

## Finances Policy

### 1. Background, Scope and Objectives.

It is important that proper and accurate financial records should be kept so that we can meet our legal and regulatory obligations, enable our Trustees to be in proper financial control, and enable us to meet the contractual obligations and requirements of our funders.

Financial irregularity is a risk within voluntary (as with all) organisations, usually involving a person in authority and/or with easy opportunity. Financial control of all payments needs to be exercised and evidenced at several stages to ensure that due thought has been given and authorisation obtained before commitment is made to a particular item of expenditure. This also minimises the risk of potential fraud.

This policy is intended to be a practical working document for use by Trustees\*, staff and volunteers. It explains the specific limits adopted for authorising transactions in our Society and making corresponding payments; also the underlying rationale involved. The principles and practices adopted will be regularly reviewed and adjusted in the light of changing circumstances.

### 2. Expenditure and Authorisations

Our aim is to ensure that all expenditure can be demonstrated to be part of our business activity and has been properly authorised. Our approved budget sets out planned levels of expenditure each year, but each item should be considered within the wider context of value and necessity and those authorising purchase should not incur expenditure beyond their authorised limit.

Authorisation and cheque signature as indicated in below have been approved and minuted by the Board as have the authorised current signatories to our various bank and deposit accounts. Any changes will be similarly approved and minuted.

#### 2.1 Authorisation of expenditure

As a general rule, any Trustee, the Administration Manager can act alone in authorising expenditure within their area of responsibility of up to £300.

Two Trustees can authorise expenditure up to £1,500.

Above £1,500, minuted Board approval is normally needed, or in emergency three people, one of whom is the Chair or Treasurer.

\*\* specifically for day to day maintenance & repairs and related purchases

#### 2.2 Evidence of Authorisation

To record authorisations not previously raised, agreed and minuted at Board meetings, the authorising Trustee or Warden is required to send an explanatory email to the Administration Manager advising details of the purchase or service which will be involved. For sums exceeding £300, a copy of the email is to be sent to the second Trustee who has agreed with and co-authorised the purchase.

#### 2.3 Cheque Signatories

Cheques under £200 are to be signed by one authorised signatory.

Two signatories are required to sign for higher amounts.

#### 2.4 Other banking transactions

In practice few items are now paid by cheque. Collectively, regular items such as wages and housekeeping, utilities, rates, insurances, and accounting expenses comprise the majority of our

expenditure, and hence provide the greatest opportunity for error or manipulation. Renewed authorisation and/or payment of such items is the responsibility of the Administration Manager and Treasurer. These individuals may act alone in continuing to authorise payments which form part of, and remain within, a regular pattern (to be regularly reviewed and agreed). Where an increase of more than 5% occurs or where there is to be a change of payee for such items, a second Trustee is required to authorise unless the change has already been discussed and minuted at a Board meeting.

## 2.5 Quotations

For out of course purchases, consideration needs to be given to obtaining multiple quotations. Three separate quotations are usually required for items exceeding £2,000 to ensure that work is done at a reasonable price. It is, however, also important to use trustworthy, reliable tradesmen as the lowest quote may not always prove to be the cheapest. Knowledge of a house is likely to lead to a more realistic quote for items such as electrical and plumbing work which requires access and alteration to the infrastructure. Residents are also potentially vulnerable and the Board has a duty of care in this respect. For these reasons, most work should be completed by those on our approved list (which itself should be reviewed at regular intervals not exceeding three years).

Larger jobs and purchases in excess of £10,000 should be subject to a tender, ideally with three quotations obtained in advance of final authorisation.

*As a Registered Charity with funding obligations we recognise that for very large projects or service contracts we must meet the Public Contract Regulations and will research these as necessary if and when they arise.*

## 2.6 Payment for authorised purchases or services.

Payments are normally made by the Administration Manager once verified (see below). Alternatively, they may be funded by directors, volunteers or staff (e.g. by credit card) and reclaimed through the expenses system, subject to production of receipts.

## 2.7 Personal expenses.

Personal expenses (as against reimbursement for items purchased on behalf of the Society) such as travel and postage are usually quite small. Those up to £100 can and are to be authorised by any (other) Trustee. Expenses over £100 require a second signature, either of the Chair or Treasurer. Expenses under £100 for the Chair will be authorised by the Treasurer and vice versa; those over £100 requiring a second signature.

