually as part of the approval of the financial statements. Accounting policies shall be reviewed by the Audit and Risk Committee and recommended to the Board for approval outwith this cycle when changes are made.

## **8. AUDIT REQUIREMENTS**

### **External Audit**

- 8.1 External auditors will be appointed at each Annual General Meeting, following a recommendation by the Board and in line with the Association's Rules and current statutory requirements.
- 8.2 Auditors will be appointed following a tendering process and in accordance with good practice, the Association shall review its external auditors every 3 years unless the service level dictates otherwise.
- 8.3 The role of the external auditors must be clearly detailed in an Engagement Letter provided by the external auditor that shall be reviewed every 3 years in accordance with good practice.
- 8.4 Preparation of the financial statements shall be undertaken by the Association's Finance Team. A year end timetable should be completed by the Association's FCSM and be agreed with the external auditors prior to commencement of the year end statutory audit. The financial statements 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 Board, to include comment on past and future developments, together with a separate Board report on the systems of internal financial control.
- 8.5 Draft audited financial statements will be presented to the Audit and Risk Committee for review and recommendation to the Board for approval at an appropriate meeting. Final audited accounts will be adopted at the Annual General Meeting normally held in September (to meet SHR reporting requirements).
- 8.6 Final audited and signed accounts will be submitted to the SHR, lenders, Office of the Scottish Charity Regulator (OSCR), to the FCA in relation to Muirhouse Housing Association Limited, and to Companies House for Muirhouse Homes Limited, within the required timescales following the financial year end.
- 8.7 A copy of the auditor's Management Letter and the Board's response to the Management Letter will also be submitted to the SHR within required timescales.

- 8.8 The external audit functions shall be overseen by the Audit & Risk Committee and in line with good practice the Committee shall have a private session with the external and internal auditor at least once a year, without senior staff.

### **Internal Audit**

- 8.9 Internal auditors will be appointed to carry out a rolling programme of reviews of the effectiveness and application of internal controls and procedures, including an annual review of adherence to the Financial Regulations and Financial Procedures.
- 8.10 Internal auditors will be appointed following a tendering process and will be appointed for a maximum of three years (subject to an annual renewal of the appointment).
- 8.11 A rolling programme for internal audit shall be agreed and approved by the Audit & Risk Committee based on current risk assessments. The internal audit programme shall take account of concerns or recommendations from the Board & Senior Staff and should be driven by the risk register of the Association including subsidiary considerations.
- 8.12 The Audit & Risk Committee will review all internal audit reports and progress reports and will monitor the implementation of all agreed actions within set timescales.
- 8.13 The internal auditor will have access to all locations, staff, records and physical assets necessary for the performance of their role. Staff will provide the internal auditor with any explanations necessary as part of their review. No limitations will be placed on the scope of their review. Any such limitations will be reported to the Audit & Risk Committee as soon as is practical.
- 8.14 The internal auditor may be asked to participate or advise in discussions relating to the formulation and installation of new systems, controls and procedures.
- 8.15 The internal auditor may assist in the protection of the assets of the Association by carrying out regular reviews of operations in order to detect system weaknesses, inefficiencies, fraud, misappropriation and losses due to waste or maladministration.
- 8.16 The internal auditor will also monitor compliance with the Association's Financial Regulations and Procedures.

## **9. FRAUD AND OTHER FINANCIAL IRREGULARITIES**

- 9.1 The primary responsibility for the prevention and detection of fraud and errors rest with the Board, in conjunction with the Association's Fraud and Corruption and Anti-Bribery policies.
- 9.2 To assist in discharging its responsibilities in this area the Board should receive directly any reports from the internal auditor on all cases of actual, attempted or suspected fraud or bribery detected during the normal course of their activities.
- 9.3 The Association will encourage any staff member to report any irregularities to the CE or Chairperson as outlined in the Association's Whistleblowing policy.
- 9.4 Any matters arising which involves, or are thought to involve, irregularities concerning cash, property or assets, or any suspected irregularity in the operations of the Association which has or could have a financial impact, shall be reported to the FCSM or CE.
- 9.5 The FCSM shall escalate any report to the CE. The CE shall escalate any such report to the Chairperson. In relevant circumstances all staff may escalate any report directly to a senior staff member or any office bearer.
- 9.6 The CE or Chairperson will report any issue involving irregularities in the Association's activities to the Board and to SHR, if required, as a notifiable event in line with SHR guidance.
- 9.7 The report will be investigated thoroughly by one or more of Senior Staff. The internal auditor may be requested to assist in the investigation. Involvement of Police Scotland shall be decided upon by the CE/ Chairperson.
- 9.8 The Association will maintain a register of all incidents of actual or attempted fraud or bribery. The register will be reviewed quarterly by the Audit & Risk Committee and annually by the Board where it will be signed by the Chairperson. It will be open at all times to SHR and to the internal and external auditors.

