

# OAK TREE HOUSING ASSOCIATION

## FINANCIAL REGULATIONS

### **Review Dates:**

- 24 February 2014
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Next Review due November 2020

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## **1.0 STATUS OF FINANCIAL REGULATIONS**

- 1.1 The financial regulations form part of the overall system of financial and management control of Oak Tree Housing Association. The rules, the terms of reference of the Management Committee and its Sub-Committees, and the standing orders outline how the Association will be controlled and run.
- 1.2 This document sets out the financial regulations which form part of the standing orders. It translates into practical guidance the Association's broad policies relating to financial control. This document was approved by the Management Committee on 24<sup>th</sup> February 2014 and updated for approval November 2017.
- 1.3 Compliance with the financial regulations is compulsory for all staff employed within the Association. It is the responsibility of heads of departments to ensure that their staff are made aware of the existence and content of the financial regulations.
- 1.4 The Finance Team is responsible for the review of the financial regulations and advising the Management Committee of any additions or changes necessary.
- 1.5 The Association will have detailed financial procedures which will set out how the regulations will be implemented and are contained in a separate manual. It is the Finance Director's responsibility to prepare and maintain the Association's financial procedures which should be made available to all departments.

## **2.0 MANAGEMENT COMMITTEE RESPONSIBILITIES**

- 2.1 The Management Committee has responsibility for all aspects of the Association's affairs.
- 2.2 Statute requires the Management Committee to prepare financial statements for each financial year and it is the Management Committee who are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association.
- 2.3 The Management Committee are also responsible for safeguarding the assets of the organisation and for taking reasonable steps to prevent and detect fraud and other irregularities.
- 2.4 Members also have a duty towards the Association, staff, tenants and the Community and must therefore take steps to satisfy themselves that they receive all necessary information to allow reasoned and justifiable basis for decision-making.
- 2.5 The Management Committee has ultimate responsibility for the Association's finances. The financial responsibilities are:

l to ensure the solvency of the Association

- | to safeguard the Association's assets
- | to ensure the effective and efficient use of resources
- | to ensure compliance with the Scottish Housing Regulator
- | to ensure that financial control systems are in place and are working effectively and that a statement of assurance is produced by the internal audit provider annually
- | to ensure that the Association complies with Scottish Housing Regulator code of Audit practice
- | to approve the Association's strategic plan
- | to approve annual estimates of income and expenditure and to approve the annual financial statements
- | to recommend to the annual general meeting (AGM) the appointment of the Association's external auditors.

### **3.0 COMMITTEE STRUCTURE**

3.0.1 Oak Tree Housing Association operates with a Management Committee and 3 Sub-Committees, including a Joint Audit Committee (see Appendix 1). The Management Committee delegates responsibilities to the Sub-Committees who are directly accountable to the Management Committee. The Finance Director reports directly to the Finance, Staffing & General Purposes Sub-Committee (FSGPSC) as well as directly to the Management Committee.

#### **3.1 Finance, Staffing & General Purposes Sub-Committee**

3.1.1 Ongoing monitoring of the Association's financial position and financial control systems is undertaken by the Finance, Staffing & General Purposes Sub-Committee. However, the Management Committee reviews and approves the annual budget and 30 year cashflow projections to ensure that short term budgets are in line with agreed long term plans. Objectives of the Finance, Staffing & General Purposes Sub Committee include:

- | examine quarterly estimates and accounts via the Management Accounts and recommend their approval to the Management Committee
- | approve changes to estimates following the mid-year budget review, in addition to any budget changes that occur throughout the year
- | consider any other matters relevant to the financial duties of the Management Committee and make recommendations accordingly
- | ensure that the Management Committee has adequate information to enable it to discharge its financial responsibilities.

## **3.2 Joint Audit Committee**

3.2.1 A Joint Audit Committee has been established to service both Oak Tree Housing Association and its subsidiary Cloch Housing Association. The Joint Audit Committee is independent, advisory and will report directly to each Management Committee. The Committee will have right of access to obtain all the information it considers necessary and to consult directly with the internal and external auditors. The Joint Audit Committee is responsible for:

- identifying and approving appropriate performance measures for internal and external audit and for monitoring their performance
- satisfying itself that adequate arrangements are in place to promote economy, efficiency and effectiveness and that the Management Committee is able to give an annual statement of assurance in respect of financial control systems
- promoting and reviewing joint working opportunities between the Associations, in support of value for money and shared benefits.

## **4.0. AUDIT REQUIREMENTS**

### **4.1 External Audit**

4.1.1 The primary role of an external audit is to report on the Association's financial statements and to carry out such examination of the statements and underlying records and control systems as are necessary to reach their opinion on the statements and to report on the appropriate use of funds. Their duties will be in accordance with advice set out in the code of audit practice and the Auditing Practices Management Committee's Auditing Standards.

4.1.2 Audited financial statements require approval by the Management Committee and must be submitted to The Scottish Housing Regulator within 6 months of the financial year-end. These accounts 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 Management Committee, to include comment on past and future developments, together with a separate Management Committee report on the systems of internal financial control.

4.1.3 A year-end timetable should be completed by the Association's Finance Director and be agreed with the external auditors prior to commencement of the year-end statutory audit.

