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|  | <b>Financial Policies &amp; Procedures Manual</b> |
|                                                                                   | Doc No: P012                                      |

| Version No | Title                                    | Author              | Draft Date | Approved By | Approval Date | Live Date | Review Date |
|------------|------------------------------------------|---------------------|------------|-------------|---------------|-----------|-------------|
| 1          | Financial Procedures Manual              | G Davies / P Latham | Apr 2024   | Board       | Apr 2024      | Apr 2024  | Apr 2027    |
| 1          | Treasury Management Policy Statement     | G Davies / P Latham | Jan 2024   | Board       | Jan 2024      | Jan 2024  | Jan 2027    |
| N/A        | Statement of Fixed Assets                | TBC                 | TBC        | Board       | TBC           | TBC       | TBC         |
| 1          | Scheme of Financial Delegations          | M Warner            | Jan 2023   | Board       | Jan 2023      | Jan 2023  | Jan 2026    |
| 1          | Board Member Expenses Policy             | A Malik             | Nov 2022   | Board       | Nov 2022      | Nov 2022  | Nov 2025    |
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| 1          | Financial Policies and Procedures Manual | P Latham            | Oct 2024   | Board       | Oct 2024      | Oct 2024  | Nov 2025    |

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## Introduction

This policy seeks to set out Eldonian Community Based Housing Association's (ECBHA's) approved policy positions and procedures regarding financial management and operations.

This document has brought together a number of separate ones into a single document. Those previous documents and applicable content are superseded by this document.

This policy sets out how ECBHA intends to comply with the relevant legislation and regulatory requirements and guidance.

ECBHA seeks to be transparent with all stakeholders regarding its performance, compliance and assurance with this policy.

The document is relevant to all ECBHA employees, residents, contractors and other person's or other stakeholders delivering or affected by activities and ECBHA homes and services.

## **1. Treasury Management Policy**

### **1.1 Introduction**

The Association recognises the importance of cash management and the administration and compliance with the terms set out in its loans with current lenders.

A treasury function is required to ensure that its financial assets are safeguarded, risks identified and suitably managed in accordance with the organisations objectives.

### **1.2 Aims & Background**

The overriding aim of this policy will be to ensure that, at all times, the Association will not be exposed to undue risk.

The underlying principle that shapes this policy statement is that the organisation is overall risk-averse. This applies equally to both its investment and borrowing strategy. Investment of surplus cash is aimed at the preservation of the capital value of the Association's resources.

This policy statement is based upon the recommendations of the code of practice on Treasury Management issued by the Chartered Institute of Public Finance Accountancy (CIPFA).

The code identifies three key principles:

- The Association should put in place formal and comprehensive objectives, policies and practises, strategies and reporting arrangements for the effective management and control of its treasury management activities.
- The policies and procedures should make clear that the effective management and control of risk are prime objectives of the Associations treasury

management activities and that the responsibility clearly lies within the organisation.

- The appetite for risk should inform the approach including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing funds.

The Association defines its treasury management activities as:

‘The management of the organisation’s borrowings, investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks.’

### **1.3 Policy Statement**

The Association will:

- Pursue a policy of maximising the interest it receives on the money it invests and of minimising the interest it pays on money borrowed. These objectives however will be secondary to the policy of minimising risk.
- Ensure that a proper system of internal controls exists to safeguard its assets.
- Ensure that at all times value for money is being obtained. This will be achieved by examining all the costs and benefits relating to the decision to be made relating to investment or securing finance.
- Ensure that it has access to sufficient resources to meet their ongoing obligations.

In pursuing the above objectives, the Association will restrict its investing and borrowing activities to the list of approved institutions detailed in Appendix A.

In following this Policy, the Board and Leadership of the Association must at all times give consideration to the Rules of the Association, the terms of their current loan agreements, conditions of deposits, the regulations and guidelines of the Regulator of Social Housing Regulator, The Financial Services Authority and legislation.

The primary investment objective is to optimise returns to the Association while meeting the overriding need to protect its capital.

The primary borrowing objective is to keep the cost to a minimum consistent with the need to ensure stability of the Association's longer-term financial position.

### **1.4 Borrowing, Deposits & Investments**

The Rules of the Association to borrow up to £1bn. However, borrowing limits will, in practice, be based on the continued financial strength of the Association, its ability to repay loans, available asset cover and satisfactory loan and covenant terms.

The Association may enter into risk management arrangements within the framework of existing or future borrowing facilities, including periodic fixing of interest rates and/or arrangements to cap interest rates or create an interest rate collar.

Investment activity will be restricted to placing money on deposit for a maximum fixed term of 24 months.

The Association does not work outside the UK and therefore will not encounter any currency risk and accordingly will not borrow or deposit funds denominated in foreign currency.

Deposits should only be placed with institutions which have ratings which satisfy the following criteria from at least two of the three recognised credit rating agencies:

- Moody's - 'P-1' - Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.
- Fitch - 'F1' - Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments.
- Standard & Poor's - 'A-1' - An obligor rated 'A-1' has STRONG capacity to meet its financial commitments. It is rated in the highest category by Standard & Poor's.

The Association's funds will be invested in cash deposits at variable and fixed rates of interest held in UK banks and building societies as detailed in Appendix A.

Any alteration to the list of authorised institutions for investment purposes can be made only with the approval of the Board.

The Chief Finance Officer will monitor the credit worthiness of approved deposit-takers, set out at Appendix A bearing in mind that a limit of only £85,000 per authorised institution is covered under the terms of the Financial Services Compensation Scheme (FSCS). Sensible judgement should prevail in deciding whether to immediately remove the Association's funds from fixed-term or notice deposit accounts (if indeed it is possible to do so prematurely) of an approved deposit-taker listed at Appendix A, should its credit ratings fall below the minimum criteria set out above. Certainly, funds should be removed, at the very latest, at the end of the fixed-term (should it continue to fail to satisfy the minimum criteria at that time), or immediate notice should be given.

Credit ratings will be a key source of information but it is important to recognise that they have their limitations. The Association should also make use of generally available market information including quality financial press, market data and information on government support for banks. If information becomes available which causes concern as to the deposit-taker's ability to meet its financial commitments, regardless of its credit ratings, the Association should take all possible steps to repatriate its funds and place them with an institution it considers to be safer.

Apart from in exceptional circumstances and with the approval of the Board, the maximum investment with any individual financial institution should not exceed 60% of total liquid funds. The exception being when money on deposit is transferred back to the main business account, the above limit should be achieved within 10 working days. The Association has the ability to fully invest, or as much as practically so, having regard to day-to-day financing and liquidity needs, either for their prospective returns, or as a tactical decision due to concerns over the stability of the UK banking system.

The Association will ensure that there is sufficient liquidity in the working capital account (referring to cash flow projections) before deciding on the amount of funds available for investment.

The Association will ensure that funds are transferred on a timely basis to and from its investments.

Before any investment is made, a minimum of three of the authorised investment institutions must be approached. Terms and interest rates offered must be assessed and recorded by the Chief Finance Officer.

Deposits should be placed to receive the most favourable terms while maintaining the appropriate spread of investment. Given current sums available for investment, there is a £2m maximum sum that can be invested with any one institution. This also includes any day to day working capital.

Deposits will be placed with any given institution up to a maximum and not exceeding 24 months.

Exposure to variable and fixed rates of interest will be carefully considered throughout the deposit, investment and loan period taking into account both the economic conditions prevailing at the time and the overall deposit, investment and loan portfolio.

The Association will provide security over property to the value agreed with lenders. The Association will offer the minimum amount of security required by a lender to secure the required private finance.

Before the borrowing is made, a minimum of three of the authorised lending institutions must be approached and terms, covenants, and interest rates offered must be considered and compared.

The Association will not use derivative products to hedge risks.

## **1.5 Banking Facilities**

The Association's banking facilities are currently held with Cooperative Bank and levels and charges shall be reviewed on a regular basis by the Chief Finance Officer who shall maintain regular contact with the banks to ensure provision of up to date and accurate information on the financial status of the Association in a timeous manner.

## **1.6 Market Insight**

The Chief Finance Officer shall ensure they have access to financial market commentaries and reviews on the likely future courses of interest and inflation rates to enable the Association to assess future treasury risks and scenarios and to permit the effective management and control and development of suitable risk management strategies.

## **1.7 Money Laundering**

The Association is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff receive proper awareness training in this regard.

## **1.8 Transparency & Accountability**

The Association is committed to the pursuit of proper corporate governance throughout its business and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its treasury management activities will be undertaken with openness and transparency, honesty, integrity and accountability. The Association has adopted and implemented the key principles of the CIPFA Code of Practice.

This, together with the other arrangements detailed in this policy, is considered vital to the achievement of proper corporate governance in treasury management.

## **1.10 Treasury Management Annual Review**

The Association's adherence to its treasury policy statement will be set out in a Treasury Management Annual Review prepared by the Chief Finance Officer alongside the preparation of the annual budget on the fourth financial quarter of the year. The review will highlight:

- Details of current lenders.
- Loan balances outstanding per lender.
- Loan terms.
- Expected settlement date.
- Mix of fixed and variable rate finance.
- Security cover provided details of 'excess' security per lender and basis of valuation. Unencumbered stock and indicative valuation.
- Interest earnings from investment of surplus funds.
- Forecasted cash flows and confirmation of no liquidity or covenant compliance.
- Any funding or investment decisions that are required to be made.
- Detail about compliance with lenders covenant and information requirements.