## **10. BUSINESS PLANNING**

- 10.1 The Association shall have in place a three year business plan document which sets out the strategic direction of the Association. This should incorporate the Business plan of subsidiary companies of the Association.
- 10.2 The Board is ultimately responsible for the governance and direction of the Association and it is recognised that the business plan should represent a joint understanding by staff and the Board of what the Association wants to achieve, the choices available and the key risks faced by the Association. The business plan shall therefore be produced by the Board and Senior Staff in consultation with staff, tenants and other stakeholders as necessary.

- 10.3 The content of the business plan shall include the seven main components identified by the Scottish Housing Regulator:
- Strategic objectives
  - Risk assessment
  - Operational targets
  - Environmental analysis
  - Asset management and housing stock plans
  - Financial forecasts
  - Scenario planning
- 10.4 On an annual basis, the CE has delegated authority for the preparation of a detailed operational plan for the Association on behalf of the Board, within the framework of the business plan.
- 10.5 The CE shall produce an annual timetable to accompany the business planning process detailing the stages, processes and responsibilities in order to achieve the timetable.
- 10.6 The operational plan will set departmental performance targets and KPIs; and shall feed into the annual budget setting process and the Association's risk management procedures.
- 10.7 On at least a quarterly basis progress against operational targets shall be reported to the Board. These reports shall be supported by the management accounts, other section reports and the risk register (which are reviewed on a quarterly basis by the Audit & Risk Committee) to ensure all aspects of the business plan are linked together and operating effectively.
- 10.8 On at least an annual basis the achievement of strategic objectives will be considered and reported to the Board.
- 10.9 The Association shall take account of the SHR document on Recommended Practice - Business Planning produced in August 2012 in its business planning process.

## **11. APPROACH TO FINANCIAL FORECASTING**

- 11.1 The FCSM is responsible for long term financial planning on behalf of the Association.
- 11.2 Long term financial forecasts shall be prepared in accordance with timescales noted at clause 8.4 and shall be forwarded to all lenders as well as external and internal auditors for information and consideration. Formal feedback shall be sought from all parties reading the assumptions employed and the financial outturns.

- 11.3 The Association prepares and submits 5 year financial projections to SHR in the prescribed format and within the relevant timescales, which have been presented to and approved by the Board, all in accordance with existing guidance from SHR. A copy of this information shall be submitted to lenders and external auditors.
- 11.4 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 income and expenditure, balance sheet and cash-flow projections. A full and detailed business plan review shall be undertaken every three years unless circumstances (including loan agreement terms and conditions) 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.
- 11.5 The content of the 30 year financial forecasts shall include the following information as a minimum:
- Details of main assumptions employed and sources of information
  - Income and Expenditure Accounts for 30 years
  - Balance Sheet projections for 30 years
  - Cash Flow projections for 30 years
  - Key performance indicators data and peer comparisons
  - Covenant compliance schedules
  - Appropriate sensitivity analysis
  - Schedules for all income and cost information and assumptions
  - Supporting narrative to confirm an overview of the projected outturns, any areas for further consideration, any areas of concern and any actions required that flow from production of the final information.
- 11.6 While the overall responsibility for this information lies with the FCSM, it is essential that an appropriate level of input from all staff is accounted for within the long term financial plans. In particular, the areas of rent levels, rent increases, maintenance costs, staffing levels and costs and future development activity require agreed input.
- 11.7 Given the impact that inflation and interest rates may have on the expected financial position, the FCSM shall seek information from lenders regarding future expected rates for these areas. In addition any real cost increase assumptions should take account of lender and valuer advice.

