

Financial Regulations

Document Ref:	CHG13
Revision No.	2.1
Date approved:	28 May 2024
Related documents:	Standing Orders, Procurement Policy

1 Purpose

- 1.1 Financial Regulations describes how the Cromwood Housing Group will conduct its financial affairs to ensure compliance with relevant laws and regulations. The document is effectively a series of policy statements regarding financial matters. The document also addresses high level delegated authority for matters not reserved for Board consideration.

2 Policy Statement

- 2.1 The following matters are addressed in the Regulations:
- 2.1.1 Business Planning: how the long-term financial plan for CHG shall be determined.
 - 2.1.2 Budget: to approve an annual budget of income and expenditure and monitoring it.
 - 2.1.3 Accounting controls: to stay compliant with laws and regulations.
 - 2.1.4 Taxation: stating commitment to account and pay tax.
 - 2.1.5 Purchases and payments: the delegated authority to authorise.
 - 2.1.6 Intra-group finances: regulating internal transactions to satisfy an audit.
 - 2.1.7 Asset Register: evidence the content of the balance sheet.

3 Business Planning

- 3.1 CHG shall have a Business Plan that may also be known as the Long-Term Financial Plan. The document shall contain:
- 3.1.1 a forecast of income and expenditure over a thirty-year period.
 - 3.1.2 a cash flow statement covering at least the next two-year operating period; and
 - 3.1.3 a simplified balance sheet statement covering a thirty-year period.
- 3.2 This plan will provide the assurance that lenders' covenants are complied with, debt repayment commitments can be honoured, and provide assurance that CHG can remain a going concern in the long term.
- 3.3 The Business Plan shall be constructed, so that a series of assumptions can be inserted and reviewed, with the consequences of those assumptions automatically influencing the plan. The assumptions

shall be updated according to prevailing economic conditions or reflect potential scenarios for the purpose of stress testing the viability of the Business Plan, as determined by the risk register.

- 3.4 The Business Plan will be updated at least once every year, or as required by the Board. The Board shall approve the Business Plan, with that version being clearly labelled (and locked) as being the approved version.
- 3.5 The Finance Director shall be responsible for version controlling the Business Plan so it can easily be determined what is the current approved version, what is historical, and what is a work in progress version.

4 Budget

- 4.1 A budget shall be approved by the Board every year to take effect from 1 April and run until 31 March. The basis of the budget shall be lifted from year 1 of the approved Business Plan. The Board may request additional detail in the budget, should it determine.
- 4.2 The Finance Director shall prepare quarterly management accounts for the attention of the Board. The management accounts shall show the following:
 - 4.2.1 The budget.
 - 4.2.2 The expected budget position to the quarter year period end.
 - 4.2.3 Actual performance against the budget to the end of that quarter period end in the form of an I&E account.
 - 4.2.4 Variance actual to budget, and explanation for top five variances; and
 - 4.2.5 Revised cashflow forecast for the next twelve months.
- 4.3 Management accounts due 30 June, 30 September, 31 December and 31 March shall be presented to the next scheduled Board meetings.

5 Accounting Controls

- 5.1 The Finance Director shall lay down rules on the accounting principles and procedures to be used by its officers in all financial matters. Requirements of auditors, statutory agencies, and regulatory authorities shall be observed and updated periodically.
- 5.2 The following principles shall be observed where possible in the allocation of duties involving financial activity:

- 5.2.1 The duties of providing information about money due to or from CHG and of calculating, checking and recording these sums, shall be separated completely from the duty of collecting or paying them.
- 5.2.2 Staff who have the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

- 5.3 The following accounts and accounting records will be kept as a minimum requirement: General Ledger, Cash Book, Accounts Payable and Invoices, Loan Register, Accounts Receivable and Invoices, Fixed Asset Register (All Fixed Assets), Rent Ledge, Bank Statements, Payroll Records, Petty Cash Book, Record of Stocks and Stores, Investment Appraisals, Financial Reports to the Board/ Committees.
- 5.4 The records shall be kept in a way that complies with the requirements of HM Revenue & Customs (HMRC) and the Regulator of Social Housing (RSH) and in a manner consistent with statutory accounting regulations, and good practice.

