

FINANCIAL REGULATIONS

Status: APPROVED

Policy Lead:	Executive Director Business Support
Owned By:	Executive Director Business Support
Date Approved:	March-25
Approved By:	BHA Board
Review Date:	March-28
Regulatory / Legislative Considerations/ References:	
Other Documents to be read in conjunction with this policy:	Accounting Policy Anti-Fraud, Bribery and Corruption Benefits and Payments Board Expenses Code of Conduct (both Board and Staff versions) Investment Procurement Treasury Management Rent Arrears (Current and Former Tenants) Risk Management Scheme of Delegation Standing Orders Write Off Policy

Policy Title:	Financial Regulations
Purpose / Aim of policy:	<p>The Rules of the Association, along with the Standing Orders outline how the Association will be controlled and run. Board Members have ultimate responsibility for ensuring that the business entity takes a responsible approach to financial management and reporting. The Financial Regulations apply across all the Group entities and need to be read in conjunction with other financial policies, and procedures. The Financial Regulations cover the arrangements for supervision and control of the finances, assets, and other resources of the BHA Group.</p> <p>The aim is to ensure that the resources of the Group are being correctly and effectively used and that activities are correctly and accurately reported.</p>
Scope of Policy:	These Financial Regulations generally apply to all the Group entities except where they relate specifically to Housing Associations.
Definitions:	
Approval Source:	Executive Team
Equality Impact Assessment:	There are no major equality impacts linked to the contents of this policy
Sustainability Assessment:	There are no major sustainability implications linked to the contents of this policy
Partnership Assessment:	There are no partnership implications linked to the contents of this policy.
Risk Implications:	Failure to comply with this Policy can expose us to fines and penalties, adverse publicity, criminal charges, difficulties in providing evidence when we need it and in running our business.

1 POSITION OF THE BOARD AND STAFF

- 1.1 The Board have overall control of, and are therefore responsible for, all aspects of the BHA Group entity's work. As part of this remit, it must ensure that the entity's financial and legal responsibilities are met.
- 1.2 The Board retains ultimate control of the BHA Group finances and must ensure that the entity operates as economically and efficiently as possible within its overall objectives.
- 1.3 The Board are ultimately responsible for ensuring that the Association and/or subsidiary has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:
 - 1.3.1 the reliability of financial information used within the association/subsidiary or for publication;
 - 1.3.2 the maintenance of proper accounting records; and
 - 1.3.3 the safeguarding of assets (against unauthorised use or disposition).
- 1.4 Although the Board are ultimately responsible for the regulation and control of the Association's finances, this is exercised in part through the Officers. Responsibility for the day-to-day financial management of the BHA Group entity lies with the Executive Director Business Support through the Chief Executive.
- 1.5 In particular, the Executive Director Business Support is directly responsible to the Chief Executive for the following:
 - 1.5.1 accounting, budgeting and financial administrative matters;
 - 1.5.2 borrowing and investment;
 - 1.5.3 banking;
 - 1.5.4 insurance;
 - 1.5.5 the ongoing review of the Financial Regulations; and
 - 1.5.6 ensuring all financial statutory and regulatory returns are submitted on time.

2 SUBSIDIARY COMPANIES

- 2.1 Subsidiary companies are managed by their own Board of Directors. Berwickshire Housing Association Limited exercises its control via an agreed corporate control document by virtue of its shareholding in the subsidiaries. There is a membership agreement in place between BHA Enterprise and Community Energy Scotland Trading, the two members of Berwickshire Community Renewables LLP. Any investment in a subsidiary or onward lending to a subsidiary would require BHA Board approval. Companies within the group may provide services to each other as agreed between them and these should be documented in service level agreements. Subsidiary companies need to ensure their annual board approved budgets are also approved by the BHA Board of Directors. Any item of income or expenditure which falls under the category of "Reserved Matters" would require prior written consent of the Shareholders before being included in a budget.

3 FINANCIAL RISK MANAGEMENT

- 3.1 The Risk Management policy should be read in conjunction with this document. Any author of a paper recommending committing expenditure (other than insurance) above £25,000 to the Board of BHA and/or any committee and/or any other Board should include a report of the business risks involved and the necessary supporting argument detailing the business case for that expenditure.

