

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. The objective of this document is to set out the Association's Financial Regulations, which form a framework for managing and controlling the business. It translates into practical guidance of the Association's broad policies relating to financial control.
- 1.3. The expected outcome of this document is to provide a framework that will facilitate the development of robust and effective financial management and control.
- 1.4. This document refers to statutory requirements and Association policy where appropriate.

2. STATUS OF FINANCIAL REGULATIONS

- 2.1. The financial regulations of the Association form part of the overall system of financial and management control. The rules of the Association, the remit and authority of the Board and its Committees and the Standing Orders outline how the Association will be controlled and run.
- 2.2. The Association is a registered Scottish charity and a registered society with the FCA under the Co-operative and Community Benefit Societies Act 2014. The Association abides by the Model Rules (Scotland) 2013.
- 2.3. Compliance with these regulations is **compulsory** for all Association staff and it is the responsibility of Directors to ensure that all staff are made aware of the existence and content of the financial regulations and that they are easily available to staff, for reference, within each department.
- 2.4. The Audit Committee is responsible for the regular review of the financial regulations and for advising the Board of any changes. Review should take place every 3 years.
- 2.5. The Association's Financial Procedures Manual describes how these regulations will be implemented. The Finance Manager is responsible for the preparation and maintenance of the Financial Procedures Manual, which will be made available to all departments. This Manual will be reviewed every 3 years.

3. RESPECTIVE RESPONSIBILITIES

3.1. The Board

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

- a. To ensure the solvency of the Association by safeguarding the assets of the Association and ensuring they are used effectively and efficiently.

- b. To approve on an annual basis:
 - Annual budget
 - 30 year business plan
 - 5 year Viability return
- c. To regularly consider and approve the Association's strategy. This will be done as part of the Corporate Plan review and development as well as in the review of the 30-year business plan. More medium term strategic planning is also the responsibility of the Board in conjunction with the Executive Team.
- d. To consider and approve annually the Association's rent increase, final accounts and response to the auditor's management letter.
- e. To approve the submission of relevant returns including that to the Financial Conduct Authority and Scottish Housing Association Regulator (such as the AFS and information concerning regulation and inspection visits).
- f. To review the Association's performance against Scottish Housing Regulator by way of the completion and submission of the Annual Return on the Charter (ARC), 5 Year Viability Return and the Loan Portfolio Return annually and monitor progress to ensure continual improvement.
- g. To agree the Association's internal performance targets and monitor progress against these at least quarterly.
- h. To consider and approve all disposals and leases in line with delegations set out in the Scheme of Delegation.
- i. To receive confirmation of all disposals.
- j. To review and approve the Board Members' expenses policy.
- k. To consider and approve the terms and conditions of all loan agreements and hedging.
- l. To consider and approve the terms of any Association contracts in line with the delegations set out in the Scheme of Delegation.
- m. To consider and approve the Association's Development Strategy plan.

Full details of the remit and authority of the Board of Management can be found in the Governance Policy Manual. In practice the Board delegates appropriate responsibilities to relevant Committees and staff as detailed below.

3.2. The Audit Committee

This remit and delegated authority is designed to clarify the responsibilities of the Audit Committee, in line with any relevant directives or good practice guidance issued by the Scottish Housing Regulator, Scottish Government or other statutory authority.

The main functions of the Audit Committee are overseeing:

- The Association's accounting and internal control systems.
- To consider and approve the Association's quarterly group management accounts.
- 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 of the Association.
- The Risk Management Framework and Risk Registers of the Group
- Compliance with GDPR/FOI/EIR.
- Tenant Health and Safety

Full details of the responsibilities of the Audit Committee can be found in the Governance Policy Manual.

3.3. The Chief Executive

The Chief Executive is responsible for the operational management of the Association's affairs. He or she must assist the Board in determining its strategic objectives and promote achievement of such objectives through the effective deployment of the Association's resources.