11.8 The FCSM shall produce an annual timetable to accompany the financial forecasting process and this shall take account of:

- Provision of, review and agreement on future maintenance plans
- Provision of, review and agreement on rental, staffing and development assumptions
- Production of draft projections
- Management team discussion, review and agreement of draft projections
- Reporting to Board for approval
- Provision of information to external parties
- Feedback to Board from external parties

11.9 The importance of financial forecasting in relation to the Association's overall business planning process is recognised and timetables applicable to both processes require to be carefully aligned.

## **12. FINANCIAL PLANNING AND BUDGETING**

### **Preparation, Review and Approval**

12.1 An annual budget must be approved by the Board of the Association 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.

12.2 This annual budget will comprise of:

- A clear statement of main assumptions and sources of information underlying the budget
- Projected Income/Expenditure Account
- Projected Balance Sheet
- Projected Cash Flow Statement
- Detailed capital budgets for all projects
- Monthly cash flow projections
- Monthly income and expenditure details
- Cost allocation information
- Appropriate ratio analysis
- Loan covenant compliance performance
- Any summary narrative commentary necessary for a clear understanding of the budget

12.3 The budget will be prepared by the FCSM on a roll over basis each year, taking into account the prior year budget, year to date variances and any known changes linking to the Business Plan. The FCSM will put in place a timetable which will take account of:

- Provision of budget planning information from budget holders
- Rent consultation review
- Review of planned, cyclical and major repairs to be undertaken in line with the 30 year plan
- Submission of draft budget to Senior staff and budget holders for review and approval
- Submission of draft budget to the Audit & Risk Committee for review and discussion including the impact of any options or sensitivities where there is a potential material financial effect over the 12 month period.
- Amendments as a result of Audit & Risk Committee review
- Final approval of the budget by the Board

### **Budgetary Control**

12.4 Once approved, the budget shall be regarded as the basis for authority to incur expenditure, subject to current Standing Orders, the Scheme of Delegation and any specific exemptions agreed with the Board. It should be recognised that changes in circumstances may result in changes to budgeted expenditure. Such changes must be approved by the Board.

12.5 It is the responsibility of all budgets holders to control relevant budgets. Budgetary control will be assisted by production of regular management accounts and accompanying narrative reports comparing actual income and expenditure with budget estimates. The FCSM will report on actual income and expenditure against budget:

- on a monthly basis to the Senior Staff and budget holders
- At least quarterly to the Board

12.6 The FCSM will ensure that material variances are clearly explained within the narrative supporting the monthly and quarterly Management Accounts. Explanations of material variances will be sought from budget holders during the preparation of the management accounts where necessary.

12.7 The quarterly management accounts should include the effect of likely future events on the financial position together with details of the currently projected financial position of the Association at the year-end. Cashflow monitoring and covenant compliance will form a part of the management accounts. A copy of the approved budget and quarterly management accounts will be sent to the Association's lenders and external auditors.

- 12.8 In circumstances of emergency, expenditure may be incurred beyond authorisation levels by obtaining the prior approval of the most senior member of staff on duty, who will consult the FCSM, if possible, before agreeing to any request. Any such expenditure must be reported by the CE to the next meeting of the Board for retrospective approval.
- 12.9 Senior Staff should ensure that when reports are issued to the Board, the financial implications of any course of action should be fully explained. The FCSM should be consulted prior to any report that has material financial implications going to the Board.

### **13. CASH CONTROLS**

- 13.1 Bank accounts held by the Association, details of authorised signatories and cheque signing details are contained within the Association's detailed Financial Procedures.
- 13.2 Procedures for the receipt of funds are detailed in the Financial Procedures.
- 13.3 A petty cash float not exceeding £500 shall be held for the purpose of making small payments and properly authorised expenses. The Finance and Corporate Services Assistant (FCSA) has day to day responsibility for petty cash payments. Detailed petty cash procedures are detailed in the Association's Financial Procedures.
- 13.4 All bank accounts and petty cash accounts must be reconciled to the relevant books of account by the FCSA on a monthly basis. These reconciliations shall be reviewed and certified as accurate by the FCSM.
- 13.5 The FCSM shall be responsible for the safe custody of all banking documents, including cheques, and cash floats. These should be held within the office safe as set out in the Financial Procedures.

### **14. DEBTORS CONTROLS**

- 14.1 The Association acknowledges the requirement to maximise income collection in order to generate as much income as possible via interest receipts.
- 14.2 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 (where allowed) or as soon as possible (in line with grant offer conditions) after payment has been made.
- 14.3 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.

