



Financial Procedures

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Financial Procedures

1. Content of the Detailed Annual, Five Year and Thirty Year Budgets

The budgeting process will involve all departments within the Association. Each department will provide detailed information to the Finance & IT Manager. The information will be collated and discussed at Management Team level.

The final agreed budget document should include the following in detail:

- base budgetary assumptions;
- key financial performance ratios;
- projected capital expenditure on housing projects on a scheme by scheme basis;
- sources of funding of housing projects by way of grants, loans and internal funding on a scheme by scheme basis;
- projected capital receipts by way of house sales and other activities, including repayments of grants and loans;
- planned procurement of ICT and office equipment;
- other planned expenditure on capital items and sources of funding (e.g. special needs adaptations, commercial properties);
- summary of rent-setting mechanism indicating changes in rent levels at the start and during the budget period;
- projected service charges;
- projected level of day to day maintenance and cyclical expenditure;
- anticipated major repairs expenditure;
- allocation of all direct and indirect expenditure to cost centres e.g.:
 - Housing Management
 - Current Maintenance
 - Cyclical Maintenance
 - Major Repairs
 - Service Costs
 - Development Administration
 - Non Housing Activities
 - Subsidiary Companies
- rental and service income less voids, bad debts, operating costs and loan interest, split into mainstream housing, special needs, shared ownership, hostels, etc;
- all other operating income and related expenditure;
- summary of anticipated acquisition and development allowances and compared with development administration costs;

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- anticipated level of investment income and other interest payments;
- taxation; and
- summary of anticipated movements in cashflow and working capital during budget period reconciling with anticipated surplus or deficit on operational activities.

The annual, five-year and thirty-year budgets will include the following financial statements:

- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Cashflows

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2. Content of the Quarterly Management Accounts

Quarterly management accounting reports to the Finance and General Purposes Sub-Committee should include the undernoted items. All figures should compare actual to budget for the quarter, cumulative since the start of the budget period, and the latest cumulative projected figures to the end of the budget period.

- An introductory narrative highlighting major variations from budget and other significant events.
- Rental and service income less voids, bad debts and operational costs and loan interest, split into mainstream housing, special needs, shared ownership, hostels, etc;
- Other items of income against matching items of expenditure;
- Breakdown of operational expenditure and allocation to cost centres;
- Comparison of acquisition and development allowances to development administration costs;
- Investment income and other interest payments;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Cashflows; and
- Financial ratios for measuring performance and lenders' covenant requirements.

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3. Costing of Activities

Direct costs are allocated to the appropriate cost centre. Cost centres are created for material activities of the Association, measured in terms of income and expenditure, and are detailed below.

- housing management activities
- other housing activities:
 - hostels
 - housing services
- development and clerk of works activities
- non-housing activities
 - commercial property
 - factoring services
 - community hall hire
 - agency services
 - wider action projects
 - subsidiary company services

Salaries, overheads and administration costs are apportioned to cost centres on the basis of the salary and employer's cost of staff involved in the various activities undertaken by the Association.

Where services are provided to external bodies, this will be based on the time spent undertaking work for the client and charged out at a rate that reflects the salary and employer's cost of staff member, together with an appropriate share of the Association's overheads and administrative costs.

Staff charge out rates are derived from the approved budget.

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| Sub-Committee | Area of responsibility, accountability and control | Budget holders |
|-----------------------|---|------------------------------------|
| Corporate Services | Recruitment advertising Subsistence Travelling Expenses Cleaning, heating and lighting Printing Postage, stationery and photocopying Training and conferences Office property repairs & maintenance agreements Affiliation fees Office equipment Health and safety expenditure Insurance | Corporate Services & HR Manager |
| Wider action projects | Income and expenditure Capital income and expenditure | Director |

Delegation of budgetary responsibility, accountability and control to staff is detailed in the financial procedures covering budget holders.

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5. Budget Holders and Limits of Authority

Development & Regeneration Manager (“DRM”)

a. Capital contracts and major repairs

Claims of grants, capital expenditure and contract works insurance in respect of development schemes and major repairs expenditure will be authorised by the DRM, providing they are within approved funding limits for the project, or alternatively are within approved budgets in respect of major repairs, etc. All amounts to be claimed and paid will be passed to Finance Section after being authorised by the DRM.

Financing of capital expenditure in respect of development schemes and major repairs expenditure from the use of loan finance or financial reserves will require the approval of the Finance and General Purposes Sub-Committee.

Contract advances will require approval of the Finance and General Purposes Sub-Committee. The Chairperson and Director can authorise contract advances between meetings, subject to subsequent reporting to that Committee.

b. Development revenue expenditure

Revenue expenditure relating to development activities will be authorised by the DRM, providing this is within approved budgets. Revenue expenditure is categorised as detailed below.