- The effectiveness of the strategy and any recommendations for change.
- The effects of the decisions taken and the transactions executed in the last year.
- Market view of future interest rates over the next 12-36 months.
- Compliance with this policy.

The annual review will be approved by the Board.

## **1.11 Potential Types of Treasury Risks and Typical Risk Management**

### **Borrowing Risks**

The main areas of borrowing risk are: -

- Interest rate risk exposure arising from changes in interest rates has the potential to affect the value of assets and liabilities.
- Too much variable rate debt resulting in higher interest payments and repayment costs. Conversely, too much fixed debt can result in opportunity losses because the Association cannot benefit from improving rates.
- The main danger of interest rate risk is that the Association could face liquidity problems servicing debt as well as breaching lenders' covenants on interest cover percentages.

### **Inflation Risk**

If the rate of inflation increases less than forecasted while fixed rate loan costs remain stable there is a real cost to the Association in terms of low inflation. An appropriate hedging strategy will assist in minimising any adverse effects caused by increases in interest rates.

### **Liquidity Risk**

This risk is where the Association has insufficient cash to meet its liabilities as they fall due. In this respect the Association will ensure that it has adequate, though not excessive, cash resources and borrowing arrangements at all times as are necessary for the achievement of its business objectives.

The use of monthly cash flow projections, together with appropriate monitoring, shall assist in reducing this risk along with ensuring diversification into long and short term investments.

### **Funding and Refinancing Risk**

This is the risk that debt may mature and need refinancing when interest rates are higher than the original debt. Regular forecasts of future interest rates should be undertaken, realistically this may be quite difficult over medium to long term.

We will ensuring that the maturity dates of debt are well spread so that there in not a large proportion of debt due to mature at one time.

### **1.12 Failure of Internal Control Systems**

The risk of inadequate systems of control, reporting and performance measurement is not specific to treasury management. This would include the risk of exposure to fraud, error and corruption.

Accordingly, the Association will employ suitable systems and procedures and will maintain effective contingency management arrangements. Regular reviews and documentation of financial practices and internal audits shall contribute towards reducing the potential for such risks.

### **1.13 Fraud, Error and Corruption**

This is the risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error or corruption in its treasury management dealings, and fails to employ suitable systems and procedures to those ends.

Segregation of duties provides a significant mitigation, ensuring that a different person was responsible for carrying out separate activities within a process, although this can be a challenge in a small team and therefore outsourcing of some functions will be used if necessary to create appropriate segregation.

### **1.14 Soft Covenants Risks**

It must be borne in mind that a loan agreement can be broken, not just by a breach of covenants, but also by failing to meet deadlines, clauses or by failing to provide documentary evidence.

It is now usual for companies to set up a calendar with all loan requirements and trigger dates for compliance matters.

The introduction of a check list for compliance with loan conditions, together with comprehensive records of contractual responsibilities and liabilities, should avoid such risks materialising.

### **1.15 Specific Investment Risks and Typical Risk Management**

#### **Risk of default by an Institution**

This is where funds are deposited in a financial institution and are subsequently defaulted upon. This risk would previously have been regarded as low given the regulation of this area by the Prudential Regulation Authority (PRA, replacing FCA) and Bank of England but an increased awareness is required given all issues attaching to the current economic climate.



The Association regards a key objective of its treasury management activities to be the security of the principal sum it invests and the regular review of market data and commentaries and credit rating information shall assist in negating such risks. The Association diversifies as per Appendix A.

### **Funds are invested for too long a term and liabilities fall due**

This is where funds are invested but may be needed to settle a liability. The inclusion of accurate detailed cash-flow projections within the annual budget document, quarterly cash flow updates with the Management Accounts, appropriate budget monitoring and the regular updating of the long-term projections should assist in limiting this risk.

### **1.16 Legal and Regulatory Risk**

The risk that the Association itself, or an organisation with which it is dealing in its Treasury management activities, fails to act in accordance with its legal powers or Regulatory requirements, and that the Association suffers losses accordingly.

Legal advice, where appropriate, and regular monitoring of regulation advice and guidance, shall assist in reducing this risk. The Association recognises that future legislative or regulatory changes may impact on its treasury management activities and, as far as it is reasonably able to do so, will seek to minimise the risks of these impacting adversely on the organisation.

### **1.17 Overall Treasury Risk Management**

In order to minimise the risk, the Association will have in place treasury management procedures that are reviewed regularly and that all financial and leadership personnel are aware of their contribution to compliance.

Furthermore, methods of validation and ensuring probity include an annual external audit, regular internal audit and reports to Board members.

### **1.18 Responsibilities**

The Board, in delegating the day-to-day operating of this policy, will ensure that the Leadership Team involved are suitably qualified to undertake the responsibilities entrusted through both its recruitment and training policies.

It is the responsibility of the Chief Financial Officer to ensure that the Board is provided with written assurance that covenants and other requirements set out in any loan documents are being appropriately complied with.

The Leadership Team will not be permitted to act outside this policy and are accountable to the Board for their actions and decisions.

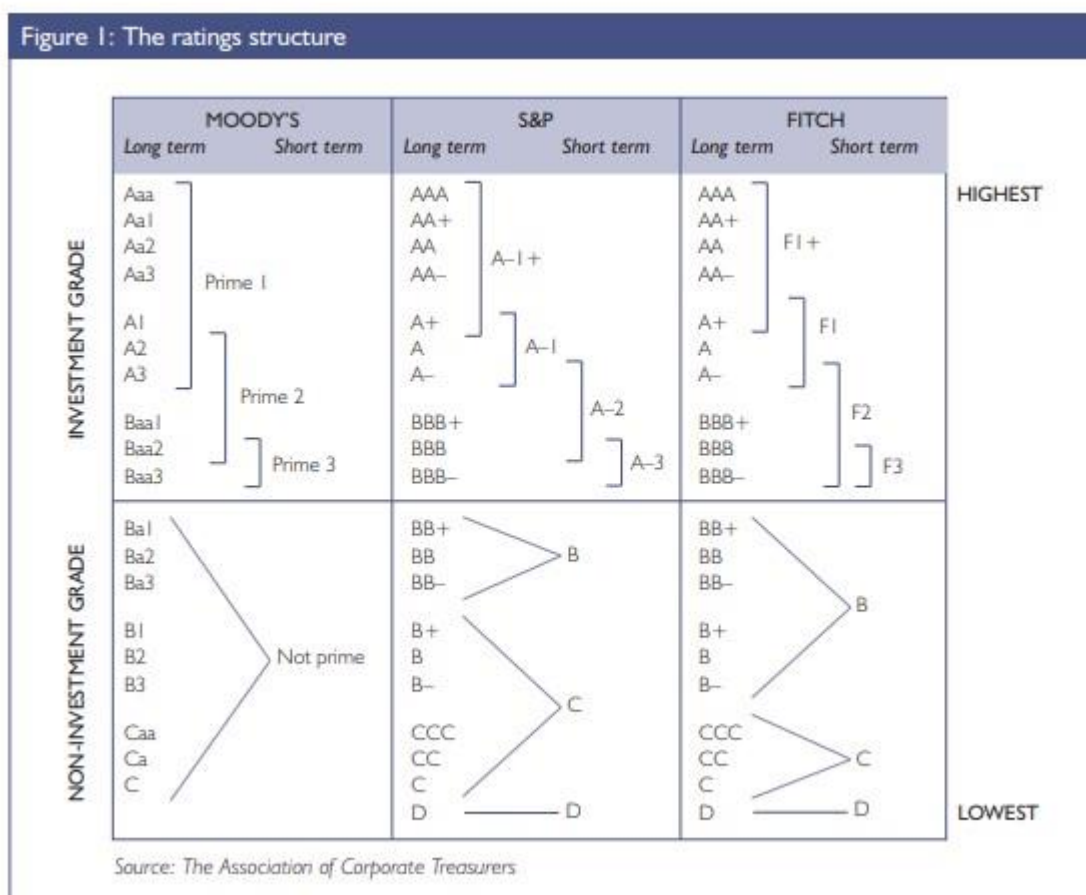
The Chief Finance Officer will obtain independent advice from a suitably qualified person, authorised and regulated by the Financial Conduct Authority before proposing or entering into any derivatives transactions or investments.

The Leadership Team have no delegated authority to commit the Association to loan facilities without Board authorisation. Their role is to consider the market and make recommendations.

## Treasury Policy Appendix A – Approved Institutions

Cooperative Bank  
HSBC Bank

## Treasury Policy Appendix B - Institutional Credit Ratings Reference Chart



## 2. Statement of Fixed Assets & Component Accounting

This statement aims to outline the ECBHA approach to fixed assets and component accounting.

For clarity there is a difference between component accounting and the wider management of fixed assets. Component accounting tracks individual capital components (kitchens, bathrooms, boilers, etc.), depreciating their installation cost over their individual lives and writing them off when they are replaced. Fixed Assets covers not only component accounting but also the separate treatment of land, buildings and other fixed assets.

Our approach will be compliant with the current SORP / FRS102 requirements.