- 14.4 Procedures relating to rents and other income generating areas shall incorporate information on debtor control including the basis for monitoring and reporting sums due.
- 14.5 All amounts considered irrecoverable must be formally reported to and approved before write off, in line with the Write-off for Bad Debts policy.
- 14.6 Write off of irrecoverable debts should take place at least annually.
- 14.7 Responsibility for Debtors control within the Association is as follows: -
- (i) Rent arrears, service charges, re-chargeable Repairs – HSL.
  - (ii) Insurance Claims outstanding and all other sums due – FCSM.

## **15. ASSET CONTROLS**

- 15.1 The originals of all title deeds shall be held in secure storage by the Association's solicitors or bankers. The FCSM will maintain a register of all title deeds and will confirm to the Board on an annual basis that all title deeds are properly held.
- 15.2 The Association shall maintain a fixed asset register detailing all furniture, fittings and equipment and other items classed as capital assets, 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, which may be held in electronic format.
- 15.3 The Association shall undertake six monthly reviews of the register to verify continued ownership and existence of these fixed assets. This task shall be undertaken by the FCSA with the FCSM carrying out an annual review.
- 15.4 Equipment Maintenance contracts 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 these registers include; service provider, start date, termination date and asset being maintained/leased and cost. This register shall be updated on a quarterly basis by the FCSA and may be held in an electronic format.
- 15.5 Details of any asset/equipment disposals, including details of sums received (if applicable), shall be reported to and authorised by the Board.
- 15.6 The FCSM will ensure a register of all properties owned by the Association is maintained and kept up to date. The housing properties register shall ensure the Association complies with the requirements of component accounting. The current housing register used by the Association will be known as the component accounting spreadsheet. This holds records of all housing assets by phase, split into relevant components. Component and property replacements and disposals, along with depreciation charges of housing

property assets shall be updated on the component accounting spreadsheet in a timely manner. Copy invoices for all replacements will be kept electronically by the FCSA. This task is undertaken by the FCSA on a monthly basis. These updates and the resultant monthly journal shall be reviewed and certified as accurate by the FCSM.

## **16. PROCUREMENT, CONTRACTS & TENDERING**

- 16.1 All works, goods and services will be procured in accordance with the terms of the Association's Procurement Policy and Procurement Guidance.
- 16.2 Where necessary, quotations or tenders for goods or services will be obtained, according to the financial limits as detailed in the Procurement Policy.
- 16.3 Orders for works, goods and services and entering into contracts will be in accordance with current procedures, in particular the budget limits and the regulations on Incurring and Authorising Expenditure set out in section 29.
- 16.4 Where contracts for new-build or maintenance projects, or for annual services, provide for payment to be made by installments, the FCSM and relevant officer shall keep records detailing the position of accounts on each contract, together with any other payments and the related professional fees.
- 16.5 Payment to contractors, whether on account or the final account, shall be made in accordance with current procedures. The FCSM shall meet regularly with the appropriate officer to monitor expenditure on contracts.
- 16.6 The Board shall be provided with quarterly updates on the progress of all contracts, including a summary of the position of accounts on each contract.

## **17. ANNUAL MAINTENANCE PROGRAMME**

- 17.1 As part of the financial planning process, the Asset Management Officer will prepare an annual maintenance and improvement programme. This will itemise the works to be carried out in the next Financial Year, analysed between reactive maintenance and planned maintenance.
- 17.2 Approval of the budget by the Board will constitute authority for the Senior Staff to proceed with the work set out in the annual maintenance and improvement programme in accordance with the requirements of section 16 Procurement, Contracts & Tendering and section 29 Incurring and Authorising Expenditure.

## **18. NEW BUILD HOUSING DEVELOPMENT**

### **Site Investigation**

- 18.1 When a site is identified as having development potential, a detailed site investigation will be carried out, including an assessment of risks involved in developing the site. A report on the site investigation will be prepared for the Board with recommendations on whether the development should proceed. No site will be developed without Board approval.

### **Development Agents**

- 18.2 The Association will appoint suitably experienced Development Agents to assist in pursuing development opportunities and carry out development administration work.

Should the Association directly employ its own specialist development staff, the responsibilities ascribed to here the Development Agent would be taken over by those staff.