3.4. The Finance & Corporate Services Director

The Finance & Corporate Services Director is responsible for the management and control of the Finance function. Key financial responsibilities, for which the Finance & Corporate Services Director is accountable to the Chief Executive, include

- a. Financial and Business Planning including 30 year business plan and Subsidiary 5 Year business plan.
- b. Ensuring the preparation and monitoring of annual capital and revenue budgets and associated activities such as, cash flows and borrowing forecasts for the Association and its subsidiary.
- c. Ensuring that quarterly management accounts are prepared, and performance monitored against budget.
- d. Ensuring that quarterly and annual Treasury Management reports are submitted to Audit Committee and Board.
- e. Ensuring that annual accounts are prepared in accordance with statutory requirements and recommended practice.
- f. Ensuring the Association maintains manual and computerised accounting systems and ensuring such systems are developed to ensure effective financial planning, control and management.
- g. Ensuring that statutory returns are prepared and submitted to the relevant body e.g. Scottish Housing Association Regulator, Financial Conduct Authority, lenders, business bankers and other stakeholders as appropriate.
- h. Ensuring the development, implementation and regular review of all financial policies and procedures.
- i. Performance reporting

3.5. Other Departmental Directors

Other Departmental Directors are responsible to the Chief Executive for financial management in their own areas. They are advised by the Finance & Corporate Services Director in executing their financial duties. Directors are responsible for establishing

clear lines of responsibility within their department for all financial matters and for acting in accordance with the Financial Policy and Procedures Manual.

3.6. Responsibilities to External Bodies

In addition to the above responsibilities, it should be recognised that external bodies may impact on the financial regulation and procedures of the Association. The main external organisations to impact in this way are:

- a. External Audit
- b. Internal Audit
- c. Scottish Government Housing and Regeneration Directorate
- d. Scottish Housing Regulator
- e. Office of the Scottish Charity Regulator
- f. Lenders
- g. Business Bankers
- h. Financial Conducts Authority (FCA)
- i. Information Commissioner Office (ICO)

3.7. External Audit

It is a statutory requirement for the Association to be audited annually by an external auditor. Each year members of the Board appoint the Auditors, at the Association's Annual General Meeting (AGM). The Auditor appointed must be suitably qualified and completely independent of the Association. To ensure it obtains value for money the Association will put the external audit out to tender at least every five years

The Finance Manager will agree the dates for the external audit with the auditors and arrange for a copy of the audit plan to be submitted to the Audit Committee. The timing of the audit should allow for the accounts to be approved by the Board at a meeting prior to the AGM whilst allowing sufficient time for the accounts to be prepared. At the start of each audit the Finance Manager will present to the auditor a draft set of accounts supported by a complete set of working papers. On completion of the audit the draft accounts will be presented to the Audit Committee in advance of obtaining Board approval. The Finance Manager will present the audit findings to the Audit Committee and the auditor will discuss any relevant audit points and present the Letter of Representation for signing and cover any Management Letter points if applicable. The Audit Committee will also approve the response to any Management Letters.

The Finance Manager will also present the accounts to the Audit Committee and if satisfied the Audit Committee will recommend the Board approve and sign the accounts at which point the accounts are effectively complete.

3.8. Internal Audit

It is good practice and a requirement of Scottish Housing Association Regulator that associations have internal audits carried out. This should be based on an initial needs assessment followed by a rolling programme of checks covering all sections of the association over a three-year period. The Board of Management, on the

recommendation of the Audit Committee, appoints the internal auditor. The number of Internal Audit visits will be determined in the programme agreed at the initial needs assessment. The number of these visits should be adequate to provide assurances to the Board of Management and demonstrate that adequate internal controls are in place. The Audit manager should attend the Audit Committee at least once a year. The internal audit service provision must be subject to a regular tender process. It is likely that this will be every three to five years.

3.9. Scottish Government Housing and Regeneration Directorate

The Scottish Government controls housing association Grant funding and distributes this to housing associations as part of a prescribed process to subsidise the building of affordable Housing. The Association works with strategic local authorities who approve sites to receive grant as part of the SHIP process.

3.10. Scottish Housing Regulator

The Scottish Housing Regulator is the Association's regulator. In their capacity as regulators the Scottish Housing Regulator issues Guidance Notes. These notes will impact on the way the Association conducts its financial affairs. It is the responsibility of the Finance & Corporate Services Director to keep them informed of all relevant guidance notes and to consider their impact on the Association's financial procedures and operations. The Finance & Corporate Services Director must ensure that all changes introduced by the Regulator are complied with in the required timescales.

