

Lochfield Park Housing Association Limited

Financial Procedures

FUNCTION	DOCUMENT	DATE
Finance	Financial Procedures	Review: February 2019 Approved: February 2019 Implemented: March 2019 Next review: March 2022

1.0 Introduction

In order to facilitate the efficient and effective operation of the organisation in matters relating to finance, a series of financial controls have been established.

These controls incorporate basic elements of financial control which exist in most organisations as well as those which may be peculiar to this particular organisation. It is in the interests of the organisation that these controls are made known and are adhered to by both staff and Committee members. In this respect, the co-operation of all concerned would be appreciated.

These procedures shall be reviewed every 3 years.

The Housing Association must ensure that where records of a financial nature are kept out with the finance section that consultation and agreement with the finance section is undertaken and reached in order to ensure that the manner in which records are kept is appropriate for audit purposes.

In addition, consultation with the Financial Consultants must take place for all transactions which shall have a material financial effect, including any maintenance, purchase or leasing agreements.

It is essential that the Finance Section be notified immediately of any event which has, or may have, material financial implications for the Housing Association.

2.0 Budgetary Control

2.1 The Director shall ensure that the Finance Section prepare a budget statement, for Committee consideration and approval, prior to the commencement of the financial year.

The value of the budget statement as a management tool should be recognised and under no circumstances should Lochfield Park be operating without a budget document which must also contain cash flow projections.

2.2 In preparing the budget statement the Director will ensure that appropriate consultation and discussion with all sections of the organisation take place and that guidance from The Scottish Housing Regulator be recognised and considered.

2.3 Management accounts should be prepared on a quarterly basis and will compare the estimated and actual income and expenditure for the period to date.

Any material variances must be highlighted and explained to Committee and the effect of likely future events on the financial position of the organisation must be made clear.

Narrative within the Management Accounts should include reference to the currently projected financial position of the Housing Association at the financial year end.

- 2.4 The organisation's Business / Internal Management Plans must include up to date 30 year projections together with a statement of the main assumptions.

3.0 Maintenance / Repairs

- 3.1 At the commencement of each financial year the Director and Finance Consultants shall ensure that all senior staff are aware of the funds available for day to day, cyclical and major repair maintenance works.

The allocation of funds will exclude any salary costs, recoverable costs and overhead allocation and will refer solely to monies available for repairs by outside contractors and the purchase of materials.

- 3.2 The Director, Maintenance Manager, Finance Consultant, Housing Manager and Office Manager will liaise prior to the commencement of the financial year for the purposes of agreeing an annual maintenance / repair plan to be submitted to Committee for approval.

- 3.3 The Maintenance Manager at the commencement of each financial year will prepare a list of approved contractors which will state as a minimum their Trade, Hourly Rate, Insurance, Health and Safety Policy and V.A.T. registration position.

This report, which is for approval by management committee members, must also state whether insurance and construction industry documents are in order.

- 3.4 Finance/maintenance staff will liaise on a monthly basis for the purposes of monitoring actual / planned expenditure.

The Maintenance Manager is responsible for ensuring that expenditure remains within budget.

N.B. It must be recognised that the nature of reactive works very often result in circumstances where the annual budget allocation requires to be amended during the course of the financial year.

- 3.5 Where it is expected that specific repair projects will exceed £8,000 the appropriate procedures for tender returns must be observed unless it is necessary to carry out the work immediately in order to prevent danger to life, limb or property. For works in excess of £2,000 but below £8,000 three quotations will be sought.

- 3.6 Projections of cyclical maintenance/major repair works must be compiled by the Maintenance Manager and reviewed on an annual basis in order to allow incorporation of the financial effects into the revised Internal Management Plan.

3.7 Monthly and 6 Monthly Review reports to Committee will compare the estimated and actual expenditure on maintenance / repairs and highlight where variances have occurred and the reason.

4.0 Traditional Tendering Procedure

4.1 Contractors invited to tender must be selected from Lochfield Park's Approved Contractor List.

Where works are of a specialised nature a list of no less than three suitable firms (where possible) must be compiled for Committee consideration and approval.