- 4.1.4 The role of the external auditors must be clearly detailed in an Engagement Letter which shall be reviewed every three years in accordance with 'Raising Standards, Financial Management'. Preparation of the financial statements shall be undertaken by the Finance Director and a Management Letter must be received annually by the Management Committee for consideration and response. In accordance with 'Raising Standards, Financial Management', the Association shall review its external auditors every 7 years unless the service level dictates otherwise. The appointment of external auditors will take place annually at the AGM
- 4.1.5 The auditors have authority to access all records, documents, correspondence and cash sums for verification purposes. Any event involving or thought to involve fraud or irregularities or malpractice shall be notified to the Chief Executive Officer, Chair or Secretary of the Association immediately for further investigation and action.
- 4.1.6 The Management Letter will be submitted to the Management Committee for approval and subsequently reviewed by the Audit Committee as part of the audit review process. Following approval of the Audited Financial Statements the Association shall submit returns to the FSA, OSCR, and SHR in line with prescribed timescales.

## **4.2 Internal Audit**

- 4.2.1 The internal auditor is appointed on the recommendation of the Joint Audit Committee.
- 4.2.2 The main responsibility of internal audit is to provide the Management Committee, the Chief Executive Officer and senior management with assurances on the adequacy of the internal control system.
- 4.2.3 The internal audit service remains independent in its planning and operation and has direct access to the Management Committees, the Chief Executive Officer and chairperson of the Joint Audit Committee.
- 4.2.4 The internal auditor will comply with the Auditing Practices Management Committee's auditing guideline.

## **4.3 Access to Information**

- 4.3.1 External auditors and internal auditors shall have authority to:
- I access the Association's premises at reasonable times
  - I access all assets, records, documents and correspondence relating to any financial and other transactions of the Association
  - I require and receive such explanations as are necessary concerning any matter under examination
  - I require any employee of the Association to account for cash, stores or any other Association property under his/her control

- | access records belonging to third parties, such as contractors when required.

4.3.2 Whenever any matter arises which involves, or is thought to involve, irregularities or fraud concerning cash, stores or other property of the Association or there is any other suspected irregularity in the exercise of the activities of the Association, procedures in accordance with the Association's whistle blowing policy shall be followed.

4.3.3 The Association may, from time to time, be subject to audit or investigation by external bodies such as HM Revenue & Customs who have statutory rights of access.

## **5.0 STAFF RESPONSIBILITIES**

### **5.1 The Chief Executive Officer**

5.1.1 The Chief Executive Officer is responsible for the operational management of the Association's affairs. The Chief Executive Officer must assist the Management Committee in determining its strategic objectives and promote the achievement of such objectives through the effective deployment of the Association's resources. In line with the Scheme of Delegation, in the absence of the Chief Executive Officer, responsibility is delegated to the Deputy Chief Executive Officer.

### **5.2 The Finance Director**

5.2.1 Day to day financial administration is the responsibility of the Finance Director. The Finance Director is responsible to the Chief Executive Officer for:

- | financial and business planning
- | preparing annual capital and revenue budgets
- | preparing management accounts and information, monitoring and control of income and expenditure against budgets and all financial operations
- | preparing the Association's annual accounts and other financial statements and accounts which the Association is required to submit to other authorities
- | preparing appraisals for major investment decisions
- | ensuring that the Association maintains satisfactory financial systems
- | providing professional advice to the Management Committee on all matters relating to financial policies and procedures including treasury management.

5.2.2 A diagram indicating the structure of the Finance Department including all sections and lines of responsibility is shown at Appendix 3.

### **5.3 Heads of Department**

- 5.3.1 Heads of department are responsible to the Chief Executive Officer for financial management in their own areas. They are advised by the Finance Director in executing their financial duties. The Finance Director will also supervise and approve the financial systems operating within their departments including the form in which financial records are kept.
- 5.3.2 Heads of department are responsible for establishing and maintaining clear lines of responsibility within their department for all financial matters.
- 5.3.3 Where resources are devolved to budget holders, the budget holder is accountable to the head of department for his/her own budget.

### **5.4 Other Staff**

- 5.4.1 The responsibilities and duties of all staff members shall be contained within a suitable job description. The responsibilities and duties of any agents employed by the Association are contained within the relevant Minute of Agreement.

## **6.0 EQUAL OPPORTUNITIES**

- 6.1 The Association is committed to ensuring equal opportunities and fair treatment for all people in its work.
- 6.2 In implementing the Financial Regulations, the Association will ensure that it achieves fairness towards all staff, governing body members and any agency with a financial connection to the Association. Commitment to equal opportunities and fairness will apply irrespective of factors such as gender or marital status, race, colour, disability, age, sexual orientation, language or social origin, or other personal attributes.

## **7.0 RISK MANAGEMENT**

- 7.1 The Association has considered the potential risks facing the organisation should the Financial Regulations fail to be adhered to.
- 7.2 In order to minimise this risk, the Association ensures the Financial Regulations are reviewed regularly and that all staff are aware of their contribution to the efficient and effective running of the Association. In particular, staff require to know and understand their own and others' level of expenditure authorisation. Methods of validation and ensuring probity include an annual external audit, together with an extensive programme of internal audit.
- 7.3 The Association's approach to risk management is contained within the relevant risk management policy.