## **2.1 Components:**

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful lives at the following annual rates:

| <b>Component Useful life</b> |           |
|------------------------------|-----------|
| • Structures                 | 100 years |
| • Roofs                      | 50 years  |
| • Bathrooms                  | 30 years  |
| • Windows and doors          | 35 years  |
| • Kitchens                   | 20 years  |
| • Heating system boilers     | 15 years  |
| • Lifts                      | 25 years  |

Any residual amounts from replaced components are written off and charged as expenditure to the statement of comprehensive income.

## **2.2 Wider Fixed Assets**

Properties held on leases are amortised over the life of the lease or their estimated useful lives in the business, if shorter.

Freehold land is not depreciated because of its indefinite useful economic life. Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property.

Any works to housing properties which do not replace a component or result in an incremental future benefit are charged as expenditure in the statement of comprehensive income.

Component accounting / depreciation is not charged on shared ownership properties.

## **3. Scheme of Financial Delegations**

| Approval limits<br>(£)                                        | Purchase orders     | Purchase invoices | Payments |         |
|---------------------------------------------------------------|---------------------|-------------------|----------|---------|
|                                                               | Per transaction     |                   | Cheque   | Other   |
| SMT member                                                    | 10,000              | 10,000            |          | 25,000  |
| SMT x 2                                                       | 25,000              | 70,000            |          | 70,000  |
| Chief Executive                                               | 35,000              | 75,000            |          | 75,000  |
| CEO + SMT                                                     | 50,000              | 100,000           |          | 100,000 |
| Chief Executive and<br>Chair or Vice-Chair<br>of the<br>Board | >50,000<br><100,000 | 100,000           |          | 100,000 |
| Board Approval                                                | >100,000            | 100,000           |          |         |

## 4. Financial Management Procedures Manual

### 4.1 About This Manual

#### 4.1.1 Introduction

This manual has been specifically written for the Finance Team as at present there are only a limited number of finance procedures that exist for non-finance staff. This manual has been designed to assist staff with the financial aspects of their work and it can also serve as a useful induction guide for new staff joining ECBHA.

#### 4.1.2 Scope of the manual

The procedures written in this guide are not intended to replace any other procedures that already exist including financial regulations, standing orders, policies & procedures and governing documents.

All procedures will contain the main points and any brief guidance notes for each section, this is to ensure that the instructions are kept concise and clear rather than a very detailed step-by-step guide of how to carry out a task.

#### 4.1.3 Aims of the manual

The aims of this procedures manual are simple; these are to empower staff, by imparting financial knowledge first hand and for the manual to act as a first point of reference rather than for staff having to rely on historic information / knowledge from colleagues and staff.

This guide has been written specifically to help operational and office staff to understand the financial aspects of their role, and to ensure that staff are aware of the information that needs to be provided to the finance team at head office.

### 4.2. General Overview

It is important for everyone to understand that we have financial procedures in place for very important reasons, some of which are listed below.

- by having procedures in place that staff can follow, it ensures that we have good internal financial controls within the organisation
- by staff following laid down procedures, it ensures that the organisation is protected from loss, error or fraud as well as protecting the individual, assuming procedures are correctly followed; and
- To ensure that we keep control of and manage our finances efficiently, by ensuring that we have money available when we need it e.g. paying all our bills as they fall due, including staff salaries and invest any surplus money that we do not need straight away, so that we earn some interest.
- Efficiency, getting things right first time helping staff to do their job most effectively.

### **4.3 Auditors - Internal / External**

We have two types of auditors and they play quite different roles at ECBHA, there are some similarities in the way they carry out their work and they are entitled to have access to our records and question any employee about their work if this is relevant to their audit work or investigation.

The auditors cover all financial aspects of the business, they carry out their work at the office and remotely depending on the nature of the audit and could involve you being asked specific questions, on the work that you do. This is why it is important that we all follow procedures as laid down by the Association, which help to protect the employee and safeguard Association assets.

#### **4.3.1 Internal Auditors**

- Internal auditors are normally employed by ECBHA to perform specific work as directed by the Association; this can range from a normal audit of processes and procedures to the more serious audits of suspected fraud or misappropriation of assets. The routine internal audits are usually part of an on-going programme of rolling audits that we carry out each year, plus any specific risk areas identified by the business. The internal audit programme is an important part of our risk management framework.
- At the end of each internal audit the auditors prepare a report of their findings, this report contains an overall summary of their findings, a detailed report of the specific areas they tested, risks associated with procedures not being correctly followed and their recommendations.
- The management and staff responsible for the area of work and have to come up with an action plan and timetable to implement the recommendations. The final report is then presented to the Board who oversee these reports to ensure that the recommendations are implemented, and to ensure any significant risks where immediate action may need to be taken.

#### **4.3.2 External Auditors**

- External auditors are employed by ECBHA to perform the statutory audit of the financial statements, which is a legal and regulatory requirement. The external auditors work

independently and do not take instructions from ECBHA, their work is governed by the Companies Act, Accounting and Auditing Standards, other statutory bodies, more information on this is contained in section 3 under financial year end audit.

## 4.3 Who Does What

The Finance Team (FT) comprises:

- The Chief Financial Officer
- The Finance Manager

| Responsibilities            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Chief Finance Officer (CFO) | <p>Overall responsibility for the provision of financial information and services and the work of the finance team.</p> <ul style="list-style-type: none"> <li>• Strategic financial decision making for the organisation</li> <li>• Reporting to the Board on financial matters</li> <li>• Updating long term business plan and capacity models</li> <li>• Ensuring cost effective loan facilities and treasury management controls, policies and procedures for the Association's financial operations</li> <li>• Risk management framework</li> <li>• IT Finance systems development</li> <li>• Management reports</li> <li>• Setting rents &amp; service charges</li> <li>• Annual budget setting and reforecasting</li> <li>• Procuring and facilitating external audit</li> <li>• Preparation of annual statutory accounts, liaison with external auditors and advisors</li> <li>• Treasury management, VAT and Tax queries</li> <li>• Payroll – We use the Payroll Bureau at Mitchel Charlesworth Chartered Accountants</li> <li>• Pensions and Auto-enrolment</li> <li>• Cashflow planning</li> <li>• Bad debt write off calculations, reporting and approvals</li> </ul> |
| Finance Manager (FM)        | <ul style="list-style-type: none"> <li>• Fixed assets accounting</li> <li>• Bank reconciliations</li> <li>• Raising invoices and calculating depreciation</li> <li>• Supporting preparation of statutory accounts, quarterly vat and other statutory returns</li> <li>• Preparation of management accounts, out-turns and management reports</li> <li>• IT systems operation</li> <li>• Capitalisation of major repairs and component accounting</li> <li>• Year end accruals</li> <li>• Bank reconciliations, allocation and coding of income receipts to bank statements</li> <li>• Cashflow operational management</li> <li>• Sundry Debtors – Invoice Recharges</li> <li>• Journal corrections and reporting queries</li> <li>• Co-ordination of the purchase ledger</li> <li>• Running the weekly rent debit</li> <li>• Supplier setup</li> </ul>                                                                                                                                                                                                                                                                                                                            |

|  |                                                                                                                                                                                                                                                                         |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <ul style="list-style-type: none"><li>• Supplier payments by BACS</li><li>• Point of contact for general queries on supplier payments</li><li>• Invoice scanning</li><li>• Processing Housing Benefit / Universal Credit schedules</li><li>• Rent adjustments</li></ul> |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|



## **4.4 – Financial Year End**

### **4.4.1 General Information**

The annual accounts are prepared by the Auditors and reviewed by the Finance team.

The annual accounts are presented to the Board in July for approval and are adopted at the annual general meeting held in September.

### **4.4.2 Board of Management - Role of the Board**

The role of the Board is to determine strategy and to control and direct the business of ECBHA so that it achieves its objectives. Day to day management is delegated to the Association's staff.

All Board members share in the responsibility for Board decisions and for carrying out the work of the Board. As such, Board members should only act in ECBHA best interests at all times and not on behalf of any constituency or interest group.

The Chief Executive (CE) has the duty and the authority to make all reasonable enquiries should he believe that a breach of the law, regulatory requirement or ECBHA governing instruments has occurred.

Board members are paid for their services to ECBHA as non-executives. ECBHA will refund members out of pocket expenses for travel, telephone calls and accommodation costs. Claims for expenses should be submitted to the Company Secretary (CS).

### **4.4.3 Year-End External Audit**

The external auditors, in arriving at their audit opinion on the financial statements, assess whether a satisfactory system of control over books of account and transactions has been maintained. Any material weaknesses in internal controls identified are reported to the Board and an action plan to address the weakness by management is agreed.

### **4.4.4 Accounting for Accruals**

Accrual accounting is an accounting method that measures the performance and position of a company by recognising economic events regardless of when cash transactions occur. The general idea is that economic events are recognised by matching revenues to expenses (the matching principle) at the time in which the transaction occurs rather than when payment is made (or received). This method allows the current cash inflows/outflows to be combined with future expected cash inflows/outflows to give a more accurate picture of a company's current financial condition.

Therefore for the purposes of year-end financial statements it is important that all expenditure payable and all income receivable for that year are recognised accurately.

## **4.5 Payroll**

#### **4.5.1 Purpose**

The purpose of this procedure is: -

- 1) To ensure that the organisation correctly pays its employees for monies owed in a timely manner.
- 2) To ensure that all statutory requirements relating to the payroll are observed.
- 3) To ensure processes are streamlined to achieve efficiency savings.

