



**FINANCE
POLICY
HANDBOOK
(EXTRACT-BUDGET POLICY)**

APPROVED 24 SEPTEMBER 2019

1. BUDGETS AND FINANCIAL PLANNING

Annual Budgeting

- 1.1 The Association will prepare an annual budget incorporating revenue and capital estimates of income and expenditure covering the next five year period.
- 1.2 The budget should take into account the financial implications of the Association's operational and strategic objectives as set out within its Business Plan. Both the Business Plan and Budget form part of the Association's approach to the management of the business.
- 1.3 The budget will include detailed projections for the coming financial year plus outline budgets for the subsequent four years on the basis of similar assumptions and key trends continuing and taking account of agreed assumptions.
- 1.4 The budget process will also run concurrently with, and inform and be informed by the rent setting process.
- 1.5 Outline budgets will be prepared and presented to the Board of Management no later than 4 to 5 months before the start of the financial year and will support the Association's annual rent increase review. The outline budgets will present summary financial information at this stage and will aim to establish a financial framework and set of financial benchmarks against which decisions with financial implications can be assessed.
- 1.6 A recommendation on the following year's rent increase will be decided at this stage in the process for initial consultation with tenants and sharing owners.
- 1.7 All budget holders will provide the necessary financial and other relevant information to the Head of Finance within agreed timescales as set out within the annual budget setting procedure to enable production of the budget.
- 1.8 The annual budget will be presented for approval to the Board of Management along with the business plan, normally no later than February for the following year to ensure the timeous submission to the Association's lenders where appropriate.
- 1.9 Once approved the budget will then act as the basis of authority to incur expenditure within agreed budget limits by the approved budget holders listed in appendix 5 to these regulations.
- 1.10 The budget will also act as a means of control by providing a basis for comparison of budgeted and actual results for income and expenditure throughout the course of the year and from one year to the next.
- 1.11 The annual budget should be presented in a format agreed by the Board of Management and should include the following information covering the five year period:
 - a) Details of key assumptions;
 - b) Income and Expenditure Account ;
 - c) Balance Sheet;
 - d) Cashflow;
 - e) Operating Costs;
 - f) Capital projections (development projects);

- g) A summary of the financial performance as measured against agreed performance indicators, lenders financial covenants and the business plan;

Longer Term Financial Planning

- 1.12 The Association will prepare long term financial projections normally covering a 30 year period. These will form an integral part of the Business Plan and will take account of the Association's future strategy and investment needs of the houses derived from stock condition information and the need for all the Association's houses to meet the Scottish Housing Quality Standard and the Energy Efficiency Standards for Social Housing (EESH).
- 1.13 The long term financial planning model will be capable of being subjected to sensitivity analyses and scenario planning on a range of key assumptions and risks such as changes in rent levels, changes in fiscal assumptions, changes to the development programme etc. The sensitivity analyses will form part of the Business Plan document.
- 1.14 The long term plan will be updated annually as part of the business plan cycle and will form an integral part of the Association's strategic planning process and Business Plan document. The Annual Business Plan will be approved by the Board of Management normally no later than February prior to the start of the new financial year.

2. BUDGETARY CONTROL AND FINANCIAL REPORTING

- 2.1 For the Association's finances to be properly monitored and controlled, a framework of financial reports will be established for the Board of Management and the Executive Team. The table below sets out the key financial reports to be prepared for the Board of Management and the Executive Team on a regular basis. More detailed reports are also produced for staff.

Report	Received by	Used by –Staff	Frequency
Management Accounts containing: <ul style="list-style-type: none"> • Income & Expenditure Account – comparing actual and budgeted results, • Balance Sheet, • Cashflow, • Performance measured against agreed financial performance indicators and against lenders covenants, • Commentary on key variances and recommendations for action/change where appropriate. • Detailed breakdown of planned maintenance expenditure against budget including projected outturn position for year, commentary on key variances. • Consolidated results for the Group 	Board of Management	Executive Team & Budget Holders	Quarterly
Loan Portfolio Report	Board of Management	Finance Staff	Quarterly
Business Wide Key Performance Report	Board of Management	Executive Team & Staff	Quarterly
Capital expenditure on development projects covering: <ul style="list-style-type: none"> • Actual costs to date against approved scheme costs per grant offer. • Grant drawn to date against approved grant for project. • Estimated site start and completion dates. 	Board of Management	Property Services Staff	Quarterly
Expenditure on Community Regeneration projects and associated grant funding against budget.		Head of Community Housing Services and Community Regeneration Staff	Quarterly

2.2 The content, range and format of reports will be reviewed on a regular basis and proposed changes to Board reports approved by the Board of Management.