4 BUDGET PREPARATION, MONITORING AND VARIATION

- 4.1 The Executive Director Business Support, in consultation with the other members of the Executive Team, shall prepare an annual budget for the following financial year to be submitted for consideration first by the Risk and Assurance Committee and later by the Board of BHA. The draft budget will be presented to a meeting of the Risk and Assurance Committee no later than the end of December and before making a recommendation to the Board of BHA in regard to both; i) the annual increase in rents to apply, and ii) the BHA budget. A budget must be approved by the Board before the start of the financial year which is 1 April. Once approved, the budget forms the Board's expenditure plans and income expectations for the year ahead. The budget can then be used as the basis for authority to incur expenditure on individual headings up to the agreed levels within individual authority limits. There is a separate capital expenditure budget procedure as capital projects inevitably incur large monetary commitments. In addition, there is a housing development proposal process, and this generally requires support from the Scottish Government e.g. if housing grant (HAG) is required. All anticipated capital expenditure and income is included in the budget for completeness but final approval to spend may require further approval by the Board when the full details of the project are available for approval.
- 4.2 BHA operates a system of revised financial forecasting on a quarterly basis, the object being that the actual outturn and the financial forecast are as close together as possible by year end. After the first quarter, the variance reporting in the management accounts will take account of both the original budget and revised forecast position. At all times, the financial forecast position needs to comply with loan covenants. Budget holders can "release" or request additional budget throughout the year, subject to following the required approval process, and the Executive Team is responsible for recommending the revised financial forecast to the Board following a process of peer review.
- 4.3 The Board approve the revised forecast when reviewing the management accounts. Where budgets move between financial years, the Executive Director Business Support will in the first instance make sure that loan covenants are met and that the Board are aware of how the new planned expenditure compares with the original five-year financial projections over a number of years.
- 4.4 Management accounts need to be submitted to the Funders in accordance with the loan agreement(s) i.e. within 30 days of the end of a quarter and in a format that satisfies the conditions stated in the loan agreement.
- 4.5 The Executive Director Business Support shall ensure that an audit file and draft accounts for each financial year are prepared by 31 May each year-end and produce audited accounts by 30 September each year in time for the AGM.
- 4.6 Budgets for all subsidiary companies must be prepared and approved by the relevant subsidiary Board of Directors and the Association Board ahead of the forthcoming financial year. Management accounts are produced quarterly for all subsidiary Boards, with quarterly reforecasting undertaken as appropriate.

5 ACCOUNTING

- 5.1 The Executive Director Business Support will be responsible for developing the accounting policies, principles, and procedures to be used throughout the BHA Group after approval by the Board. Any proposed changes to the accounting policies will be taken, in the first instance to the Risk and Assurance Committee, for consultation and agreement before being finally approved by the Board.
- 5.2 In allocating duties involving any financial activity, segregation of duties will be promoted wherever practical, e.g. those responsible for incurring expenditure will not be responsible for payment of accounts and those responsible for raising charges will not be responsible

for receiving payment of those charges. That is to separate those responsibilities or duties which if combined would enable one person to record and process a complete transaction.

- 5.3 The Association's records will be kept in a way that complies with all statutory requirements, as well as those of external bodies i.e., Her Majesty's Revenue and Customs (HMRC) and The Scottish Housing Regulator (SHR).

6 AUDIT

- 6.1 The Association will appoint external auditors as required by Statute and in line with the guidance issued by the SHR. Initial periods of appointment will be for no more than three years and is subject to an annual confirmation by the Board.
- 6.2 The BHA Group will have in place a Risk and Assurance Committee which should meet at least twice a year. The Committee will consist of at least three members, but the Chair will not be the Chair of the Association. It is the responsibility of the Risk and Assurance Committee to supervise the work of both the internal and external auditors and receive reports on the information brought out from their work. The Risk and Assurance Committee will report its conclusions to the Board.
- 6.3 The Executive Director Business Support will arrange for the completion of the external audit and liaison with the external auditor. The timetable will ensure that draft accounts are considered by the Board before the Annual General Meeting and that the final statements are available for adoption at that meeting.
- 6.4 Any management letters received from the external auditors highlighting areas of concern or making recommendations for improved efficiency and control shall be copied to the Risk and Assurance Committee after receiving the letter. In addition, the external auditors shall be given the opportunity to meet the Risk and Assurance Committee alone at least once a year.
- 6.5 At the conclusion of the annual audit, the Executive Director Business Support will make a report to the Risk and Assurance Committee on the performance of the auditors for that year, including performance against timetable and proposed fees.
- 6.6 The Association will have in place an internal audit function which will prepare an annual report commenting on the satisfactory operation or otherwise of the internal controls of the organisation that were tested in that year and the follow up of previous internal audit recommendations. The function can either be operated internally or sourced externally. If sourced externally, periods of appointment should initially be for no more than three years. The Risk and Assurance Committee will ensure that the Internal Auditor carries out a rolling programme of internal reviews on the effectiveness of the internal control systems. The Risk and Assurance Committee will direct internal audit reviews as informed of and as they perceive the risks facing the Association and the role of internal auditors will be to inform an up to date business risk assessment of the Association.
- 6.7 Arrangements for external audit, internal audit and the operation of a Risk and Assurance Committee shall be in accordance with all relevant publications of the SHR.
- 6.8 All audit appointments can be extended either by a full term (3 years) or on a year by year basis on the recommendation of the Risk and Assurance Committee. External Auditors are appointed at the AGM by the members for the following year.