#### **4.5.2 General Overview of payroll**

ECBHA payroll currently consists of circa 10 employees and 6 Board Members. The payroll is processed by Mitchell Charlesworth; an external payroll service.

All employees are paid by BACS, we have two pay periods, depending on contract some are paid in advance and are paid on the 6<sup>th</sup> of each month. All staff who started employment after 2023 are paid in arrears and as the board members are paid in arrears with their payday being the last working day of the month. All staff employed since 2023 are paid in arrears. All staff have access to a portal to their payroll information by the payroll Bureau.

##### **Payroll Processing**

The CFO is responsible for checking the preparation and calculation of the payroll schedule each month.

The CFO can accept instructions directly from HMRC, HMCTS, Child Maintenance Service, and pension providers regarding payroll amendments. Where these are received, the CFO will make the employee aware by email of the details of the instruction received, it is however for the employee to challenge any instructions with the relevant agency or organisation.

The CEO checks the accuracy of data prepared by the CFO to ensure that all relevant data needed for payroll processing has been captured and calculations are done correctly. This ensures segregation of duties, minimises the risk of mistakes/fraud, and is part of ECBHA internal controls.

Following the CEO approval, the CFO signs the final payroll instruction letter that is sent to Mitchell Charlesworth detailing all the changes that are processed in the system and any instructions that need to be processed by them.

Output reports are prepared by Mitchell Charlesworth and sent to the CFO to be checked. Any corrections or changes are instructed by to Mitchell Charlesworth via email. As soon as everything is checked and finalised, the CFO will send an email to Mitchell Charlesworth confirming the payroll is approved to be processed.

#### **4.5.3 Payroll Instructions**

Any changes to an employee's file including new starters, leavers, change of contract, change of addresses, sick pay deductions, maternity leave, any additional pay, child

care, Jury Service, Give As You Earn (GAYE) deductions. Most of these changes are processed/initiated by the CFO.

### **Starters**

A new starter form is obtained from HMRC and is completed by the employee and CFO and includes the details listed below. This document is then given to Mitchell Charlesworth to process.

1. Full name
2. Address
3. National insurance number
4. Date of Birth
5. Start Date
6. Current salary (and other changes since starting salary)
7. Bank account details for salary payment
8. Tax code (form P45 or P46)
9. Details of extra allowances or payments agreed.
10. Payslip options and email address
11. Contracted Hours and pay basis
12. Hourly Rates is casual staff (if applicable)
13. Location
14. Salary Cost Code
15. Role Name

### **Leavers**

When an employee gives notice to, or leaves ECBHA, The CFO will check to see if the Leaver has any outstanding financial obligations and make arrangements for the reimbursement of these accordingly. Also if the employee is in the pension scheme, the CFO will ensure a scheme withdrawal is completed with the provider.

For a leaver, a P45 form will be raised by Mitchell Charlesworth but only after the CFO has received a confirmation from the line manager of any outstanding leave or overtime etc. to be paid or deducted. The P45 will be sent out to the leaver's home address by the CFO.

### **Change in Circumstances**

All change of circumstances such as change of contract, transfers, pay increases, sickness absences, additional hours, professional study fee recovery and maternity leave must all be communicated to the CFO along with the line manager authorisation by email.

### **Statutory External Agencies**

All tax code changes, student loans and tax credits come directly from HM Revenue and Customs (HMRC) and are sent directly through to Mitchell Charlesworth. ECBHA cannot accept a request from an employee to change their tax code; the actual instruction can only come directly from HMRC.

EBCHA may receive a letter from the Child maintenance Office, HMCTS or a Council Tax Order against a particular employee. The CFO will add these to the monthly payroll instructions. Since these deductions are earnings related and the percentages used are as per the official deduction table based on employees monthly earnings, these orders are best managed and setup by Mitchell Charlesworth as part of the monthly on-going instructions they receive from ECBHA.

#### **4.5.4 Pension Schemes**

##### **Legacy Scheme**

Currently ECBHA is operating NEST which is a defined contribution auto enrolment pension scheme for existing staff joining the organisation. The company also participates to a Social Housing Pension Scheme (SHPS Scheme) this is closed for new members.

##### **Current Scheme**

ECBHA currently operates a NEST Pension scheme. This is the scheme we are currently using for our auto enrolment, ECBHA is required to enrol all eligible staff into a qualifying pension scheme.

Mitchell Charlesworth will assess eligible employees and add them into the pension scheme, however to avoid un-necessary administration burden when a new employee joins the Association, ECBHA has opted for an on-going postponement of one month for new starters, what this means is that a new starter will only be enrolled into the scheme on the following payroll after one month's service has been completed, this avoids unnecessary deductions in case the employee leaves within the month or completes the opt-out process quickly. Mitchell Charlesworth are responsible for ensuring that the postponements have been actioned correctly.

Mitchell Charlesworth are responsible for communicating all new starters and leavers, as well as submitting all the relevant information files to the pension provider.

#### **4.5.5 Overtime and Other Ad-Hoc Payments**

Overtime and other ad-hoc payments are to only be operated as a necessity and are considered an exception to normal operating practices. Such payments must not be occurring on an ongoing basis. If there is a need for this it should be considered if a temporary or permanent change to an employee contract.

We have set up a 3 stage approval process for such payments

- Agreement of the overtime / ad-hoc payment in advance, in writing between the employee, their line manager and CFO.
- The line manager to identifies how the additional cost will be managed within budgets and the CFO will approve that this appropriate and sufficient.
- Ahead of the next applicable payroll the line manager, CFO and CEO will jointly confirm in writing that the overtime / ad-hoc additional work has been carried out as planned and the additional payment is approved.

#### **4.5.6 Expense and Mileage Claim**

Reimbursement of employees' personal expenses (business mileage, other travel costs and subsistence) is claimed on a staff expenses & allowances. These expenses are reimbursed to the employee through the payroll system. Any other expenses incurred by senior management are to be included in an expense claim and included supporting invoices/receipts and will be paid via internet banking.

The expenses claim must be completed in full, including:

1. Expenses Date.
2. Type of Expenditure.
3. Purpose of expenses under description.
4. If Mileage Car Fuel Type and Engine Size, Mileage Travelled and Claimed.
5. Individual amount of claim. For mileage claims, the system will work out the amount based on mileage and rate.
6. All receipts must be attached to the claim forms on the system.

When submitting the form, the employee must agree to the following statement:

**EMPLOYEE DECLARATION:**

A) I claim the total amount given, where allowances have been claimed all the relevant conditions of the allowance rules have been fulfilled. Where expenses are claimed they are actually and necessarily incurred during the course of my job, and within the associations expenses rules. Where overnight stays are claimed for, it was operationally necessary for me to be absent from my work base and home.

B) Where mileage is claimed, only the lesser of the following is claimed. 1. The distance between your normal base/place of work and your destination 2. The distance between your home and business destination.

C) Where mileage is claimed, I confirm that I have a valid driving licence and am not banned from driving. I also confirm that my car details are correct, it is in good working order, has been serviced in the last 12 months and has valid insurance, road tax and MOT certificate.

Each claim must be approved by their line Manager, the Manager approving the expense claim must ensure the expenses were incurred for valid business reasons on behalf of the Association.

Where a staff member is unable to furnish receipts (e.g. because they are lost) duplicates should be sought or other proof of payment (such as a Visa bill) produced. If no proof of payment is available, the Association may at its discretion, and providing the Manager authorises the claim, meet the allowable expense, the claim form should indicate which receipts are missing. Expense claims should be submitted promptly and not more than two months after the expense was incurred.

The claimant must make sure that their authorised claims are attached with receipts / invoices. If claiming mileage, the claimant must make sure that they select the correct type of expense and mandatory required car details such as Fuel Type and Engine Size, this will enable the FM to calculate the correct amount to reimburse.

If the authorised claim is not sent to the FM in time for it to be processed before the deadline, then the employee does not have an automatic right to demand payment. Every case is looked at individually and payment is made only in very exceptional circumstances.

staff should remember that travelling expenses are paid for reimbursement of costs incurred whilst on ECBHA business, staff are expected to use the most cost effective method of transport and route, appropriate to their destination.

It is the responsibility of every member of staff to ensure that any costs incurred are reasonable and within the stated guidelines and policy

It is the responsibility of all Managers to check and to scrutinise individual expense claims thoroughly before signing them off. This includes checking all receipts are attached, expenditure incurred is reasonable, mileage claims can be justified with sufficient information included for each journey. Please remember mileage incurred should only be claimed from your normal place of work or whichever is the shorter journey.

## 4.6 Purchase Ledger

### 4.6.1 General overview

The purpose of this procedure is to ensure that payments to suppliers are processed accurately and to ensure that finance procedures are followed.

### 4.6.2 Payment Requests

Payment requests will not be processed unless properly authorised by the. Delays from non-adherence to this procedure will be the responsibility of the designated Manager.

Any urgent payment requests should be authorised by two different signatories to acknowledge the spend with relevant backup for the expenditures.

Where the designated manager will be away from the office for more than one week, their responsibility should be delegated as per the authorisation form or upwards. In the absence of FM, delegation moves to the CFO or CEO in their absence.

### 4.6.3 Purchase Orders

Purchase orders are being phased in. Electronic Orders should be raised for all purchases of goods or services. If it is necessary to place a verbal / written order this must be converted into an Electronic Order. Both FM and the budget holder must approve orders.

