Salvation Army Homes
Safe homes. Transforming lives.

Financial Regulations

#OneTeam

Salvation Army Homes
March 2024

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1. Status of Financial Regulations

1.1 This document sets out Salvation Army Housing Association's Financial Regulations which form part of the Association's Governance Handbook. The Financial Regulations are a part of the overall system of financial and management controls of Salvation Army Homes and should be used in conjunction with the Association's financial and overall policies and procedures.

1.2 The Association comprises Salvation Army Housing Association (the Association) and its subsidiaries – Chapter 1 Trading Ltd (Dormant), Kingsown Property Ltd and SAHA Developments Ltd (Dormant). The Financial Regulations apply to the Association and its subsidiary undertakings.

1.3 The Board has ultimate responsibility for the Association's finances. Its financial responsibilities and those delegated to Committees and the Executive Management Team (EMT) are detailed in the Governance Handbook.

1.4 Compliance with the Financial Regulations is compulsory for all staff. It is the responsibility of management to ensure that their staff are aware of the contents of the Financial Regulations, they are accessible by staff and adhered to. Failure to comply with Finance Regulations is a disciplinary offence.

1.5 The Association shall comply with all statutory and regulatory requirements, as well as maintain best practice. The Association's financial policies and procedures set out how the Financial Regulations shall be implemented.

1.6 The Financial Regulations will be reviewed regularly, at least every two years, and any material amendments that alter the substance of the scheme of delegation will be approved by the Board. Other changes will be approved by the EMT.

2. Financial Control

2.1 General Audit Regulations

2.1.1 Both the external and internal audit services must be formally reviewed each year by the Audit and Risk committee, as delegated by the Board.

2.1.2 The Executive Director of Finance and ICT will be responsible for ensuring that the external and internal auditors have authority to see all assets, records and to access individuals as requested.

2.2 External Audit

2.2.1 The primary role of external audit is to report on the financial statements and to carry out such examination of the statements and underlying records and control systems as are necessary to reach their opinion on the statements.

2.2.2 The external auditor's duties will be in accordance with advice set out in the Code of Audit Practice and the Auditing Practices Boards' Auditing Standards and their letter of engagement as approved by the Audit and Risk Committee.

2.2.3 The Head of Finance will be responsible for the completion of the financial statements of the Association and its subsidiaries and will ensure that draft audited accounts are considered by the Audit and Risk Committee and are submitted for approval by Board.

2.2.4 The appointment of the external auditor will take place annually at the AGM and it is the responsibility of the Board to make recommendations following advice received from the Audit and Risk Committee.

2.3 Internal Audit

2.3.1 The Association will have an internal audit function. The main responsibility of internal audit is to provide the Association with reports on the adequacy of its internal control systems based on a programme of reviews as determined by the Audit and Risk Committee. Internal audit should also comment on best practice and value for money.

2.3.2 The internal auditor remains independent in planning and operation and has the right of direct access to all necessary individuals, committees, and the Board.

2.3.3 Where deemed appropriate the Audit and Risk Committee may call for specialist deep dive reviews and have the findings reported back to themselves. Indicators of where a deep dive review may be necessary may include poor internal audit results in particular areas or material adverse performance indicators.

2.4 Budgets

2.4.1 The Association and its subsidiaries have a financial year that runs from 1 April to 31 March.

2.4.2 The Head of Finance is responsible for ensuring that a budget for the Association and its subsidiaries is prepared on an annual basis for approval by the relevant Board. The budget must be approved before the start of the financial year to which it relates. The timetable and guidance notes to produce budgets will be issued to the business by the end of September each year.

2.4.3 The Head of Finance is responsible for ensuring The Salvation Army (Parent) have time to review, query and approve the budget in line with the Intra-Group Agreement ahead of seeking approval from the Salvation Army Board.

2.4.4 The Executive Director of Finance and ICT is authorised to recommend the assumptions used to prepare the budget and business plan, such as inflation and interest rates.

2.4.5 The budget should clearly reflect the priorities set out in the Association's Corporate Strategy.

2.4.6 The Head of Finance will ensure that there are sufficient detailed budgets prepared to support a clear allocation of available resources and to be able to communicate clearly to each cost centre what resource they have been allocated in the final approved Budget.

2.4.7 The Head of Finance is responsible for submitting a quarterly reforecast throughout the year. The reforecast will be used to support ongoing resource allocation decisions.

