

# **Governance and finance policy guidance**

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# How to use the guide

## Why is there a need for policies and procedures?

If a CLH organisation has not agreed on policies and procedures, it means either that all decisions have to be taken at governing body meetings or individuals have to take decisions and the governing body may not be in control.

Some CLH organisations have managed well for years without many agreed policies and procedures. But then something happens – a problem arises, a member or resident complains about how things are done, several people fall out about something or a claim is made against the CLH organisation.

Without written policies and procedures, these things can be very difficult to manage. It is difficult to maintain fairness and objectivity without agreed policies and procedures. Having them means that everyone knows what to expect. Without them, those who are confident and self-assured can run things how they want, and the less confident and less articulate may find it hard to have their say.

There is a judgement call to be made about how detailed policies and procedures should be in a CLH organisation. Larger organisations have extensive policies and procedures because there is a need for clarity about what staff should do. In smaller CLH organisations, the likelihood is that some events are less likely to take place and there may not be such a need for detail.

What a CLH organisation makes policies and procedures about is about balancing practical and sensible judgement with not being overly bureaucratic. There isn't necessarily a right answer!

One size does not fit all. CLH organisations are about local people shaping housing and related services in ways that are right for them. This means that their policies and procedures can be and should be different in each CLH organisation.

## How to use this guidance

The differences in CLH organisations means this guidance is intended to be about key issues in each of the subject areas.

The policy templates in the guidance can be adapted to produce what is appropriate for local circumstances. It will require governing bodies of CLH organisations to carefully consider each issue to come up with the approach that is right for them. Some of the policies in the guidance may be fundamental to the CLH organisation – others may be less important and could be worked on later.

Each policy area includes the following:

- **policy aims** – what the policy is seeking to achieve
- **an outline of the policy** – these are the key principles about how the CLH organisation wants the subject matter to be managed. Policies should be particularly aimed at the governing body, the general membership and potentially all residents so that they know the key aspects of how the policy area will be managed. If a policy needs changing it should only be changed by the governing body and probably following consultation with the membership.
- **risks to be avoided** – setting out key things that the policy is aimed to avoid and address



- **notes relating to the procedure** – the procedure is a detailed account of how the policy principles should be implemented. They are necessarily different given local circumstances. They are aimed at people charged with implementing policies – volunteers, staff or support organisations. Procedures should be easier to change than policies.

## Terminology

Throughout the document, the following terms have been referred to:

- **CLH organisation** – is a community led housing organisation
- **governing body** – is the part of the CLH organisation that is legally responsible for decision-making. In many cases, this is the Board, committee or management committee of the CLH organisation, but in some smaller CLH organisations, it is the CLH organisation’s general membership.
- **residents** – the people who live in homes owned or managed by a CLH organisation. Some aspects of policies may only apply to tenants, leaseholders or freeholders, and where this is the case, the document identifies this. In many CLH organisations, residents will also be, or may be, members of the organisation – in some cases, its only members.

## Registered Provider status

There are regulatory requirements placed on Registered Provider organisations, particularly in relation to their tenants. Whilst it is a good idea for any CLH organisation to have a suite of policies and procedures, it is a requirement for a Registered Provider CLH organisation. A CLH organisation will not be registered as a Registered Provider without a set of key policies and procedures. This guidance is designed to assist CLH organisations who are going through the registration process to become a Registered Provider.

The same regulatory requirements will apply to Registered Providers who CLH organisations have a partnership agreement with. This means that if a Registered Provider housing association has a lease, a management agreement or some other agreement with a CLH organisation, they would pass on their regulatory compliance duties to the CLH organisation.

## Responsibility

Clearly CLH organisations who have direct responsibility for some or all of the services covered within this guidance have a responsibility to develop the policies and procedures they need in the subject areas relevant to them.

It is suggested that even where a CLH organisation enters into a long term lease agreement with a housing association, where the housing association is responsible for management of the homes, that the CLH organisation should still use this guidance to enable them to have discussions with and monitor how the housing association is providing services to the residents of the homes owned by the CLH organisation.

