



## FINANCIAL REGULATIONS

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These Financial Regulations were adopted by Uppingham Homes CLT (referred to hereafter as "The Society") at its Board Meeting held on January 21<sup>st</sup> 2021.

### 1. GENERAL

1.1. These financial regulations govern the conduct of financial management by The Society and may only be amended or varied by resolution of the Board. Financial regulations are one of The Society's governing policy documents providing procedural guidance for directors and employees. Financial regulations must be observed in conjunction with The Society's Rules and any individual financial regulations relating to contracts.

1.2. The Society is responsible in law for ensuring that its financial management is adequate and effective and that The Society has a sound system of internal control which facilitates the effective exercise of The Society's functions, including arrangements for the management of risk.

1.3. The Society's accounting control systems must include provisions:

- for the timely production of accounts;
- that provide for the safe and efficient safeguarding of public, members' and investors' money;
- to prevent and detect inaccuracy and fraud; and
- to identify the duties of officers.

1.4. These financial regulations demonstrate how The Society meets these responsibilities and requirements.

1.5. At least once a year, prior to approving the Annual Report, the Board must review the effectiveness of its system of internal control which shall be in accordance with proper practices.

1.6. A breach of these Regulations by an employee may give rise to disciplinary proceedings.

1.7. Directors of The Society are expected to follow the instructions within these Regulations and not to entice employees to breach them. Failure to follow instructions within these Regulations brings the office of director into disrepute.

1.8. The Finance Director holds an important office and is appointed by the Board.

1.9. The Finance Director:

- acts under the policy direction of The Society;
- administers The Society's financial affairs in accordance with all regulations and proper practices;
- maintains on behalf of The Society its accounting records and accounting control systems;
- ensures that the accounting processes comply with current legislation and regulations;
- assists The Society to secure economy, efficiency and effectiveness in the use of its resources; and
- produces financial management information as required by the Board.

1.10. The accounting records shall be sufficient to show and explain The Society's transactions and to enable the Finance Director to ensure that any income and expenditure account and statement of balances, or record of receipts and payments and additional information, as the case may be, or management information prepared for the Board from time to time comply with the Co-operative and Community Benefit Societies Act 2014 ("the Act") and regulations issued by the Treasury.

1.11. The accounting records shall contain:

- entries from day to day of all sums of money received and expended by The Society and the matters to which the income and expenditure or receipts and payments account relate;
- a record of the assets and liabilities of The Society; and
- wherever relevant, a record of The Society's income and expenditure in relation to individual grants and subsidies.

1.12. The accounting control systems shall include:

- procedures to ensure that the financial transactions of The Society are recorded as soon as reasonably practicable and as accurately and reasonably as possible;
- procedures to enable the prevention and detection of inaccuracies and fraud and the ability to reconstruct any lost records;
- identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions;
- procedures to ensure that uncollectable amounts, including any bad debts, are only submitted to the Board for approval to be written off with the approval of the Finance Director and that the approvals are shown in the accounting records; and
- measures to ensure that risk is properly managed.

1.13. The Society is not empowered by these Regulations or otherwise to delegate certain specified decisions which must be taken by the Board. In particular any decision regarding:

- approving accounting statements;
- approving an Annual Report;
- borrowing;
- writing off bad debts;
- addressing recommendations in any report from the internal or external auditors, shall be a matter for the Board only.

1.14. In addition, The Society must:

- determine and keep under regular review the bank mandate for all Society bank accounts;
- approve any grant or a single commitment in excess of £5,000; and
- in respect of the annual salary for any employee have regard to recommendations about annual salaries of employees made at a meeting of members

## **2. ACCOUNTING AND AUDIT (INTERNAL AND EXTERNAL)**

2.1. All accounting procedures and financial records of The Society shall be determined by the Finance Director in accordance with appropriate guidance and proper practices.

2.2. On a regular basis, at least once in each quarter, and at each financial year end, a director other than the Finance Director or a cheque signatory shall be appointed to verify bank reconciliations (for all accounts) produced by the Finance Director. The director shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. This activity shall, on conclusion, be reported including any exceptions, to and noted by, the Board.

2.3. The Finance Director shall complete the annual statement of accounts, annual report, and any related documents of The Society as soon as practicable after the end of the financial year, and having had the accounts certified, shall submit them and report thereon to the Board within the timescales set by the Act.