## **8.0 BUDGET PREPARATION**

- 8.1 The Finance Director is responsible for ensuring a draft revenue & capital budget is prepared annually for consideration by the Management Committee before the submission of the final budget to the Management Committee for approval. This will include information on the Development programme prepared by the Development & Technical Services Manager. The Finance Director must ensure that detailed budgets are prepared in order to support the resource allocation process and that these are communicated to heads of department as soon as possible following their approval by the Management Committee. Departments may operate supplementary budgets, within their allocations, in accordance with procedures established by the Finance Director.
- 8.2 The budget should include a 30-year cash flow forecast and projected Statement of Financial Position and Statement of Comprehensive Income to reflect a five year period. In addition, the Association shall prepare and submit 5-year budgets to the Scottish Housing Regulator in the prescribed format and within relevant timescales in accordance with existing guidance from the regulator.
- 8.3 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 long term estimates. A full and detailed review (incorporating the Statement of Comprehensive Income and Statement of Financial Position, Cashflow Forecast, Performance Indicators and Covenant Compliance) shall be undertaken annually unless circumstances dictate that an earlier review is necessary. Appropriate sensitivity analysis must be applied to the long-term projections.
- 8.4 During the year, the Finance Director is responsible for submitting revised budgets to Finance, Staffing & General Purposes Sub-Committee for consideration and approval.

## **9.0 DEVELOPMENT PROGRAMME**

- 9.1 Capital expenditure on land, buildings and associated costs over £15,000 can only be approved by the Development & Technical Services Sub-Committee/Management Committee.
- 9.2 The Finance Director and Development & Technical Services Manager are responsible for providing regular statements concerning all capital expenditure to Finance, Staffing & General Purposes Sub-Committee and/or Development & Technical Services Sub-Committee (where appropriate) for monitoring purposes.
- 9.3 Proposed capital projects should be supported by:
- | a statement which demonstrates the project's consistency with the strategic plans and estates strategy approved by the Management Committee

- I an initial budget for the development project for submission to the Management Committee and to the Development & Technical Services Sub-Committee. The budget should include a breakdown of costs including professional fees, VAT and funding sources
- I a financial evaluation of the plans together with their impact on revenue expenditure plus advice on the impact of alternative plans
- I an investment appraisal in an approved format which complies with regulatory guidance on option and investment appraisal
- I a demonstration of compliance with normal tendering procedures and Scottish Housing Regulator regulations
- I a cashflow forecast.

## **10.0 BUDGETARY CONTROL**

- 10.1 On a quarterly basis the Association shall prepare Management Accounts which shall compare actual results to date with estimates contained within the budget. Material variances must be clearly explained within the narrative supporting the Management Accounts. In addition, the effect of likely future events on the financial position should be contained within the quarterly management accounts together with details of the currently projected financial position of the Association at the year-end.
- 10.2 The control of income and expenditure within an agreed revenue budget is the responsibility of the designated budget holder who must ensure that day to day monitoring is undertaken effectively. Budget holders are responsible to their head of department for the income and expenditure appropriate to their budget. The budget holder will be assisted in this duty by management information provided by the Finance Department. The types of management information available to different levels of management are described in the Association's detailed financial procedures together with the timing at which they can be expected.

## **11.0 VIREMENT**

- 11.1 Where a budget holder is responsible for more than one budget, virement (the authority to transfer budgets) is permitted with the written approval of the head of department. The Finance Director should also be advised.
- 11.2 Virement between budgets held by the same budget holder is permitted up to £5k for overhead budgets and £10k for all other budgets. The written approval of the transferring budget holder and the head of department is required. The Finance Director should also be advised and Committee will be informed via the next quarterly Management Accounts report.
- 11.3 The Finance Director is responsible for submitting requests for virement of resources above the agreed level to Finance, Staffing & General Purposes Sub-Committee for consideration and approval.

11.4 Where expenditure is necessary as a result of danger to life, limb or property such expenditure shall be incurred and reported to the Management Committee as soon as possible.

## 12.0 BOOKS, REGISTERS AND COMPUTER DATA

12.1 Each departmental manager is responsible for the retention of documents under their control.

12.2 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) Cash Books	Senior Finance Officer
(b) Petty Cash Book	Senior Finance Officer
(c) Nominal Ledger	Senior Finance Officer
(d) Fixed Assets Register	Finance Officer
(e) Office Inventory	Office Manager / Finance Officer
(f) Register of Disposals	Chief Executive Officer
(g) Register of Frauds	Chief Executive Officer
(h) Register of Payments, Benefits and Interest	Chief Executive Officer
(i) Register of Members	Office Manager / Chief Executive Officer
(j) Complaints Register	Chief Executive Officer
(k) Tender Register	Chief Executive Officer
(l) Seal Register	Office Manager/ Chief Executive Officer
(m) Rent Ledger	Housing Services & Performance Director
(n) Maintenance Contract Register	Development & Technical Services Manager

12.3 Responsible staff member refers to an individual having responsibility for the maintenance of a register, etc.

- 12.4 All such paper books and registers must be securely stored when not in use in the relevant filing cabinet or fire proof safes.
- 12.5 All information held on computer must be backed up on a daily basis and stored securely off site.
- 12.6 In conducting its operations, the Association must comply with all aspects of the Data Protection Act. All such matters are the responsibility of the Association's senior management team.
- 12.7 The Association is required by law to retain prime documents. These include:
- I Annual Accounts & Management Account information (six years)
  - I Sales invoices and purchase invoices (six years)
  - I Copies of receipts and bank statements (six years)
  - I Payroll records (six years)
  - I VAT records (six years).
- 12.8 For auditing and other purposes, the Association should retain other historical financial documents for three years.