## Policy review

There is always a need to review, amend and update policies. Policies may need to change because legislation, regulations or best practice may change. A CLH organisation may have drafted a policy with specific aims in mind, but it subsequently turns out that the aims are not being achieved – in which case there is a need to change the aims or the ways they are being implemented. It is usually the case that



there should be a rolling programme of policy review. Such reviews should happen in conjunction with the residents of the homes – particularly in a CLH organisation where residents are likely to be very familiar with local issues, problems and difficulties.

## Feedback

Please feel free to provide feedback on this policy guidance. Has the guidance been helpful? Are there policy areas that are missing? Could the policy guidance be improved upon? Please send in any feedback to [info@cch.coop](mailto:info@cch.coop)

## Copyright and intellectual property

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# Code of governance

## Aims of the code of governance

The following may be aims of the code of governance:

- To define how the CLH organisation will govern and control its activities
- To provide clarity to how does what within the CLH organisation
- To ensure compliance with the Governance and Viability Standard (for Registered Providers only)
- To help Governing Body members comply with statutory and regulatory responsibilities

## Governance

CLH organisations come in many shapes and sizes. That's what makes them successful. They are about people considering local issues and using bespoke methods to develop what's right for them.

## Scale

No two schemes are quite the same. They can be set up for a wide range of different reasons and to meet various needs; they are in different locations; their legal and other structures can be quite different; they own and manage different types of homes; they house different groups of people. They vary from the very small (in some cases just one house shared by a group of members); through to larger locally based organisations (which could own or manage any number of homes); up to large hybrid area based mutuals owning up to 15,000 or more homes. Some are set up specifically to house their members. Others are set up by community organisations seeking to address local housing need. It's a diverse sector united by its principles of democratic community membership.

## Governing Body

CLH organisations have different "Governing Body" arrangements. Some are governed by all the members through General Meetings; some have Management Committees or Boards as their Governing Bodies. The housing service can be delivered in different ways. Volunteers may provide a hands-on service; directly employed staff or external service providers may be used; some lease their homes to other organisations to manage; and there might be permutations of these

## Risks to be avoided:

- No formal structure regarding governance increases the risk of uncertain outcomes, inconsistent or dysfunctional decision making processes and a lack of effective control
- For Registered Providers serious breaches of the Governance and Financial Viability Standard can lead to regulatory enforcement action being taken
- For all CLH organisations, poor governance can lead to legal action being take for failures of statutory and regulatory non-compliance
- Weak governance often causes increased levels of conflict and dissatisfaction within CLH organisations



# Appendix 1

## Code of governance for community led housing

This Code of Governance is an updated version of the joint CCH / NHF publication 'Excellence in Governance – Code of Governance for Housing Co-operatives 2012'.

### Introduction

Governance is about ensuring that an organisation complies with its constitution and the law.

It is the task of defining the goals and standards of an organisation and ensuring that there are effective management and other structures that will enable it to achieve those goals and standards and be a viable business.

This Code of Governance aims to assist organisations put the principles of good governance into practice. Good governance is more than good practice – it is good business too. It is about organisational vision, mission, clarity of purpose and effectiveness. As such good governance enhances organisational reputation and ensures better results are achieved. This code does not attempt to reproduce good practice guidance which is contained elsewhere.

The overall Code of Governance is split into the main principles and key provisions for each area. Organisations should consider the Code in full in a way that is appropriate to their size, profile and structure and provide a statement of compliance against the principles and provisions which should include a reasoned statement about any areas where they do not comply. The compliance statement should be the basis for the Governing Body's assessment of governance contained within its financial statements.

### Main principles

The main principles define each section and provide a guide to Governing Body behaviour and overall approach; they provide clarity on excellent governance.

### Provisions

These are the areas that, along with the main principles, organisations must assess themselves against and provide a statement of compliance. They underpin the main principles and provide the evidence to members; if excellent governance can be achieved by other means, an explanation of non-compliance with the provision should be given.

## The Code of Governance

### A Constitution and composition of the Governing Body

#### Main Principle

The Governing Body must be effective in leading and controlling the organisation and acting wholly in its best interest. Governing Body members must ensure that the interests of the organisation are placed before any personal interests.