2.4. The Society shall ensure that there is an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with proper practices. Any officer, employee or member of The Society shall make available such documents and records as appear to The Society to be necessary for the purpose of the audit and shall, as directed by The Society, supply the Finance Director, internal auditor or external auditor with such information and explanation as The Society considers necessary for that purpose.

2.5. An internal auditor may be appointed by the Board to carry out work in relation to internal controls as required by The Society in accordance with proper practices.

2.6. Where appointed, the internal auditor shall:

- be competent and independent of the financial operations of The Society;
- report to The Society in writing, or in person, on a regular basis with a minimum of one annual written report during each financial year;
- demonstrate competence, objectivity and independence, be free from any actual or perceived conflicts of interest, including those arising from family relationships; and
- have no involvement in the financial decision making, management or control of The Society.

2.7. Internal or external auditors may not under any circumstances:

- perform any operational duties for The Society;
- initiate or approve accounting transactions; or
- direct the activities of any Society employee, except to the extent that such employees have been appropriately assigned to assist the internal auditor.

2.8. The Finance Director shall make arrangements for the exercise of members' rights in relation to the accounts including the opportunity to inspect the accounts, books, and

vouchers and display or publish any notices and statements of account as required by The Society's Rule Book (rule G10).

2.9. The Finance Director shall, without undue delay, bring to the attention of the Board any correspondence or report from internal or external auditors.

### **3. ANNUAL ESTIMATES (BUDGET) AND FORWARD PLANNING**

3.1. The Finance Director shall review The Society's three year forecast of revenue and capital receipts and payments. Having regard to the forecast, they shall thereafter formulate and submit proposals for the following financial year to the Board not later than the end of November each year including any proposals for revising the forecast.

3.2. The Finance Director must each year, by no later than end of January, prepare detailed estimates of all receipts and payments including the use of reserves and all sources of funding for the following financial year in the form of a budget to be considered by the Board.

3.3. The Board shall consider annual budget proposals in relation to The Society's three year forecast of revenue and capital receipts and payments including recommendations for the use of reserves and sources of funding and update the forecast accordingly.

3.4. The approved annual budget shall form the basis of financial control for the ensuing year.

### **4. BUDGETARY CONTROL AND AUTHORITY TO SPEND**

4.1. Expenditure on revenue items may be authorised by the Finance Director up to the amounts included for that class of expenditure in the approved budget subject to the requirements of The Society's Procurement Policy. Contracts may not be disaggregated to avoid controls imposed by these regulations.

4.2. No expenditure may be authorised that will exceed the amount provided in the revenue budget by more than £200 for that class of expenditure other than by resolution of the Board.

4.3. In cases of extreme risk to the delivery of The Society's services, the Finance Director may authorise revenue expenditure on behalf of The Society which in the Finance Director's judgement it is necessary to carry out. Such expenditure includes repair, replacement or other work, whether or not there is any budgetary provision for the expenditure, subject to a limit of £1,000. The Finance Director shall report such action to The Society Chair as soon as possible and to the Board as soon as practicable thereafter.

4.4. No expenditure shall be authorised in relation to any capital project and no contract entered into or tender accepted involving capital expenditure unless the Board is satisfied that the necessary funds are available and the requisite borrowing approval has been obtained where appropriate.

4.5. All capital works shall be administered in accordance with The Society's rules and financial regulations relating to contracts.

4.6. The Finance Director shall regularly provide the Board with a statement of receipts and payments to date under each heading of the budgets, comparing actual expenditure to the appropriate date against that planned as shown in the budget. These statements

are to be prepared at least at the end of each financial quarter and shall show explanations of material variances. For this purpose “material” shall be in excess of 15% of the budget or £200 whichever is the larger.

## **5. BANKING ARRANGEMENTS AND AUTHORISATION OF PAYMENTS**

5.1. The Society's banking arrangements, including the bank mandate, shall be implemented by the Finance Director following approval by the Board. They shall be regularly reviewed for safety and efficiency.

5.2. The Finance Director shall prepare a schedule of payments requiring authorisation, forming part of the agenda for the Board meeting and, together with the relevant invoices, present the schedule to the Board. The Board shall review the schedule for compliance and, having satisfied itself, shall authorise payment by a resolution of the Board.