**All prices on all orders must reflect VAT where applicable.**

Purchase orders **must** be raised for all the following services/goods:

| Description                      |                        |
|----------------------------------|------------------------|
| Stationery                       | Training               |
| Travel (flights) & Accommodation | Non contract cleaning  |
| Furniture / White Goods          | Non contract gardening |
| Computer equipment               | Tree works             |
| Computer software                | Subscriptions          |
| Catering supplies                | Cleaning materials     |
| Advertising                      | Room hire              |

Purchase orders are **not** required for only the following services/goods:

| Description                        |                          |
|------------------------------------|--------------------------|
| Utilities                          | Trains/Tubes/Buses/Trams |
| Council Tax/Business Rates         |                          |
| Legal Fees                         |                          |
| Temporary/Agency Staff             |                          |
| Goods/Services paid by credit card |                          |

Any orders raised should be emailed to the Supplier / Contractor.

Orders must only be placed with suppliers/contractors on the approved list. Where an emergency arises and it is impossible to use the services of an approved supplier/contractor a one off supplier can be used.

Electronic records of all orders issued will be retained on the SDM system. When an invoice is received for authorisation prior to payment, the order should be matched to the invoice in the system.

Invoices will be matched to the order automatically and if they satisfy the tolerance limits, they will pass for the payment process.

If there is a variation between the order and invoice and the variance is above the tolerance level, then it will be sent to the CFO or the budget holder to approve the variance.

Value of orders shall be authorised in accordance with the agreed schedule of delegated authorities outlined in the Procurement Policy.

### **Capital Expenditure**

Any capital expenditure must have the prior approval either via the annual budget or, if non-budgeted, the approval of the CEO.

#### **4.6.4 New Supplier / Contractor**

To add a supplier or contractor to the approved list, a new supplier/contractor form is required, the FM will collate and review the requested evidence and propose the approval to the CFO. The CFO, COO and CEO can approve the additional to the approved list. The evidence will be retained (in electronic format) for the duration of the supplier / contractor being retained on the list and for five years post.

The most recent 'Application for Inclusion on the Approved Contractors List' was approved by Board in February 2024.

An additional 'New Supplier form' is completed by CFO and counter signed in order to set up as a bank payee.

#### **4.6.5 Invoices**

##### **Receipt of Invoices**

The FT receive invoices by post and email.

As part of the VFM strategy the FT encourages suppliers to email invoices electronically to [invoices@eldonians.org](mailto:invoices@eldonians.org)

All invoices must be clearly addressed to ECBHA and must contain the order number to which they refer.

##### **Processing**

Invoices will be processed on the SDM system and follow the process of order matching.



If the invoice is matched within the tolerance limit, it will automatically process for payment once agreed by COO.

If the tolerance is above the limit, then the invoice will be sent to the budget holder to approve the variation.

Any capital spend detailed within an invoice that would be subject to being depreciated will be identified by the FM, with the item, value and depreciation period recorded in the appropriate records within SDM.

### **Disputed Invoices**

The FM and COO are responsible for managing any disputing any invoices. If a resolution cannot be achieved this will be escalated to the CFO. The CFO will monitor the number of disputed invoices quarterly and take steps to improve the purchasing system to minimise them in the future.

### **Payment**

The authorised invoices will be picked up for the payment process on **SDM** system. No invoices will be accepted for payment without authorisation.

Wherever possible, payments by the Association will be made by BACS credit transfer. This provides the quickest, secure and most cost effective method of payment. All suppliers must be encouraged to provide bank details to facilitate this method of payment.

The SDM system produces a listing showing all payments due to be made at a specified date. This report is reviewed and verified by the FT. The SDM system will automatically transfers the payment onto the SDM system for payment.

#### **4.6.4 Authorisation Limits**

Authorisation limits for orders and invoices are outlined in the Procurement Policy. Authorisations will be recorded within SDM system.

#### **4.6.7 Supplier Bank Detail Change Requests**

##### **Supplier payment details**

Ideally all supplier payments should be made by BACS.

Bank details required are -

- Name of account
- Bank address
- Sort code
- Account Number

All bank details must be received in writing by post on company headed paper or confirmed via email signed by an appropriate person. Once received, and before these details are used to make any payment, they must be verified by making a telephone call to the supplier.

Do not use the telephone number sent with the bank details, if there is one, without checking it is genuine against an invoice, their website and/or the telephone directory.

Always ask to check the details with the accounts department. They are to give you the details to verify to the letter. Never read back the details from the letter. Get the name of the person you speak to and record this information.

Further checks, such as personal ID, may be required depending on what is received.

### **Changes to supplier details**

This procedure aims to minimise the potential for Mandate Fraud.

If anyone contact by telephone, e-mail or letter to change any supplier details always telephone the accounts department back to confirm the change. Be wary if it is to change the telephone number and particularly cautious if it is to change bank details.

### **Changes to bank details**

Follow the same procedures as (changes to supplier details) above by only accepting changes in writing and then verifying the changes by telephoning the accounts department of the supplier.

Do not make any changes or payments into this new bank account until full verification has been made and these have been signed off by the CFO. Make notes of all telephone conversations including names of who you have spoken

Store all of these notes together with the original letter/e-mail received giving details of the bank change in electronic format.

## **4.6.8 Mandate Fraud**

### **Mandate Fraud**

Mandate Fraud is also known as Creditor Fraud, Payment Diversion Fraud and Supplier Account Takeover Fraud. Changing bank accounts is an unusual occurrence and therefore any request to update records should be treated with suspicion.

Changes should be authorised at a senior level. This fraud involves the changing of account details for supplier or customer accounts in order to gain control of an account and benefit from unauthorised payments. This could include changing of

bank details in a direct debit, manipulation of credit card activity, or changing of an employee's bank account details for their salary, particularly when a bonus is due.

Requests may be received by phone, letter or email to update account details. These requests must be monitored, checked and authorised before changes are made.

**Details of suppliers are obtained from:**

- Inside knowledge, including corrupt staff acting fraudulently.
- Publicly announced contracts.
- On-line transparency of contracts, particularly public sector contracts.
- Internet research about the targeted organisation, their activities and identifying key staff.
- Social Engineering to gain information from unsuspecting employees, this may include telephoning companies to gain information about their procedures.

**The approach is made by:**

- Telephone: there may be some urgency or reason to get changes made in a hurry: this is an indication of a potential fraud.
- A written request, this may be on 'official' looking letterhead quoting publicly available information such as company registration and director details.
- An email request: using information and logo's that look legitimate and have a reply email address that is 'spoofed' to give the impression that it is legitimate.

**In all cases**

All the information presented may be correct, including directors, key contract staff, and signatories, having been collated and checked against different sources. They may be routed directly or in such a way that they appear to be from another part of the organisation, even if apparently authorised by a senior manager, the request should be thoroughly checked.

**Recommendations**

- All staff should be wary of providing sensitive company information, by phone or other means, especially contract and account information including references.
- Establish with suppliers, and internally, points of contact for handling and changing sensitive information that may benefit fraudsters.
- Call-back your supplier using records in your system (not on the letter) to check the veracity of the request.
- Get a confirmatory email from the expected corporate email address.
- Make a note of your enquiries; be willing to double check information.

- Other policies may need review – clear desk, information security, staff vetting, internal and external financial controls.
- If possible do not publish account details and signatories on yearly reports.

#### **Further checks that may be considered**

- Enquiries to verify the new payee account details. With most types of bank transfer, only the Sort Code and Account number are verified, not the account holder's name.
- When contacting companies, do not automatically use the information provided on suspicious letters, faxes and email. Check this against contract documentation, payment records and other information. Contact the accounts department direct and not the name on the letter.
- Internet checks may highlight discrepancies and previous attempts. However, fraudsters may create incorrect records on the web, including business directory entries and web sites, in order to mislead.
- Check the details on any request for change – company numbers, VAT registration, contact details, web and email information.
- Companies House information should be treated with caution. It is only a register and there are significant problems with details being changed in order to divert goods and payments.
- If making contact by phone, do this via main switchboards. Telephone calls may be re-directed, email addresses and incoming phone numbers are easily changed to look like legitimate ones.

## **4.7 Rental Income**

### **4.7.1 Purpose**

The purpose of this procedure is to ensure that payments to tenants rent accounts are posted accurately and in a timely manner, and to ensure that finance procedures are followed.

### **4.7.2 New tenancies, internal transfers and date adjustments**

Tenancies are allocated by housing staff in accordance with housing service procedures. This will involve a formal process of assessment for prospective tenants, including an application form and interview, after which the decision regarding an allocation is recorded.

It is the responsibility of the FM to set up new and transferred tenancies on SDM at the approved instruction of housing staff.

If any date adjustments are required these must be processed in manner that provides a clear audit trail of the rationale and approval by the CFO by email.

### **4.7.3 Housing Benefit / Universal Credit**

The FM will be responsible for updating the system rent accounts based on payment schedules received. In the FM's absence this will be undertaken by the CFO.