## 3. Verification of receipt of goods or services.

A responsible person, including any Trustee, the Administration Manager, Warden, house manager, their deputy or assistant, may verify satisfactory receipt of goods or provision of services.

To do so, either

: note and sign any original invoice or payment receipt to this effect OR

: email the Administration Manager.

## 4. Bank Payments

The majority of payments, including wages and housekeeping, are made via internet transactions directly to the recipients account. These are posted by an authorised individual, usually the Administration Manager. A financial limit on each payment is set with the bank to accommodate the regular items and a second authorised individual counter-authorises payments in excess of this limit on an individual basis.

The most regular large items under the bank limit are for payroll and the Treasurer checks (rather than authorises) these transactions shortly after they have been entered to ensure that they correspond to the intended amounts.

In general, cheques are prepared by the Administration Manager. Ideally authorisers & cheque signers should not be the same, but this is acceptable provided that a single authoriser does not sign the corresponding cheque. Cheque signers must verify that payment has been authorised and the goods or services have been received.

Under no circumstances should blank cheques be pre-signed and no one may sign a cheque payable to themselves.

## 5. Wider background Information and considerations

### 5.1 Prudence & Care

As Trustees, the following extract from CC3 – Responsibilities of Charity Trustees, will remind of their duties of prudence and care when dealing with financial matters.

Duty of prudence – Trustees must:

- ensure that the charity is and will remain solvent.
- use charitable funds and assets reasonably, and only in furtherance of the charity's objects.
- avoid undertaking activities that might place the charity's endowment, funds, assets or reputation at undue risk.
- take special care when investing the funds of the charity, or borrowing funds for the charity to use.

Duty of care – Trustees must:

- use reasonable care and skill in their work as Trustees, using their personal skills and experience as needed to ensure that the charity is well-run and efficient.
- consider getting external professional advice on all matters where there may be material risk to the charity, or where the Trustees may be in breach of their duties.

## 6. Financial Context

e.g. Our Society holds two properties (one of which itself comprises two semi-detached houses) worth in excess of £1m. Additionally it has reserves of the order of £100,000 on deposit with CCLA

Turnover is around £200,000 pa, almost all of which derives from residential rental income. Budgets, including rental increases, are agreed by the Board each year. Occasional bequests or donations are received, usually from past residents or local voluntary organisations. No regular active fundraising takes place.

Finances are managed through a "Sage" accounting package. All accounting entries, and most banking functions, are delegated to the Administration Manager. Payroll is outsourced to the Societies' Accountants, who also provide advice and make up the annual accounts from data supplied.

Our Society has de-registered as a Housing Association. At our level of income, this saves on fees and means that a full independent audit is not required for our level of turnover.

The following operational financial principles have been agreed by the Board:

- The Society should not subsidise current residents at the expense of future residents or vice-versa. To meet this principle, rental income should broadly meet expenditure on a year by year basis.
- It is felt appropriate to keep long term contingency reserves of around £100,000.
- Income/interest earned on investments/deposits should be treated as maintaining the purchasing power of capital reserves, not for subsidising rents.

- Past capital spending on buildings has been for the general benefit of current residents and will also benefit future generations of tenants. There has been no intention or action to recover any of this expenditure through rental increases.
- Where permitted, costs needing to be recovered by suitable rental increases will be spread between all residents of our Society rather than recovered only from residents of the house directly involved. This will include capital, maintenance and central administration costs.

### 5.3 Cash

Our Society does not operate a petty cash system and the aim is to keep cash transactions to a minimum. In general, trustees and staff can recover costs for purchases promptly through the expenses system as described above. Housekeeping is handled by payment into personal accounts maintained for this purpose by each housekeeper. These are balanced against weekly production of receipts by a member of the House Committee. Deputy or Relief House Managers may occasionally need cash for shopping, either from the Administration Manager or the regular House Manager.

### 5.4 Rental Income and other Receipts

Credits to the bank accounts are reconciled by the Administration Manager against anticipated rental income and posted to the accounting system. All cash and cheques are receipted when received. Few unsolicited donations are involved and even fewer arrive by post. There is no direct fund-raising. Trustees are reminded that any payment received through them must be passed to the Administration Manager or Treasurer when it will be promptly acknowledged and banked. In the event of any fund raising activities, procedures for handling cash must be agreed in advance with the Treasurer.