5.3. All invoices for payment shall be examined, verified and certified by the Finance Director who will confirm with the appropriate officer or employee that the work, goods or services to which each invoice relates has been received, carried out, examined and represents expenditure previously approved by the Board.

5.4. The Finance Director shall have delegated authority for fund transfers within The Society's banking arrangements up to the sum of £50,000, provided that a list of such payments shall be submitted to the next appropriate board meeting.

5.5. For each financial year the Finance Director shall draw up a list of due payments which arise on a regular basis as the result of a continuing contract, statutory duty, or obligation (such as but not exclusively) Salaries, PAYE and NI, Superannuation Fund and regular maintenance contracts and the like for which the Board may authorise payment for the year provided that the requirements of regulation 4.1 (Budgetary Controls) are adhered to, provided also that a list of such payments shall be submitted to the next appropriate board meeting.

5.6. A record of regular payments made under 5.5 above shall be drawn up and be signed by two directors on each and every occasion when payment is authorised - thus controlling the risk of duplicated payments being authorised and/or made.

5.7. Directors are subject to the Code of Conduct that has been adopted by The Society and shall comply with the Code and Rule Book when a decision to authorise or instruct payment is made in respect of a matter in which they have a disclosable pecuniary or other interest, unless a dispensation has been granted by the Board.

5.8. The Society will aim to rotate the duties of directors in these Regulations so that onerous duties are shared out as evenly as possible over time.

## **6. INSTRUCTIONS FOR THE MAKING OF PAYMENTS**

6.1. The Society will make safe and efficient arrangements for the making of its payments.

6.2. Following authorisation under Financial Regulation 5 above, the Finance Director or, if so delegated an employee, shall give instruction that a payment shall be made.

6.3. All payments shall be effected by cheque or other instructions to The Society's bankers, or otherwise, in accordance with a resolution of the Board.

6.4. Cheques or orders for payment drawn on the bank account in accordance with the schedule as presented to the Board shall be signed by two directors, in accordance with a resolution instructing that payment. A director who is a bank signatory, having declared a pecuniary interest, or has other interest, in the matter in respect of which payment is being made, that director shall be required to consider the Code of Conduct and thereby determine whether it is appropriate and /or permissible to be a signatory to the transaction in question.

6.5. If thought appropriate by The Society, payment for utility supplies (energy, telephone and water) and any National Non-Domestic Rates may be made by variable direct debit provided that the instructions are signed by two directors and any payments are reported to the Board as made. The approval of the use of a variable direct debit shall be renewed by resolution of the Board at least every two years.

6.6. If thought appropriate by The Society, payment for certain items (principally salaries) may be made by banker's standing order provided that the instructions are signed, or otherwise evidenced by two directors and any payments are reported to the Board as made. The approval of the use of a banker's standing order shall be renewed by resolution of the Board at least every two years.

6.7. If thought appropriate by the Society, payment for certain items may be made by electronic payment systems provided that the instructions for each payment are signed, or otherwise evidenced, by two authorised bank signatories and are retained. The approval of the use of electronic payment systems shall be renewed by resolution of the Board at least every two years.

6.8. Where a computer requires use of a personal identification number (PIN) or other password(s), for access to The Society's records on that computer, a note shall be made of the PIN and Passwords and shall be handed to and retained by the Chair of the Society in a sealed dated envelope. This envelope may not be opened other than in the presence of two other directors. After the envelope has been opened, in any circumstances, the PIN and/or passwords shall be changed as soon as practicable. The fact that the sealed envelope has been opened, in whatever circumstances, shall be reported to all directors immediately and formally to the next available meeting of the Board. This will not be required for a director's personal computer used only for remote authorisation of bank payments.

6.9. No employee or director shall disclose any PIN or password, relevant to the working of The Society or its bank accounts, to any person not authorised in writing by the Board.

6.10. Regular back-up copies of the records on any computer shall be made and shall be stored securely away from the computer in question, and preferably off site.

6.11. The Society, and any directors using computers for The Society's financial business, shall ensure that anti-virus, anti-spyware and firewall software with automatic updates, together with a high level of security, is used.