- decant costs
- bad debts
- legal and professional costs

Housing Services Manager (“HSM”)

a. Maintenance

All expenditure on estate management relating to the maintenance of properties will be authorised by the HSM, providing it is within approved funding limits for the project, or alternatively is within approved budgets. All amounts to be paid will be passed to the Finance Section after being authorised.

Maintenance expenditure to be authorised by the HSM is detailed below.

- day to day repairs
- cyclical repairs
- services expenditure
- property maintenance agreements
- external factors repairs
- legal and professional fees relating to the maintenance of property
- insurance costs relating to the maintenance of property
- tenant re-charges

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Area Maintenance Inspectors will authorise repairs or services expenditure up to £2,000. Housing Services Senior Maintenance and Housing Officers will authorise repairs or services expenditure up to £5,000. Above this limit all maintenance expenditure must be authorised by the HSM.

b. Housing Management

Claims of grants and expenditure in respect of housing management will be authorised by the HSM /Depute HSM, providing they are within approved funding limits for the project, or alternatively are within approved budgets. All amounts to be claimed or paid will be passed to the Finance Section after being authorised by the HSM / Depute HSM. Housing management expenditure to be authorised by the HSM / Depute HSM is categorised as detailed below.

- property voids
- external factors expenses
- legal and professional fees relating to the management of property
- decant costs
- welfare rights services

Senior Housing Officers will authorise invoices for the above categories of expenditure up to £2,000. Above this limit all estate management expenditure must be authorised by the HSM / Depute HSM.

All cheque requisitions supported by internally generated documents, for example rent refunds, must be authorised by the HSM / Depute HSM.

Factoring Services Manager (“FM”)

a. Factoring Services

Expenditure relating to repairs, insurance, management, and other costs in respect of factoring services. Setting income and management fee levels to recover costs in respect of Factoring Services. Control of debtors, recovery of debts and determining provisions and bad debt write offs. Reporting will be to the Housing Services Sub-Committee.

Finance & It Manager (“FITM”)

a. Salaries, overheads and administrative costs

Salaries, overheads and administrative costs that are authorised by the FITM are detailed below, provided they are within approved budget limits.

- salaries
- audit fees
- sundry expenses
- bank charges
- computer training and maintenance
- depreciation of computers, equipment, fixtures and fittings
- insurance tenders and renewals

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b. Other fixed assets

Other fixed assets covering computer and ICT equipment is authorised by the FITM, providing they are within approved budget limits.

c. Interest payments and loan repayments

Interest payments and loan repayments will be authorised by the FITM, providing they are within budget, or alternatively are required to meeting contractual obligations under the terms of loan finance.

d. Treasury investment

The Finance and General Purposes Sub-Committee will approve treasury investments. Between meetings these powers are delegated to the FITM who must consult with the Director and also, either the Treasurer or Chairperson of the Association, before exercising these powers.

e. Loans

Loans will be approved by the Management Committee. Recommendations for the approval of loans will be made by the Finance and General Purposes Sub-Committee. Between meetings of the Management Committee the FITM has delegated power to approve loans, providing the Director has been consulted and also, either the Treasurer or Chairperson of the Association, before exercising these powers.

f. Virements

The FITM will have the authority to approve virements up to £10,000, subject to this being reported subsequently to the Finance and General Purposes Sub-Committee.

Corporate Services & Hr Manager (“CSHRM”)

a. Salaries, overheads and administrative costs

Salaries, overheads and administrative costs that are authorised by the CSHRM are detailed below, provided they are within approved budget limits.

- salaries
- recruitment advertising
- subsistence
- travelling expenses
- training and conferences
- cleaning, heating and lighting
- printing
- postage, stationery and photocopier
- office property repairs and equipment service agreements
- insurance

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b. Other Fixed Assets

Other fixed assets covering office equipment, fixtures and fittings are authorised by the CSHRM, providing they are within approved budget limits.

Director

a. Salaries, overheads and administrative costs

Salaries, overheads and administrative costs that are authorised by the Director are detailed below, provided they are within approved budget limits.

- salaries
- salaries provision (for any additional staffing required)
- staff recruitment
- promotional expenses
- management committee members' expenses
- affiliation fees
- consultancy fees

Management Committee Members' expenses will be authorised by both the Director and an Office Bearer of the Association. Office Bearers will not be able to authorise their own expenses.

b. Budget overspends

Between meetings of the Finance and General Purposes Sub-Committee the Director can authorise overspends up to £10,000, subject to subsequent reporting to that committee.