7 BANKING ARRANGEMENTS AND CONTROL OF CASH

- 7.1 Any bank account opened shall require the approval of the Board. All arrangements with the Association's bankers shall be made by the Executive Director Business Support and/or Chief Executive who are authorised to represent the Association with financial institutions.

- 7.2 Authorised signatories are reviewed from time to time and changes need to be approved by the Board. Signatories can be removed at any time, but approval of new signatories will require prior Board approval.
- 7.3 Electronic payments are made within the finance department after payments to be made have been processed. When making an electronic payment 3 members of the finance team have authority to prepare electronic files for payment. The 2 most senior members of finance, none of whom can prepare a file for payments, have authority to authorise the electronic payment using the online banking system.
- 7.4 Wherever possible all income receipts should be made by electronic transfer and payees will be encouraged to make payments by this method or alternatively utilising other electronic payment methods such as AllPay or Worldpay. Cheques are no longer accepted by the Association as a method of payment.
- 7.5 Wherever possible, all cash received by the BHA Group shall be deposited into the entity's bank account on the day of receipt. Money held on any of the BHA Group entities premises should be kept in secure facilities.
- 7.6 Petty cash floats will be held in the Association's head office premises. Small payments only (less than £150) will be made from this cash. Reimbursement to the float level will be made on the presentation of authorised receipts.

8 CONTRACTS

- 8.1 The overriding aim when contracting should always be that the budget-holder is pursuing value for money. The BHA Group's procurement policy should be read in conjunction with this document, as should the Group Scheme of Delegation, which is embedded in the purchasing systems, and detail the authority to commit to expenditure and authorise invoices.
- 8.2 The Group Standing Orders set out the thresholds for entering into contracts for services or works where Board approval is required.
- 8.3 A contract register will be maintained containing details of all approved contracts.
- 8.4 It is usual for BHA to use Public Contracts Scotland and similar portals to achieve efficiency and effectiveness in procuring which includes an audit trail of the process and outcome.
- 8.5 Any tender which exceeds the original estimate by more than the lower of 15% or £25,000 may not be accepted without the approval of the Board, relevant committee, or Executive Team, as appropriate.
- 8.6 All maintenance and development contracts in excess of £25,000 shall include retention clauses depending on the nature of the work as determined by good practice and/or the Executive member responsible for procuring that service / goods.
- 8.7 In the event of a Board approved contract being re-measured to the extent that the original contract price is exceeded by 5% or more, the relevant Director, in consultation with the Chief Executive, shall advise the Board for the increased cost, where re-measure is included within the contract. In the event that the contract does not include a re-measure provision, then Board approval would be sought via Written Resolution with any appropriate cost mitigation identified if required.
- 8.8 The policy of value for money must always be followed and all budget holders must be able to demonstrate their thinking if challenged on their selection in a competitive tender situation.
- 8.9 As far as is realistically possible and considered necessary, tendering for external audit, internal audit and Association Insurances, should be carried out on a 3-yearly cycle with usually only one of the functions being tendered in any given year.

- 8.10 All managers of the Association should be aware that Public procurement law regulates the purchasing by the Association of contracts for goods, works or services, being; the Public Contracts (Scotland) Regulations 2015 and the Procurement Reform (Scotland) Act 2014.
- 8.11 The Regulations generally apply to the BHA Group when the estimated value of the contract (net of VAT) equals or exceeds the relevant financial threshold. The rules expressly prohibit deliberately splitting contracts to bring them below the thresholds.
- 8.12 Where the pre-conditions are satisfied a contracting authority must normally advertise the contract in the EU's Official Journal and follow the procedural rules set down in the Regulations.