## **Provisions**

- A1** The primary purpose of the Governing Body is to determine strategy, direct, control, scrutinise and evaluate the organisation's affairs.
- A2** All members of the Governing Body share the same legal status and have equal responsibility for decisions taken.
- A3** It is up to the organisation to decide on the best Governing Body composition. Where the Governing Body is a Management Committee or Board it should have at least five members and ideally no more than twelve, including co-optees.
- A4** The roles of Chair of the Governing Body and Sub Committees must be held by a member.
- A5** Governing Bodies must consider any potential conflicts of interest.
- A6** Where conflicts of interest arise, these must either reflect provisions made by relevant legislation or they must be recorded and the individual concerned excluded from the discussion or decision.

## **B Essential functions of the Governing Body**

### **Main Principle**

Governing Bodies must be clear about their duties and responsibilities and those of their Chair, Secretary and Treasurer. These must be set out and made available to all existing and potential Governing Body members.

### **Provisions**

- B1** The essential functions of the Governing Body must be formally recorded in the Rules or Articles of the organisation.
- B2** Governing Bodies must have a set of core responsibilities. These will include as a minimum:
- Ensuring compliance with the values, vision, mission and strategic objectives of the organisation as directed by its membership
  - The appointment and if necessary the dismissal of the Senior Staff Member and the approval of their salaries and terms of employment or in the case of a Service Agency the approval of their fees and management agreement
  - Satisfying itself as to the integrity of financial information, approving each year's budget and business plan and annual accounts prior to publication
  - Establishing, overseeing and reviewing annually a framework of delegation and systems of internal control
  - Establishing and overseeing a risk management framework in order to safeguard the assets of the organisation
- B3** The Governing Body, through its terms of reference, must draw up a schedule of significant matters specifically reserved for the Governing Body's decision, which cannot be delegated to individual members, staff, Service Agencies or Sub Committees.

## **C Induction and information**

### **Main Principle**

All Governing Body members should receive appropriate induction on joining and should regularly refresh and update skills. The Governing Body must be supplied in a timely manner with information in a form and quality appropriate to enable it to discharge its duties.

### **Provisions**

- C1** All Governing Body members should participate in training programmes that enable them to be effective in their roles.
- C2** Governing Bodies must receive up-to-date, clearly presented and accurate information to enable them to make decisions.





## D Recruitment, renewal and review

### Main Principle

Recruitment to Governing Body vacancies must be open and transparent. The Governing Body must undertake an annual appraisal of its members and of the Governing Body as a whole.

### Provisions

- D1 While the contribution of experienced Governing Body members is important, Governing Bodies also need to involve newer members who can provide a fresh challenge to long-standing practices and thinking and should have a policy for involving such members. The organisation should establish a succession plan for Governing Body involvement and link this to training programmes for members. Maximum terms of office should be considered, where appropriate and in the best interests of the organisation.
- D2 The Governing Body must carry out an annual appraisal of its own performance and of its individual members including the Chair.
- D3 If the organisation is paying Governing Body members, it must ensure that it has a mechanism for establishing payment levels that are independent of the Governing Body, possibly through a Remuneration Committee, an independent advisor or by using published guidance and industry norms. Payments must be disclosed to all members and be proportionate to the organisation's size, complexity and resources and be linked to the carrying out of specified duties against which performance will be reviewed.

## E Responsibilities of the Chair

### Main Principle

The Governing Body must appoint a member to act as Chair who is aware of their duties and the clear division of responsibilities between members and officers, staff and Service Agents.

### Provisions

- E1 The Chair has particular duties and responsibilities. These must be formally agreed and recorded and should include as a minimum:
- Ensuring the efficient conduct of meetings and compliance with the Code of Conduct
  - Ensuring that all members have an opportunity to express their views
  - Creating an appropriate environment for employees and contractors
  - Ensuring proper delegation of authority within the organisation and to third parties as appropriate
  - To make decisions under 'Chair's Action' when absolutely necessary
  - Getting professional advice for the Governing Body when appropriate
  - Ensuring that the Governing Body has the right mix of skills knowledge and experience and to address shortfall through training and co-option

## F Responsibilities of the Secretary and Treasurer

### Main Principle

The Governing Body must appoint members to act as Secretary and Treasurer who are aware of their duties.

