

BELGRAVE NEIGHBOURHOOD CO-OPERATIVE HOUSING ASSOCIATION FINANCIAL STANDING ORDERS

Aims of the financial standing orders

The following are aims of the financial standing orders:

- the co-op maintains internal checks on its financial resources
- financial resources are used for agreed purposes
- appropriate separation is made between those approving works or services, those authorising payments, and those managing payments
- the co-op maintains high standards of security, probity and integrity within the co-op's financial systems.

Delegated Authority

- 1 The co-op delegates the Finance Lead to operate its Financial Standing Orders and authorises them to:
 - make payments up to the level of delegated authority set out in these Financial Standing Orders
 - manage the co-op's finances on a day to day basis, maintaining the co-op's cash book and rent account arrangement
 - prepare draft annual and quarterly budgets and budget reviews for the treasurer to present to the committee
 - arrange the co-op's annual audit.
- 2 The Chief Executive Officer has delegated authority to consider and approve financial matters where there is an emergency need for financial decisions to be made between committee meetings. Any such financial decisions will be reported to the next committee meeting.
- 3 The Chief Executive Officer also has delegated authority to operate a bank payment card (up to the value of £200 for each cash withdrawal) to provide cash in respect of BNCHA office activity.
- 4 The Finance Lead shall ensure that the cash is handled in accordance with cash handling procedures as set out below.

Budget and cashflow preparation

- 5 The co-op's financial year runs from 1st April to 31st March.
- 6 The co-op will draw up an annual budget, based on expenditure from the previous year to cover the following budget headings:

Income – rents and service charges receivable, interest, any other income. Void and bad debt loss, and council and corporation tax payments will also be recorded as negative income.

Expenditure - mortgage payments, any additional loan and interest payments

Management costs — agency costs, staffing costs, consultancy costs, insurance costs, legal fees, bank charges, audit fees, office costs, social costs, training & conference costs and affiliation fees

Repairs - day to day repairs, void works, service contracts, planned maintenance costs

Services - gardening, communal lighting, cleaning

- 7 The committee may vary these budget headings as it deems necessary.
- 8 The budget will be considered and agreed by a committee meeting held in January or February each year. The budget may be reviewed by the committee at any time during the year.

Rent setting

- 9 The Co-op will set its rents in accordance with the Government's regulatory requirements. If Government regulatory requirements enable the co-op to have flexibility regarding rent setting, the co-op will set its rents in accordance with what is required in its 30 year finance plan.
- 10 The co-op will set fixed service charges on the basis of the costs of the previous year's services uplifted for inflation and for any additional potential costs. Service costs for buildings with multiple flats will be split equally between each of the homes. The co-op will also charge an

amount for administration within the service charge.

- 11 Service charges may also be increased by the committee to take account of costs for the introduction of any new services.
- 12 Each member will receive 28 days written notice of rent increases. Rents will normally be increased on the first Monday after the end of the financial year.

Financial monitoring

- 13 The committee will receive quarterly income and expenditure statements showing balances of co-op bank accounts.
- 14 Quarterly budget reviews will be presented to the January, April, July & September committee meetings providing comparisons between budgeted and actual results.

Arrangements for ordering works and services

- 15 The committee authorises the Senior Property and Compliance Lead (unless otherwise specified) to issue orders for works and services. These provisions will primarily cover:
 - day to day repairs, void works and insurance repairs work which shall be authorised in accordance with agreed authorisation levels in the Repairs Policy
 - planned maintenance contracts, which shall be authorised following approval of the planned maintenance programme and contracts by the committee
 - repairs service contracts following approval of service contracts by the committee
 - legal work, which shall be authorised by the co-op's Chief Executive Officer or the committee
 - payments in respect of BNCHA staff which shall be in accordance with contractual arrangements agreed by the committee, with detailed matters agreed by the Chief Executive Officer