### **4.7.4 Rent payments.**

Rent is received from tenants in the following ways:

- Standing orders.
- Paid directly by the tenant at any branch of Co-operative Bank.
- Cash/cheques paid in at the office by tenants.
- Cheques coming into offices via the post.
- By BACS payment direct into the bank account (usually in respect of housing benefit payments).
- Direct Debit

Cash is only received in exceptional circumstances and tenants are encouraged not to use this method of payment. Cash is to be banked immediately via the company debit card at the post office and filed with the receipt and details of the tenant. Then posted immediately onto SDM.

All housing benefit cheques must be sent to Head Office. This allows the tenant's account to be

The processing of rents received is the responsibility of the FM, overseen by the CFO

### **4.7.5 Rent Posting**

All rents are posted daily to the tenants' accounts from the daily bank account statements. Postings are always made on the following day to ensure statements are complete.

#### **4.7.6 Rent Debit**

Rent debits are run on a weekly basis on a Monday. This updates the tenants rent account with the weekly rent charge.

#### **4.7.7 Rent Refunds**

The COO will request any rent refunds to HB/UC or tenants direct by email outlining the rationale for the refund. The FM will check the details and ensure the refund has not already been processed. The FM debits the relevant tenant account and a cheque or BACs payment is raised as per finance procedures.

Any HB/UC overpayment invoices received will be passed to the housing team to verify before being process based on above.

Any refunds due to a tenant must reconcile to the credit balance on the tenant's account. If there is any discrepancy the FM must investigate prior to any refund being paid.

#### **4.7.8 Write offs**

The writing off of rent arrears is delegated to the FM. When all other recovery avenues have been exhausted these are then submitted to the CFO who in turn prepares an annual report to Board for approval to write off.

The FM should ensure that the details of tenant, property and amount to be written off with along with the CFO authorisation are recorded electronically.

#### **4.7.9 Arrears and Voids Management**

Housing staff will monitor and manage voids and arrears in accordance with housing procedures.

On a weekly basis the FM will generate an arrears and void report. A link to the report is forwarded to relevant staff by email. This report is generated for financial reporting purposes and to provide additional management information.

#### **4.7.11 Rent Statements**

These are printed out quarterly at the office and distributed to tenants by hand.

#### **4.7.12 Rent and Service Charge Setting**

Rents will be set in accordance with the Rent & Service charge Setting Policy. Service charges will be set so as to recover service costs.

## **4.8 Non Rental Income**

### **4.8.1 Grants and Other Income**

Staff may seek additional funding via grants or other sources, provided they have obtained the approval of the COO or CEO and the funding is consistent with the organisations business plan.

Staff must present any financial projections contained within an application to the CFO, for approval, before the application is submitted. Supporting working papers must be available to ascertain full details. This is critical, as most funders require evidence of spend, and actual expenditure will need to be produced on a consistent basis with any projections.

Any special conditions, including reporting and audit requirements and any potential claw back conditions must be ascertained at the time of making the bid and included with the financial information provided for approval.

All funding applications must be signed by a member of the Leadership Team. A copy of the application must be held by the FM.

Successful bids must be notified to the Leadership Team. A copy of the notification must be sent to FM.

The FM will then assign coding for the funding source and related expenditure. Funding bodies will require the maintenance of accurate accounting records to support income and expenditure; therefore accurate coding is essential.

Records need to be retained as stipulated by funding agencies.

The funding may be revenue or capital and hence the accounting treatment may vary. Revenue funding may be annual (for one year) or multi annual (covering a number of years). The grant may be received in advance or in arrears and received monthly, quarterly, annually or otherwise depending on the funding terms. It is important that this information is passed to the CFO and FM to accommodate cashflow impacts and to ensure carry forward between years of unspent amounts as applicable and adjustments for timing of payments to be made.

Any ring fencing of funding and contributions towards administration / organisational on-costs should be clarified and accounted for accordingly.

### **4.8.2 Appeals and Donations**

The above principles apply to any appeals for donations in cash or in kind (equipment/staff time etc). Donated time, including volunteers should be notified to CFO for recording and to ensure that volunteer activities are compatible with ECBHA health and safety, staffing and insurance policies and procedures.

### **4.8.3 Sundry Income**

#### **4.8.3.1 Meeting Room / Guest Room Hire**

ECBHA has a room at Robert Lynch that can be hired by relatives of Robert Lynch tenants. This rent is banked in the Cooperative account via the post office and accounted for as other income.

#### **4.8.4.2 Recharges**

The following costs must be recharged:

- Court costs (tenant related)
- Vandalism / tenant damage
- Excessive unauthorised use of telephones
- Lost keys
- Abortive costs for contractors visits.

The COO will be responsible for identifying costs to be recharged and will email the FM to raise a recharge invoice. The invoice will include instructions regarding how payment needs to be made. The FM will notify the Housing Team monthly of outstanding recharge amounts. The Housing Team will be responsible for the pursuit of outstanding recharge amounts. Recharges must not be added to the tenants rent account and must be treated as a separate debt. While all debts to ECBHA must be pursued, priority should be made to rents and service charge arrears.

Where recharges are made to non-tenants, a separate sundry debtors record should be kept and reviewed by the CFO on a monthly basis.

Recharges to tenants and tenants households will remain open for collection until the tenancy is ended. The Leadership Team will decide if, after a tenancy has ended, the debt remains likely to be recoverable. The Leadership Team will then decide if the debt will continue to be pursued in-house, if it will be passed to a debt collection agency or written off. Decisions will be recorded on SDM.

The CFO will automatically chase any invoice outstanding from non-residents for more than twenty five working days. If after a further twenty five working days this initial chase does not lead to the debt being recovered, Leadership Team who will decide if the debt should be passed to a debt collection agency for collection.

It is essential that debts must be pursued early in their life and on a regular basis. It is extremely difficult to make recoveries after a lengthy period.

Both resident and non-resident intended recharge write off's will be reported to the Board on a quarterly basis alongside, but separate to, rents and service charge debt write offs.

#### **4.8.5 Invoice Requests**

Once an amount is determined as recoverable or due, staff must email the FM to raise an invoice. The request must reflect as much relevant information as possible about the transaction, with a minimum of

- Name of debtor
- Invoice mailing address
- Full and accurate description of the charge



- Contact name and telephone number (tracing purposes).

Upon receipt of the email the FM (or CFO in the FM's absence) will raise an invoice with five working days and forward to the debtor.

#### **4.8.5 Receipt Books**

Official pre-numbered receipt books are held in a locked cabinet in the office. Each receipt number is duplicated, providing a copy of all receipts issued.

## **4.9 – MANAGEMENT ACCOUNTS & BUDGETARY CONTROL**

### **4.9.1 General Overview**

- To ensure the integrity of the management accounts reporting system
- To ensure that the monthly management accounts give a prudent and accurate presentation of the financial performance of the organisation
- To ensure that the reports are prepared regularly and on time to assist budget holders, Leadership Team and Board to make prompt and informed decisions.

### **4.9.2 Reviewing Management Accounts**

#### **4.9.2.1 Source of data**

The data used for the monthly management accounts is the financial information held on the SDM system. It is therefore necessary to ensure that all transactions and related journals for a particular period have been posted into the system before the report is produced. This also applies to any accruals required to match income with the related expenditure.

#### **4.9.2.2 The report format**

The reports are based on a format which the Leadership Team, under the guidance of the CFO deem suitable for the business. The reports are excel based with links to the SDM accounting system.

- There is a format for a balance sheet and two different income and expenditure formats i.e. I/E and Property Revenue Account and Cashflow. The monthly accounts are reviewed by the CFO and are electronically filed on the shared drive. Quarterly reports are also produced which are presented to the following: Leadership Team - income and expenditure report (I/E & PRA) which groups revenue and expenditure by activity and is circulated by email for comment on variances above 110%.
- Scheme level income and expenditure report (scheme outturn). These are more detailed and provide information on an account code basis. This report is circulated via the shared drive for comment on variances above 110%.
- Board income and expenditure report (I/E & PRA), balance sheet, cashflow and board report
- Lenders – income and expenditure report (I/E & PRA), balance sheet circulated by email as required within borrowing arrangements.

### **4.9.3 Procedure**

The quarterly process begins with a timetable prepared by the FM at the beginning of the financial year. This details the dates on which the Finance ledgers are to be closed down for the preparation of management information.

The FM and CFO are required to complete the posting of transactions and adjustments according to the quarterly processing timetable.

Once the FM is assured that all transactions have been processed they then identify and investigate any obvious issues for completeness, the FM and CFO post the necessary journals for any corrections and final accruals.

#### **4.9.4 Queries on Management Accounts**

##### **4.9.4.1 Distribution**

The reports for are reviewed by The Leadership Team, for commentary on variances above 110%. Deadline for return is given in time for the next Board meeting.

##### **4.9.4.2 Meetings**

Meetings with budget holders are held on a quarterly basis and with teams as required. Any anomalies are investigated and adjusted the following month.

#### **4.9.5 Statutory Reporting**

The following financial reports are completed annually by the CFO:

- RSH SDR via NROSH
- RSH Annual Accounts
- Filing of accounts at FCA Mutual Register
- Filing of tax returns with HMRC - Prepared and filed by Auditors

#### **4.9.6 Annual Accounts**

The annual accounts are prepared by the Auditors.

The annual accounts are presented to the Board in July for approval and are adopted at the Annual General meeting held in September.

#### **4.9.7 The Budget setting Process**

##### **4.9.7.1 Overview**

Effective budgetary control assists us in meeting the organisations objectives. Budgets are prepared annually for all areas of the Association's business. Budgets must also be projected for new developments/initiatives to ensure new projects are financially viable.