### Provisions

- F1 The Secretary has particular duties and responsibilities. These must be formally agreed and recorded and should include as a minimum:



- Arranging and minuting meetings
- Preparing agendas and papers for meetings
- Providing procedural guidance for the Governing Body and advice on compliance with the organisations governing documents
- Reviewing legislative, regulatory and corporate governance developments
- Ensuring that the Annual Return is prepared and filed with the relevant registering body
  - Financial Conduct Authority (for co-operatives societies and community benefit societies)
  - Companies House (for companies limited by guarantee)
  - CIC Regulator (for community interest companies)
  - Charities Commission (for charitable incorporated organisations)
- Maintaining the Register of Interests for Governing Body members
- Maintaining the Members/Share Register
- Organising new member and Governing Body inductions

**F2** The Treasurer has particular duties and responsibilities. These must be formally agreed and recorded and should include as a minimum:

- Overall financial control of the organisation
- Ensuring that a procedure and timetable are established for preparing and agreeing an annual budget
- Ensuring that financial accounts are maintained and that at each financial year end they are appropriately audited
- Providing financial reports to the Governing Body and membership
- Ensuring compliance with the Financial Standing Orders
- Ensuring that adequate accounting records are maintained in order to protect the organisation's assets and prevent fraud
- Ensuring that suitable accounting policies are consistently applied

## **G Conduct of the Governing Body's business**

### **Main Principle**

The Governing Body must act effectively, making clear decisions based on timely and accurate information.

### **Provisions**

**G1** The Governing Body and its sub committees must have clear terms of reference in order that their conduct is transparent, effective and in the interests of the cooperative; often referred to as a Code of Conduct which should include as a minimum:

- Guidelines on how meetings will be conducted
- A requirement that Governing Body members declare all relevant conflicts of interest and that at all times they represent the interests of all members
- Details of how information will be communicated within the organisation; its reporting channels
- A statement regarding confidentiality and how information will be handled to such that the organisation complies with its obligations under data protection legislation
- A statement regarding collective responsibility and details regarding how decisions will be made (by majority, super majority or consensus)
- Guidelines for dealing with *matters arising* that ensure that previous debates are not routinely reopened at subsequent meetings
- Guidelines for managing *any other business* at meetings
- A policy on receiving and giving hospitality and gifts
- A policy on how breaches of the Code of Conduct will be managed



- G2 Governing Body decisions should be, wherever possible, based on full agendas and documents circulated to members sufficiently in advance of meetings. Decisions and agreed actions should be recorded in the minutes.
- G3 Urgent decisions between Governing Body meetings must be taken in accordance with predetermined arrangements as set out in the organisation's governing documents or delegated authorities.

## H The Senior Staff Member or Service Agency

### Main Principle

There must be clear working arrangements between the Governing Body and the Senior Staff Member or Service Agency and clear delegation of authority.

### Provisions

- H1 The Senior Staff Member or Service Agency must be clear about the essential duties of the role and have clarity over their role, legal responsibilities, delegation of authority and relationship with members.
- H2 Like all employees, the Senior Staff Member must have a written and signed contract of employment; a Service Agency must have a written and signed management or service level agreement.
- H3 The Governing Body must ensure that there is effective and transparent scrutiny of the Senior Staff Member or Service Agency and that this is reflected in decisions on the remuneration package for the Senior Staff Member or fee for the Service Agency; these costs must be disclosed in the annual financial statements in accordance with relevant accounting practice.

## I Sub Committees

### Main Principle

Subcommittees may be established where the Governing Body determines that they will provide expertise, enable it to scrutinise and deliver effective corporate governance and manage risk or for operational purposes.

### Provisions

- I1 Each subcommittee must have clear terms of reference approved and reviewed by the Governing Body on a regular basis.
- I2 Paid employees or Service Agents must not chair sub Committees or form the majority of the membership of these committees.

## J Openness, transparency and accountability

### Main Principle

The Governing Body must provide leadership in operating in an open and transparent manner, having satisfactory dialogue with members and must demonstrate democratic accountability to members and other key stakeholders.

### Provisions

- J1 The Governing Body must make an annual report to its members regarding the organisation's activities and performance.
- J2 The organisation must have in place a strategy for ensuring that it operates in a fair and democratic manner and for communicating information about its work to its members.
- J3 The organisation should review its policies for admission to membership on a regular basis.



## **K Diversity and inclusion**

### **Main Principle**

The Governing Body must demonstrate leadership and commitment to equality, diversity and inclusion as outlined in the Equality Act 2010 across all its activities.