9 ASSOCIATION PROPERTY, ASSETS AND FIXED ASSET REGISTER

- 9.1 A register of all properties owned by the BHA Group will be kept recording the location, purchase details, rents payable and particulars of tenancies granted.
- 9.2 The Association's local Solicitors shall have the custody of all title deeds which are not held by the Association's Funders.
- 9.3 The Executive Director Business Support shall be responsible for ensuring a fixed asset register is maintained which records the description of furniture, fittings and equipment, including computer equipment, owned or leased by the Association. An annual sample check with the register shall be made and any significant discrepancies shall be reported to the Chief Executive.
- 9.4 The depreciation policy for fixed and other assets will be prepared by the Executive Director Business Support for approval by the Board as part of the Accounting Policies but should not be contrary to any generally accepted accounting principles.
- 9.5 Fixed Asset registers will be reconciled to the annual accounts on an annual basis.
- 9.6 The Executive Director Business Support will ensure that a record of all housing components and the depreciation thereon is maintained to properly account for component accounting.

10 INCOME

- 10.1 The Executive Director Business Support shall have overall responsibility for the collection of sums due from Association tenants and BHA Group customers, as well as for the systems to be applied by all staff members involved in collection. They will ensure that any material changes to process or procedure are agreed with the Executive Team.
- 10.2 Officers of the BHA Group shall adhere to the rent arrears and write off policies.
- 10.3 The Executive Director Business Support shall be responsible for the collection of all other sums due to the BHA Group through a system which shall incorporate procedures for the follow up of all outstanding accounts.
- 10.4 Former tenant arrears are the responsibility of the Director of Customer & Communities.

11 INSURANCE

- 11.1 All insurances, arrangements and levels of cover shall be reviewed annually by the Executive Team and arrangements will be made to ensure the Association's assets and activities are adequately insured. As part of this process the Executive Director Business Support will review, with relevant colleagues, the current insurances in place in preparation for the annual declaration of changes (including an up to date business description, turnover for past year and forecast turnover for the current year, staff number and salary costs, up to date housing office and land valuations) and will gather any input from these colleagues for proposed changes to the insurances. The annual declaration is an information update that is given to the insurance broker so that they can pass it on to

the insurers. Some insurers will require their own form to be completed annually. We often have different insurance companies for different insurance risks, but this is usually procured through the same broker.

- 11.2 In securing value for money, we may want to enter into a long-term agreement (3 years) but to do so will require that we follow OJEU requirements. We will not always accept the cheapest bid as this may not necessarily reflect the best value for money and a full evaluation of all bids is required. Notification of the tender proposal and any long-term arrangements with a broker or insurer made to secure lower rates shall require the prior approval of the Board.
- 11.3 When becoming aware of a potential claim through loss, liability, damage or other cause, the member of staff involved shall submit a claim immediately through a member of the finance team. The finance team monitors all claims. The correct procedure for claims must be followed and with the current insurer basic notification must be within 30 days.
- 11.4 At least once a year the Executive Director Business Support will meet with the Insurance broker to review the workings of the insurance arrangements in place.

12 INVESTMENTS AND BORROWINGS

- 12.1 All borrowing by the Association shall be kept within the limits recorded in the Rules. There is a distinction between drawing down long term borrowings and drawing down on a revolving credit facility. A notice of drawdown for long term borrowings shall be signed by the Chief Executive and Executive Director Business Support. Details of the drawdown should be advised to the Board at the Board meeting following the drawdown.
- 12.2 There is a Treasury Management Policy in place and treasury management procedures. Treasury update reports are produced for Board meetings at least twice a year, and the Board monitors the Treasury Management Policy and approves Treasury management actions.
- 12.3 All new loan agreements require the approval of the Board and should be signed in accordance with the minute of the meeting where the loan was approved.
- 12.4 Records shall be maintained by the Executive Director Business Support for all loan agreements to ensure that the conditions of the loan are met and that the BHA Group does not default on the agreement. If a situation of default does arise then the Executive Director Business Support will inform the Chief Executive and the Chair of the Association immediately.
- 12.5 Where a BHA Group member requires short-term overdraft facilities, the terms of that overdraft shall require the prior approval of the Board.
- 12.6 The Executive Director Business Support is responsible for ensuring effective use is made of the BHA Group's cash resources, i.e. by minimising interest paid, maximising interest earned and minimising bank charges within acceptable risk parameters and in line with the Treasury Management Policy.
- 12.7 Any intra-group borrowing and/or lending must be on the basis of a signed loan agreement, signed by Directors of both entities and on normal commercial terms.

13 ORDERS FOR WORK, GOODS AND SERVICES

- 13.1 Purchase orders shall be issued for all work, goods or services to be supplied to the BHA Group except for supplies of public utilities, for periodical payments such as rent and rates, or for petty cash purchases. Orders will be issued when a commitment to purchase is made.
- 13.2 All orders will be placed using one of the group's electronic order systems i.e. the housing management system for housing repairs and planned maintenance to existing housing or the purchasing ordering system used for all other non-housing orders.