- payments in respect of BNCHA consultants, where contracts shall be agreed by the committee, with the Chief Executive Officer approving payments as appropriate
 - one off items of expenditure that fall outside the co-op's normal budget headings which shall be agreed by the committee and authorised by the Chief Executive Officer.
- 16 Where works and services are ordered, the authorised person will ensure that:
- appropriate records are kept of works and services ordered
 - quotations or tenders have been invited where appropriate.
- 17 Where the co-op needs to approve works or services costing over £2,000, quotations and tenders shall usually be invited, as follows:
- **value £2,000 or less** - no quotations necessary and can be approved by a member of the senior management team
 - **value £2,001 to £3,000** – can be approved by the Chief Executive Officer, Chair or Secretary
 - **value £3,001 to £5,000** – at least two written quotations are required and can be approved by the Chair or Secretary
 - **value £5,001 to £10,000** - three written quotations and will be approved by the Chair and the Secretary
 - **value over £10,001** - formal tender arrangements will be required and works may only proceed with the approval of the Management Committee.
- 18 For avoidance of doubt, the values set out above are intended to be exclusive of VAT.
- 19 All quotations received shall be open to inspection by the committee.
- 20 Where reasonable attempts have been made and it has not been possible to source the required numbers of quotes for works the Chief

Executive Officer has delegated authority to decide a lesser number of quotes are required if they consider that to not do so would unnecessarily delay necessary (and particularly statutorily required) works programmes.

- 21 Where the committee considers that it would be counter-productive and would not lead to better value for money to obtain quotes or to carry out a formal tender process in respect of the use of a consultant who the committee considers is appropriate for the role specified, the committee may waive the financial standing order requirement to obtain quotes or carry out tenders (unless there is a legal requirement to carry out a tender process). If the committee wish to waive the financial standing orders, they will seek and record the advice of the Chief Executive Officer in the minutes where the decision is made to suspend financial standing orders.

Payments not requiring a specific authorisation process

- 22 The following payments will not require a specific authorisation process for ordering goods and services:
- mortgage and other loan and interest costs
 - insurance and audit fees
 - bank charges - which shall be deducted at source from the bank account
 - electricity bills for communal areas
 - gardening contracts
 - charges for overpaid housing benefit from the council - which will be deducted from group housing benefit payments
 - council invoices for Council Tax
 - administrative costs
 - training, conference and social costs (where they conform to expenditure agreed by the committee)
 - affiliation fees to the Regulator of Social Housing, the Financial Services Authority, the Information Commissioners Office, Confederation of Co-operative Housing, National Housing Federation and Housing Ombudsman Service.

Arrangements for paying for works and services

- 23 Senior management team staff have delegated authority to authorise invoices up to the level of their delegated authority (ie. £2,000 or less).

- 24 Any invoices above that delegated authority level shall be approved by the Chief Executive Officer, Chair or the Secretary.
- 25 The Finance Lead will use monthly payment runs to arrange payment for invoices which have been authorised for payment. Those who have authorised payment shall be noted on the invoices in question.
- 26 The invoice certification procedure will ensure that:
- the work has been done satisfactorily, that the prices are reasonable and in accordance with the contract or order
 - the account is arithmetically accurate
 - the account has not been previously certified for payment
 - the account is referenced to the original order number.
- 27 In addition, the co-op will hold two credit cards to the value of £3,000, one held by the Chief Executive Officer and one by the Secretary. The Chief Executive Officer is authorised to spend up to £2,000 on either credit card, and the Chair or Secretary are required to also authorise any spending between £2,000 and £3,000 on either credit card.
- 28 The purpose of the two credit cards are to pay for items for the benefit of the co-op such as travel costs, co-op trips or entertainment, refreshments, office equipment or supplies or other items. Any expenditure on the credit card over the value of £250 will be reported to the next committee meeting.

Co-op bank accounts

- 29 The co-op will maintain the following bank accounts:
- a current account into which tenants pay rent and from which the co-op's payments are made
 - a business reserve account into which balances of over £10,000 is automatically transferred
- 30 These accounts will be held at the National Westminster Bank.
- 31 The committee will nominate the Chair, Secretary, Chief Executive Officer, the Senior Property and Compliance Lead and the Senior Housing Lead to be authorised persons/signatories to the account.