### **Provisions**

- K1** The Governing Body must comply with current legislation and keep its policies for involvement and inclusion under review.
- K2** The Governing Body must provide leadership and clear strategies on how the organisation will meet the needs its community and the steps it will take, including through lawful positive action, to ensure in so far as it is able that it can reflect its community in its governance structures.
- K3** The Governing Body must ensure that the organisation demonstrates, throughout all its functions, its commitment to the characteristics protected by the equalities legislation, and develop action plans to implement this commitment.

## **L Audit and risk**

### **Main Principle**

The Governing Body must establish a formal and transparent arrangement for considering how the organisation ensures financial viability, maintains a sound system of internal controls (policies, procedures and processes) and manages risk.

### **Provisions**

- L1** Every organisation must have effective internal controls.
- L2** The organisation's external auditors or accountants must be independent and effective.
- L3** The organisation must have in place appropriate arrangements for enabling members to scrutinise performance.



# Confidentiality and data protection

## Aims of confidentiality and data protection policies

The following are aims of confidentiality and data protection policies:

- To ensure that confidential matters are properly handled
- To protect residents, members, employees and other stakeholders from their data being inappropriately used
- To ensure compliance with relevant data protection legislation

## Confidential information

The CLH organisation will hold two types of confidential information (resident and household member data and employee/service provider data) and will need to establish appropriate filing and access systems for each of these.

## External requests for information

From time to time the CLH organisation may be requested to supply information to statutory agencies or other third party organisations; it will need a process for managing such requests.

## Interviews

Managing properties involves needing to discuss personal information such as health conditions, financial status, employment status, criminal records and other issues with residents. Systems need to be established for maintaining resident confidentiality during interviews and of any information collected following them.

## Data protection policy

The CLH organisation must ensure that it complies with all relevant data protection legislation and regulations. The Information Commissioner, who oversees compliance and promotes good practice, requires all data controllers who process personal data to be responsible for their processing activities and comply with the eight data protection principles of 'good information handling'; these are:

- Personal data shall be processed fairly and lawfully
- Personal data shall be obtained only for one or more specified and lawful purposes
- Personal data shall be adequate, relevant and not excessive
- Personal data shall be accurate and, where necessary kept up to date
- Personal data shall not be kept for longer than is necessary
- Personal data shall be processed in accordance with the rights of data subjects
- Security principle – Protection against unauthorised /unlawful processing
- Transfers outside of the European Economic Area (EEA) – Requires adequate levels of protection

## Data protection law and policy

Aims to ensure that individual's rights and freedoms are protected. Using personal data to abuse, discriminate or deny access to services is unlawful. The CLH organisation is committed to ensuring that personal data that it holds is used fairly and lawfully and in a non-discriminatory manner.



## Data mapping and usage

The CLH organisation should regularly review and map how it obtains data, where it is stored, who has access to it and when/how it is destroyed .

### Risks to be avoided:

- Failure to comply with the requirements of data protection legislation and regulations can result in organisations being fined; for further information contact the Information Commissioners Office at <https://ico.org.uk> and seek appropriate legal or other advice

## Procedure

### Identifying who does what

The CLH organisation will need to identify who does what in gathering, storing, managing and destroying data

### Subject access requests

A procedure will need to be agreed for ensuring that all subject access requests are responded to within the statutory timeframe.



# Code of conduct

## Aims of the code of conduct

The following may be aims of the code of conduct:

- To specify how members should behave in meetings and other formal settings with the CLH organisation
- To ensure that members behave with a high standard of conduct, probity and business ethics
- To outline how members should behave in carrying out the duties of their roles within a CLH organisation

## Behaviour at meetings

Members must ensure that their private and personal interests do not influence their decisions, and that they do not use positions of responsibility within the CLH organisation to obtain personal gain of any sort that does not apply equitably to all members. Members should abide by the rules and policies of the CLH organisation at all times and respect other members' viewpoints and encourage all members to express themselves. Members should abide by the agenda prepared for the meeting and discussions that are not pertinent to the meeting should not take place during the meeting.

## Matters arising

Members should remember that 'Matters Arising' is an item included in standard meeting agendas for feedback on actions following previous decisions and not for revisiting previous debates.