### **Scheme Agreement**

- 18.3 The Development Agent will be responsible for preparing a project proposal for submission to CEC. As part of this process, the FCSM will prepare a financial appraisal including a cash flow analysis and an estimate of rental income and private finance required. The Development Agent will carry out any necessary negotiations with CEC on the project proposal and will liaise with the FCSM to agree the HAG target. The Board must approve the project proposal.

### **Acquisition**

- 18.4 The acquisition of any land or property is subject to Board approval. Once this approval is received, the Development Agent will prepare the HAG Acquisition claim, in liaison with the FCSM, and submit this to CEC two weeks in advance of the proposed settlement date. The FCSM will be responsible for ensuring that the necessary monies are available at settlement.

### **Private Finance**

- 18.5 The FCSM will be responsible for ensuring that the necessary private finance is in place for any development project. Where appropriate, the lenders will be invited to tender and the tender procedures set out in the Procurement Policy will be followed. A report will be prepared for the Board on the outcome of the tendering process recommending the proposal that represents best value for money. This assessment will take account of factors such as arrangement fees, loan margin and other costs.

### **Current lists**

- 18.6 The Board will have in place a list of Design Team Consultants and a current list of contractors for development projects through the Development Agent's Framework Agreement.

### **Tender Stage**

- 18.7 Tenders for development projects will be invited in line with the procedures set out in the Procurement Policy. The tender procedures will be followed and a report produced for the Board recommending the appointment of consultants and/or contractors.

### **Progress Monitoring Reports**

- 18.8 Once the development project is on site, the Development Agents will provide monthly progress reports for the Board. The FCSM will ensure that details of the financial position are included in the quarterly management accounts.

### **Invoices and Payment Certificates**

- 18.9 All invoices and payment certificates relevant to the development project will be properly checked by the Development Agent and authorised for payment by the Asset Management Officer. The FCSM will arrange payment in line with the Association's payment procedures set out in section 29 Incurring and Authorising Expenditure.

### **HAG Claims**

- 18.10 The Development Agent will submit claims for HAG in line with the scheme and programme agreements. The Development Agent will prepare all HAG claims; however these must be signed and submitted by an authorised signatory of the Association.

## 19. BOOKS, REGISTERS AND COMPUTER DATA

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

<b>Books and Registers</b>	<b>Responsible Staff Member</b>
(a) Cashbook	FCSM
(b) Petty Cash Book	FCSM
(c) Nominal Ledger	FCSM
(d) Purchase Ledger	FCSM
(e) Sales Ledger	FCSM
(f) Payroll Records	FCSM
(g) Fixed Asset Register (housing)	FCSM
(h) Fixed Asset Register (other)	FCSM
(i) Rent Ledger	FCSM
(j) Office Inventory	FCSM
(k) Register of Disposals	FCSM
(l) Register of Frauds and Bribery	CE
(m) Register of Payments and Benefits	CE
(n) Register of Interests	CE
(o) Register of Members	FCSM
(p) Register of Gifts & Hospitality	FCSM
(q) Complaints Register	HSL
(r) Tender Register/Receipt Book	FCSM
(s) Seal Register	FCSM

19.2 Responsible staff member refers to individual having responsibility for maintenance of and administration relating to each register. This responsibility may be delegated to another staff member by the responsible staff member.

19.3 All such books and registers together with other relevant papers or information may, where appropriate, be kept in an electronic format and must be securely stored when not in use.

19.4 In conducting its operations the Association must comply with all aspects of the General Data Protection Regulations (GDPR), as it applies in the UK, tailored by the Data Protection Act 2018. All such matters are the responsibility of the CE.

19.5 The Association's I.T. Coordinator is the FCSM.

## 20. SECURITY

20.1 All Senior Staff are responsible for maintaining proper and adequate security at all times for buildings, furniture, equipment, and other assets, and any cash under their direct control. The CE is responsible for overall security and any risks to the Association must be notified to the CE immediately.

- 20.2 All information held on computer must be backed up on a daily basis and stored within the Association's fireproof safe when not in use. It is the responsibility of the FCSM to ensure that this task is undertaken.
- 20.3 Access to computer systems must be restricted by the appropriate use of passwords etc.
- 20.4 The CE will ensure that there are adequate systems in place covering the security and use of all data (personal and sensitive information) relating to applicants, tenants, members of staff, contractors and of the public held either in electronic or paper format, to comply with the Data Protection Act.
- 20.5 In order for staff to work to flexible working hours then all staff, on completion of probation, can be provided with a set of office keys.

