



ATRIUM GROUP

Financial Regulations

Atrium Group

Financial Regulations

Compliant with Scottish Housing Regulator's Regulatory Framework:	1.1, 1.2, 1.4, 1.5, 2.2, 2.3, 2.5, 3.1, 3.2, 3.3, 3.4, 3.5, 3.7, 4.1, 4.2, 4.3, 4.5, 4.6, 5.1, 6.7
Compliant with Tenant Participation Strategy:	N/A
Compliant with Equal Opportunities:	Yes
Compliant with Business Plan:	Yes
Date Reviewed:	November 2023
Date for Next Review:	November 2026 or earlier if required by changes in legislation or guidance, or if the Governing Body sees fit
Responsible Officers:	Finance & IT Manager and Chief Executive
The Financial Regulations have a direct link to the following Atrium policies and procedures:	Scheme of Delegation Procurement Policy Internal Financial Procedures Risk Management Policy

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1. Organisation and Structure
2. Key Objectives
3. Financial Controls and Performance Monitoring

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1. Organisation and Structure

Registered Social Landlords are expected to exercise a high quality of financial management in all aspects of their business activities and this as articulated in the most recent regulatory standards / guidance entitled “Regulatory Standards of Governance and Financial Management” (published in April 2012, updated February 2019) where it states “the RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay” (Regulatory Standard 3).

This document identifies the following as key elements to achieving the necessary standard, whereby the Atrium Group:

- has effective financial and treasury management and controls and procedures;
- ensures the treasury management strategy it adopts is in the best interests of the RSL;
- considers sufficiently the financial implications of risks to the delivery of plans;
- ensures financial forecasts are based on appropriate and reasonable assumptions and information, including information about what tenants can afford to pay and feedback from consultation with tenants on rent increases; and
- adheres to its regulatory and statutory obligations and the requirements of its lenders.

The responsibility for ensuring sound financial control lies across the whole organisation and group. The Finance & IT Team is responsible for the provision of aspects of financial control and specifically responsible for reporting and monitoring these within Atrium Group.

This comprehensive service includes the preparation of monthly management information, quarterly management accounts, the preparation and publication of annual accounts in accordance with statutory requirements, the provision of management information systems, the preparation of budgets and forecasts, and monitoring income and expenditure, generally ensuring the financial viability of Atrium Group.

These regulations set out a framework to ensure that these objectives are achieved.

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The Board has ultimate control and responsibility over the management of Atrium's affairs. It must therefore ensure that all financial and legal responsibilities are properly fulfilled and that Atrium operates economically, efficiently and effectively within its overall objectives.

Although the Board is ultimately responsible for the regulation and control of financial affairs, in practice the Chief Executive and staff implement the policies and procedures. The Chief Executive co-ordinates the activities of other staff and is responsible to the Board for:

- the day to day management of Atrium
- the implementation of Atrium's business strategy, aims and objectives
- ensuring that Atrium's financial performance is meeting its objectives and that policies and procedures comply in all regulatory matters.

The Finance & IT Manager is responsible for the day to day financial management of Atrium and for maintaining the systems and procedures required to achieve this. This includes:

- maintaining financial records including cash book, sales, purchases and nominal ledgers, rent accounts, fixed asset registers and payroll records
- periodic reporting to Finance, Audit & Staffing Sub-Committee and Board
- preparation, presentation and submission of management accounts, treasury management reports, annual accounts and regulatory and statutory returns
- preparation of financial policies and procedures.

Records will be kept in a way that complies with the requirements of HM Revenue and Customs, the Companies Act 2006, the Scottish Housing Regulator, accounting regulations and good practice.

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2. Key Objectives

1. Management Systems

Atrium will ensure that it has fully integrated financial objectives and comprehensive systems for financial management.

Atrium will ensure that all areas of operation and the management of Atrium are fully costed to ensure a sound basis for the evaluation of alternative proposals in existing or new areas of operation.

2. Financial Practices

Atrium will ensure that financial practices promote the following aims:

- (a) Atrium remains solvent, maintaining financial viability
- (b) Revenue income is maximised in all areas and is sufficient to cover costs incurred in the course of operations
- (c) Costs are controlled and monitored
- (d) Budget holders and their teams are motivated to control expenditure within budget limits and achieve targets set for income
- (e) Early identification of problems arising and appropriate corrective action to address these
- (f) Atrium's activities are carried out in the most cost effective manner and value for money is assessed.