## Any other business

If members wish to raise issues not on the meeting agenda, they should bring this up under "Any Other Business". The Chair should be notified of such items before the meeting. Items that are not urgent, that can wait until the next meeting, have already been discussed at previous meetings or that require a long discussion must not be brought up under AOB and should be put on the agenda for the following meeting.

## Declaring personal interest

Managing conflict of interest is an important component of good governance; as a minimum:

- members should inform the Secretary or the Chair of any interests that may lead to potential conflict of interest; the Secretary will maintain a Register of Interests;
- members should inform the Chair of any personal interest in an issue prior to the discussion of said issue on the agenda;
- depending upon the nature of the personal interest they may be required to leave the meeting whilst the issue is discussed and a decision made;
- members should not attempt to influence another member of an issue for which they might have a potential conflict of interest;
- members who do not declare conflicts of interest, particularly pecuniary (financial) conflicts, or attempt to influence other members where they have a conflict of interest face being removed from the Governing Body and subcommittees.



## Breaches and exclusions

The CLH organisation should ensure that members are aware that anyone breaching the Code of Conduct faces being excluded from active participation; this may be a temporary or permanent exclusion from a committee or membership.

Any member who has had their membership terminated, been served a Notice Seeking Possession, Notice to Quit or Notice of Breach of Lease should no longer be entitled to participate in the running of a CLH organisation including serving as a Governing Body member.

Any member engaged in legal action against the CLH organisation cannot be involved on both sides of a dispute due to the conflict of interest that this creates. Therefore, any member engaged in such actions will be suspended from all relevant committees or discussions until such time as the legal action is concluded.

### Risks to be avoided:

- Domination by aggressive and abusive members is more likely where appropriate behaviour standards are not agreed
- Breaches of agreed behaviour standards being ignored leads to general decline of governance and standards within the organisation increasing the risk of cliques forming and conflict
- Where conflicts of interest are not declared and properly managed the risk of fraud and corruption is increased
- Reputational and financial damage being caused to the CLH organisation
- Legal action can be compromised when members involved unduly influence the CLH organisation





# Financial standing orders

## Aims of the financial standing orders

The following may be aims of the financial standing orders:

- To ensure that the financial transactions of the CLH organisation are fully recorded, payments only made within approved guidelines and that monies put aside for specific purposes are used for that purpose
- To ensure that all calculations and returns for taxation are made
- To ensure that accounts are prepared and presented in the appropriate form to members on an annual basis
- To safeguard the assets of the CLH organisation

## Banking arrangements, borrowing and investments

The CLH organisation will need to agree on the following minimum requirements:

- The opening of bank accounts and processes for maintaining bank account records and undertaking periodic bank reconciliations
- Payment approval processes
- Payment authorisation and delegation limits; how much is an individual authorised to spend, how much requires multiple people to authorise and how much must be presented to a meeting for authorisation
- How decisions will be made regarding loans and mortgages being agreed and drawn down
- How decisions will be made regarding what the CLH organisation can invest in and how such decisions will be effected
- What reporting processes will be established for reporting banking, borrowing and investment decisions to members of the CLH organisation

## Budgetary control

An annual budget should be agreed by the CLH organisation's members and periodic reports presented to the Governing Body and members regarding actual performance against agreed budgets, key variances and recommended corrective actions.

## Members expenses

When undertaking business on behalf of the CLH organisation members should be entitled to claim reasonable expenses for travel, subsistence, accommodation and other items; a clear procedure for making claim must be established and all claims should be supported with receipts.

## Orders and payments

Orders should be made on official order forms and be supported by detailed specifications where appropriate; payments should be made against an invoice from a supplier/ contractor/consultant and supported by a delivery note or completion form where appropriate and payments should only be made in accordance with the CLH's organisation's agreed payment approval processes.

## Payroll

Where an organisation directly employs its own staff members it will need to establish systems for ensuring that all staff members are paid in accordance with their contracts of employment and that all



appropriate deductions for taxation, national insurance, union subscriptions, pensions and other agreed amounts are made. All payments should only be made in accordance with the CLH's organisation's agreed payment approval processes and each pay period must be submitted to HMRC in accordance with *Real Time* requirements.

## Petty cash

A fixed float for petty cash should be agreed and all payments from the petty cash account made only with supporting receipts and against a completed request form; payments of petty cash should never be made by the person making the claim.