4.2 A tender brief must be issued to contractors being invited to tender and should contain clear detail regarding work required, property address, tender expiry date / time together with other relevant or material information.

Contractors must be advised to submit their tender documents in a sealed envelope clearly marked 'Tender Documents'.

4.3 On receipt of the aforementioned sealed tender documents a receipt may be given to the tendering company's representative if required. The date and time of receipt should be noted on the sealed envelope by the recipient of the tender details.

4.4 Under no circumstances should any tender documents be opened prior to the agreed date / time by which tenders had to be received.

4.5 All tenders must be opened in the presence of a minimum of 2 staff members and 2 Committee members.

4.6 Details of the tendering company, tender cost and witness's signatures must be entered in a tender register which will contain the nature of the works, companies invited to tender and the closing date/time for tender submissions.

The register will also highlight where no tender submission is made by a company.

4.7 Where the lowest tender is not accepted details of the reasons for this decision must be clearly minuted at the appropriate committee or sub-committee meeting.

4.8 Where the organisation is expected to incur costs in excess of £8,000 these tendering procedures must be followed in accordance with the Housing Association's Code of Procedure for single stage selective tendering.

4.9 The association must also comply with relevant Scottish Government procurement guidance relating to the awarding of contracts and the thresholds upon which this guidance is based. Public Contracts Scotland and OJEU

regulations must be followed and the Maintenance Manager must ensure committee is made aware of the processes required to achieve compliance.

5.0 Invoices / Procedures

- 5.1 When an invoice for goods or services is received, the Office Manager shall grid stamp the invoice and enter details directly onto the Purchase Ledger system.
- 5.2 The invoice should then be passed to the staff member responsible for approving the invoice **and finally passed to the Director for authorisation.**
- 5.3 The invoice, when authorised, should be returned to the Office Manager for payment. At this point the copy of the order should be attached to the invoice.
- 5.4 Invoices for Maintenance works shall follow the above procedure with the following exceptions: -

All staff have a responsibility for issuing repair orders.

In the event that actual costs cannot be specified, an estimated cost should be contained on the order.

It is the responsibility of the Maintenance Manager, Housing Manager and Office Manager to ensure the appropriate coding of repair invoices.

- 5.5 Authorised invoices for payment should be contained within a cheque & BACS payment list in accordance with the relevant procedure.
- 5.6 Authorisation levels are contained within the Housing Association's Financial Regulations.
- 5.7 It is the responsibility of the Office Manager to review the purchase ledger, **at least** bi-monthly, to ensure no overdue accounts exist.
- 5.8 Where any invoices are issued by the organisation they should be dated, numbered and maintained in an appropriate register by the Office Manager. The issuing of all invoices is the responsibility of the Office Manager.
- 5.9 All invoices received should be entered onto the purchase ledger.

6.0 Cheque and BACS Payments

Whenever possible the preferred method of payment should be to pay suppliers by the BACS method. However, it is recognised that in some instances this may not be possible and that on such occasions payment will need to be by cheque.

The principles applied and the authorisation requirements are the same whichever method is applied and these are set out in the remainder of this section.

- 6.1 **BACS Payments**
 Payment by this method can only be made to those suppliers listed in Appendix A – BACS Suppliers List. These are suppliers where the Association has satisfied itself that the supplier’s bank information has come directly from the supplier itself. Bank information received from a third party cannot be accepted.

- 6.2 Any requests from a supplier to change their bank details must be confirmed directly with the supplier to verify its authenticity. It is the Office Manager’s responsibility to ensure that the Association’s BACS List and details are maintained and kept up to date.

- 6.3 When the proposed payments have been input into the bank’s proposed payment screen it will generate a BACS payments list. This will provide full details of the proposed payments for the authorised signatories to review. A BACS payment list noting all BACS payments during the month must be presented to the management committee each month for scrutiny and approval.

- 6.4 The BACS payment list should be signed by two authorised signatories at the meeting. It is recognised that due for example to contractual obligations it is not always possible to wait until the next meeting until the payment can be made. In such cases the payment(s) should be reported to the next available meeting and a reason for prior payment given. In all cases the BACS payment list should whenever possible be signed by both signatories prior to funds being released from the bank.