3.11. Office of the Scottish Charity Regulator

As Clyde Valley Housing Association is a registered charity, the Office of the Scottish Charity Regulator (OSCR) also regulates it. OSCR ensures that organisations meet the criteria to become charities before they are granted that status and ensures through monitoring and regulation that they continue to meet the criteria. However, to ensure that organisations do not suffer over regulation by having to submit essentially the same information to different regulators, OSCR has Memorandum of Understanding with various other regulators which in effect agrees who will take the lead in regulatory terms. In addition to regulation OSCR also publishes Guidance notes and other useful information for use by charities. The Finance Manager is responsible for submitted all returns to OSCR.

3.12. Lenders

The Association obtains the balance of funding required to build affordable housing through Private Finance Borrowing. The Association undertakes through its loan agreements to provide its lenders with a range of financial information and to ensure that it complies with its loan covenants. It is the responsibility of the Finance & Corporate Services Director to set up appropriate controls to ensure that all loan covenants are monitored and complied with. It is also the Finance & Corporate Services Director's responsibility to advise the Board and the Chief Executive if, for any reason, the covenants may not be met. In such circumstances the Finance & Corporate Services Director will liaise with the lenders to secure the necessary waivers or advise lenders of adjustments required in their covenant calculations. The Finance & Corporate Services Director must also ensure that the lenders are provided with required information within the specified timescales.

3.13. Business Bankers

In addition to the lending syndicate the Association also has a business banking relationship with a bank that may be outside the lending syndicate. As an overdraft limit

and other terms will be in place with business bankers the Finance & Corporate Services Director must ensure that agreements are in place and signed by the Association's Board to define the relationship with the bank and that copies of any financial information required as part of this relationship are delivered within specified timescales.

3.14. Financial Conducts Authority (FCA)

All CVHA and CVPS accounts are presented to Annual General Meeting for approval annually in September. Once approved the accounts are uploaded to the FCA by 31 October. Annual returns are also made to the FCA. In addition, changes to rules must be approved by the FCA

3.15. Information Commissioners Office (ICO)

CVHA and CVPS are registered to ICO and quarterly returns are prepared and presented to the ICO in regards Freedom of Information (FOI) and Environmental Information Requests (EIR). Any material data breaches must be reported to the ICO. The ICO can also receive complaints from external re FOI or Data Protection and we are obliged to respond within timescales.

4. STRATEGIC FINANCIAL CONTROL

4.1 Annual Budget

The annual budget serves three key strategic objectives:

- a. It is the quantification of the Group's strategic plans and objectives for that year, which are reflected in the Corporate Plan.
- b. It facilitates planning by imposing a formal procedure through which a review of the Association and its subsidiary's activities must be carried out together with an examination of the activities planned for the year ahead.
- c. Once approved it becomes the measure against which the organisation's actual performance can be appraised (the Management Accounts).

The annual budget setting process covers the Association's next financial year and includes comparisons with the previous year in terms of budget or actual spend to ensure completeness. The annual budget forms the first year of the thirty-year plan and subsequent years' forecasts are made with reference to that year as a base with adjustments for changes in activity and inflation forecast for subsequent years.

The budget process includes engagement with all devolved budget holders within the Organisation. Budgets are channelled through Directors to derive a total budget for each service area. These budgets are then sent to the Finance Manager for consolidation and a draft budget submitted to the Executive Team for approval. The Board will be presented with the budget for approval by March each year following scrutiny by the Audit Committee.

Other purposes of budgeting include:

- a. To determine the total income and expenditure of the organisation and to ensure that it is financially viable. This is particularly important for the rent policy development and proposed increases.
- b. To help plan the expenditure of the Association and its subsidiary to meet strategic and operational objectives and to help determine priorities.

- c. To provide a basis for the authorisation of expenditure.
- d. To ensure that the activities of all the different functions of the Organisation are co-ordinated as one.
- e. To ensure that key performance indicators are derived from the Association's spending proposals and that these can be benchmarked and compared to inform future actions.

4.2 Budget Preparation

The budget will be prepared as follows:

The Finance Manager will prepare a detailed budget each year, which will include:

- a. Statement of Comprehensive Income
- b. Statement of Financial Position
- c. Statement of Cash flows
- d. Operating Costs
- e. Development Projects
- f. Key Performance Indicators and Lenders' Covenants
- g. Suitable supporting documentation

The supporting documentation will comprise a detailed analysis of all the figures included in the three main documents (i.e., statement of comprehensive income, statement of financial position and statement of cash flows).