Office Bearers of the Association

a. Committee members' expenses

Committee members' expenses to be authorised by the Director and an Office Bearer of the Association are detailed below, providing they are within approved budget limits.

- child minding
- travelling
- subsistence

Office Bearers will not be able to authorise their own expenses.

b. Director's expenses

Director's expenses will be authorised by an Office Bearer of the Association.

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c. Promotional expenses

Promotional expenses will be authorised by the Treasurer or Chairperson of the Association, providing they are within approved budget limits.

d. Budget overspends

Between meetings of the Finance and General Purposes Sub-Committee the Chairperson can authorise overspends up to £50,000, subject to subsequent reporting to that committee.

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6. Authorised Cheque Signatories

Cheques must be signed by two authorised persons. Authorised cheque signatories and the limits of authority are detailed below.

- a) Cheques are treated as duly endorsed up to a value of £1,000 when signed by any two of the following authorised signatories:

Director
Housing Services Manager
Development & Regeneration Manager
Corporate Services & HR Manager
Finance & IT Manager
Chairperson
Vice Chairperson
Treasurer
Secretary

- b) Cheques are treated as duly endorsed up to a value of £500,000 when signed by two of the above Office Bearers of the Management Committee (the Chairperson, Vice Chairperson, Treasurer and Secretary) or alternatively by one of the Office Bearers with any one of the following authorised signatories:-

Director
Housing Services Manager
Development & Regeneration Manager
Corporate Services & HR Manager
Finance & IT Manager

The maximum limit of the value of a cheque of £500,000 corresponds to half of the £1m limit of fidelity guarantee cover under the office insurance policy.

Credit Cards

Corporate credit cards may only be held by the Director and members of the Senior Management Team. Any new applications for credit cards must be approved by the Finance and General Purposes Sub-Committee. The individual cardholder is personally responsible for all expenditure on their card and must authorise any expenditure made by other members of staff using that card. All expenditure must be for business use only and card holders must sign a statement to that effect.

The maximum limit on each individual card is £5,000.

Credit card statements must be reconciled to all individual receipts and authorised by the card holder. The statements and reconciliations must subsequently be authorised by the Director or the FITM and one of the Office Bearers of the Management Committee (the Chairperson, Vice Chairperson, Treasurer and Secretary).

Bank Accounts and Petty Cash Floats

The power to open or close accounts is delegated to the Finance and General Purposes Sub-Committee. If it is necessary to open or close bank accounts prior to a meeting of

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the Finance and General Purposes Sub-Committee this power is delegated to the FITM, who must first consult with the Director and also, either the Treasurer or Chairperson of the Association.

Bank accounts held by the Association

| <u>Bank</u> | | <u>Account</u> |
|----------------------------------|---|------------------------------|
| Bank of Scotland plc | - | No.1 current account |
| | - | No.1 HOBS investment account |
| | - | rent collection account |
| | - | factors account |
| | - | factoring deposits |
| Lloyds TSB plc (Allpay) | - | rent |
| | - | factoring |
| Barclays Bank plc (Loan Account) | - | current account |
| CAF Bank (Loan Account) | - | current account |

Petty cash floats

The Association maintains a petty cash float of £750 within the Finance Section; there is also a £20 float for fob and door key payments held at Reception.

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7. Accounting Records

The accounting books and records held by the Association and the intervals at which they are updated are detailed below.

| <u>Accounting books and records</u> | <u>Updated</u> |
|-------------------------------------|-----------------------------------|
| Nominal ledger | Daily |
| Purchase ledger | Daily |
| Sales ledger | Daily |
| Rent ledger | Daily |
| Cash book | Daily |
| Property register | As acquisitions / disposals arise |
| Register of other fixed assets | As acquisitions / disposals arise |
| Loan register | As loans are raised / repaid |
| Capital contract records | Monthly |
| Payroll records | Monthly |

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8. Cyber Security

Change of Supplier Bank Details

- All correspondence concerning change of supplier bank details must be brought to the FITM's attention. This includes internal emails from the Association's staff.
- The supplier (both new and existing) should then be contacted by phone to check that the notification is genuine. The telephone number must be obtained from an independent source rather than from the correspondence advising of the change of bank details e.g. from an invoice or contact details held on file.
- BACS details should only be updated if the notification has been confirmed to be genuine.
- The police should be informed if the change of bank details is found to be fraudulent.

CEO Impersonation Fraud – Bank Transfers

- Emails requesting bank transfers must be treated with caution even if they appear to originate from someone within the Association.
- The payment requests must be checked directly with the member of staff concerned to ensure that the instruction is genuine.
- Supporting documentation must be obtained before a payment is processed.