- 32 Every cheque must be signed and every electronic payment and bank transfer must be authorised by one of the relevant authorized signatories.
- 33 Any changes to signatories must be agreed by the committee and noted in committee minutes.
- 34 The co-op will also invest surplus reserve funds in a business one year saver account with the Nationwide Building Society. The Finance Lead will annually update this account unless instructed otherwise by the committee.

Budgetary control of co-op bank accounts

- 35 The Finance Lead has overall responsibility for the co-op's financial systems. The co-op authorises the Finance Lead to keep the co-op's financial records and to enter transactions in the books.
- 36 The Finance Lead shall keep (digitally using Quick Books) a cash book record up to date at all times. Only the Finance Lead may make entries in the cash book record unless agreed by the committee. Quickbooks data will be backed up on a cloud, and the Finance Lead will ensure that the co-op may access Quick Book files relating to the co-op in the event of the Finance Lead no longer being available.
- 37 The Finance Lead shall ensure that all documents relating to financial matters are kept up to date. Original copies of invoices shall be kept in the co-op's offices and shall not be removed from that place unless authorised by the committee. Other financial records will be stored digitally on Quick Books by the Finance Lead.
- 38 A financial reconciliation between the cash book and account balances will be carried out on a monthly basis and signed by the Finance Lead. Any irregularities in the financial reconciliation will be reported to the Chief Executive Officer and to the next committee meeting. Copies of bank reconciliations will be held in the co-op's offices.

Payments from the co-op bank accounts

- 39 Payments will not be made on statements of account but can be made on copy invoices where the original has been lost and the Finance Lead

is satisfied that no previous payment has been made.

- 40 Payments will be made by electronic transfer. Electronic transfers will only be made once one signatory has signed to approve payment.
- 41 The co-op authorises the Finance Lead to make electronic payments for authorised invoices. The Finance Lead will mark all paid invoices as paid, date them and ensure that they are filed.

Income

- 42 The Finance Lead shall maintain adequate arrangements for recording any income received by the co-op. With the exception of payments for shares, cash payments made for TV licenses at Loughborough Cottages, cash received in the food hub, and any donations, the co-op shall not receive any cash payments.
- 43 Rent payments shall be made through Allpay systems (through cash or cheque payments at Allpay stations; through direct debit/standing order; through BACS transfers) and normally by no other means. Rent payments will not normally be received personally by any staff member on behalf of the co-op.
- 44 Staff members signing up new tenants shall pass £1 share payments onto the co-op office when received and the co-op shall ensure that any cheque or share payments received by the co-op shall be paid into the co-op's bank account within 4 working days.

Cash handling procedures

- 45 The Finance Lead will maintain a system to record cash coming into and going out of the BNCHA office.
- 46 Cash coming into the BNCHA office will be the responsibility of the Chief Executive Officer who will keep and operate a BNCHA bank withdrawal card up to the value of £200 for each withdrawal. The Chief Executive Officer shall ensure that no more than £1,000 is held in the BNCHA office at any one time.
- 47 The Chief Executive Officer shall also ensure that the Finance Lead records all bank withdrawals made using the bank withdrawal card.

- 48 Cash shall also come into the BNCHA office following Food Hub sessions.
- 49 At the start of each Food Hub session, the Secretary, the Senior Community and Resident Engagement Lead or someone else authorised by the Chief Executive Officer, shall record how much money is held in the Food Hub till (it shall be approximately £100).
- 50 At the end of each Food Hub session, the Secretary, the Senior Community and Resident Engagement Lead or someone else authorised by the Chief Executive Officer shall record how much money is held in the Food Hub till. Any money over approximately £100 shall be transferred to one of the BNCHA safes.
- 51 When not in use for the purpose intended, all cash, apart from cash kept in the Food Hub till, shall be held in one of the two BNCHA safes. Only the Chief Executive Officer, the Secretary, and the Senior Community and Resident Engagement Lead shall know how to access either safe.
- 52 Only the Chief Executive Officer and the Senior Community and Resident Engagement Lead may authorise cash payments from the BNCHA office, but either may instruct the Secretary to remove cash from the safe.
- 53 When removing money from either safe, the Secretary shall record all cash payments out of the office under payment headings agreed by the Chair. If the Chief Executive Officer and the Senior Community and Resident Engagement Lead remove money from either safe, they shall record that they are removing cash from the safe on a proforma to be given to the Secretary as soon as possible.
- 54 The Secretary shall ensure that a reconciliation of money in the safes and the Food Hub till against cash handling records is done on a monthly basis. The Secretary, the Senior Community and Resident Engagement Lead or someone else authorised by the Chief Executive Officer shall countersign the reconciliation.
- 55 The Secretary shall keep a separate ongoing record of transactional data in respect of the Food Hub and shall also keep a record of petty