### 5.5 Checks and Audits

Bank accounts are regularly balanced against the accounting system and transactions against budget. The Treasurer regularly monitors and sample checks transactions. Balances and transactions are verified as part of the year end process by our Accountants each year.

## 6. Changes since last version

Originally introduced in June 2018, only the appendix was updated following review in March 2020

## **Appendix A – Scale of operations**

This appendix details regular items through the accounts and indicates which constitute “normal” payments for authorisation purposes (i.e. not needing special authority unless a new payee or amount increasing by more than 5%).

Our Society holds two properties (one of which itself comprises two semi-detached houses) worth more than £1.15m. Additionally, it has reserves of the order of £105000.00 on deposit with COIF Charities Deposit Fund.

Turnover is around £200,000 pa, almost all of which derives from residential rental income. Budgets, including rental increases, are agreed by the Board each year. Occasional bequests or donations are received, usually from past residents or local voluntary organisations. No regular active fundraising takes place.

Finances are managed through a “Sage” accounting package. All accounting entries, and most banking functions, are delegated to the Secretary. Payroll is outsourced to the Societies’ Accountants, who also provide advice and make up the annual accounts from data supplied.

Our Society has de-registered as a Housing Association. At our level of income, this saves on fees and means that a full independent audit is not required for our level of turnover.

The following operational financial principles have been agreed by the Board:

- The Society should not subsidise current residents at the expense of future residents or vice-versa. To meet this principle, rental income should broadly meet expenditure on a year by year basis.
- It is felt appropriate to keep long term contingency reserves of around £100,000.
- Income/interest earned on investments/deposits should be treated as maintaining the purchasing power of capital reserves, not for subsidising rents.
- Past capital spending on buildings has been for the general benefit of current residents and will also benefit future generations of tenants. There has been no intention or action to recover any of this expenditure through rental increases.
- Where permitted, costs needing to be recovered by suitable rental increases will be spread between all residents of our Society rather than recovered only from residents of the house directly involved. This will include capital, maintenance and central administration costs.

### **Income**

Monthly Standing Orders from residents approx - £20,000

**Housekeeping** – approx. £2,600 per month (double for Christmas week).

### **Utilities** (per annum)

Gas/Electric - £11,000

Water - £5,000

Rates - £6,000

Insurances - £4,500

### **Salaries**

Credited to payee bank accounts, actioned by Administration Manager, checked by Treasurer each month.

Pay, net of tax & NI, approx £7500 per calendar month.

PAYE + NI fluctuates considerably. Gross depends on cover for holidays/sickness.

**Expenses & Regular Tradesmen**

Direct credit to bank accounts or cheques, usually for amounts < £300.

.

**Cheque Signatories**

The following were agreed at the March 2018 Board Meeting

Chair Treasurer Administration Manager

## **Appendix B - Warden - authority to act and incur expense**

Rather than having to refer relatively small items to a House Committee member, we enable our Warden act appropriately when incidents occur or work is required.

To this effect, he is authorised to use judgement in incurring expenditure to a level of £300 in the following circumstances, or to seek advice or confirmation outside of these parameters.

- Replacement of any broken or badly damaged fittings and fixtures when reported or noticed.
- Calling in tradesmen or specialist organisations for work which falls beyond his capability as a handyman. Examples might include electrical work, joinery, drains, roofing, deep cleaning, gardening and decorating. Normally this will be from our approved list, but with discretion for relatively urgent jobs when they are not available.
- Work which is Urgent for Health or Safety reasons
- Materials or equipment for jobs which they are undertaking at the request of a House Committee member (e.g. room redecoration on leaving).

For jobs with estimates over £300, the individuals below or if advice or a second opinion is needed, the Chair, Treasurer or Property Manager should be contacted.

It will be for the Warden Officer to determine that jobs have been properly completed to their satisfaction.

Where possible, tradesmen should be paid by direct credit to their bank account by the Administration Manager following invoicing.

If these arrangements involve the need for changes in current financial arrangements or reimbursement to the Warden, these can be considered in the light of experience.