Outwith staff, the only contractor that has access to a set of keys is the contracted Office Cleaning Company.

- 20.6 The petty cash box will be held in the office safe at all times unless in use. The rent cash box will be held in the office safe overnight and will be kept in a locked drawer during working hours. The keys to each box are held by the FCSA in a locked drawer.
- 20.7 Access to the safe is restricted to:
- CE
  - FCSM
  - FCSA
  - HSL
- 20.8 The safe is accessed via a combination code. This will be changed on at least a quarterly basis by the Finance & Corporate Service Manager and communicated to all authorised staff.
- 20.9 Under no circumstances should other staff members be given access to the safe, told the safe combination code, or retain possession of the petty cash or rent box keys. In all cases petty cash and rent box keys must be retained in the possession of the authorised staff member who, under no circumstances, should leave keys unattended.
- 20.10 A register shall be maintained of all items held within the safe. Documents should be signed out when removed by an authorised member of staff and signed back in when returned. A daily check should be made by the FCSA to ensure all items are present in the safe.
- 20.11 All incoming post must be opened with two members of staff present. Any cheques or cash received should be recorded on an incoming mail register, signed as accurate by both individuals, and passed to the FCSA to review and verify.

20.12 The loss of office, property or petty cash keys must be notified to the CE immediately.

## **21. INSURANCES**

21.1 The Association's FCSM shall affect all insurance cover on behalf of the Association subject to the management team confirming cover requirements.

21.2 All Senior Staff of the Association shall advise the FCSM by email of events likely to result in a change to the Association's insurance requirements.

21.3 The FCSM, in consultation with the CE, shall review all insurances during the year and report to the Board there on.

21.4 The submission of all insurance claims is the responsibility of the FCSM.

21.5 The Employer's Liability Insurance Certificate will be displayed in the public reception area for each place of business.

21.6. The Association shall ensure, prior to contracts commencing, 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 cover in place must be received by the Association in advance of such works commencing.

## **22. RISK MANAGEMENT**

22.1 The Association's approach to managing risk is detailed within the Risk Management Policy and Strategy.

22.2 All current activities and proposals for new activities will be subject to risk assessment specified in the Risk Management Policy and Strategy.

22.3 Where potential risks are identified the activity will be included in the current Risk Matrix together with measures to eliminate or minimise the risk.

22.4 The CE will provide a report and the current risk matrix to the Audit and Risk Committee on a quarterly basis, providing an update regarding progress to mitigate the key strategic risks to the Association. The Audit and Risk Committee has the remit to 'provide assurance that there is a systematic risk assessment process and that the risk management framework is effectively embedded in the organization.'

## **23. VALUE FOR MONEY**

23.1 The Association shall seek to obtain value for money in terms of any fixed asset investments, its contractual commitments and in its day-to-day operational activities. Returns on investments shall be managed in line with the Treasury Management Policy and Strategy.

- 23.2 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 appropriate cost benefit analysis shall be undertaken by the Association in its decision-making process.

## **24. TREASURY MANAGEMENT**

- 24.1 All investment of funds or arrangements for seeking and managing private finance shall be undertaken in accordance with the Association's Treasury Management Policy.
- 24.2 Day to day operation of the policy will be delegated to the CE and FCSM, subject to any exceptions as set out in the Treasury Management Policy.
- 24.3 The FCSM will report to the Board on borrowing and investments on an annual basis, or more frequently if required, as specified in the Treasury Management Policy.

## **25. TRAVEL, SUBSISTENCE & OTHER ALLOWANCES**

- 25.1 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 Board and Staff Expenses.
- 25.2 All claims for payments of travel, subsistence and other expenses will require to be authorised in accordance with the current Financial Procedures.

## **26. ENTITLEMENT, PAYMENTS & BENEFITS POLICY**

- 26.1 The giving and receiving of gifts and hospitality shall be in accordance with the Association's Entitlement, Payments & Benefits policy.
- 26.2 All Board 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 rules and regulatory requirements. The CE shall maintain the register of interests in accordance with the spirit of Schedule 7 within the Associations Payments and Benefits Policy.