In order to facilitate the implementation of the Association's rent increase the budget must be reviewed by the Audit Committee at their February meeting and approved by the Board by the end of March. The budget will be prepared from information obtained from the following sources:

- a. The Corporate Plan
- b. Discussions with all members of the Executive Team, Managers, and other Senior Officers
- c. It will also recognise any potential costs arising from the Association's Risk Management Plan , Health and Safety Plan and IT Plan.

The budget will also consider any constraints arising imposed by the regulators or legislation (these will generally have been recognised through the SWOT and PEST analysis in the Corporate Plan).

When preparing the budget reference must be made to the Association's 30 Year Business Plan and Cash Flow to ensure that there are no major deviations from the previous plan and if so these must be investigated.

The budget will be used to monitor and report actual performance against planned income and expenditure. Comparison between actual income and costs and those

budgeted will be produced at least quarterly and submitted quarterly to the Audit Committee. Material differences (variances) will be highlighted, and explanations given to clarify their effect on the Association's financial position. Where the variance is adverse the narrative will also give some indication, if possible, as to whether the situation will change in the remainder of the year. The anticipated year-end position against budget must also be quantified for each area of expenditure. The Audit Committee is responsible for deciding whether a variance is material.

The budgets will be prepared based on responsibility accounting with the appropriate managers being responsible and accountable for those budgets under their direct control. For every item of income and expenditure there must be a designated budget holder. An annual comparison of budget against actual expenditure will be carried out and this will be discussed in detail with each budget holder to ensure that budgets requested through the devolved budget process are appropriate.

The Budget for each year will be set and approved by the Association's Board. Minor operational changes to the budget will be controlled by the Finance & Corporate Services Director and reported to the Audit Committee as appropriate. However, if there were significant material changes to the Association's plans i.e. stock transfer or a major restructuring of the organisation the Board would be required to approve the revised budget. This would be an extra-ordinary event.

4.3 Virement and the 6 Month Review

Once approved, the annual budget will represent the Board's authority for the budget holder responsible to incur expenditure up to the budget set. The Finance & Corporate Services Director will maintain a reconciliation of the budget on a monthly basis tracking any changes with reasons for change.

Virement is the accounting term used to describe budget moved from one budget heading to another. This can only be sanctioned under certain circumstances and with the approval of the relevant Director and Finance & Corporate Services Director.

Virements usually take place as part of the 6 month review, or as circumstances arise, midway through the financial year the budget holders review their budgets. The budget holders may require to move budget spend from one budget heading to another.

A budget holder may transfer from one revenue budget to another revenue budget in his/her control subject to specified conditions and limits as shown below. The Budget holder can approve:

- £1k for all corporate spend e.g. staff training, office overheads, etc.; and
- £5k for all other disciplines.

Directors can approve:

- £5k for corporate spend;
- £50k for all other;
- £5k to £10k for corporate spend
- < £100k Chief Executive and Finance & Corporate Services Director;
- > £100k Chairperson and Chief Executive.

Where service provisions transfer from one department's revenue budget to another, then the budget should follow the expenditure and virement between the two departments and be sanctioned automatically.

The need for any virement in the revenue budget will be looked at on a case-by-case basis and require approval from the Finance & Corporate Services Director.

The Chief Executive and The Director of Finance & Corporate Services must approve Virements between capital budgets and revenue budgets and vice versa. This may be done up to a specified limit. Above this limit authorisation of the Board is required.

Emergency spend

If additional expenditure is identified, authorisation should be sought from the Board to overspend and discuss the possibility of compensatory savings. In these circumstances the supporting report should contain comment from the Finance & Corporate Services Director regarding the financial consequences of the additional spend. Notwithstanding the above the Chief Executive and/or Chairperson is permitted to authorise an additional overspend of up to £10,000 in the event of an emergency. Such authorisation must be reported to the next meeting of the Board with an appropriate explanation.

4.4 Management Accounts

Management accounts that are accurate, complete, and timeous and presented in a relevant format are essential if effective decisions are to be made.

Management Accounts are primarily intended for internal use, mainly by members of the Executive Team, Management Team and the Board. However, they are required by certain third parties, and this must also be recognised e.g., lenders and the Scottish Housing Regulator.

The Management Accounts compare the Association's actual performance against its planned performance as set out and approved in the annual budget. The Management Accounts are the main method by which the Executive Team and the Board can ensure they are exercising effective control over the financial affairs of the Association. In addition management accounts are used as in year monitoring for loan covenant compliance.