14 PAYMENT OF ACCOUNTS

- 14.1 It is the Group's policy to pay its contractors as per the payment terms set out in their contracts. Except for petty cash, and some payments to tenants, e.g. decoration allowances, all payments will be made by an electronic transfer drawn on one of the Association's bank accounts and approved by the signatories authorised by the Board.
- 14.2 The Executive Team members have a corporate credit card for the settlement of business expenditure, but this must not include any private expenditure and the credit limit should be no more than £3,000 per individual. The card can be used by all staff for business expenditure if they follow the credit card procedure which includes authorisation from the card holder. The monthly statements of the Executive Director Business Support must be authorised by the Chief Executive and the Chief Executive's statement by the Chair or in their absence by another Board member.
- 14.3 Staff members who issue an order are responsible for examining, verifying and certifying the receipt of those goods or service.
- 14.4 We have a documented procedure for checking a request to change details of a supplier's bank account to which electronic payments are to be made. Before any changes are made, we contact the supplier ourselves to confirm the written instruction we have received.
- 14.5 Invoices that are at the ordered value or within a tolerable margin above the order value will be passed for payment when receipted. Invoices above the order value (more than the tolerable margin) will be routed to the budget holder for approval at the higher value.
- 14.6 At least fortnightly payment runs will be made and all authorised invoices due for payment before the next payment date will be paid.

15 SALARIES, PENSIONS AND EXPENSES

- 15.1 No permanent staff appointments shall be made outside the approved budget (in terms of both establishment and salary placing) without the prior approval of the Board.
- 15.2 The Executive Director Business Support shall be authorised to pay salaries and associated employment costs in line with the approved establishment.
- 15.3 Any appointments, resignations and dismissals shall be notified by the relevant line manager to the Executive Director Business Support and People and Culture Lead as soon as possible for action. The People and Culture Lead is responsible for notifying payroll of changes to salaries and employee details and for ensuring that the changes are properly authorised. All matters affecting an individual's salary, i.e. sickness, overtime, shall be notified to the relevant finance team member as soon as possible.
- 15.4 The maintenance and control of records of superannuation, income tax and national insurance is the responsibility of the Executive Director Business Support. The maintenance and control of individual personnel records and sickness absence records are the responsibility of the Executive Director Business Support.
- 15.5 Board and staff shall follow the approved policy on travel and subsistence allowances in claiming expenses incurred on Group business.
- 15.6 The Chief Executive is responsible for approving Board member expenses and line managers are responsible for approving staff members' expenses, and in so doing; they confirm their satisfaction as to the validity of the expenses claimed. All claims will be passed to the finance team for payment who may require additional information or validation as necessary. The Chair of the Association should approve the expenses of the Chief Executive.
- 15.7 Payments other than for salaries and expenses, i.e. compensation, gratuities or payments made to former employees other than in the normal course of business, shall be made

only in consultation with the Chief Executive who may seek the advice of the Chair of the Association. All such payments shall be reported to the Board and where appropriate will be recorded in the personnel file.

16 SECURITY

- 16.1 All managers are responsible for maintaining proper security for all building, stocks, stores, furniture, equipment and cash under their control. If levels of security are thought to be defective or require improvement, this should be discussed with the Chief Executive.
- 16.2 The ICT and Digital Transformation Lead is responsible for maintaining proper security and privacy of information held in a computer installation and for ensuring that the information is not improperly disclosed maintaining compliance with the current data protection laws in force at the time. The ICT and Digital Transformation Lead shall ensure that arrangements are in place for back-up usage of computer facilities in the event of a serious malfunction and in order to recover from a disaster.
- 16.3 Security arrangements should satisfy current Insurance requirements i.e. Alarm requirements, window and door locks, for general and IT security.
- 16.4 ICT systems and equipment, fixed or mobile, will be protected by PIN code and/or biometric data (fingerprint) and use two factor authentications where appropriate. The use of strong passwords is required, and these are expired every twelve months.
- 16.5 Access to the Association's systems is restricted using role-based permissions.
- 16.6 An IT security test will be conducted by an industry certified external consultant at least once in every three-year period. Additional systems deployed within the group after the date of the latest testing, will be tested individually for both security and data protection compliance.

17 CONSUMABLE STORES

- 17.1 Stocks of consumable items, i.e. stationery, computer sundries, cleaning materials etc. shall be kept in a secure place and it will be the responsibility of Business Support to ensure that while stocks are adequate for the Association's use, they are not excessive.

18 CONSUMER CREDIT LICENCE

- 18.1 The Executive Director Business Support will ensure that the Association will regularly review its Consumer Credit Licence and ensure that it is registered with the correct category of licence.