- 6.5 All cheques and BACS payment lists require two signatures. In normal circumstances one of the signatures should be the Director. The authorised signatories are the Director and the following four committee members:

Kenny Halliday	Director
Hannah McDonald	Chairperson
Joan Buchanan	Secretary
Ann Whitley	Vice Chairperson
Cathy White	Treasurer

- 6.6 Once the BACS Payment List has been authorised the physical transfer can be made. Payment can only be made by one of two staff members. These are:

Kenny Halliday	Director
Elizabeth Cumming	Office Manager

Payment from the bank will only be released upon the staff member keying in the appropriate authorisation code. This is given at the precise moment of payment to the person electronically via a Security Token (electronic code generating device). When not in use the Security Token must at all times be kept in the Safe. Once payment has been made a payment confirmation advice should be printed off and attached to the BACS Payment List as proof that the amount paid matches the authorised amount.

- 6.7 Following payment, the invoices should be inserted into the expenditure vouchers lever arch folder and a remittance advice sent to the supplier to notify them that the payment has been made into their bank account.
- 6.8 On completion of the payment the signed BACS Payment List should then be filed in the BACS / Cheques Payments List file so that there is a clear audit trail as to who authorised each of the payment lists.
- 6.9 It is not anticipated that this method of payment is appropriate for such payments as petty cash, rent refund etc. Such payments should continue to be made by cheque.
- 6.10 Cheque Payments
- A cheque payments list, detailing the cheque number, payee, total paid and a general description of the works or services, should accompany each batch of cheques being authorised. **All invoices included on the cheque payment list should be available to the cheque signatories to inspect prior to their signing of the cheques.**
 - The cheque payment list should, in addition to the cheques, be signed by two authorised signatories at the meeting. It is recognised that due for example to contractual obligations it is not always possible to wait until the next meeting to have cheques signed. In such cases the payment should be on the next appropriate cheque payment list and reason for prior payment given.
 - All cheques require two signatures. In normal circumstances one of the signatures should be the Director. The authorised signatories are the Director and the following four committee members:

➤ Kenny Halliday	Director
➤ Hannah McDonald	Chairperson
➤ Joan Buchanan	Secretary
➤ Ann Whitley	Vice Chairperson
➤ Cathy White	Treasurer
 - On authorisation, the invoices should be inserted into the expenditure vouchers lever arch folder.
 - Cheques should then be issued to the payee together with a suitable remittance advice confirming payment details.
 - On completion of the payment the cheques payment list should then be filed in the BACS / Cheques Payments List file so that there is a clear audit trail as to who authorised each of the payment lists.
 - **Cheques issued should run in numerical order.**
 - **When not in use the chequebooks must be kept in the safe.**

- **Blank cheques must not be signed under any circumstances.**

In the event that no invoice is available e.g. petty cash, rent refund etc., a completed cheque request voucher must be available and be fully authorised in accordance with the invoice procedures. It is the responsibility of the Section Head requesting payment to complete the cheque request voucher.

6.11 Lochfield Park Bank Accounts

The Housing Association currently operates the following accounts:

- Clydesdale Bank - Current Account
Telebanking Investment Account
Charities Account
Fixed Deposit Investment Account
- Co-operative Bank - Current Account
- Royal Bank of Scotland - Term Loan Account
- Bank of Scotland - Term Deposit Account
- Nationwide Building Society - Business Savers Account

Bank Reconciliation statements for all bank accounts must be prepared monthly by the Office Manager.

Payments to Creditors shall be made in accordance with any contractual obligation. Where no contractual obligation exists, payment shall be made within 30 days.

7.0 Receipt of Monies

7.1 Cheques coming into the Office via the postal service should be entered into the postal receipt register by the Receptionist or another member of staff if he or she is unavailable. The entry should detail who has made the payment, date of payment and the sum received.

7.2 Cheques together with the remittance vouchers should be passed to the Office Manager through the Association's normal mail procedures. The Office Manager should enter the appropriate details in the "Pay in Book" prior to banking.