2.5 Development Programme and other Capital Projects

2.5.1 The budget should address the development programme for the coming year and other planned capital projects, providing financial capacity for both. The Board will approve the development programme prior to inclusion in the budget. EMT will approve all other capital projects within a Board agreed budget.

2.5.2 Proposed development projects should be supported by a comprehensive appraisal covering scheme suitability, locational factors, and financial performance.

2.6 Budgetary Control

2.6.1 Budget holders should manage their areas of the business effectively to maximise income, manage costs and deliver good financial performance within operational objectives.

2.6.2 It is essential that all staff are aware of and follow the VFM Strategy and Procurement policy.

2.6.3 The finance department will provide appropriate financial management information comparing actual income and expenditure against budget to Budget Holders. In addition, Budget Holders can access real time information via the Finance System. The Board will receive regular quarterly reports on performance against budget.

2.6.4 In emergency circumstances, the Financial Regulations will not prevent an officer from incurring necessary expenditure. Any emergency spend in excess of budget will require approval from the Chief Executive Officer.

2.6.5 The Chief Executive Officer and the Executive Director of Finance and ICT will have authority to make necessary payments required by statute, payments under a Court Order or payments arising from legally binding agreements entered into by the Association, or its subsidiaries, for which no budget provision has been made. Any such action should be reported to the Chair and then the next meeting of the Board.

2.6.6 EMT and SMT will receive monthly key financial indicators, these are produced as part of the management accounts and made available for SMT and EMT review at the next TLT meeting.

2.6.7 Management accounts will be produced by the tenth working day. They shall include as a minimum:

- business activity trading account
- balance sheet
- cash-flow
- key variance analysis with accompanying narrative

3. Accounting Policies

3.1 Basis of Accounting

3.1.1 The Association's financial statements are prepared on the basis of historical cost accounting and in accordance with applicable accounting standards. It is the responsibility of the Head of Finance to ensure that the Association's accounts and financial statements are prepared in accordance with agreed accounting policies.

3.2 Format of the Accounts

3.2.1 The Association's accounting policies, procedures and records are arranged to ensure compliance with law, guidance and best practice.

3.3 Accounting Returns

3.3.1 The Head of Finance is responsible for ensuring that financial returns are sent to the Regulator of Social Housing (RSH) and other agencies within set deadlines.

3.4 Accounting Records

3.4.1 The Head of Finance is responsible for ensuring the retention of financial documents, over the following periods:

- Accounts raised (seven years)
- Copies of receipts (seven years)
- Payroll records (seven years)
- VAT records (three years)
- Other financial records (three years)

4. Income

4.1 General

4.1.1 The Executive Director of Finance and ICT is responsible for ensuring that appropriate procedures are in operation to enable the Association to maximise collection of rents, service charges and other income, the claim and receipt of approved grant, raising of invoices and payment of bills.

4.1.2 Rent levels and other charges are determined in accordance with the Association's Rent and Service Charge Policies, statutory and regulatory requirements.

4.1.3 Financial procedures relating to income and expenditure are reviewed annually by the Head of Finance.

4.2 Cash Receipts

4.2.1 The collection of money due to the Association shall be the responsibility of the appropriate director and subject to procedures defined in consultation with the Head of Finance.

4.3 Income

4.3.1 The procedures for setting and collecting income must be approved by the Head of Finance and will ensure that:

- Income charges are regularly recorded in the income accounting records;
- Effective payment methods are available to all residents;
- Income collected from residents and through housing benefit is recorded promptly in the income accounting records;
- Prompt and effective action is taken to collect overdue income; and
- Outstanding income is monitored and reported.

4.4 Collection of Debts

4.4.1 The Head of Finance will ensure that effective procedures exist for prompt collection of owed income.

4.5 Write off of Rent Arrears and Debts

4.5.1 Debts may only be written off as bad after all reasonable steps to secure recovery have failed.

4.5.2 Delegated authority for write offs per resident account are as follows:

Rent Arrears

- Head of Customer Service and Housing or Head of Supported Housing £0 to £1,000
- Executive Director of Operations < £10,000

Other Debts

- EMT up to £10,000

Individual debts > £10,000 require Board approval.

4.5.3 The total amount of bad debt write offs should be reported to the Board quarterly including a comment from the Head of Finance on impact.

4.6 Gifts and Donations

4.6.1 The Company Secretary is responsible for maintaining records of gifts and donations received or declined by the Association members and staff.

5. Expenditure

5.1 General

5.1.1 The Head of Finance will ensure that all payments to suppliers of goods and services to the Association and its subsidiary are made.