Prior to submitting the Management Accounts to the Audit Committee these should also be submitted for discussion to the first available Executive Team Meeting following the completion of the Management Accounts. This should preferably be before submission to the Audit Committee; however meeting dates determine if this is possible.

The Management Accounts will be prepared monthly and presented to the Audit Committee on a quarterly basis where it is intended that the detailed discussion will take place. The focus of the discussion will be on the variance analysis provided. The Audit Committee have delegated authority to approve the accounts.

4.5 Annual Accounts

It is a statutory requirement that the Association prepares a set of Annual Accounts. Whilst the legal responsibility for producing the Accounts rests with the Board it will be the responsibility of the Finance Manager to produce them within the necessary timescales. It will be the responsibility of the Finance Manager to plan the production of the Annual Accounts so that the accounts are audited and submitted to the Board in sufficient time for the Association's Annual General Meeting.

The final, post audit, accounts will be presented to the Audit Committee who will consider the accounts and make recommendation to the Board for approval. At this meeting the Finance Manager will present the Accounts to the Board, together with any appropriate explanations of audit points and any management letter points they feel need to be made. The Board will receive the accounts for formal approval before the AGM.

Once approved, the Accounts will be presented for consideration at the AGM. The Finance Manager or Auditors will be responsible for presenting the Accounts and answering any questions from the Membership. The Auditor will present a summary of the Auditor's report from the Accounts.

It will be the Finance Manager's responsibility to ensure that all necessary signed copies of the Annual Accounts are distributed to the appropriate relevant bodies within the required timescales.

4.6 30 Year Business Plan and Statement of Cash flows

It will be the Finance & Corporate Services Director's responsibility to ensure that the Association's 30 Year Business Plan and Statement of Cash flows are reviewed at least once a year. As with the Annual Budget this should be done in close consultation with the Chief Executive and the members of the Executive Team. As with the Budget it should also take information from the Internal Management Plan, the Risk Management Strategy and the IT Strategy.

The Business Plan will form one of the most important documents in terms of the Association's long term strategic planning and will provide 30-year projections for:

- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Cash flows

The plan is also significant in so far as the projected balance sheets will contain a forecast of the Association's debt requirement. This will allow the Association to plan its funding requirements well in advance of its anticipated needs.

The annual review should be carried out as soon as possible in conjunction with the budget and should be structured with year one of the plan being consistent with the budget. The review should be completed by May of each year with key information from the Business Plan informing the 5-year viability return.

Once the review is complete it should be presented in the first instance to the Executive Team for discussion and approval.

When the Executive Team are satisfied with the accuracy of the Business Plan and the assumptions made within it should be presented to the Board for formal approval. Once approved the Business Plan, like the Budget, should be used as a basis for comparing with actual performance for control and decision making purposes.

Subsequent Business Plan work includes comparing actual expenditure during the planned period with original Business plan.

4.7 Financial Records and Controls

For the Association to exercise control over its income and expenditure it must first determine how this information is to be recorded.

The accounting records maintained by the Group should be appropriate to the needs of the organisation and meet the requirements of statute and its regulators. On an operational level the Finance & Corporate Services Director and Finance Manager are responsible for ensuring that all such requirements are met and for keeping the Board informed of any developments affecting their statutory responsibilities.

The Finance & Corporate Services Director is also responsible for the retention of financial documents. These should be kept in a form acceptable to the relevant authorities. The Group is required by law to retain prime documents. These include

- Supplier invoices, delivery notes, goods received notes
- Sales invoices
- Bank statements and pay-in books
- Books of prime entry e.g., cashbooks, ledgers, petty cash records
- Cash received records
- Annual accounts
- Wages and salaries records.

For details of retention periods see policy G15 Data Retention Policy.

To ensure that proper accounting records are maintained it is essential that all the procedures outlined in the following pages and in the Financial Procedures Manual are adhered to. Failure to do this could compromise the reporting of information upon which the recipients will base their decisions, i.e. the Management Accounts, and may expose the Group to undue risk. Therefore, the Board will view such failure very seriously.