3. Financial Authorisation Procedures

The Board will ensure that delegated authorities, procedures and administration arrangements for the authorisation and monitoring of activities are set out in Atrium's Scheme of Delegation and other internal procedure notes.

4. Risk Analysis

The Board will ensure that all proposed material transactions are assessed in advance in order to evaluate exposure to potential risk and build safeguards into the operation.

5. Budget Control

Prior to the end of the financial year a budget for each category of anticipated income and expenditure will be presented to the Board for approval. Preparation and production of the budget is the responsibility of the Finance & IT Manager and should be constructed from specific items identified along with the senior management team and consistent with Atrium's objectives and plans for the coming year. The format will be consistent with the Statements of Comprehensive Income, Financial Position and Cash Flows to allow ease of comparison to previous periods. Each quarter the management accounts will be presented to the Finance, Audit & Staffing Sub-Committee showing actual against budget figures for each category and

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with all material variances explained. Forecast results will be prepared for quarterly consideration by the Finance, Audit & Staffing Sub-Committee from quarter two onwards each year.

6. Capital Expenditure

The Board will ensure that projected capital, development and major works costs are fully assessed utilising sensitivity analysis to evaluate overall risk levels. All anticipated capital costs should be included in long term financial projections to assess their impact on financial viability.

7. Treasury Management

The Finance, Audit & Staffing Sub-Committee will maintain and periodically review a comprehensive Treasury Management Policy which will cover the term, type and limits on any borrowings required.

8. Financial Modelling

Annually, the Finance & IT Manager will produce a five-year model of long term cash flow for submission to the Finance, Audit & Staffing Sub-Committee, Board and then the SHR in order to assess the overall impact of the current year budget and strategic objectives on medium term financial viability. Thirty-year projections will be produced at the same time.

9. Refinancing Reviews

The Finance, Audit & Staffing Sub-Committee will ensure that all loan arrangements are reviewed periodically to establish whether refinancing arrangements could result in efficiency gains or better overall terms or covenants.

10. Investment of Surplus Funds

The Board will ensure that its Treasury Management Policy includes a strategy for the investment of surplus funds.

Investment of funds will be restricted to an investment or deposit account held with Atrium's bankers or lenders, or a reputable high street bank or building society.

11. Cashflow Monitoring

The Finance & IT Manager will ensure that appropriate short-term and long-term cash flow forecasts are prepared and monitored to allow unforeseen developments to be reacted to. These will be presented to the Finance, Audit & Staffing Sub-Committee and Board.

12. Management Cost Apportionment

The Finance & IT Manager will apportion employee costs to the relevant cost centre on the basis of time spent by staff directly engaged in each area of the Atrium

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Group's activities. Administration and other operating costs will be apportioned pro-rata to salary costs or by another reasonable and consistent basis approved by the Board.

13. Submission and Annual Accounts

The Board will ensure that annual accounts are prepared in accordance with current legislation, relevant statutory instruments and the Scottish Housing Regulator guidance and that the accounts are prepared and submitted to all relevant agencies timeously within the statutory time period.

14. Auditors

The Board will ensure that its accounts are properly audited in accordance with all relevant statutory requirements, and in compliance with Atrium's Memorandum and Articles. The Board will ensure that its auditors are appropriately qualified to undertake the role and that their appointment is reviewed annually at the Annual General Meeting. Atrium will undertake to review the appointment of Auditors at least every five years.

The Finance & IT Manager will ensure that Atrium's external auditors issue a management letter each year and that this is reviewed by the Finance, Audit & Staffing Sub-Committee and Board, and that the Finance, Audit & Staffing Sub-Committee meets with the external auditor at least once a year.

The Finance & IT Manager will ensure a rolling programme of internal audit reviews are carried out by a suitably qualified firm, and that reports are issued to the Finance, Audit & Staffing Sub-Committee at least annually.

15. Compliance with Governing Instrument

The Chief Executive will ensure that Atrium's financial activities comply with the powers set out in its governing instrument and relevant legislation and will ensure that appropriate changes required are intimated to the Board and any amendments to the Articles of Association are implemented. The Chief Executive will also ensure that all investments comply with its Memorandum and Articles and with relevant legislation.

16. Insurances

The Finance & IT Manager will ensure that Atrium maintains adequate insurance cover where appropriate in the following areas:

- (a) Building stock
 - (b) Fidelity guarantee
 - (c) Employer's liability
 - (d) Public liability
 - (e) Directors' liability
 - (f) Office and contents combined insurance
 - (g) Computer equipment
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- (h) Cyber protection
- (i) Voluntary Board members' and staff members' accident insurance
- (j) Theft of money / cheques
- (k) Professional indemnity (if needed)
- (l) Business interruption
- (m) Contract works

An insurance broker may be engaged subject to approval of terms by the Finance, Audit & Staffing Sub-Committee.