## **27. DONATIONS**

- 27.1 The Association's approach to donations is detailed within the Donations Policy.
- 27.2 All donations above £500 must be approved by the Board in accordance with the Donations Policy.

## **28. BENCHMARKING AND PERFORMANCE ANALYSIS**

28.1 The Association's CE shall ensure that reports will be submitted to the Board on the following areas: -

- (a) Analysis of Business Plan targets achieved
- (b) Comparison of results with SHR published ratios and statistics
- (c) Comparison of results with Association's annual budget
- (d) Comparison of actual and estimated loan covenant results.
- (e) Annual Return on the Charter (ARC)

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

28.2 All Senior Staff are responsible for the provision of information attaching to their department in line with an agreed timetable confirmed by the CE and included within the operational plan. Senior Staff when providing relevant data or statistics summaries shall email the detailed calculations or file attachments that represent the source of the summary data or statistics provided. The CE or a delegated representative shall audit relevant information provided in order to ensure accuracy and consistency of reporting.

## **29. INCURRING AND AUTHORISING EXPENDITURE**

29.1 Only those staff with the delegated authority to do so will incur an expenditure commitment or authorise a payment. No payments will be made unless the payment has been checked and signed off by those with the appropriate authority.

29.2 The Board approves budgets prior to the beginning of the financial year and staff have delegated authority to spend within these budgets subject to Standing Orders and the current Scheme of Delegated Authority.

29.3 Any non-emergency expenditure up to £10,000 out with approved budgetary limits may be approved by the CE who shall report such matters for retrospective approval to the Board.

29.4 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.

29.5 In the absence of the CE, delegated authority and approval of commitment to spend is given to the FCSM.

29.6 Approval of Commitment to Spend (including entering contracts).

i) Capital Expenditure (excluding properties, including IT, copiers etc)

a)	Up to £5,000	FCSM
b)	Up to £10,000	CE
c)	Over £10,000	Board

ii) Capital Expenditure (properties)

a)	Purchase of a property	Board
b)	Development spend within approved contract sums	CE
c)	Component Replacement spend within approved contract sums	Asset Management Officer
d)	Contract variations over £10,000	Board

iii) Staff Appointments, Salaries & Staff Costs

a)	Creation of new posts	Board
b)	Temp contracts	CE
c)	Salary Reviews	Board
d)	Staff Expenses	FCSM
e)	Board Expenses	Chief Exec / FCSM
f)	CE Expenses	Chairperson
g)	Overtime	Chief Exec / FCSM

iv) Property Management Costs

a)	Repair & Maintenance, works up to £3,500	Asset Management Officer
b)	Voids works up to £5,000	HSL
c)	Repair & Maintenance, Voids work, Planned and Insurance works up to £10,000	FCSM
d)	Repairs & Maintenance, Voids work, Planned and Insurance works up to £25,000	CE
e)	Repairs & Maintenance, Voids work, Planned and Insurance works over £25,000	Board

v) Office Administration & Other General Expenses

a)	Up to £2,500	Corporate Services Team Leader
b)	Up to £5,000	FCSM
c)	Up to £10,000	CE
d)	Over £10,000	Board

vi) Housing Management

a)	Legal Fees per case up to £500	Housing Officers
b)	All costs up to £2,000	HSL
c)	All costs up to £10,000	CE
d)	All costs over £10,000	Board