cash payments in respect of BNCHA expenses. The Senior Community and Resident Engagement Lead shall keep separate records of transactions in respect of other BNCHA projects they are responsible for.

Rent accounting

- 56 The co-op authorises the Finance Lead, working with the Senior Housing Lead, to maintain records of rent accounts using information provided by Allpay.
- 57 The Senior Housing Lead shall provide monthly reports on rent payments received to the committee in accordance with the Rent Arrears Policy.
- 58 The Finance Lead will maintain a monthly rent ledger, which will be reconciled monthly against the weekly rent account records and against bank balances.
- 59 Once the rent ledger reconciliation has been completed, the Senior Housing Lead will send quarterly rent account statements to all members.

Insurances

- 60 The co-op will ensure that it has public liability, fidelity guarantee, buildings and equipment insurances as necessary. These insurances, arrangements and levels of cover will be reviewed periodically by the committee, who will ensure that the Co-op's assets and activities are properly insured in accordance with good practice.
- 61 The service provider will ensure that any insurance claims are made as necessary and will report any claims made and payments received to the committee.

External audit

- 62 The co-op will have its accounts audited by a certified auditor.
- 63 The full committee have fiduciary duty relating to the co-op's accounts, but one or both the Chair or the Secretary shall be the committee's

formal representatives to the auditors. The Finance Lead shall ensure that the auditor is supplied with information required. One or both the Chair or Secretary, with the Finance Lead's support as necessary, shall meet annually with the auditor (either in person, by phone or digitally) and will discuss any issues relating to the co-op's management of its financial affairs. The Chair or Secretary shall report any issues raised to the committee.

- 64 The Finance Lead will ensure the following records are presented to the auditor:
- the cash book record
 - the weekly rent recording system
 - the quarterly rent ledger
 - the monthly reconciliation statements
 - a reconciled summary of income and expenditure
 - all co-op bank statements
 - all invoices paid during the year
 - invoices received post year end relating to pre-year end activity and a list of post year end payments relating to pre-year end activity
 - records relating to BNCHA office cash income and expenditure
 - minutes of general and committee meetings
 - the share register
 - a list of the members of the committee, including the Chair and Secretary
 - a detailed list of planned maintenance works carried out during the year.
- 65 Accounts will be prepared in compliance with the Statement of Recommended Practice.
- 66 All financial records will be kept for a minimum of seven years
- 67 The auditor's accounts and management letter will be presented to the committee prior to the AGM. The committee will approve the accounts and consider any issues raised in the management letter.
- 68 The accounts will then be presented to and approved by the general membership at the Annual General Meeting.

- 69 The co-op will maintain and review a 30 year finance plan identifying planned income and expenditure over a 30 year period. The plan will be reviewed and updated through the committee on an annual basis.
- 70 With advice and support from the Finance Lead and others as necessary, the committee will approve the following assumptions in the finance plan:
- planned maintenance lifetimes and costs
 - build cost inflation
 - general inflation
 - rents inflation
 - voids and bad debt loss percentage
 - interest rates.

Risks to be avoided:

- A lack of financial controls and systems increases the risk of fraud and corruption
- Failure to produce and file accounts within statutory time limits can result in fines and/or regulatory action
- Failure to perform in accordance with a long term finance plan can result in resources not be available to meet the co-op's needs
- Poor financial management can lead to financial instability and bankruptcy