## Income

Should be banked in a timely manner. A CLH organisation should protect itself against loss of income by taking swift action against debtors and be maintaining comprehensive accounting procedures and internal controls.

## Insurance

At least annually the CLH organisation should review its insurance cover and ensure that it is maintaining adequate cover for issues such as employer liability, public liability, buildings and contents cover and directors' indemnity.

## Accounts

Most CLH organisations will appoint a Treasurer to maintain oversight of its accounts but it must be remembered that having a Treasurer does not reduce the fiduciary responsibilities of all Governing Body members. The following should be ensured:

- all financial records will be kept for a minimum of seven years;
- all accounts must be completed according to the appropriate Financial Reporting Standards and where appropriate the Statement of Recommended Practice (SORP) for Registered Providers or Charities;
- all financial transactions must be accounted for in accordance with the requirements of relevant legislation relating to the company or society form of the CLH organisation;
- accounts should be maintained on an accrual basis;
- accounts must be audited where required by legislation or the governing documents of the CLH organisation

## Assets and liabilities register

An accurate register of the assets of the organisation and its liabilities (particularly those that are fixed against assets) should be maintained and kept updated. The Governing Body should develop a long term financial plan and asset management plan which draw on the information contained in the Assets and Liabilities Register, cashflow projections and future rent setting and service charge expectations.

## Reserves

Decisions will be made on how reserves and surpluses within the CLH organisation are to be used; these decisions should be made by the members of the CLH organisation in line with the organisation's governing documents. This process will link with the CLH organisation's forward planning in its Business Plan and must support the objects of the organisation.



## 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 regulatory action being taken against the organisation
- Inappropriate procedures for collecting income can result in increasing debt and undermine the assumptions made in business plans; this can lead to an inability to service loans and mortgages
- Failure to maintain compliance with financial covenants regarding loans and mortgages can result in breach of conditions and pre-pricing or foreclosure
- Poor financial management can lead to financial instability and bankruptcy



# Risk management

## Aims of risk management

The following may be aims of risk management:

- To enable members to be aware of the key risks faced by the organisation
- To develop plans and strategies for managing and reporting on key risks
- To prioritise resources on issues of most importance within the organisation
- To reduce the probability and impact of things going wrong
- For Registered Providers, to ensure compliance with requirements of the Regulatory Framework regarding risk management and business planning

## Role of the Governing Body

The Governing Body is responsible for identifying risks and establishing controls (policies and procedures) agreeing on review processes (reporting frameworks, monitoring and performance management systems) and delegating responsibility to key individuals or subcommittees to manage those risks over time.

## Analysis of risks faced

Being a landlord or managing agent means facing a number of complex and interacting risks both related to the key operational activities of the organisation (functional risks) and external factors that impact on the organisation (cross-functional risks):

- Functional risks include issues relating to:
  - Providing accommodation including lettings and sales
  - Collecting rent and service charges
  - Undertaking responsive repairs and maintenance
  - Undertaking major works programmes
  - The culture of the organisation and how it impacts on employment and third party relationships
  - Governance by volunteers and member involvement
- Cross-functional risks include issues relating to:
  - Government and local government housing policy
  - Regulations related to welfare benefits
  - Statutory and regulatory compliance
  - The general economic environment locally and nationally
  - Procurement and recruitment policies
  - Information technology

## Risk assessment and scoring

There are several different approaches to scoring risks such as RAG (Red, Amber, Green) or numerical scoring systems and risk mapping of scores; whichever a CLH organisation chooses should be based on assessing how likely an event is to occur and what the impact on the organisation would be if it were to occur. Generally, risks that are highly likely to occur and would have a serious impact should be prioritised and those that are very unlikely to occur and would have little or no impact should not be.



## Risk review

On a regular basis and at least annually, the Governing Body should review its Risk Register (which is where all key risks should be recorded) and update it according to any changes in its assessment of probability, impact, control environment or management responsibility.

### Risks to be avoided:

- Committing excessive time and resources to low priority risks
- Not establishing monitoring and reporting arrangements may mean that management failures are not identified and risks occur while the Governing Body assumes that everything is alright
- Developing an exhaustive list of risks may result in a failure to identify priority risks



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