## **13.0 SECURITY**

- 13.1 Each Line Manager is responsible for maintaining proper and adequate security at all times for furniture, equipment, cash and other assets under their control. The Chief Executive Officer is responsible for overall security and any risks to the Association must be notified to the Chief Executive Officer immediately.
- 13.2 The Office Manager has day to day responsibility for the petty cash box, which should be stored in a locked drawer. In their absence, the Finance Assistant / Finance Administration Assistant will administer the petty cash. Each month the Finance Assistant reconciles the petty cash book and this is then signed off by the Senior Finance Officer.
- 13.3 The loss of office, property, petty cash or safe keys must be notified to the Chief Executive Officer immediately.

## **14.0 INCOME AND BANKING**

### **14.1 General**

- 14.1.1 The Finance Director is responsible for ensuring that appropriate procedures are in operation to enable the Association to receive all the income to which it is entitled. All receipt forms, invoices, tickets or other official documents in use must have approval from the Finance Department.

- 14.1.2 Levels of charges for rents and lettings are determined by procedures approved by Finance, Staffing & General Purposes Sub-Committee, Housing Management Sub-Committee and are also approved by the Management Committee.
- 14.1.3 The Finance Department is responsible for the prompt collection, security and banking of all income received.
- 14.1.4 The Finance Department is responsible for ensuring that all grants notified by the Scottish Housing Regulator and other bodies are received and appropriately recorded in the Association's accounts.
- 14.1.5 The Finance Department is responsible for ensuring that all claims for funds are made by the due date, where applicable.

## **14.2 Appointment of Bankers**

- 14.2.1 Finance, Staffing & General Purposes Sub-Committee is responsible for the appointment of the Association's bankers on the recommendation of the Finance Director.

## **14.3 Bank Arrangements**

- 14.3.1 The Finance Department is responsible for liaising with the Association's bankers in relation to the Association's bank accounts and the issue of cheques and bank transfers. All cheques shall be ordered on the authority of the Finance Director who shall make proper arrangements for their safe custody.
- 14.3.2 Only the Finance Director, with dual authorization from the Chief Executive Officer / Depute Chief Executive Officer may authorise opening or closing a bank account for dealing with the Association's funds. All bank accounts shall be in the name of the Association.
- 14.3.3 All cheques drawn on behalf of the Association must be signed in accordance with approval limits set out in Appendix 2 attached. Details of authorised persons and limits for all types of payment including BACS and CHAPS shall be provided for in the Association's detailed financial procedures.
- 14.3.4 The Finance Director is responsible for ensuring that all bank accounts are subject to regular reconciliation and independent review and that large or unusual items are investigated as appropriate.

## **14.4 Cash Receipts**

- 14.4.1 On occasions cash payments may be made at the office. Where this occurs all monies received within departments from whatever source must be recorded by the Finance or Administration Section on a daily basis together with the form in which they were received. An authorised receipt of the Association should be issued.

- 14.4.2 Money that must be paid to the bank cashier and custody of all cash holdings must comply with the requirements of the Association's insurers.
- 14.4.3 No deductions may be made from any cash collected on behalf of the Association prior to paying into the bank.
- 14.4.4 Personal or other cheques must not be cashed out of money received on behalf of the Association.

## **14.5 Rents**

- 14.5.1 The procedures for collecting rents must be approved by the Housing Services & Performance Director in conjunction with the Finance Department. The Housing Services & Performance Director should ensure that:
  - I swift and effective action is taken to collect overdue rents in accordance with the Association's formal procedures (detailed in the housing services procedures)
  - I outstanding rents are monitored and reports prepared for Housing Services Sub-Committee.

## **14.6 The Collection of Debts**

- 14.6.1 The Association acknowledges the requirement to maximise income collection in order to generate as much income as possible via interest receipts.
- 14.6.2 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 permissible.
- 14.6.3 Rental income payments are the main source of revenue income for the Association and operational procedures shall be reviewed regularly in order to monitor their effectiveness. A quarterly summary report on rental income shall be prepared by the Housing Services & Performance Director/Housing Manager, and submitted to the Housing Services Sub Committee.
- 14.6.4 Factoring accounts shall be issued timeously (in accordance with the Factoring Policy) by the Finance Department. A quarterly report, to be prepared by the Finance Department, shall be presented to the Finance & Staffing General Purposes Sub-Committee.
- 14.6.5 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 rechargeable repairs due to the Association.
- 14.6.6 All procedural documents shall incorporate information on debtor control including the basis for monitoring and reporting sums due.

14.6.7 Responsibility for Debtors control within the Association is as follows:-

- (i) Rent Arrears – Housing Services & Performance Director / Housing Manager
- (ii) Factoring Arrears – Finance Director
- (iii) Insurance Claims outstanding – Senior Maintenance Officer
- (iv) Re-chargeable Repairs – Finance Director, where there is no rent arrears and the Housing & Services Performance Director for cases where the tenant already has rent arrears
- (v) HAG Claims outstanding –Development & Technical Services Manager
- (vi) All other sums due – As instructed by the Chief Executive Officer.

14.6.8 Quarterly Management Accounts shall detail separately, within the Debtors analysis, relevant sums due under each category.