6 Annual Accounts

- 6.1 The CHG Board shall appoint external auditors, consistent with the requirements of the guidance issued by the Regulator of Social Housing. The annual accounts shall also fulfil the requirements of the Regulators Value for Money Standard.
- 6.2 The Finance Director will organise the completion of the external audit and will liaise with the external auditor. The timetable will ensure that draft accounts are considered by the Board before filing with the Regulator of Social Housing no later than 30 September.
- 6.3 The Finance Director shall ensure management letters are considered by the Board and assurance can be given that matters within the letters is being dealt with (if any). The external auditor shall be invited to attend a meeting of the Board to discuss the contents of its audit. The non-executive directors may request a meeting with the auditor without executive directors being present.

7 Taxation

- 7.1 The Finance Director is responsible for advising on all taxation matters in the light of guidance issued by the appropriate bodies and relevant legislation. The Finance Director will issue instructions guidance to comply with statutory requirements including VAT, PAYE, National Insurance, Stamp Duty, and Corporation Tax. Tax records will be maintained such as required by the authorities, and accurate returns and payments shall be submitted no later than the due date.

8 Purchase Orders

- 8.1 Purchases shall be made using an approved list of suppliers and contractors, the criteria of which is determined in the Procurement Policy.
- 8.2 The placement of an order or making a commitment for goods or services is an important control point in the process that eventually results in expenditure. Once a commitment is made CHG can be liable for the payment whether or not authority is later revoked. Regulations in this section apply irrespective of the form of commitment.

8.3 Commitments may be signed of in accordance with the following parameters:

Value above £500,000	The Board approves (two director signatures).
Value above £50,000	Any two directors
Value above £5,000	Any director or Finance Director
Any value up to £5,000	Any member of staff as directed in a memorandum from the Operations Director

8.4 The authority to make commitments is subject to the general restriction that the expenditure must relate to the responsibilities of the person authorising it and be within budget.

9 Payment (Invoices)

9.1 The normal method of authorising invoices is to first match it to an authorised purchase order. The person authorising the invoice shall not be the same as the person who authorised the purchase order.

9.2 When the invoice matches the purchase order price and there is evidence that the goods or services have been received, then the authority to authorise invoices shall be in accordance with delegations. When there is a material difference between the invoice and purchase order price, the authorising person shall make additional enquiries as to why this is the case.

9.3 Invoices may be signed of in accordance with the following parameters:

Value above £100,000	Any two directors
Value above £10,000	Any director or Finance Director
Any value up to £10,000	Any member of staff as directed in a memorandum from the Operations Director

9.4 Invoices must be passed to the finance team as soon as they have been certified, so that payment may be scheduled.

9.5 If payment is required and there is either no purchase order or no invoice, then two signatures shall be required, and enquiries made into proof of purchase and a record kept.

10 Banking Arrangements

10.1 This section captures arrangements bank accounts, whether it be a day-to-day current account, or a deposit account. The Board shall authorise the opening and closing of bank accounts and the authorised persons to that account. Terms, like overdraft facilities shall be arranged by the Finance Director.

10.2 Authorised persons to the bank account shall be restricted in number, and if necessary to certain amounts, certain instruments, or sole or joint authorisation. The application of restrictions shall be consistent across accounts so far as practicable.

- 10.3 Rules regarding the maintenance of deposit accounts shall be included in the policy or strategy regarding treasury matters, but accounts should have a high credit rating, and deposit risk shall be spread over a number of accounts.
- 10.4 If there are any direct debits, or other automatic payment, these should be reviewed by the Finance Director every 12 months.

11 Holding Cash

- 11.1 Holding cash might mean a petty cash float, a loaded pre-paid card, or in rare circumstances, holding cash on behalf of a vulnerable customer.
- 11.2 In all cases, a receipt of cash received should be held on record, and receipts for any expenditure incurred. Purchases with cash should be restricted to less than £100 per transaction, and the float of cash should be no more than three months. Use of cash should be restricted to irregular purchases and use of a purchase order should be explored whenever this is a viable alternative. A reconciliation of the cash float should take place at least every three months, by someone other than the usual holder.
- 11.3 In the case of cash held on behalf of vulnerable residents, this shall be a solution of last resort, and alternative arrangements should be sought whenever this becomes possible. The Operations Director shall approve the arrangements beforehand. There shall be a separate record of receipts for each customer, which may be subject to inspection at any time.