##### **4.9.7.2 Budget Setting**

Budget holders should prepare the future years' budget, having regards to:

- Expenditure to date against budget in the current year.
- Expenditure for the previous year.
- Consideration should also be given to any known or anticipated changes in the running of the scheme in the new budget year.

- Proposals to change staffing should be discussed with and approved by CEO.

Budget holders must budget within the stated guidelines with regard to inflation. The CFO will notify budget holders of this rate at the start of the budget process.

The Leadership Team must agree any increases above inflation and where corresponding savings can be made. Any overall budget increases above inflation, must be fully discussed.

#### **4.9.7.3 Rental Income**

Rental income must be budgeted in accordance with the Association's and the Government's / RSH rent and service charge related policies and guidance.

#### **4.9.7.4 Other Income**

Other income only be included when approved or there is a reasonable certainty that it will be received.

### **4.9.8 Maintenance Budget**

Maintenance budgets are the responsibility of the Director of the COO and the maintenance budgets should be broken down into constituent codes.

### **4.9.9 Capital Expenditure**

Capital expenditure must be scheduled and appended to the revenue budget. This is defined as items individually costing more than **£100** or where the item is expected to be used for longer than just the current budget year e.g. furniture, white goods, office equipment etc.

The cost of these agreed capital expenditure items will be depreciated over a specified period and charged to the yearly revenue budget accordingly.

### **4.9.10 Timetable**

When appropriate, the CFO will initiate a budget workshop in September/October to commence the annual budget programme. This will include a specified timeframe by which budget information must be provided, and in accordance with the above framework and set timetable. All budgets must be completed and submitted by late-October (date specified in timeframe).

The CFO will issue guidance in respect of the yearly process through a detailed budget pack and workshops as appropriate.

### **4.9.11 Major Repairs**

The COO prepares the major repairs budget based on the stock condition survey. The COO will profile annual major repairs budget.

Now that component accounting is embedded with our finance systems, any component replacements within major repairs programme for a particular scheme should consider the

impact of the remaining book life of the original components attached to that scheme, as this will give rise to accelerated depreciation which will be a cost to major repairs in the I&E.

#### **4.9.11.1 Major Repairs Budget Timetable**

The COO is responsible for compiling and profiling the annual major repairs budget. A scheme by scheme plan of work and its funding must be submitted to the CFO within an agreed timeframe.

#### **4.9.11.2 Unbudgeted Expenditure**

Major repairs that arise during the year that had not been anticipated, and for which a budget has not been provided, will require the approval of CEO unless they can be absorbed within the approved budget due to under spending on other schemes.

### **4.9.12 Budget Format**

Scheme budgets are produced in a standard approved form in the CFMS budget module. The budgets will have the following sections:

- i) **Income** – rent, service charges, support charges and personnel charges.
- ii) **Management Costs** – management overheads, salaries, office expenses, etc.
- iii) **Maintenance Costs** – routine, cyclical, internal, external decorations where applicable and overheads.
- iv) **Service Costs** – rates, cleaning, heat and light, overheads, etc.
- v) **Support Costs** – General counselling and support, overheads.
- vi) **Finance Costs** – mortgage repayment, ground rent and sinking fund.
- vii) **Training Costs** – Residents Participation and related costs.
- viii) **Surplus/Deficit**

### **4.9.13 Approval Procedure**

The budget is presented to Leadership Team during January for discussion and approval.

In February the CFO will meet with the Board Finance Champion to consider budget proposals for recommendation to the next meeting of the Board. The budget is then submitted to the Board for approval at the February Meeting.

### **4.9.14 Code books**

A list of account codes and cost centres can be found on the shared drive. These lists are kept up to date with changes when required.

#### 4.9.15 Budget reforecast

A **financial forecast** is an estimate of future financial outcomes for a company. Using historical internal accounting data, in addition to external market and economic indicators, a financial forecast is an economist's best guess of what will happen to a company in financial terms over a given time period. For ECBHA, budgets are usually reforecasted bi-annually for the purposes of management accounts.

### 4.10 Company Credit Cards

#### 4.10.1 Allocation of Company Credit Cards

A company credit card will be issued to a member of staff in accordance with the requirements of the post held. For example, when the post requires regular travel or incurs other expense related costs.

The issue of a company credit card will be subject to approval by the line manager and is at the discretion of the CEO. The issue of a company credit card to the Chief Executive will be subject to approval by the Board.

Credit Cards have been approved to be issued to CFO, CEO and Chairman

#### 4.10.2 Credit Limits

When a company credit card is issued, it will automatically be assigned a normal company limit of £1000 unless otherwise authorised beforehand, but it can also be increased according to usage and circumstances by the CFO with approval of the CEO.

#### 4.10.3 Use of Company Credit Cards

A company credit card must only be used to meet expenses related to ECBHA business activities. Company credit cards may be used when normal invoicing arrangements are not available.

Examples of expenses that the company credit card can be used for are as follows:

- train/flight tickets;
- hotel accommodation;
- restaurant bills;
- parking; and
- Taxi travel.

Company credit cards should not be used to purchase any **vehicle fuel**.

The provision of company credit cards is intended to provide a convenient method of payment for budgeted expenditure. However, in exceptional circumstances it may be necessary to use this form of payment for non-budgeted expenditure. The company credit card must not be used to bypass normal authorisation procedures.

#### 4.10.4 Bills / Invoices / Receipts

Cardholders **must** obtain bills / invoices / receipts bearing VAT number where appropriate and keep them safe until they submit them to the finance department.

#### **4.10.5 Personal Expenses**

Company credit cards must not be used to meet personal expenses. Any such use may lead to disciplinary action against the cardholder. The company credit card must not be used to purchase fuel or alcohol.

#### **4.10.6 Credit Card Statement**

The card issuer will send monthly credit card statements directly to the FM. On receipt, the FM will issue copies to card holders.

The cardholder must also check the statement and attach all backup documents such as bills, invoices and receipts to the form and approving the form to certify that the card has been used in accordance with this procedure and return to the FM within five working days.

Once the card holder has completed the process the CFO will check that expenditure and associated evidence is compliant with the organisations policies, procedures and guidance.

Failure to follow this procedure, including failure to attach receipts, may result in the cardholder being liable for expenditure incurred on the card.

In exceptional circumstances if a receipt is lost or unavailable, an explanation must be provided by the cardholder and the line Manager must assess the reasonableness of this explanation when authorising the form.

If monthly returns are not received on time, then the FM has authority to block the card from use and this will be actioned if the returns are outstanding for more than two months.

#### **4.10.7 Security**

All cardholders are advised to record their credit card details (i.e. card number, contact telephone number, in the event of lost or stolen card) and keep it in a safe place. Cardholders should also ensure that credit cards are kept safe at all times.

#### **4.10.8 Lost / Stolen Cards**

In the event of a lost or stolen card the cardholder must report the loss to Barclaycard immediately and also advise either the FM or CFO.

## **5. Board & Committee Member Expenses**

### **5.1 Introduction**

It is the Association's policy to reimburse Board and Committee Members for personal expenses incurred in connection with their duties for the Association. This may include the costs of childcare or the care of a dependent adult as well as the normal expenses arising from attendance at meetings, away days, site visits and conferences and seminars.

The Board Members' Expenses Policy sets out the guidance to Board (and Committee members should the Board decide to set up Committees in the future) Members on what expenses can be claimed for reimbursement.

### **5.2 Definitions and Scope**

This policy applies to all Board Members of the Association.

All Board and Committee Members are required by the Association to familiarise themselves with this policy and to make sure they follow it at all times throughout their term of office.

### **5.2 Policy statement and objectives**

Expenditure should always be kept to a minimum. All claims should be made using the Association's payment systems by the 20th of the month in order to receive payment on the 5th of the following month. Members in any doubt about whether an expense can be claimed should speak to the Company Secretary or the CEO of the Association.

For the purposes of expenses, Board Members' place of work is The Tony McGann Centre, Eldonian Village, Burlington Street, Liverpool. L3 6LG.

The guidance in this policy covers the main areas of expenditure but will not cover every individual case. Where Board Members are unclear what they may claim, they should refer the question to the Company Secretary or the CEO.

In order to avoid potential income tax and national insurance charges, as well as reduce the administrative burden in our reporting requirements to HM Revenue and Customs (HMRC) with regards to expense payments, this policy will be strictly adhered to.

Only reasonable, authorised expenses that are incurred wholly, exclusively and necessarily in connection with the proper and efficient execution of the Association's business will be reimbursed.

The following claims may be made:

- Travel expenses on public transport
- Travel by taxi or car



- Travel related expenses such as parking fees
- Subsistence (meal expenses)
- Expenses for items such as hospitality, childcare, carers, where prior agreement should be obtained
- Telephones
- Hotel Expenses/Overnight Stays
- Computer Equipment, Consumables and Broadband Subscriptions
- Professional Memberships
- Out of pocket expenses for such items as stationery.

The Company Secretary or CEO, and the Chief Finance Officer are responsible for authorising expense claims on behalf of the Board.

### **5.3 Payment of expense claims**

Expenses will be paid directly into the Members' bank accounts.

HMRC guidelines will be followed in the processing of expenses through Payroll and reported accordingly.