#### **14.7 Write Off of Arrears and Debts**

14.7.1 Requests to write-off debts in excess of £50.00 must be referred in writing to the Finance Director for submission to Finance, Staffing & General Purposes Sub-Committee for consideration. Debts below this level may be written off with the permission of the Finance Director but will also be reported to Finance, Staffing & General Purposes Sub-Committee.

#### **14.8 Gifts, Benefactions and Donations**

14.8.1 The Chief Executive Officer is responsible for maintaining records in respect of gifts, benefactions and donations made to or declined by the Association in accordance with the Association's policy on such matters.

#### **15.0 CASH CONTROLS**

15.1 Bank accounts held by the Association, details of authorised signatories and cheque signing details are contained within the Association's detailed financial procedures.

15.2 Procedures for the receipt of funds are detailed in the financial procedures.

15.3 Petty cash procedures are detailed in the Association's financial procedures.

15.4 All bank accounts must be reconciled to the relevant books of account by the Finance Assistant at least on a monthly basis. These reconciliations shall be reviewed and certified as accurate by the Senior Finance Officer.

15.5 The Finance Assistant shall make arrangements for the safe custody of all banking documents including cheques.

## **16.0 EXPENDITURE**

### **16.1 General**

16.1.1 The Finance Department is responsible for making payment to suppliers of goods and services to the Association.

### **16.2 Authorities**

16.2.1 The head of each section is responsible for purchases within his/her section. Purchasing authority may be delegated to named individuals (or budget holders) within the department. The head of each section shall check actual expenditure against budgeted expenditure before committing expenditure.

16.2.2 The Finance Department shall maintain a register of authorised signatories. Any changes to the authorities to sign must be notified to the Finance Department immediately. Heads of departments must supply the Finance Department with specimen signatures of those authorised to certify invoices for payment.

16.2.3 Authorisation limits, as stated in Appendix 2, shall apply at all times. Where expenditure is part of an approved development or maintenance project the Development & Technical Services Manager or the Senior Development Officer shall be responsible for authorising payments up to the agreed contract price.

### **16.3 Petty Cash**

16.3.1 The Finance Department is responsible for any petty cash floats held at the Association although this will be delegated to other members of staff. Detailed guidance will be issued by the Finance Director and is contained in the Association's financial procedures.

16.3.2 On a monthly basis the petty cash book will be verified by a senior member of staff within the Finance Department.

### **16.3 Purchase of Goods**

16.4.1 Authorisation for the purchase of goods shall be in accordance with limits set out in the register of authorised signatories held by the Finance Department.

16.4.2 Procedures for the checking and payment of goods are set out in the Association's detailed financial procedures.

### **16.5 Contracts**

16.5.1 Building contracts are the responsibility of the Development & Technical Services Sub-Committee and are administered by the Association's Development & Technical Services Manager and will comply with the detailed contracting procedures set out in the Association's standing orders.

- 16.5.2 Proposals will normally be initiated by the Development & Technical Services Manager in respect of planned replacements, general improvement schemes or in response to requests from departments.
- 16.5.3 Consultants may be appointed to the project, as determined by the Development & Technical Services Sub-Committee. Appointments shall be subject to tendering and other procedures where appropriate.
- 16.5.4 Proposals shall be presented in the form of costings or investment appraisals as appropriate for the Development & Technical Services Sub-Committee. Investment appraisals should comply with appropriate Scottish Housing Regulator guidance.
- 16.5.5 Conditions of contract for the purchase of goods will be followed as described in the Association's detailed financial procedures.
- 16.5.6 Following completion of a capital project, a final report should be submitted to Finance, Staffing & General Purposes Sub-Committee and/or Development & Technical Services Sub-Committee recording actual expenditure against budget and reconciling funding arrangements. Documentary evidence concerning the decision-making process should be retained in relation to each contract above a threshold above £15k, for audit purposes.

## **16.6 Payment of Invoices**

- 16.6.1 The procedures for making all payments shall be in a form specified by the Finance Department.
- 16.6.2 The Finance Department is responsible for deciding the most appropriate method of payment for categories of invoice. Payments to UK suppliers will normally be paid by bank transfer or on the rare occasion by cheque as required.
- 16.6.3 Suppliers should be instructed by the budget holder to submit invoices for goods or services to the Finance Section.
- 16.6.4 Heads of department are responsible for ensuring that expenditure within their control does not exceed budget. Where expenditure exceeds the specified budget, these overspends will be reported by the Finance Director to the Finance, Staffing & General Purposes Sub-Committee.
- 16.6.5 Payments will only be made by the Finance Department against invoices which have been certified for payment by the appropriate head of department or budget holder. Certification of an invoice will ensure that:
  - I the goods have been received, examined and approved with regard to quality and quantity, or that services rendered or work done is satisfactory
  - I where appropriate, it is matched to the order

- | invoice details (quantity, price, discount) are correct
- | the invoice is arithmetically correct
- | the invoice has not previously been passed for payment
- | where appropriate, an entry has been made on a stores record or departmental inventory
- | VAT issues have been complied with where they apply
- | analysis code is quoted. This must be one of the analysis codes included in the budget holder's area of responsibility and must correspond with the types of goods or service described on the invoice.

