

THE FERGUSLIE GROUP
INTER-GROUP REPORTING FRAMEWORK
POLICY



Approved by FPHA February 2017, adopted by NTC 16 March 2017

Due for Review by February 2020

Signed: Chairperson FPHA

Signed: Chairperson NTC

The Ferguslie Group

Inter-Group Reporting Framework

1 Introduction: the group structure

- 1.1 Ferguslie Park Housing Association (FPHA) has taken the New Tannahill Centre (NTC) into its ownership as a wholly owned subsidiary. Together these organisations form the Ferguslie Park Group, with FPHA as group parent.
- 1.2 In order to form a legally effective group structure, and to comply with the Scottish Housing Regulator's (SHR's) governance expectations as set out in its regulatory guidance documentation, FPHA must exercise effective and appropriate high-level control over its subsidiary, and establish clear financial and other limits within which NTC should operate.
- 1.3 FPHA has entered into an Independence Agreement with NTC to record the relationship between the parent and subsidiary, and the responsibility of the parent for setting policies and strategies for the group, and controlling the framework within which NTC is to operate. Equally, NTC should exercise independent control over operational matters, within the limits that have been set by FPHA.
- 1.4 FPHA's management committee has approved a range of group policies and procedures, which both FPHA and NTC must comply with. NTC may set its own policies, subject to the prior approval of FPHA's management committee.
- 1.5 FPHA's Standing Orders contain a section on the group structure arrangements, and NTC must ensure that it complies with the requirements set out therein. NTC may set its own Standing Orders, subject to the prior consent of FPHA, which must comply with good practice and take account of group strategic objectives and group policies.

2 Purpose of the reporting framework

- 2.1 This document sets out the reporting obligations that NTC and FPHA owe to each other, that will enable FPHA to discharge effectively its requirement to control the operation of its subsidiary whilst enabling NTC to manage its day to day operations as it sees fit.
- 2.2 It also sets out arrangements for NTC to obtain FPHA's prior consent on matters which require this.
- 2.3 These arrangements are also intended to achieve effective inter-organisation communication and engagement.

3 Consent requirements

- 3.1 The Independence Agreement requires that NTC prepares an updated rolling business plan, covering at least the year ahead, including a budget and cash-flow projection for this period, for the prior approval of the FPHA management committee. This must contain a statement of the intended activities of NTC for the period covered by the plan, including any new activities.
- 3.2 At least 4 months prior to the start of the next financial year, FPHA will confirm to NTC the group strategy that will apply for the coming year. The FPHA management team will meet with NTC management to agree a process and timetable for the preparation, integration and approval of business plans and budgets for the year ahead for both organisations.
- 3.3 NTC will produce a business plan and budget for the following year, approved by its board, for submission to the FPHA management committee for approval. This should be provided at least 6 weeks prior to the commencement of the new financial year. This timing may be varied with the express consent of the FPHA Chief Executive. The NTC business plan and budget may not come into effect until approved by the FPHA management committee, which may require amendments to be made before giving approval.
- 3.4 If, during the year covered by the approved business plan and budget, NTC wishes to pursue other activities or expenditure not covered by the business plan and budget, it must obtain the prior consent of the FPHA management committee.
- 3.5 NTC may not undertake any of the following without the prior written consent of FPHA:
- acquire or form any subsidiary or related company
 - enter into any merger, amalgamation or consolidation
 - cease, or threaten to cease to carry on its business
 - make any substantial change in the scope or nature of its business or operations
 - appoint any employee, outside the provisions of the agreed budget (which must highlight any proposed staffing changes)

4 Monitoring performance and activity

- 4.1 The Scottish Housing Regulator's regulatory guidance in respect of group structures states that: "Parent RSLs should exercise high-level control by monitoring the activities and performance of their subsidiaries". This should enable FDPHA to take timely and effective action if NTC does not operate within approved limits, or fails to meet agreed standards of performance. The Independence Agreement provides for a range of information to be provided by NTC to FPHA to facilitate this process, and for some information to be provided by FPHA to NTC.

- 4.2 Draft NTC financial statements will be reviewed by the Audit & Risk Sub-Committee, and any concerns relayed to the FPHA management committee. The final audited version of NTC's financial statements should be presented to the next following meeting of FPHA's management committee for review. If the NTC's financial statements are to be consolidated with FPHA's, they should be incorporated in the report to the FPHA management committee, seeking agreement to submit them to the AGM for approval.
- 4.3 Quarterly reviews of the NTC business plan, budgets and Key Performance Indicators by the NTC board will be forwarded to the next following meeting of FPHA's management committee for review. Meetings of the FPHA and NTC governing bodies will be co-ordinated and sequenced appropriately.
- 4.4 NTC must pass to the FPHA Chief Executive, for onward reporting to the management committee, details of any litigation or legal proceedings, including threatened action against it, as soon as it becomes aware of it.
- 4.5 NTC must similarly pass on information about any matters significantly threatening its financial performance (e.g. achievement of budget targets) or financial viability, or matters threatening its good reputation with its key stakeholders, or threatening the reputation of the group, including critical reports by regulatory or other relevant organisations.
- 4.6 NTC must provide any information to FPHA about its business or financial condition which may be required by FPHA or its advisers.
- 4.7 FPHA must provide to NTC any reports from a regulatory authority which are critical of the activities of the parent, when this could reasonably be expected to be relevant to the group, and damaging to its reputation.

5 Governing body and sub-committee meetings

- 5.1 FPHA's governance structure consists of a management committee, supported by a group Audit & Risk Sub-Committee, and a Staffing Sub-Committee, both of which report to FPHA's management committee. NTC operates solely through board meetings, plus representation on the group Audit & Risk Sub-Committee.
- 5.2 Meeting arrangements for all these bodies are planned in advance, and co-ordinated by FPHA's Chief Executive and Corporate Governance Assistant, so as to be sequenced in a logical order, to reflect agreed meeting frequency, and to be timed to enable decision-making on cyclical items to be taken at an appropriate time. A proposed schedule of meetings of all group governing bodies and sub-committees for the financial year ahead, will be prepared for approval by the FPHA board at its meeting in January each year.
- 5.3 Draft minutes of each governing body and sub-committee meeting will be prepared and distributed by the designated officer, in accordance with the group minute-taking protocol. Draft minutes of each NTC board and

Committee meeting will be made available to the next following meeting of the FPHA board, accompanied in exceptional circumstances by a report highlighting critical information or decisions. Draft minutes of each FPHA management committee and Audit & Risk sub-committee meeting will be made available to the next following NTC board meeting, for information.

6 General group inter-engagement

- 6.1 The intentions of both FPHA and NTC is to maintain a systematic flow of relevant information, communication and engagement between both organisations, both to enable FPHA to properly exercise its control function, and to ensure that governing body members of both organisations are sufficiently aware of the plans, objectives, key risks and concerns of the other, to enable effective strategic and other decision-making that takes this information into account.
- 6.2 To that end, NTC will be involved in and consulted about any revision to the group strategy statement or reviews or additions to group policies. Each organisation will consult with and involve the other in the process of fundamental review of their business plans and strategic direction.

7 Review

- 7.1 This Inter-Group Reporting Framework was approved in February 2017. It will be reviewed at least every 3 years, or when any relevant amendments are made to the Independence Agreement.