5. OPERATIONAL FINANCIAL CONTROLS

5.1 Document signing, Cheque Signing and BACS Authorisation

Where a key document requires a person authorised to sign on behalf of the Group and the designation of this person is not specified the signature can be supplied from the following approved signatories:-

Executive Management Team	Board Members
Chief Executive	Chairperson
Finance & Corporate Services Director	Chair of Audit Committee
Customer Services Director	Secretary
Director of Development & Property	
People Director	

The Chief Executive and Directors above will be permitted to sign cheques up to the value of **£20,000** without the requirement of a Board member's signature. The Board members listed above will be permitted to sign cheques in addition to any one of the staff members listed above and all cheques must be signed by 2 of the above authorised signatories. For cheques greater than **£20,000** at least one Board member's signature will be required.

Payments made via BACS transfer are credited to the recipient's bank account two days after the date of transfer. These will be prepared by the Finance department and authorised by the Finance & Corporate Services Director if available or the other Senior Staff noted above. The limits on these BACS transfers are Trade creditor batch totalling no more than **£1,000,000** and salary batch totalling no more than **£250,000**. These limits are per current facility agreement with Barclays Bank.

Payments made via CHAPS transfer are credited to the recipient's bank account on the date of transfer and are only approved in exceptional circumstances as this type of payment will result in an additional charge to the group. CHAPS requests will be prepared by the Finance Department and authorised by the Finance & Corporate Services Director if available or the other Senior Staff noted above.

It is the responsibility of the individual signing a document on behalf of the group to be aware of what they are signing and to understand the implications of their approval of the document in question. In addition, where a formal minute is required, this must be taken. The following details must be checked: -

- the amount in words and in numbers agrees to each other (cheques only).
- the date on the cheque or BACS payment date is correct.
- the payee details are correct in accordance with the supporting documentation; and
- the amount paid is in accordance with the supporting documentation.

5.2 Banking Arrangements

The Board is responsible for the appointment of the Association's bankers on the recommendation of the Finance & Corporate Services Director.

The Board is responsible for approving authorised cheque and BACS signatories on the recommendation of the Finance & Corporate Services Director and as detailed above.

The Finance & Corporate Services Director may open or close bank accounts for dealing with Association funds so long as this is countersigned by the Chair of CVHA. All bank accounts must be in the Association's or Subsidiary's name.

The Finance Manager is responsible for ensuring that procedures are in place regarding the security and custody of unused cheques.

The Finance Manager is responsible for ensuring that bank reconciliations are prepared monthly. The relevant Finance Administrator should carry out bank reconciliations. The Finance Manager must check and sign each reconciliation.

5.3 Cash and Cheque Receipts

To minimise risk to staff, cash payments will not normally be accepted at the Head Office. Where such a situation arises, the monies should be banked at least once per week. Where monies must be kept overnight, they must be stored in a safe or secure cash box.

The custody of cash holdings must comply with the requirements of the Association's insurers. The current limits are £500 in petty cash and £2,500 in income. Details of cash held for insurance purposes can be found in Financial Procedures manual.

Cash holdings of the Association must not be used for personal purposes and no cashing of personal cheques undertaken.

The Finance Manager is responsible for ensuring that appropriate procedures are in place for the recording and banking of receipts.

5.4 Petty Cash

From time to time the Association's offices will need to pay for very small items of expenditure. These should be met from their petty cash float. This is operated on the imprest system.

Payments will only be made from the petty cash for items of a minor nature e.g. stamps, stationery, board members expenses etc. Occasionally cash will be used for Decant costs due to a tenant but this will only be in exceptional circumstances and should be kept to a minimum.

A receipt must accompany all petty cash payments. The parties making and receiving the payment will sign the petty cash request. All petty cash requests should contain full details of the expenditure and dated with the date of payment. A relevant budget holder must also sign the request.

All receipts and payments for petty cash will be recorded on an on-going basis. The cash will be held in a lockable cash box and will be the responsibility of one individual. When not in use the petty cash box will be locked and kept in the office safe. The person responsible for the petty cash will reconcile the balance in the petty cash sheets to the actual cash monthly.

When the petty cash needs to be topped up a petty cash request form must be completed.

At no time should petty cash be used for any purpose other than for expenditure wholly and necessarily incurred on official business. In no circumstances should petty cash be used to provide either a staff or board member with an IOU.

The Finance & Corporate Services Director and/or the Finance Manager, as appropriate, may carry out random checks of the petty cash and the supporting records.

Any petty cash shortages, which cannot be identified, should be reported immediately to the Finance & Corporate Services Director or Finance Manager for investigation. If unresolved after investigation any differences greater than £5.00 should be reported to the Finance & Corporate Services Director. **Any material cash shortages should be reported to the Finance & Corporate Services Director and Chief Executive immediately.**

Reference should be made to the Financial Procedures manual for detailed procedures relating to petty cash.