6.12. Where internet banking arrangements are made with any bank, the Finance Director shall be appointed as the Service Administrator. The banking arrangements approved by The Society shall identify a number of directors who will be authorised to approve transactions on those accounts. The banking arrangements will state clearly the amounts of payments that can be instructed by the use of the Service Administrator alone, or by the Service Administrator with a stated number of approvals.

6.13. Access to any internet banking accounts will be directly to the access page (which may be saved under “favourites”), and not through a search engine or e-mail link. Remembered or saved passwords facilities must not be used on any computer used for The Society’s banking work. Breach of this Regulation will be treated as a very serious matter under these regulations.

6.14. Any corporate credit card or trade card account opened by The Society will be specifically restricted to use by named directors and shall be subject to automatic payment in full at each month end.

## **7. PAYMENT OF SALARIES**

7.1. As an employer, The Society shall make arrangements to meet fully the statutory requirements placed on all employers by PAYE and National Insurance legislation.

7.2. No changes shall be made to any employee’s pay, emoluments, or terms and conditions of employment without the prior consent of the Board.

7.3. Any termination payments shall be supported by a clear business case and reported to the Board. Termination payments shall only be authorised by the Board.

7.4. Before employing staff, the Board must consider a full business case.

## **8. LOANS AND INVESTMENTS**

8.1. All borrowings shall be effected in the name of The Society, after obtaining any necessary borrowing approval. Any application for borrowing approval shall be approved by the Board as to terms and purpose. The application for borrowing approval, and subsequent arrangements for the loan shall only be approved by the Board.

8.2. The Society will arrange with The Society’s banks and investment providers for access to each statement of account by the director responsible for providing second sight.

8.3. The Society shall consider the need for an Investment Strategy and Policy which, if drawn up, shall be in accordance with relevant regulations, proper practices and guidance. Any strategy and policy shall be reviewed by the Board at least annually.

8.4. All investments of money under the control of The Society shall be in the name of The Society.

8.5. All investment certificates and other documents relating thereto shall be retained in the custody of the Finance Director.

8.6. Payments in respect of short term or long term investments, including transfers between bank accounts held in the same bank, or branch, shall be made in accordance with Regulation 5 (Authorisation of payments) and Regulation 6 (Instructions for payments).

## **9. INCOME**

9.1. The collection of all sums due to The Society shall be under the supervision of the Finance Director.

9.2. Particulars of all charges to be made for work done, services rendered or goods supplied shall be agreed annually by the Board, notified to the Finance Director who will oversee the collection of all accounts due to The Society.

9.3. The Society will review all fees and charges at least annually.

9.4. Any sums found to be irrecoverable and any bad debts shall be reported to the Board and shall be written off in the year.

9.5. All sums received on behalf of The Society shall be banked intact as directed by the Finance Director. In all cases, all receipts shall be deposited with The Society's bankers with such frequency as the Finance Director considers necessary.

9.6. The origin of each receipt shall be entered into the books of The Society.

9.7. Personal cheques shall not be cashed out of money held on behalf of The Society.

9.8. The Finance Director shall promptly complete any VAT Return that is required. Any repayment claims for VAT shall be made at least annually coinciding with the financial year end.

9.9. Where any significant sums of cash are regularly received by The Society, the Finance Director shall take such steps as are agreed by the Board to ensure that more than one person is present when the cash is counted in the first instance, that there is a reconciliation to some form of control and that appropriate care is taken in the security and safety of individuals banking such cash.

## **10. ORDERS FOR WORK, GOODS AND SERVICES**

10.1. An official order or letter shall be issued for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate. Copies of orders shall be retained.

10.2. Order books shall be controlled by the Finance Director.

10.3. All directors and employees are responsible for obtaining value for money at all times. Reference should be made to The Society's Procurement Policy.

10.4. A director or employee may not issue an official order or make any contract on behalf of The Society unless duly authorised either by these regulations, The Society's Procurement Policy or by a Board resolution.

## **11. CONTRACTS**

11.1. Procedures as to contracts are laid down in The Society's Procurement Policy. Every contract shall comply with these Financial Regulations and the Procurement Policy

## **12. PAYMENTS UNDER CONTRACTS FOR BUILDING OR OTHER CONSTRUCTION WORKS**

12.1. Payments on account of the contract sum shall be made within the time specified in the contract by the Finance Director upon authorised certificates of the architect or other consultants engaged to supervise the contract (subject to any percentage withholding as may be agreed in the particular contract).