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9. Insurances

The insurance policies held by the Association, together with the manager responsible for effecting adequate cover, making declarations and reviewing policies, are detailed below.

| <u>Policy</u> | <u>Manager</u> |
|---|----------------|
| Office Combined <u>covering</u> <ul style="list-style-type: none">- office building- office contents- computer equipment- additional expenses and restoration of computer systems and records- public liability- employers liability- personal accident- money- fidelity guarantee- loss of no claims/excess- voluntary committee members' and officers' liability- health & safety | FITM and CSHRM |
| Buildings equipment and contents <u>covering</u> <ul style="list-style-type: none">- mainstream affordable housing properties- supported accommodation- commercial properties and community workspaces- engineering cover for lifts | FITM and HSM |
| Factored properties | FITM and FSM |
| Contract works and Wider action projects | FITM and DRM |

These policies are subject to review on an annual basis at 1 May.

Claims by Staff Against the Association's Insurance Policy

Where a member of staff intends to make an insurance claim against the Association this must be notified as soon as possible to the CSHRM who will then inform the insurers.

Where a member of staff is not satisfied with the CSHRM's decision they may appeal this in writing to the next meeting of the Finance and General Purposes Sub-Committee.

If a claim is made that does not arise from the Association's negligence this may be repudiated by the insurers. The insurers may subsequently accept a claim if the individual member of staff demonstrates that they cannot make a claim against their own insurance policy either because they have no policy or because their own insurers have confirmed in writing that they will not accept the claim.

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10. Credit Control

The purpose of the following procedures is to maximise the Association's cash and bank balances, so as to generate as much income as possible from interest received.

1. All staff should date cheque requests using the date when the payment is due, as determined by contractual obligations or necessity. This will ensure funds remain invested as long as possible for the benefit of the Association. Finance staff will mail cheques on the due date or inform other members of staff that their cheques are ready for uplifting, as appropriate.
2. Where Glasgow City Council are funding payments by providing grants, all staff should ensure that an offer has been issued by Glasgow City Council and received by the Association. The offer should be accepted by the appropriate authorised person, as soon as possible, because only when an offer has been issued and accepted will Glasgow City Council's Finance Section pay out claims by the Association.
3. All staff should ensure that offers and a copy of the letter are passed to Finance staff to be maintained in contract or claim files. Copies of all claims should also be passed to Finance staff for recording in the contract claims book or revenue grant claims book, as appropriate.
4. Glasgow City Council's cheque payment runs are made once a week on a Wednesday. It is important, therefore, to ensure claims are posted by Monday night, to allow sufficient time for Glasgow City Council to receive and process the claim prior to Wednesday.
5. Finance staff will be responsible for monitoring the contract claim book and revenue grants claim book and ensure that claims are received from Glasgow City Council within agreed deadlines. If the claim is not received within the agreed deadline Finance staff will advise the member of staff who is responsible for the claim by email. This member of staff will then become responsible for pursuing payment of the claim with Glasgow City Council for however long this takes to resolve. If a claim is received which is being pursued by a member of staff, this will be advised by Finance staff by email.
6. Similar procedures as 2. to 5. above should be adopted where other bodies are providing the Association with grant funding.
7. Where a cheque is to be made out with a due date prior to the related claim being received, Finance Staff will require this to be authorised.

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11. Statement of Value for Money

Fixed asset investments and also contractual commitment to liabilities or expenditure, where the contracts are material or long-term, will require a statement of value for money to be provided to the Finance and General Purposes Sub-Committee considering their approval.

This statement should demonstrate that value for money has been achieved by consideration of matters detailed below.

- selection of an appropriate method of procurement
- inviting competitive tenders for all appropriate work from suppliers, consultants and contractors from an approved list, maintained for both development, maintenance and other work, and which is regularly updated in terms of performance and service and in compliance with EU and statutory regulations
- selection of an appropriate financing option, having considered the risks and benefits both in the short and long term
- an assessment of the benefits of the investment or quality of service being offered, compared with the cost. Both financial and non-financial considerations should be taken into account.

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12. Statement of Risk Management

Fixed asset investments and also contractual commitment to liabilities or expenditure, where the contracts are material or long term, will require a statement of risk management to be provided to the Finance and General Purposes Sub-Committee considering their approval.

This statement should demonstrate how risk to the Association is being minimised by consideration of matters detailed below:

- financial checks on the external supplier, contractor or consultant;
- checks on the supplier, contractor or consultant's suitability for the work envisaged;
- the adequacy of insurance policies held by the external supplier, contractor or consultant;
- that appropriate tax certificates are held by the external supplier, contractor or consultant;
- appointments on an "at risk" basis where funding is uncertain;
- insurance policies taken out by the Association in respect of the contract;
- performance bonds and guarantees;
- contingencies built into the contract.