5.5 Procurement

All procurement of goods and services must be carried out in accordance with the Procurement Manual.

Only approved budget holders are authorised to commit the Association to expenditure and must first ensure that sufficient funds are available within the relevant budget. Finance Department maintain a list of budget holders and delegated authorities.

All goods and services apart from those made from petty cash and certain exemptions must be ordered via:

- a. A job order (repairs only) set up on the computerised repairs module;
- b. The authorised acceptance of a tender; or
- c. Manual order of goods i.e., overheads, etc.

5.6 Authorisation of Invoices for Payment

In order that invoices are registered on the financial accounting system, it is imperative that they are received in the first instance by the Finance Department. Invoices should be received by email for uploading to the Electronic Invoicing System (EBis).

Finance must ensure that the invoice is registered as soon as possible before being circulated electronically for authorisation.

All invoices must be authorised ideally within 3 days. Where an invoice cannot be authorised, the invoice must be returned to Finance and an explanation given.

Payment can only be made against an invoice that has been properly authorised for payment.

The invoice must be properly checked against the purchase order where appropriate.

The invoice must be electronically authorised by the person who has carried out the checks and by the person authorised to pass for payment. In the case of a repair order set up on the computerised repair module, authorisation will also be affected electronically.

The person authorising payment must also ensure the appropriate cost centre and expense code is used against the invoice. This is not required for a repairs order set up on the computerised repairs module as the expense codes and cost codes are input at the time of placing the order.

Note it is vital for control purposes that the correct cost centre and detail code are used on the invoice. These must match with the budget code, which the expenditure is being allocated against.

All invoices will then be prepared for payment in accordance with the terms and conditions of the invoice. It is the policy of this Association to ensure as far as possible that invoices are paid neither early nor late. The Association will endeavour to make maximum use of any credit facilities available whilst ensuring that creditors are paid on time.

The Finance Section will carry out a payment run every week. It is envisaged that most invoices will be paid via the payment run; however, it is acknowledged that this will not always be possible. Payments out with the payment run should comply with the requirements of the Non-Invoice Payments section below. Once the payments have been prepared, they will be paid through BACS in accordance with the Association's Policy on Cheque Signing and BACS Authorisation as detailed above.

5.7 Non-Invoice Payments – Cheque & BACS Payment Requests

It is the Association's Policy that there should always be an invoice from the supplier in support of any amounts paid.

However, there will be occasions where this is not possible, for example, a cheque request for a top up of the petty cash impress system. In these cases, an appropriate Cheque Request Form must be completed and authorised by the appropriate budget holder.

Cheque request forms should enclose appropriate back up as to the details and nature of the purchases. This Back-up documentation will support the request.

When a receipt is subsequently issued to the Association; this should be forwarded to Finance for attaching to the Cheque Request Form.

When the payments have been prepared, they will be paid either by cheque or BACS in accordance with the requester's preference.

5.8 Salary Payments

The Association is a member of Employers in Voluntary Housing. This is the employers' federation for the housing movement that, in conjunction with the staff union, agrees the terms and conditions of employment for the Association's staff and is responsible for negotiating the annual pay award. All salary payments must be made in line with the CVG Conditions of Service which are based on EVH. The Association is also a member of the Scottish Federation of Housing Association's (SFHA) Pension Scheme, which is administered on behalf of the SFHA by The Pension Trust.

The Association operates a computerised payroll system and salaries will be paid direct into staff member's bank accounts through the BACS payment system. The payment date for salaries is the 25th of the month, or the last working day prior to this if it should fall on a weekend or a public holiday.

Overtime and staff expenses can be claimed by completion and approval of the appropriate form. All overtime payments must comply with the CVG conditions of service. **Note these should be submitted monthly to the finance section with the appropriate signatures of approval. Claims for more than one or two months will only be accepted under certain circumstances.**

The HR Officer/Manager will be responsible for keeping the Finance Section informed of any new starts, leavers, sick leave or any other special arrangements i.e., unpaid leave etc. New starts confirmation as to starting dates and starting salary should be provided.

Annual cost of living increase is agreed between the employers' federation and the staff union. Notwithstanding this, and to avoid ambiguity, this rate should be reported to the Board for noting and details of this annual cost of living increase posted on the Association's Sharepoint et for employees at the start of each financial year.