12 Intra-group Finances

- 12.1 All financial transactions between the CH group of companies (known as an intra-group or related party transaction) shall be supported by a legal agreement that states the terms of payment. In the case of services, the terms of payment shall be documented and both parties shall assume payment in accordance with those terms. If either party requires the terms of payment to be adjusted, this will be negotiated in the mutual interest of the parties.
- 12.2 In the case of capital funding, this shall be documented in the form of an intra-group loan. The terms of the loan shall have regard to the terms that the intra-group lender has with its own principal lender, and the borrower shall take independent advice before entering into the loan to take assurance that it's in its best interests. The terms of the intra-group loan should be no worse than what would be available to it from a high street bank. Otherwise, the terms of the loan may be whatever the parties agree.

13 Assets Registers

- 13.1 A register of all properties owned or leased will be maintained by the Finance Director. The contents shall include land registry records (property deeds), plans and property boundaries, purchase details, the nature of the Group's interest, rent payable and/or receivable, and particulars of tenancies granted.
- 13.2 A register of non-housing assets and an inventory shall be maintained, recording a description of furniture, fittings and equipment, plant and machinery and other capital equipment owned or leased. The Finance Director shall determine the de minimis level, which shall be supported by the auditor.

- 13.3 The Finance Director is responsible for making arrangements to ensure the safe custody of all title deeds when not held by a lending authority, or when not provided as security for a borrowing facility.
- 13.4 The capitalisation and depreciation policy for assets will be approved by the Board and implemented by the Finance Director and will not be contrary to any accepted accounting principles.

13.5 Assets may be disposed of in accordance with the following authorisation parameters:

Value above £250,000	The Board approves (two director signatures).
Value above £250,000	Any two directors
Value above £5,000	Any director or Finance Director
Any value up to £5,000	Any member of staff as directed in a memorandum from the Operations Director

14 Income

- 14.1 The procedures for the collection of money which is due shall be approved by the Finance Director. All money received by any member of staff shall, without delay, be dealt with in a manner agreed, ensuring that adequate arrangements are in place for the safe despatch of the monies to the bank account.
- 14.2 Each Officer who receives money (cash, cheque(s), bankers draft or postal orders) must accept personal responsibility, upon receipt, for ensuring that the payment is correct, a formal receipt issued, and monies locked in a secure place. All payments by cheque must be supported by narrative on the back of the cheque detailing what it is for, together with a note of the department. All receipts must be recorded on approved documentation. All monies received must be banked on the same day unless it is received outside of normal bank/post office opening times.
- 14.3 Any donations or similar income received will be acknowledged in writing.
- 14.4 The Finance Director shall be notified promptly of all money due and of contracts, leases and other agreements and arrangements entered into which involve the receipt of money.
- 14.5 The Finance Director is responsible for ensuring that all social housing grants are received and appropriately recorded in the accounts.

14.6 Income uncollectable may be written off in accordance with the following authorisation parameters:

Any single debt above £5,000	The Board approves (two director signatures).
Any single debt up to £5,000	Any Director, including the Finance Director

15 Insurance

- 15.1 The Finance Director will annually review all insurance arrangements and levels of cover to ensure assets and activities are properly insured in accordance with good practice. A schedule of insurance cover will be reported to the Board annually for noting.
- 15.2 Staff shall promptly notify the appropriate Director responsible for the area of insurance affected of all new risks, or properties which require to be insured and of any alterations affecting insurance risk.
- 15.3 When staff become aware of a potential claim through loss, liability or damage or other cause, the member of staff involved will, notify the appropriate Director who will submit a claim to insurance brokers or notify the insurer directly, following agreed procedures for such claims.
- 15.4 The Finance Director will keep a record of all insurances arranged by the Group and the property and risks covered.

16 Grant Certifications

- 16.1 The Finance Director shall be responsible for ensuring that adequate systems are in place to enable compliance with conditions in connection with receipt of Social Housing Grants and other grants and allowances. This shall include compliance with grant audits and correct use of grant monies.

17 Responsibilities

- 17.1 The job holder or holders responsible for applying and monitoring this policy is the Finance Director.

18 Performance, Monitoring and Evaluation

- 18.1 Finances will be externally audited with the outcome of the audit reported to the board in the annual report and accounts. Exceptional matters falling outside of the financial regulations will be reported to the committee responsible for internal controls, with changes to internal controls considered as a result.
- 18.2 This policy will be subject to review no later than three years from the date of approval, or sooner if a substantial change in circumstances requires.