16.6.6 Invoices must be passed to the Finance Department as soon as they have been certified. Care must be taken by the budget holder to ensure that discounts receivable are obtained.

## **17.0 CONTRACTS**

- 17.1 Per expenditure levels stated in Appendix 2, require the authorisation of the Management Committee. In the main, authorisation of expenditure is undertaken as part of the annual budget process.
- 17.2 Any material variations to contracts against tender costs require the approval of the relevant Committee. The definition of a material variance is up to a maximum of 10% on any one contract, subject to a report to the next meeting of the Committee and £10,000 for associated unbudgeted expenditure. For example, once a tender has been approved and work has commenced, if costs exceed the tender value by over 10% Committee approval is required.

## **18.0 TENDERING**

- 18.1 Approval by Committee will be sought for tenders above £50,000 and a retrospective report will be provided for all tenders awarded over £15,000. Where goods or services exceed £15,000 procedures detailed in accordance with the Association's Procurement Policy shall be followed. Tendering and awarding of particular contracts will be the responsibility of the relevant Committee.
- 18.2 The Association shall take account of EU Procurement Thresholds as appropriate.

## **19.0 SALARIES AND WAGES**

### **19.1 General**

- 19.1.1 The Finance Director is responsible for all payments of salaries and wages to all staff including payments for overtime or services rendered. All time sheets and other pay documents will be in a form prescribed or approved by the Finance Department.
- 19.1.2 All Association staff will be appointed to the salary scales approved by the Management Committee and in accordance with appropriate conditions of service. All letters of appointment must be issued by the Chief Executive Officer or Depute Chief Executive Officer. The Chief Executive Officer or Depute Chief Executive Officer will be responsible for keeping the Finance Department informed of all matters relating to personnel for payroll purposes.
- 19.1.3 In particular these include:
- | appointments, resignations, dismissals, supervisions, secondments and transfers
  - | absences from duty for sickness or other reason, apart from approved leave
  - | changes in remuneration including normal increments and pay awards
  - | information necessary to maintain records of service for superannuation, income tax, National Insurance, etc.
- 19.1.4 The Finance Department is responsible for payments to non-employees and for informing the appropriate authorities of such payments. All casual and part-time employees will be included on the payroll.
- 19.1.5 The Finance Department shall be responsible for keeping all records relating to payroll including those of a statutory nature.
- 19.1.6 All payments must be made in accordance with the Association's detailed payroll financial procedures and comply with HM Revenue & Customs regulations.

### **19.2 Pensions**

- 19.2.1 The Management Committee is responsible for undertaking the role of employer in relation to appropriate pension arrangements for employees.
- 19.2.2 The Finance Department is responsible for all day to day pension matters including the payment of contributions to authorised pension schemes.

### **19.3 Travel, Subsistence and Other Allowances**

- 19.3.1 All claims for payment of subsistence allowances, traveling and incidental expenses shall be completed in a form approved by the Finance Director.
- 19.3.2 Claims by members of staff must be certified by their head of department and by the Chief Executive Officer or Depute Chief Executive Officer (or Chief Executive Officer or Depute Chief Executive Officer in the case of heads of departments). Certification shall be taken to mean that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the Association.

## **20.0 ASSETS**

### **20.1 Asset Register**

- 20.1.1 The Association shall maintain a fixed asset register detailing all furniture, fittings and equipment 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.
- 20.1.2 The organisation shall undertake ad-hoc reviews of the register to verify continued ownership and existence of these fixed assets. This task shall be undertaken by the Office Manager/Finance Officer with the Finance Department carrying out an annual review.
- 20.1.3 Maintenance 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 the register include service provider, start date, termination date, asset being maintained and cost. This register shall be updated on a quarterly basis by the Office Manager/Finance Officer.
- 20.1.4 Details of any asset/equipment disposals, including details of sums received (if applicable), shall be reported to the Finance, Staffing & General Purposes Sub-Committee.
- 20.1.5 The Finance Department is responsible for maintaining the Association's register of land and buildings.

### **20.2 Asset Disposal**

- 20.2.1 Disposal of equipment and furniture must be in accordance with procedures agreed by Finance, Staffing & General Purposes Sub-Committee and contained in the Association's detailed financial procedures.
- 20.2.2 Disposal of land and buildings must only take place with the authorisation of the Management Committee. Scottish Housing Regulator consent may also be required.

## **21.0 TREASURY MANAGEMENT**

- 21.1 The Finance, Staffing & General Purposes Sub-Committee is responsible for approving a treasury management policy statement (based on CIPFA's *Treasury Management in Housing Associations: A Code of Practice*) setting out strategy and policies for cash management, long term investments and borrowings. The Finance, Staffing & General Purposes Sub-Committee has a responsibility to ensure implementation, monitoring and review of such policies.
- 21.2 All executive decisions concerning borrowing, investment or financing (within policy parameters) shall be delegated to the Finance Director and an appropriate reporting system established. All borrowing and investments shall be in the name of the Association and shall conform to any relevant regulatory requirements. The Finance Director and his/her staff are required to act in accordance with the Association's treasury management policy statement as approved by the Finance, Staffing & General Purposes Sub-Committee.
- 21.3 The Finance Director will report to Finance, Staffing & General Purposes Sub-Committee on the activities of the treasury management operation and on the exercise of treasury management powers delegated to him/her including monitoring compliance.