With any disputes arising regarding rates of pay or conditions of service the Association will refer to the EVH Terms and Conditions of Employment.

5.9 Travel, Subsistence and Other Payments

The Association will reimburse the staff and Board for all legitimate expenses paid provided they were incurred wholly and exclusively during the Association's business. Staff expenses must be submitted to the Finance Section as soon as possible and in line with the cut off dates for payroll. Expenses received after that date will be paid out the following month. In each case the appropriate form must be completed.

Note these should be submitted monthly to the finance section with the appropriate signatures of approval. Claims for more than one or two months will only be accepted under certain circumstances.

Board Members' expenses are subject to policy G02 Board Members' Expenses contained within the Governance Policy Manual.

5.10 Taxable Benefits in Kind

All benefits in kind such as use of a company car and payment of professional subscriptions on behalf of employees are subject to tax and are included in the annual P11D return to HMRC.

Finance Department is not responsible for calculating tax codes as these are supplied by HMRC via a P9 form and applied to payroll.

5.11 Fixed Assets

A register of all properties owned will be maintained, recording adequate description and information for each property.

A register of other (non-housing) assets will be maintained by the Finance department and will contain adequate description of all non-housing assets such as computer equipment, office equipment, plant, vehicles, fixtures & fittings etc.

The register will include the following information

- a. Description
- b. Asset Number (serial number or unique reference number where possible)
- c. Date of purchase
- d. Cost
- e. Date of disposal
- f. Proceeds of disposal
- g. Depreciation rate and net book value

Only assets that cost more than £200 should be capitalised.

5.12 Fixed Assets Disposal

Disposals of housing assets will only take place with the approval of the Board. Where required the appropriate documents must be submitted to the Scottish Housing Regulator.

Disposals of other (non-housing) assets must be carried out in accordance with procedures agreed by the Board and as set out in the Financial Procedures Manual. Managers for each department are responsible for notifying finance when an asset is disposed of, when and to whom this has happened, and the value of any receipt given for the asset on disposal.

5.13 Treasury Management

Treasury management refers to the management of the organisation's liquidity and cash flows, its banking, money management and capital market transactions and loan management; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

For further information reference should be made to the Association's Treasury Management Policy- Policy no F08. This policy describes the following:

- a. Approved activities
- b. Approved methods of raising finance
- c. Approved organisations for investments
- d. Interest rate exposure
- e. Reporting requirements

In addition, the Financial Procedures Manual contains procedures in relation to Strategic and Operational Treasury Management Activities.

5.14 Risk Management

Risk management is defined as "The term applied to a logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process in a way that will enable organisations to minimise losses and maximise opportunities."

The Association has a policy dedicated to risk management – Risk Strategy Policy no G16.

The policy is reviewed and updated as necessary to meet changing demands.

5.15 Insurance

The Finance & Corporate Services Director will ensure that the Association has adequate insurance in place for its properties and all other assets and the activities of Board members and staff.

Staff should inform the Finance & Corporate Services Director of any new risks or assets requiring insurance cover and of any alterations required to existing insurance policies.

5.16 Fraud or Suspected Irregularity

The Finance & Corporate Services Director maintains a Fraud Register and all details of losses are recorded therein. Any member of staff who discovers or suspects fraud,

loss or theft of any kind should report it immediately. Means of reporting and further information is contained in The Whistle blowing section within the HR Manual.

5.17 Bad Debts

Bad debts should be written off only when all reasonable attempts to recover the debt have been exhausted.

In addition to writing off known bad debts, consideration must be given to doubtful debts. These are debts that are still being actively pursued but where chances of recovery are low.

Debts should be managed in accordance with policy number G33- Bad Debts. A review should be undertaken every six months to ascertain whether a provision for doubtful debts is required.

5.18 Performance Indicators

The Board will agree performance indicators on an annual basis and monitor performance quarterly. The Finance & Corporate Services Director based on information from the Executive Team will collate tables on agreed performance measures. A report on significant variances will be compiled at the year end.

Policy Change History

Version No:	Substantive Change	Author of Change	Approval	Date	Website
1.0	New front cover and version history applied	Anne Cavinue		05/04/23	Y
1.2	Reference to ICO and FCA and administrative updates	L Hughes	C Garmory	08/06/23	Y