### **5.4. Implementation**

***Travel Expenses*** - The Association will meet, in full, any appropriate travel costs which are incurred on Association business. Such payments include rail fares or a mileage allowance in accordance with the agreed mileage rates, which will be updated from time to time.

Board Members having to use their own car on business for the Association, including travel to and from Board and Committee meetings may claim mileage allowance for such journeys.

When travelling by private car, a mileage allowance will be paid in accordance with the casual user allowance at the appropriate Inland Revenue rate. Claims should indicate the total number of miles claimed and the engine capacity (cc). If travelling by car, members should always share journeys with others if possible.

As a general rule, Board Members travel to and from Conferences, Seminars and Training Events using their own car. Where they are not using their own car, the Association's staff will aim to organise the travel arrangements in the first instance.

Board Members, without their own transport, or choosing not to use their own transport may claim out-of-pocket expenses for the use of appropriate public transport.

Wherever possible, members should use the cheapest form of transport available. Rail journeys should be made by standard class, although in exceptional cases first class rail travel may be used, but only with the prior consent of the Chair of the Board, the Company Secretary or the CEO.

The appropriate receipts must accompany any claim where members have made the travel arrangements.

Board Members may use their own car on Association's business only if their car is comprehensively insured for business purposes. All Board Members who intend to use their car on Association business must provide the Company Secretary with the following:

- Car Insurance Certificate (comprehensive cover for business use)
- Proof of valid driving license (from gov.uk)
- Proof that the vehicle has Road Tax and an MOT (if over 3 years old)
- Copy of driving licence
- Completed driver declaration form authorised by the CEO.

Drivers will also be asked to provide information to ensure they are not disqualified or recently refused insurance.

The Association will not accept responsibility for damage to a Board member's vehicle or for injury to the occupants whilst the vehicle is being used for business purposes and no mileage reimbursement can be paid if the Board Member has not complied with the above requirements.

If a Board Member has to pay an additional fee to be insured for business purposes the Association will reimburse them the additional cost on receipt of insurance documentation.

In circumstances where, due to disability or particular difficulties in travelling, travel by public transport or own private car is not practicable, the Association will consider claims for the use of a private hire car or taxi. Where this is the case, taxis and cars should be shared wherever this is practicable. Payment for such claims will be at the discretion of the Company Secretary or CEO.

The Association will meet claims for car parking in circumstances where adequate free parking is not available. (Fines for breaching parking regulations are not included and are the individual Board member's responsibility.)

The Association will meet claims for associated travel costs such as road/bridge tolls, tunnel fares and congestion charged incurred while on business. Original receipts are required for all claims.

Receipts should always be provided and failure to produce a valid receipt will result in the claim request being rejected.

**Subsistence** - Meal expenses will be payable to Board Members who are prevented by their official duties from taking their meal at home (or the place where they would normally take their meal), and thereby incur additional expenditure. The Association will cover the reasonable cost of breakfast, lunch or an evening meal when the times of meeting

requires. As a guide, claims for subsistence away from home must not normally exceed £45.50 in any one day:

- £8 breakfast allowance – where a Board Member leaves home earlier than usual and incurs a cost on breakfast taken away from their home after the qualifying journey has started.
- £12.50 lunch allowance – whilst working away over a lunch period.
- £25 evening meal including drinks – where the Board Member is required to stay away overnight.
- Receipts must be retained and submitted with the claim. Failure to produce a valid receipt will result in the claim request being rejected.

Board Members who have special dietary requirements, for example, Halal, medical intolerance or vegan/vegetarian will be reimbursed in full for reasonable costs. The determination of what is a 'reasonable cost' will rest with the Association Company Secretary or CEO who must be supplied with indicative costs prior to the expenses being incurred wherever possible.

**Business Entertainment/Hospitality** From time to time, as a courtesy to outside organisations with whom the Association works, Board Members may wish to buy drinks or meals for people from such bodies.

This is not a practice which should be widespread in a publicly-funded body as anything other than occasional entertainment can give rise to justifiable concern and suspicion. This applies both to entertainment provided by the Association and to that received. The provisions of hospitality must be registered with the Company Secretary in accordance with the Board Members' Code of Conduct.

Where Board Members wish to buy a modest lunch or similar for someone outside the Association, they should obtain advance approval from the Chair, CEO or Company Secretary and may claim for themselves and their guest. Expense claims should name the person (and their organisation) being entertained. See also Members' Code of Conduct.

**Out of Pocket Expenses** - Board Members may claim for stationery, postage or any other out of pocket expenses incurred on the Association's business. Alternatively, the office can supply members with paper, stationery, stamps and free post labels.

**Telephones** - Land lines Board Members who incur telephone charges as a result of undertaking duties on behalf of the Association will have these reimbursed. Each call must be identified on an itemised call list provided by the telephone company. The amount to be claimed plus VAT will be reimbursed on receipt of the itemised call list.

Mobiles Board Members are entitled to claim the cost of business calls (inclusive of VAT) made using a personal mobile phone, but only where a highlighted itemised bill is provided. Claims for business calls cannot be claimed where the cost is included within an 'inclusive minutes' package where the monthly charge is not exceeded by the business call.

If the Chair uses their own telephone, the Association will pay 50% of the line rental plus calls undertaken on the Association's business.

**Childcare/Carers** - The Association will pay Board Members' out of pocket expenses for childcare arrangements or costs for carers for elderly disabled, partner/relatives where these are necessary to enable members to undertake their duties. Authorisation should, wherever possible, be sought in advance.

Child minding expenses will be paid for any child or stepchild of a Board member, or any child for whom the Board member is a legal guardian. The child must normally live with them and be under the age of 16. Claims for childcare should include a receipt and evidence that the person looking after the child is a registered child minder. Claims will not be paid without this evidence.

A carer for a dependant adult is defined as anyone who is responsible for caring for another adult who, because of disability, old age, addiction or illness, cannot manage at home without help. Reasonable expenses will be paid provided a receipt is produced and the person providing temporary care for the dependant is not a member of the Board Member's household, for example, a spouse or co-habitee.

**Hotel Expenses/Overnight Stays** - The Association will book accommodation for Board Members to attend seminars/conferences, and this will be invoiced directly to the organisation. Where accommodation costs cannot be invoiced directly, for example, because they are not included within a delegate fee, the overnight stay must be pre-authorised by the Association's Company Secretary or CEO.

**Computer Equipment, Consumables and Broadband Subscriptions** Laptops will be provided to Board Members if required. Consumables and Broadband will be considered where it is necessary to build capacity of Board or Committee Members and support them in undertaking their duties.

**Professional Memberships** Where the Board Member is required to hold a professional membership in order for them to perform their duties, the Association will reimburse fees for one professional body. Members should claim these to be reimbursed with the relevant invoice/receipt attached.

Professional publications recommended to Board Members as part of their appraisals to read in the pursuit of their duties will be provided and invoiced directly to the Association.

## **5.5 Responsibilities**

This Policy will be reviewed in line with the review date and monitored through the Company Secretary or CEO authorisation.

The Policy will be kept under review by the Company Secretary and CEO in relation to changes in legislation and business requirements. 5.3 The Company Secretary and CEO with support of the Association's Finance team, are responsible for ensuring relevant procedures and processes are set up to implement this Policy.

## **9 Debt & Credit Write Off Policy**

The Association will always pursue debts owed by customers and where appropriate refer cases to outside tracing agencies. In some situations, we may find that it is not possible to recover former tenant and owner debts, in these circumstances, a recommendation will be made for writing off from our accounts.

Staff will have delegated authority to write off former tenant debits and credits for low values of up to £100 and in the event of death of the tenant, this is subject to approval by the Chief Financial Officer (CFO).

Higher former tenant debts / credits will be written off by Board approval. The CFO will seek approval for write offs twice per year at approximately six month intervals as determined by the Board meeting dates.

The criteria for case to be considered for being written off include those where:

- A tenant is deceased and there are no details of the executor known.
- No forwarding address is known, and the case has been passed to tracing agency and they have been unsuccessful in three attempts to provide a forwarding address
- An address is known, however the balance is unchanged for 12 months or over and despite at least five attempts to make contact no response has been received.
- The cost of further action to recover/refund will exceed the balance.

Current tenant rent arrears will only be written off in exceptional circumstances.

There will be instances where an account is closed, and a credit balance remains on the account. Refunds will be made only if all sundry accounts (legal/recharges) are also cleared.

Housing Benefit or Universal Credit is sometimes overpaid. Refunds will not be issued to tenants when the only source of payments made to the rent account has been from HB/UC/DWP. Refund of benefits will not be paid to the tenant; refunds will be made to Liverpool City Council or DWP on receipt of an invoice.

If a tenant is transferring to another Association property, the credit balance on the rent account must be transferred to the new tenancy and not refunded.

Former debts are occasionally repaid and result in a credit balance; the repayment should be written off (write back).

## **7 Equality & Diversity**

We will ensure that the implementation of this procedure is proactively inclusive across all areas of our activity and paying particular attention to the nine protected characteristics – age,

disability, ethnicity, gender, gender reassignment, marriage and civil partnership, pregnancy and maternity, religion or belief and sexual orientation.

## **8 Policy & Procedure Review**

We will review the operation of this procedure in consultation with our residents (and other stakeholders where appropriate) in light of current best practice, operational requirements, legislation and case law, amending the procedure where required.