12.2. Where contracts provide for payment by instalments the Finance Director shall maintain a record of all such payments. In any case where it is estimated that the total cost of work carried out under a contract, excluding agreed variations, will exceed the contract sum of 2% or more a report shall be submitted to the Board.

12.3. Any variation to a contract, or addition to or omission from, a contract must be approved by the Board and notified to the contractor in writing.

### **13. STORES AND EQUIPMENT**

13.1. The officer in charge of each site shall be responsible for the care and custody of stores and equipment in that site.

13.2. Delivery notes shall be obtained in respect of all goods received into store or otherwise delivered and goods must be checked as to order and quality at the time delivery is made.

13.3. Stocks shall be kept at the minimum levels consistent with operational requirements.

13.4. An appointed director shall be responsible for periodic checks of stocks and stores at least annually.

### **14. ASSETS, PROPERTIES AND ESTATES**

14.1. The Secretary shall make appropriate arrangements for the custody of all title deeds and Land Registry Certificates of properties held by The Society. The Secretary shall ensure a record is maintained of all properties held by The Society, recording the location, extent, plan, reference, purchase details, nature of the interest, tenancies granted, rents payable and purpose for which held in accordance with the Rules.

14.2. No tangible moveable property shall be purchased or otherwise acquired, sold, leased or otherwise disposed of, without the authority of the Board, together with any other consents required by law, save where the estimated value of any one item of tangible movable property does not exceed £250.

14.3. No real property (interests in land) shall be sold, leased or otherwise disposed of without the authority of the Board, together with any other consents required by law. In each case a report in writing shall be provided to the Board in respect of valuation and surveyed condition of the property (including matters such as planning permissions and covenants) together with a proper business case (including an adequate level of consultation with the membership).

14.4. No real property (interests in land) shall be purchased or acquired without the authority of the Board. In each case a report in writing shall be provided to the Board in respect of valuation and surveyed condition of the property (including matters such as planning permissions and covenants) together with a proper business case (including an adequate level of consultation with the membership).

14.5. Subject only to the limit set in Regulation 14.2 above, no tangible moveable property shall be purchased or acquired without the authority of the Board. In each case a report in writing shall be provided to the Board with a full business case.

14.6. The Finance Director shall ensure that an appropriate and accurate Register of Assets and Investments is kept up to date. The continued existence of tangible assets

shown in the Register shall be verified at least annually by another director appointed by the Board, possibly in conjunction with a health and safety inspection of assets.

## **15. INSURANCE**

15.1. Following the annual risk assessment (per Regulation 16), the Secretary shall effect all insurances and negotiate all claims on The Society's insurers.

15.2. All directors shall give prompt notification to the Board of all new risks, properties or vehicles which require to be insured and of any alterations affecting existing insurances.

15.3. The Secretary shall keep a record of all insurances effected by The Society and the property and risks covered thereby and annually review it.

15.4. The Secretary shall be notified of any loss liability or damage or of any event likely to lead to a claim, and shall report these to the Board at the next available meeting.

15.5. All appropriate directors and employees of The Society shall be included in a suitable form of security or fidelity guarantee insurance which shall cover the maximum risk exposure as determined annually by the Board.

## **16. RISK MANAGEMENT**

16.1. The Board is responsible for putting in place arrangements for the management of risk. The Finance Director shall prepare, for approval by the Board, risk management policy statements in respect of all activities of The Society. Risk policy statements and consequential risk management arrangements shall be reviewed by the Board at least annually.

16.2. When considering any new activity, the Finance Director shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the Board.

16.3 The Finance Director shall maintain a Risk Register which shall be reviewed by the Board at least annually.

## **17. SUSPENSION AND REVISION OF FINANCIAL REGULATIONS**

17.1. It shall be the duty of the Board to review the Financial Regulations of The Society from time to time (at least every two years). The Finance Director shall make arrangements to monitor changes in legislation or proper practices and shall advise the Board of any requirement for a consequential amendment to these Financial Regulations.

17.2. The Society may, by resolution of the Board, suspend any part of these Financial Regulations provided that reasons for the suspension are recorded and that an assessment of the risks arising has been drawn up.