5.1.2 Payments are normally to be made weekly by Banker Automated Clearing System (BACS), internet banking or by cheque. Urgent manual payments will be issued as an exception.

5.1.3 At least two staff must be involved in each payment transaction. Authorised signatories are listed on Bankers Mandates.

5.2 Authorities

5.2.1 Executive Directors are responsible for procurement within their own areas of responsibility. This may be delegated to named individuals.

5.2.2 The authority levels for placing orders, authorisation of invoices for payment, special payment requests and petty cash are set out in the Authorities Schedule in **Appendix 1**.

5.2.3 The authority to make commitments is in all cases subject to the expenditure relating to the responsibilities of the person authorising it and within budget and satisfactory compliance with the procurement policy.

5.3 Purchase Orders

5.3.1 Orders and invoices for works, services and supplies shall be actioned and authorised in accordance with financial procedures relating to purchase order processing.

5.4 Tendering and Partnering Arrangements

5.4.1 The Association will follow best practice in selective tendering, including reference to published guidance by RSH and the Joint Contracts Tribunal (JCT).

5.4.2 Prior to tendering, the full tender documents are to be agreed by the client and the relevant Executive Director.

5.5 Placing of Orders and Contract

5.5.1 The procedure and authorities in place for placing Purchase Orders is set out in the Finance Procedures Manual.

5.5.2 All contracts must be subject to the Association's full tendering rules as detailed within the Procurement Policy and the Finance Procedures Manual.

5.5.3 Further details on tendering in respect of low, medium and high value purchases and purchases over the OJEU threshold, are in the Association's Tendering Policy and procedure.

5.5.4 Value for money will be considered when awarding any contract. This need not be defined as the lowest bid and may consider other impacts. A justification will, however, be made where an appointment is not based on the lowest bid. VfM justification will be approved by the Head of Finance and saved by Procurement along with contract and creditor information.

5.6 Payments against Development contracts

5.6.1 Where contracts provide for payments to be made by instalments, the Chief Executive Officer will arrange for the keeping of individual records to show the financial transactions on each instalment together with any other payments and related professional fees.

5.6.2 Payments to contractors shall only be made against a formal VAT invoice supported by a valuation certificate from the appointed professional consultant, having regard to the Authorities Schedule in **Appendix 1**.

5.6.3 Subject to the provisions of the contract, in each case every variation shall be authorised in accordance with the Authorities Schedule in **Appendix 1** and reported to the Board.

5.6.4 Any such variation which causes the contract contingency to be exceeded shall be reported to the appropriate Chief Executive Officer as soon as practicable and, where practicable, work or expenditure shall be delayed until authorised by the Chief Executive Officer.

5.7 Authorisation of Invoices

5.7.1 The finance procedures contain detailed information on the authorisation of invoices.

6. Salaries and Wages

6.1 General

6.1.1 All staff will be appointed to the benchmarked salary in accordance with appropriate conditions of service.

6.1.2 The Head of People Services will be responsible for keeping the Head of Finance informed of all matters concerning People where they relate to payroll payments.

6.2 Pensions

6.2.1 The Association offers membership of the Social Housing Pension Scheme, including the statutory auto-enrolment defined contribution pension scheme, administered by The Pensions Trust. Personnel details are held by the People Services department.

6.2.2 The People Services department hold relevant contact details for the Administrators and details of contributing members. Finance is responsible for contribution payments to the pension schemes.

6.3 Travel, Subsistence and Other Allowances

6.3.1 Details of travel, subsistence and other allowances are contained in the relevant Policies.

7. Assets

7.1 Land, buildings and other fixed assets

7.1.1 Housing Properties

7.1.1.1 All capital bids to local authorities, Homes England and The Greater London Authority and the other relevant capital grant agencies are to be approved by the Board, subject to the relevant criteria.

7.1.1.2 The outcome of the bidding processes will be reported to the Board.

7.1.1.3 The Board must approve the financial appraisal of each development scheme prior to the acquisition of a site or the letting of a building contract.

7.1.1.4 Following practical completion of a development scheme and receipt of any final Social Housing Grant (SHG) claim, a final report setting out the actual costs of the scheme compared to the approved costs should be submitted to the Board.

7.1.1.5 Preliminary costs on any single prospective scheme(s) up to abortive cost budget may be authorised by the CEO or by the Executive Director of Finance and ICT in the CEO's absence, prior to Board approval of a scheme in broad principle. The CEO may approve the write-off with agreement of the Board Chair of any abortive preliminary costs on a single scheme of up to £50,000. Sums of up to £50,000 may be approved to progress up to a stage where it may be presented for final Board approval. The Board must approve the write off of abortive costs of more than £50,000. All abortive cost write offs must be reported to the Board quarterly.

