



BUDGET SETTING POLICY

Introduction

A Budget is simply a financial plan showing expected income and expenditure over a given period, expressed in monetary terms (normally one year).

Objectives

In accordance with accepted practice 'the key financial planning tool is the budget' (which also serves as a control tool).

General Strategy

Board Control

- 1.1 The fundamental principle of this policy is that overall control of The Association's Budget Setting Policy rests with the Board.
- 1.2 The Policy will initially be approved by the Board and, if necessary, be reviewed as required.
- 1.3 The day-to-day administration and the control of the budget will be delegated to the CEO and other Directors.
- 1.4 Control by the Board will be carried out through the appropriate controls and reporting procedures outlined in this document.
- 1.5 The Board in delegating the day-to-day operating of this policy will ensure that the officers involved are suitably qualified to undertake the responsibilities entrusted through both its recruitment and training policies.

General Principles

- 1.6 The overriding aim of this policy is to ensure that, at all times the Association will maintain control over income and expenditure and compare it to actuals on a regular basis.
- 1.7 The Board should take into account a range of relevant information underlying the budget process such as the Rent Setting Policy, which when reviewed annually determines the level of future revenue income and must be agreed as part of the final budget setting process.
- 1.8 Any development, improvement or repairs plans should be considered as part of the internal management planning process and the implications fed into the budget and vice versa.
- 1.9 When drawing up the Budget, the following underlying principles are taken into account:

- Protecting tenants' interests in terms of keeping rents affordable and ensuring adequate resources for maintenance.
 - Ensuring adequate staff resources to deliver services.
 - Retaining the confidence of private lenders
 - Sustaining good financial performance.
- 1.10 In line with Regulation and Financial Management Standards, the Association must ensure:
- Rental income is maximised whilst remaining affordable.
 - In the main charges cover the costs of providing a service.
 - There is a plan and funding for the lifetime maintenance of the stock.
 - The development process is carried out efficiently, effectively, and economically.
 - Best use is made of resources (i.e. efficiency/value for money)
 - Board exercises proper control over the activities of the Association and ensures that all decisions are taken in the best interests of the tenants and the Association.
- 1.11 Board receive the Budget prior to the start of a financial year for consideration prior to approval.
- 1.12 Thereafter Board will receive Management Accounts on a regular basis comparing actual income and expenditure against Budget and highlighting significant variances.

Budget/Cash flow Monitoring Process

Once a budget has been set, it becomes an important management tool for the Association. Regular checks should be made as to the Association's performance against the set budget.

Monitoring procedures will be in place which both satisfies Scottish Housing Regulators regulatory procedures and the Association's planning procedures.

The management accounts submitted will enable Board to monitor performance. In the event of material change, a revised Budget will be submitted to the Board for consideration and approval, unless specific delegated authority has been agreed.