**AUTHORISED BUDGET HOLDERS/ DESCRIPTION OF COSTS**

CE	<p>Employee Costs          External Consultants          Advertising &amp; Promotion          Board Expenses/Committee Costs &amp; Training          AGM &amp; Strategy Day Costs          Board/Staff Recruitment          Tenancy Supported Services/Donations          General Legal fees          Other Fixed Assets/Website          New Build Projects          Wider Action Costs</p>
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FCSM	<p>Loan Payments          Component Replacement Costs          Property &amp; General Insurance          Bad Debts          Staff/Board Training Subscriptions          Bank/Allpay Charges          General Expenses/Overheads          Audit Fee (Internal &amp; external)          Rent &amp; Rates          Inter group charges          Affiliation Fees</p>
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<p>Corporate Services Team Leader</p>	<p>Office Administration and other general expenses:</p> <ul style="list-style-type: none"> <li>Heat, Light &amp; Cleaning Insurance</li> <li>Office Repairs/Concierge Office</li> <li>Equipment Purchase/ Leasing/ Maintenance</li> <li>Printing &amp; Stationery</li> <li>Postage</li> <li>Telephones</li> <li>Health &amp; Safety</li> <li>HR Support</li> <li>Computer Software/Support</li> </ul>
<p>HSL</p>	<ul style="list-style-type: none"> <li>Void Costs</li> <li>General Housing Management Costs</li> <li>Housing Legal Fees</li> <li>Tenant Participation</li> <li>Tenancy Sustainment Fund</li> <li>Translation costs</li> <li>Estate Management</li> <li>Stage 3 Adaptations</li> <li>Stair Cleaning costs</li> </ul>
<p>Asset Management Officer</p>	<p>Property Management costs as follows:</p> <ul style="list-style-type: none"> <li>Reactive Maintenance</li> <li>Major Repairs/Cyclical Maintenance</li> <li>Maintenance Agent Fees</li> <li>Maintenance Consultancy</li> <li>Landscaping/Garden Maintenance</li> <li>HMO Repairs/Expenses</li> <li>Environmental Improvements</li> </ul>

## 29.7 AUTHORISED SIGNATORIES

<b>BACS Payment List</b>	
Prepared by	FCSA
Authorised by	FCSM
<b>BACS Payment (Online)</b>	
Prepared by	FCSA
Authorised by	Office Bearers / CE/ FCSM
<b>Cheque Payments</b>	
Prepared by	FCSA
Authorised by	Office Bearers / CE/ FCSM
<b>Grant Offers</b>	
Authorised by	Office Bearers / FCSM
<b>HAG Claims</b>	
Prepared by	Development Agent
Authorised by	FCSM
<b>Private Finance Drawdown</b>	
Prepared by	FCSM
Authorised by	Office Bearers / CE
<b>Scottish Government Grants</b>	
Prepared by	FCSM
Authorised by	Office Bearers / CE

A copy of all sample signatory forms issued to third parties must be retained by the Finance Team.

## 29.8 BUDGET HOLDERS

These apply to all parts of the Muirhouse group including budgets held in subsidiaries.

## 29.9 Group Structures

In certain circumstances it may be advantageous to the Association to establish group structures or subsidiaries to undertake services on its behalf.

- 29.9.1 The Board is responsible for approving the establishment of group structures or subsidiaries and the procedure to be followed in order to do so.
- 29.9.2 It is the responsibility of the Board to establish the shareholder arrangements and appoint directors of companies wholly or partly owned by the Association.
- 29.9.3 The directors of companies where the Association must submit an annual report to the Board.

## **29.10 Taxation**

- 29.10.1 The FCSM is responsible for advising heads of departments on all taxation issues in the light of guidance issued by the appropriate bodies and the relevant legislation as it applies to the Association.
- 29.10.2 The FCSM is responsible for maintaining the Association's tax records, making all payments, receiving tax credits and submitting tax returns by their due date as appropriate. He/she is also responsible for developing an effective taxation strategy which will minimize the tax burden to the Association.

## **29.11 Amendment of Financial Regulations**

### **Authority to amend Financial Regulations**

- 29.11.1 Only the Board has authority to make changes in the Association's Financial Regulations.

### **Reasons for Change**

- 29.11.2 Amendments to Financial Regulations may be required for the following reasons:
- Changes in statute, regulatory guidance, rules, standing orders, or delegated authorities which contradict or otherwise require a change in the Financial Regulations;
  - Recommendations from Internal or External Auditors; or
  - Operational experience of the Association.

### **Source of Amendment**

- 29.11.3 Amendments to the Financial Regulations may be proposed to a meeting of the Board by:
- A Board member;
  - The CE or FCSM; or
  - Other Senior Staff
- 29.11.4 Board members must receive a draft of the proposed change and explanatory notes with notice of meeting in line with Standing Orders.
- 29.11.5 Amendments to the Financial Regulations are subject to the usual Board voting procedures as set out in the Standing Orders. Any amendments approved have immediate effect unless the Board resolves otherwise.



**STAFF MEMBERS**

<b>Signature</b>		<b>Print</b>	<b>Date</b>
<b>Signature</b>		<b>Print</b>	<b>Date</b>
<b>Signature</b>		<b>Print</b>	<b>Date</b>