7.1.1.6 The Head of Finance shall be responsible for ensuring that adequate accounting systems are in place to enable the Association to comply with the RSH and any grant funding bodies' procedures concerning SHG and other grants and allowances. The Chief Executive Officer responsible for development will ensure that timely arrangements are in place to claim all available grants and shall ensure that recyclable grants are accounted for and used in accordance with Homes England and any other grant funding bodies' procedures.

7.1.1.7 Development scheme submissions and grant claims to Homes England (or the GLA) and local authorities are made online. Staff permitted to input data must be approved by the appropriate Chief Executive Officer.

7.1.2 <u>Other Assets</u>

7.1.2.1 A fixed asset register will be maintained, recording a description of each item of furniture, fittings and equipment, plant and machinery and other capital equipment owned or leased by the Association costing £1,000 or more. The form in which the fixed asset register will be kept is to be set by the Head of Finance and will be used primarily for recording capitalised fixed assets and their depreciation for accounting purposes.

7.2 <u>Inventories</u>

7.2.1 <u>Housing Properties</u>

7.2.1.1 The Asset and Liability Register of all properties owned or leased by the Association will be kept up to date by the Executive Director of Finance and ICT, recording address, location, purchase details, and particulars of, or the nature of, the Association's interest and rents receivable or paid and particulars of tenancies granted.

7.2.1.2 Arrangements will be made to ensure that the Association has the land registry reference recorded within the database.

7.2.2 Other Assets

7.2.2.1 The Association's assets will not be removed other than in the ordinary course of the Association's business, or used other than for business purposes, except in accordance with specific directions issued by the Executive Director responsible for the property.

7.2.2.2 Any material loss or damage to any individual assets coming to the attention of any member of staff will be reported immediately to the appropriate Director and, where appropriate, consideration would be given to making an insurance claim.

7.2.2.3 Disposal of land, buildings, equipment and furniture will be in accordance with applicable financial procedures and delegations of authority as set out in the Governance Handbook of the Association.

8. Banking, Investment and Borrowing

8.1 Appointment of bankers

8.1.1 The Association's clearing bankers will only be appointed with the approval of the Board.

8.1.2 The Association will review its banking arrangements at least every five years.

8.2 Banking arrangements

8.2.1 The Executive Director of Finance and ICT, who will be authorised to operate bank accounts with the approved bankers, will make all arrangements with the Association's bankers.

8.2.2 The Board delegates authority to a small number of senior staff, listed in the banks mandate, for signing cheques payable from the Association's bank accounts. Any two approved signatories may sign cheques at least one of which must be an Executive Director. These arrangements may be varied from time to time with the approval of the Board.

8.2.3 The authority to sign cheques also extends to similar payment instruments such as telegraphic transfers, standing order mandates and direct debit mandates.

8.2.4 All payments made by BACS and through electronic banking facilities can be approved by the following:

- Head of Finance
- Executive Director of Finance and ICT
- Executive Director Operations
- Chief Executive Officer.

8.2.5 For Internet banking, payments under £10,000 can be approved by a Finance Manager. Segregation of duties ensures an approver cannot be the same person who entered a payment request.

8.2.6 All blank cheques and cheque books will be ordered only on the authority of the Head of Finance, who will ensure proper arrangements are made for their safe custody.

8.2.7 The Head of Finance will ensure that all bank accounts are subject to regular reconciliation and independent review and that large or unusual items are investigated as appropriate.

8.3 <u>Investment</u>

8.3.1 The Head of Finance will be responsible for the management of the Association's cash and its short-term money market and capital market transactions in accordance with the treasury policy approved by Board.

8.3.2 Funds will only be invested in secure money market deposits as defined in the approved Treasury Policy and Treasury Strategy with institutions such as major banks, building societies and local authorities or in the Association's subsidiary.

8.3.3 The performance of investments will be included in an annual treasury management report to the Board.

8.4 <u>Borrowing</u>

8.4.1 The Executive Director of Finance and ICT will be responsible for the management of borrowings and capital market transactions in accordance with policy approved by Board.

8.4.2 All borrowings by the Association will be kept within the limits recorded in the Rules of the Association.

8.4.3 Following the completion of new loan documentation, the Executive Director of Finance and ICT will put in place arrangements in order to ensure that the terms and conditions of the loan are met and that the Association does not breach the terms of the agreement.