The Finance, Audit & Staffing Sub-Committee will annually review the terms, costs and cover of each type of insurance and will seek competitive tenders at least every three years. The Senior Management Team will also ensure that consultants and contractors hold relevant insurances prior to their appointment.

17. Administration Costs

Atrium will ensure that its administrative function is provided in the most cost effective manner and will determine appropriate budget targets for those costs based on the agreed method of cost apportionment.

18. Board Reporting

The Finance & IT Manager will ensure that financial reporting is made via comprehensive reports for Board, relevant sub-committee and staff as appropriate.

19. Bank Accounts

Bank accounts will be opened and closed only with the approval of the Board. All arrangements with Atrium's bankers will be made under arrangements approved by the Finance & IT Manager and Chief Executive, who will be authorised to operate such bank accounts.

Changes to authorised signatories will be approved by the Finance, Audit & Staffing Sub-Committee. The Finance & IT Manager will advise the bank of any such amendments.

20. Fixed Asset Registers

A register of properties will be kept in an appropriate form recording the relevant details of each property owned by Atrium. Detailed component accounting records will be maintained by the Finance & IT Manager which will record the accounting treatment of the cost of each property's component parts, replacements of the components and the treatment of Grants received to fund these assets.

The Finance & IT Manager will maintain a fixed asset register recording the additions to and depreciation of office furniture and fittings, equipment, computer equipment and other fixed assets owned or leased by Atrium.

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The depreciation policy will be approved by Board, agreed with the auditors and will be in accordance with generally accepted accounting principles.

21. Insolvency

The Board is responsible for ensuring that Atrium will cease to trade if there are reasonable grounds for believing it is insolvent and unable to meet debts as and when they fall due. The Chief Executive shall provide appropriate information to the Board if such an occasion arises.

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3. Financial Controls and Performance Monitoring

This section of the regulations clarifies the processes and responsibilities in respect of budgets, accounts process, ordering, authorisation and performance monitoring.

3.1. Budgets – Annual, Five Year and Thirty Year

3.1.1 Revenue

The Finance & IT Manager, in collaboration with the senior management team, will produce annual and five-year budgets for Board approval prior to 31 March each year, which will reflect the financial impact of the resource requirements in the Business Plan, as well as providing for the cost of day to day functions carried out by Atrium. The budget will be prepared with input from all members of staff who have responsibility for budgets and cost headings. Budgets will be used to monitor income and costs, and will act as a guide to Atrium's financial performance.

All of the budgets prepared and presented will mirror the accounting requirements of the Statement of Comprehensive Income, the Statement of Financial Position and the Statement of Cash Flows required for the statutory accounts to ensure comparability with the actual results reported periodically.

External circumstances or internal policy change may lead to budget alterations. Any material alteration will require Board approval. The Chief Executive must have approved the expenditure and the Finance & IT Manager must have confirmed that there are adequate resources to meet the expenditure.

Variances will be explained through analysis of the quarterly management accounts.

Monitor Detailed analysis of spend will be provided by the Finance Team to the Executive Management team on a monthly or quarterly basis as required.

Quarterly Management Accounts will be reviewed by the Executive Management team and Finance, Audit & Staffing Sub-Committee before being presented to Board.

3.1.2 Housing Asset Expenditure

The Finance & IT Manager, with input from the Executive Management team, will produce annual and five-year budgets for Board approval prior to 31 March each year which reflect planned expenditure on housing assets.

The budget will reflect known and planned expenditure required on housing assets during the course of the next five years, which will be analysed between expenditure which requires to be capitalised (acquisitions, new builds, component replacements and improvements to housing assets) and expenditure of a revenue nature (reactive and cyclical maintenance as well as items of major works which are not of a capital

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nature). This budget will be supplemented by detailed procurement and contractual arrangements.

These budgets will be extrapolated using asset planning data available to reflect the levels of expenditure needed to ensure that housing assets are well maintained over the course of a thirty-year cycle.

External circumstances or internal policy change may lead to budget alterations. Any material alteration will require Board approval. Otherwise variances will be explained through analysis in the quarterly management accounts.

Monitor Quarterly Management Accounts will be reviewed by the Executive Management team and Finance, Audit & Staffing Sub-Committee before being presented to Board.