7.3 It is the responsibility of the Office Manager to advise the relevant section of sums received e.g. G.C.C. receipts, rent receipts, factoring, and any other sources.

Payments received at the Office must be accepted in accordance with the strictest procedures:

- **Two members of staff must be present to collect cash at the front office, and all monies must only be taken in the privacy of an interview room.**

- Two members of staff must accept the cash.
- **Both members must check and sign a cash receipt confirming that the amount received is correct.**
- One receipt should be passed to the payee with a copy receipt being initialled and signed by both staff members. The 2nd receipt along with the cash should be placed in one of the self- seal envelopes (specially provided for this purpose) and immediately placed in the cash post box in the Office Managers' Office.
- **Any and all monies received in the office should be counted, double checked, countersigned by 2 members of staff, placed in a self-seal envelope and posted in the Cash Post Box in the Office Managers' Room.**
- The Office Manager shall check the contents of each envelope individually, confirm receipt and lodge the money in the Association Safe.
- The Office Manager carries out a daily check of all monies received from the previous working day and inputs the details into the "In comes" folder.
- Should the Office Manager come across a discrepancy in the sums collected by any method e.g. All Pay this will be reported to the Director immediately

The Office Manager shall ensure that monies are banked regularly to ensure that large sums are not accumulated in the Associations' Office.

Appendix A details further procedures for allpay cash receipts

8.0 Petty Cash

- 8.1 All petty cash cheques should be contained on a cheque payments list per the appropriate procedure.
- 8.2 All petty cash disbursements **must** be accompanied by a receipt and / or a petty cash voucher signed by the parties making and receiving payment. All receipts must be kept in date order and filed appropriately.

The petty cash vouchers must contain details of what the expense refers to and must be dated as at time of payment.

- 8.3 All staff expenses shall be paid via the wage system as opposed to via petty cash. Any reimbursement of costs incurred, where a receipt is available, may be paid via petty cash.

- 8.4 At **no time** should the petty cash fund be used by any Staff / Committee member for purposes other than expenditure wholly and necessarily incurred on official business.
- 8.5 The person responsible for the handling of petty cash and associated records must be clearly defined. Currently this is the Office Manager. A reconciliation of the petty cash account shall be carried out at each month end.
- 8.6 It is essential that the petty cash box remains in a safe or locked cabinet unless cash deposits / disbursements are being made.
- 8.7 Regular monthly checks on the petty cash records should be made by the Office Manager. Quarterly checks will be carried out by the Finance Consultant.
- 8.8 Any petty cash shortage which cannot be identified must be advised to the Director without delay.**
- 8.9 The maximum the petty cash box should contain at any one time is £500 (in exceptional cases and for a short period only). The normal day to day petty cash box limit is £200.
- 9.0 Salaries / Expenses**
- 9.1 Salary and wage increases arising from staff promotions, incremental increases or pay awards must be approved by the Management Committee or authorised subcommittee prior to any payment being made.
- 9.2 Any request for overtime should be authorised in advance where possible and any claim should be accompanied by an overtime form signed by the individual requesting payment and approved by the Director.
- 9.3 Any request for reimbursement of expenses / mileage costs should be accompanied by an expenses claim form signed by the individual requesting payment and approved by the Director. Any request for reimbursement of expenses / mileage above £100 incurred by the Director should be approved by the chairperson. Receipts should be provided where possible.
- 9.4 All sickness absences of over 5 working days require a medical certificate.
- 9.5 All sickness absences of 5 working days or less require completion of a self-certification sickness form. It is the responsibility of the Office Manager to ensure that sickness certificates are completed and collected from staff.
- 9.6 Salary processing is the responsibility of the Office Manager and Finance Consultant.
- 9.7 Salary payments are due on the 25th day of each month and shall be processed to ensure adherence with this timetable.

9.8 Salary payments shall be made via the Clydesdale Bank system and all salary records are available for inspection.

10.0 Committee Expenses

10.1 All claims for reimbursement of expenses must be accompanied by an expenses claim form signed by the individual requesting payment and countersigned by the Director.