## **22.0 INSURANCE**

- 22.1 The Finance Director is responsible for effecting insurance cover for all Association property. He or she is therefore responsible for obtaining quotes and managing the tender process. The Development/Technical Services section is responsible for negotiating claims and maintaining the necessary records in respect of claims for Housing Property. They will also deal with the Association's insurers and advisers about specific insurance problems.
- 22.2 Heads of department must ensure that any agreements negotiated within their departments with external bodies cover any legal liabilities to which the Association may be exposed. The Finance Director's advice should be sought to ensure that this is the case. Heads of department must give prompt notification to the Finance Director of any potential new risks and additional property and equipment which may require insurance and any alterations affecting existing risks.
- 22.3 Staff should advise the Senior Maintenance Officer or Finance Department immediately, of any event which may give rise to an insurance claim. The Senior Maintenance Officer or where appropriate, the Finance Director will notify the Association's insurers and, if appropriate, prepare a claim in conjunction with the head of department for transmission to the insurers.
- 22.4 The Finance Department will keep a register of all insurances affected by the Association and the property and risks covered.

22.5 The Senior Maintenance Officer is responsible for keeping suitable records of plant which is subject to inspection by an insurance company and for ensuring that inspection is carried out in the periods prescribed.

22.6 All staff using their own vehicles on behalf of the Association shall maintain appropriate insurance cover for business use.

### **23.0 HOSPITALITY**

23.1 The limits concerning acceptable expenditure for entertaining guests from outside bodies are set out in the Association's code of practice on hospitality.

23.2 Members of the Management Committee and members of staff should refuse all material hospitality and gifts offered by an individual or company that does or could provide services to the Association where they are offered as an inducement to secure favour. Any hospitality or gifts that are accepted must be recorded in the Register of Interests of members of the Management Committee or the Register of Interests of staff as appropriate.

### **24.0 PAYMENTS, BENEFITS & DECLARATIONS OF INTEREST**

24.1 Legislation does not restrict or prohibit payments and benefits to governing body members and employees.

24.2 The Association's approach to all such matters is noted within the Association's Entitlements, Payments and Benefits policy, which can be referred to for further details.

### **25.0 DONATIONS**

25.1 The Association's approach to donations is detailed within the Donations Policy.

### **26.0 EXPENDITURE AUTHORISATIONS**

26.1 The Management Committee approve budgets prior to the beginning of the financial year and staff have delegated authority to spend within these budgets. In addition, staff have authority to spend within agreed project funding approvals on development and capital projects.

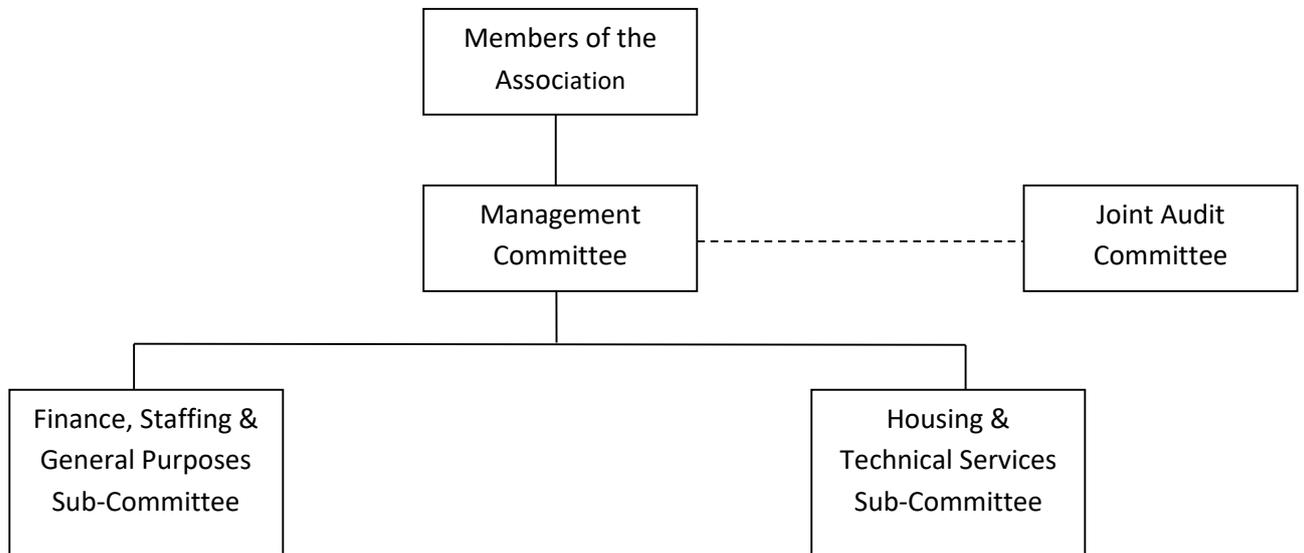
26.2 There are three levels of procedures involved in authorising expenditure.