3.1.3 Capital – non-housing expenditure

The Finance & IT Manager, with appropriate input from the Executive Management team, will produce an annual capital budget for Board approval prior to 31 March each year. The capital budget will reflect known and planned capital expenditure during the course of the next five years, and will be supplemented by detailed procurement and contractual arrangements if needed.

External circumstances or internal policy change may lead to budget alterations. Any material alteration will require Board approval. Otherwise variances will be explained through analysis in the quarterly management accounts.

Monitor Quarterly Management Accounts will be reviewed by the Executive Management team and Finance, Audit & Staffing Sub-Committee before being presented to Board.

3.1.4 Cashflow and Treasury Management

The budgets will include assumptions on recoverability of rent and other debtors as well as void levels, and likely changes to inflation and borrowing costs. The budgets will show projected cash and borrowing balances over the course of the one, five and thirty year periods which will inform Board's decisions on strategic matters.

The budgets will include detail on Atrium's compliance with the financial covenants of its lenders and will report on a Golden Rule requirement for the Interest Cover Covenant which will ensure that any risks to Atrium's compliance can be identified at an early stage.

Monitor Quarterly Management Accounts and Treasury Management Reports will be reviewed by the Executive Management team and Finance, Audit & Staffing Sub-Committee

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3.2. Financial Monitoring Procedures and Cost Control

It is essential that the Board is fully aware of Atrium's financial position and is advised of any material variations or unexpected events which may occur.

3.2.1 Quarterly Management Accounts

In order to ensure that the appropriate level of financial information is available and to establish cost efficiency and monitoring, regular reports must be provided to the Board.

Monitor Quarterly management accounts will be provided to the Executive Management team 6 weeks after the quarter end, containing the following:

- *Budget for current year to date*
- *Actual for current year-to-date*
- *Actual figures for the same period, the previous year*
- *Statement of Comprehensive Income*
- *Statement of Financial Position*
- *Statement of Cash Flows*
- *Income and Expenditure Accounts detailed by cost centre*
- *Key Performance Indicators and covenant compliance*
- *Variance analysis with explanations*
- *Narrative with detailed key points*
- *Forecasts to the year end as appropriate*

The management accounts will be reviewed by the Finance, Audit & Staffing Sub-Committee and then submitted to Board for approval.

Where expenditure is anticipated to materially exceed budget, approval for the over-spend will be sought from the Board.

3.2.2 Cash Flow and Loans

In order to ensure the Board are apprised of Atrium's overall financial position, cashflow forecasts, and loan portfolio details will be presented on a quarterly basis.

Calculations to ensure that Atrium complies with its lenders' financial covenant requirements will be reviewed, and adherence to the Golde Rule on Interest Cover will be confirmed.

Monitor Quarterly Treasury Management Report to Finance, Audit & Staffing Sub-Committee

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3.3. Annual Accounts

Production of annual accounts within the relevant statutory timescale is essential to allow both internal and external analysis of Atrium's financial position.

Monitor Presentation of statutory annual accounts within six months of the financial year end, (subject to compliance with the Articles of Association), reviewed by the Finance, Audit & Staffing Sub-Committee and approved by Board.

Review of the Auditor's year end management letter and draft response by the Finance, Audit & Staffing Sub-Committee prior to presentation to Board.

3.4 Borrowing and Investment

Decisions about borrowing and investment by Atrium can significantly affect cashflow and financial solvency. It is essential that procedures are in place to maximise returns and minimise risk and that the Treasury Management policy and Strategy of the group is regularly reviewed.

Monitor Quarterly Treasury Management reports, with periodic review of the Treasury Management Policy and Strategy by the Finance, Audit & Staffing Sub-Committee

3.5. Insurance

Atrium will ensure that adequate insurance cover is maintained in all relevant areas.

Monitor Annual review of insurance provision by the Finance, Audit & Staffing Sub-Committee

3.6. Regulatory and Statutory Returns

The Finance & IT Manager and Chief Executive will ensure that the returns required by Atrium's regulatory bodies are prepared based on budgets and accounts reviewed and approved by the Finance, Audit & Staffing Sub-Committee, and approved by Board before submission ahead of the relevant deadlines.

The Finance & IT Manager and Chief Executive will ensure that all approved Management Accounts, Annual Accounts, Budgets and Compliance Certificates will be submitted to Atrium's lenders in accordance with the requirements and deadlines set out in the relevant legal documentation.