10.2 With the exception of subsistence and overnight allowances, receipts must be obtained and attached with any claim made.

10.3 Whilst it is preferred that payment by cheque should be made it is recognised that payments via petty cash will sometimes be required.

10.4 No cheque signatory may sign a cheque payable to themselves.

10.5 Where payment is made to a 3rd party in respect of childminding expenses proof of payment must be provided.

10.6 Payment of expenses shall be made in accordance with the Committee Expenses policy.

11.0 Chargeable Repairs

11.1 General procedures relating to chargeable repairs are contained within a separate Chargeable Repairs procedures note.

11.2 Procedures relating to the receipt of funds for chargeable repairs activity are noted within the receipt of funds financial procedure.

11.3 It is the responsibility of the Maintenance Manager and Office Manager to code rechargeable invoices in an appropriate manner in order to confirm to finance, any invoices to be recharged.

11.4 Invoices in respect of rechargeable repairs shall be prepared by the Maintenance Manager.

11.5 A copy of all Rechargeable Repairs invoices shall be retained by the Maintenance Manager who shall produce a full reconciliation, at each month end, detailing date of issue, name, address, amount invoiced, payment date and closing balances.

11.6 The Office Manager shall agree the Control Account balance with the month end trial balance total for rechargeable repairs outstanding. Any differences should be investigated and resolved promptly.

12.0 Insurance Claims

Each Section Head, as defined above, must provide a written reconciliation to the relevant sub-committee regarding sums due and outstanding to the Housing Association.

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

All procedural documents shall incorporate information on debtor control including the basis for monitoring and reporting sums due.

Financial Procedures – Appendix A

The Association's financial regulations and procedures outline the procedure to follow for all cash payments. The following details procedures to be used for allpay cash receipts

- Association tenants are encouraged to use debit card (allpay) at any pay point (including the office). However, the Association allows cash payments to be made at the office if this is necessary. Receipts are taken between the Association's opening hours of 9.30am to 4.30pm.
- Housing Management Staff are the only members of staff who will deal with the transactions processed via the allpay machine within the office.
- Payments via allpay machine
- When a payment is being made by the tenant via allpay the staff member from housing management will select a button to confirm if it is a cash or card payment.
- Two members of staff will accept and witness the payment if a cash payment is being made by the tenant.
- Two receipts are provided one of which is passed to the tenant and the other is held by the Association for its records.
- **The receipt is signed by the two members of staff who have received, double checked and counter signed the receipt.**
- Where a cash payment has been made this is immediately placed in a self-seal envelope countersigned by 2 members of staff and placed immediately in the Cash Post Box within the Office Managers' Room. Envelopes containing money will be held in this Box until checked and placed in the safe by the Office Manager. This is held in the safe until the Office Manager Banks the cash.
- The cash held within the office is kept to a minimum bearing in mind the constraints of the office insurance policy and safety issues.
- The Association's copy of the cash receipt is held on file within the finance office.
- When the cash is banked by the Office Manager the pay in book reference number is entered onto the batch of receipts banked on that day.
- At the beginning of each day the Housing Management Staff print an end of period report from the previous day which summarises the total amounts paid via the allpay machine split into cash and card payments

- A copy of this end of day report is passed to the Office Manager who verifies on a daily basis the cash received from Housing Management corresponds to the amount detailed on the end of day report.
- These end of day reports are held on file within the Finance Office.
- Card payment receipts are held by Housing Management as this is used to verify to the posting reports at the end of day which is used for posting the payments to the tenant rent accounts.

Other Cash Payments

On occasion tenants make rent payments in cash where they have either lost their allpay cards or new tenants awaiting receipt of an all pay card. These payments are made through LPCO account on the Call Pay system.

Cash is also received for ground maintenance where tenants have the opportunity to participate in the assisted garden maintenance scheme and occasionally rechargeable repairs

On all occasions a receipt is provided from the Call Pay system which appears on the End of Day report.

The procedures for signing receipts of cash will be in line with the above and in line with the finance regulations and procedures.

These Procedures will be reviewed at least every 3 years or sooner as required to comply with Regulation or Best Practice.