- a) taking on the commitment to spend
- b) approving the invoice after goods or services received
- c) certification that the expenditure is arithmetically correct (specified within financial procedures)

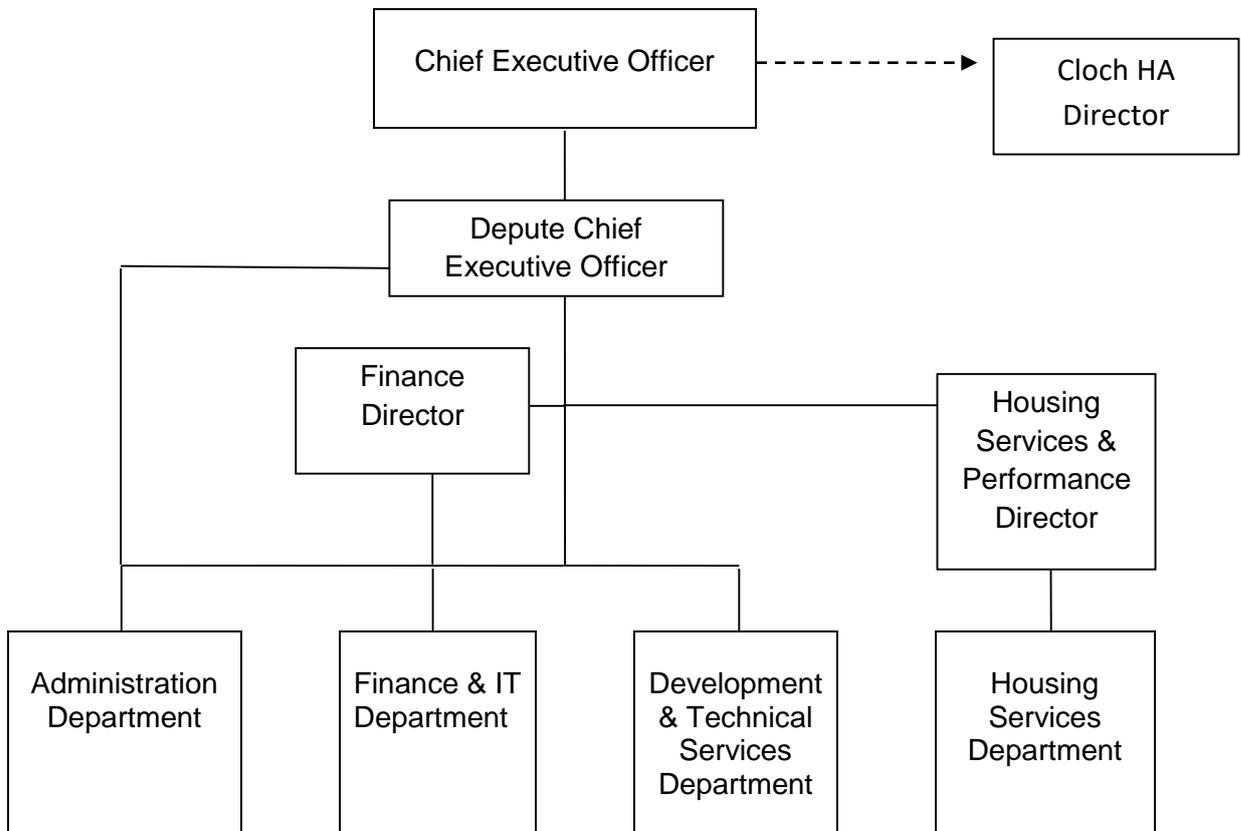
26.3 Full details of authorisation limits for Oak Tree Housing Association staff are detailed in Appendix 2.

**APPENDIX 1 – OAK TREE HOUSING ASSOCIATION**

**COMMITTEE STRUCTURE**



**STAFF STRUCTURE**



## **APPENDIX 2 – OAK TREE HOUSING ASSOCIATION**

### **ASSOCIATION AUTHORISATION LIMITS**

<b>PERSONS AUTHORISED TO ORDER GOODS/SERVICES</b>	<b>EXPENDITURE AUTHORISATION LIMIT</b>	<b>INVOICE AUTHORISATION LIMIT</b>
Clerical Grades	Nil	Nil
Assistant Grades	Up to £500	Nil
Officer Grades	Up to £1,500	Up to £1,500
Senior Officer Grades	Up to £2,500	Up to £2,500
Manager Grades	Up to £5,000	Up to £5,000
Senior Management Team	Up to £10,000 (Over £5,000 to £10,000 Minimum of 3 Quotations where possible)	Up to £10,000
Chief Executive Officer / Depute Chief Executive Officer	Up to £15,000 (Over £5,000 to £15,000 Minimum of 3 Quotations where possible)	To quote / tender level
Committee	Over £15,000 – Committee Approval Required  Formal Tenders required for projects over £15,000, ( <i>excl. VAT value</i> )  Quick quotes for expenditure from £15,000 to £50,000 & spend over £50,000 procurement route 2, ( <i>excl. VAT value in line with procurement thresholds</i> )	N/A

<b>CHEQUE AUTHORISORS</b>	
<b>PERSONS AUTHORISED TO SIGN CHEQUES</b>	<b>CHEQUE LIMIT</b>
2 x Senior Team Members (where designated Bank Signatories)	Up to £5,000
1 x Committee Member 1 x Senior Team Member (where designated Bank Signatories)	Above £5,000

<b>BACS AUTHORISORS</b>
1 x Senior Team Member & 1 x Senior Finance Officer or 2 x Senior Team Members
Transfers between bank accounts can be undertaken by 2 x Senior Finance Officers, or as above

## APPENDIX 3

### FINANCE TEAM STRUCTURE

The Finance Team provides services to both Oak Tree & Cloch Housing Associations.

