

7. Budget Process

- 7.1 The value of the budget statement as a Management tool should be recognised and under no circumstances should the organisation be operating without a comprehensive budget document.
- 7.2 In preparing the budget statement appropriate consultation and discussion with all sections of the organisation must take place and guidance from the Scottish Housing Regulator must be recognised and considered.
- 7.3 The budget setting process must allow adequate input from all sections within the Association. The Finance Manager shall issue a formal and detailed budget information request in October of each financial year to budget holders. The Director has responsibility for co-ordinating the supply of information to the Finance Manager within agreed timescales.
- 7.4 Budget holders have been determined across the Association. Budget holders are responsible for providing detailed information to inform the annual setting of budgets. They are also responsible for monitoring actual income and expenditure against their allocated budget codes, and providing detailed information to the Finance Team with regards any significant variances.
- 7.5 The Management Committee shall consider a draft budget for the year in January of each year, also approving the indicative annual rent increase at that point, and then approving the final budget document in March of each year. The final budget document approved for the year must contain appropriate supporting narrative, including details of main assumptions employed, material changes from the previous year, appropriate ratio analysis, covenant compliance review and detailed cash flow projections.
- 7.6 To assist the process of cost allocation within the Association, all senior staff members shall complete time allocation sheets as directed.
- 7.7 On completion of the annual budget a copy shall be sent to external auditors and all funders. **The final budgets for the year will be input into the SDM system.**
- 7.8 Budget variance reports shall **normally be issued monthly to Senior Staff and budget holders within 3 weeks of the period end.** Budget holders are expected to formally explain variances to the finance team to allow the preparation of the quarterly management accounts and related Management Committee report.
- 7.9 All Senior Staff and budget holders should be aware of the budgets within their control and should have in place effective tools for managing their budgets throughout the year. Any requirements to exceed a budget should be drawn to the attention of the Director immediately and a report submitted to the Committee for approval.

7.10 Management accounts will be prepared on a **quarterly basis, normally within 4 weeks of the period end** and shall compare the estimated and actual income and expenditure for the period to date. Any material variances must be highlighted and explained to Committee with the covering report issued within the management accounts on a quarterly basis.

The quarterly management accounts should include the effect of likely future events on the financial position together with details of the currently projected financial position of the Association at the year-end. In the event of a material adverse change in expected outcomes a revised annual budget may be required to be prepared