8.4.4 The Chief Executive Officer and the Executive Director of Finance and ICT may delegate to named individuals the authority to draw loans within the terms of a loan agreement.

8.4.5 The Head of Finance will maintain a register of loans and charges against assets.

8.4.6 The Board will set guidelines for bank overdraft facility arrangements and define the size of facilities and the way security is to be offered.

9. Risk and Insurance

9.1 Risk Management

9.1.2 The Board is responsible for developing and approving a risk management strategy in line with RSH requirements and best practice. The Association will identify all the risks to which it is exposed at least annually. Controls to limit, mitigate or fund each risk will also be identified and reviewed.

9.1.3 The Association will also annually review the control environment. This, together with the review of risks and controls will be one of the principal assurances for the Boards' annual Statement on Internal Controls, which is published with the Financial Statements.

9.1.4 The Risk Map will be considered in the scenarios subjected to the multi variate stress testing framework submitted to Board on a regular basis.

9.2 Insurance

9.2.1 The Executive Director of Finance and ICT will be responsible for effecting insurance cover, for obtaining quotes and maintaining records.

9.2.2 The appropriate Executive Directors will review all insurance arrangements annually, and the Executive Director of Finance and ICT, taking advice from the Association's insurance advisors, will make arrangements to ensure that all of the Association's assets and activities are properly insured in accordance with good practice.

9.2.3 Managers will give prompt notification to the Executive Director of Finance and ICT of all new risks, or properties that require to be insured and of any alterations affecting existing risks and insurance.

9.2.4 When becoming aware of a potential claim for liability or damage or other cause, the member of staff involved will advise the Executive Director of Finance and ICT immediately. The Executive Director of Finance and ICT will keep the Association's insurers informed as appropriate.

10. Other

10.1 Financial Irregularities

10.1.1 Staff will immediately notify a Director if any matter arises which involves, or is thought to involve, irregularities concerning cash or other property or any suspected irregularity in the exercise of the financial functions within any part of the Association. The Executive Director of Finance and ICT shall investigate and decide what further action is necessary in consultation with the Chief Executive Officer.

10.1.2 If the suspected irregularities involve a Director or the Chief Executive Officer, staff may report any irregularities to the internal auditor, the external auditor or Chair of the Audit and Risk Committee in accordance with the

Whistleblowing Policy.

10.1.3 The Executive Director of Finance and ICT shall submit a report to the Audit and Risk Committee if an employee:

- has made or is about to make a decision which involves or would involve any part of the Association incurring unlawful expenditure; or
- has taken, or is about to take, a course of action which if pursued to its conclusion would be unlawful and likely to cause a loss or deficiency.

10.2 <u>Fraud, Bribery, Money Laundering and the Criminal Finances Act 2017</u>

10.2.1 It is the requirement of the Financial Conduct Authority (FCA) that records are maintained of actual or attempted fraud, bribery, or money laundering.

10.2.2 There is an obligation on all staff to report suspicions of fraud, bribery or money laundering to the Executive Director of Finance and ICT.

10.2.3 On receiving a report of such a suspicion, the Executive Director of Finance and ICT will seek to validate and then record details in the appropriate register.

10.2.4 Any entries made in the Anti-Fraud, Bribery and Money Laundering register will be brought to the attention of the Board.

10.2.5 The finance procedures and the tax policy will reflect the provisions of the Criminal Finances Act 2017 to prevent employees or our agents from criminally facilitating tax evasion.

Appendix 1

Customer related
Supply of goods and services

To be read in conjunction with the procurement policy and is within the confinements of the approved budget.

Limit	**Authoriser**
Above PCR limits	CEO and one Executive Director
>£50k to <PCR	Executive Director
>£10k to <£50k	TLT member
£0 to <£10k	Budget Holder

Capital Works

Limit	**Authoriser**
Above PCR limits	CEO and one Executive Director
>£50k to <PCR	Executive Director
>£10k to <£50k	TLT member
£0 to <£10k	Asset Manager

Income contracts

Limit	**Authoriser**
Management Agreements	Executive Directors
Commissioned Services	Executive Directors

Development projects

Following approval from Board of the overarching development programme and then for individual projects, the following is delegated to the CEO and Executive Directors

Activity	**Limit**
Abortive development costs	Up to £50k
Preliminary costs of potential scheme	Up to £50k
Overspend on project budget	Up to 20% of scheme spend