
Finance Policies: Discussion Notes

When we say, 'housing co-op', it's not surprising that we first think of our homes and communities.

But a co-op needs to govern and manage itself as a business. A housing co-op is a business – a property collectively-owned and operated by its members – worth millions of dollars in assets and liabilities.

Not paying attention to good financial management can have a serious effect on the co-op's ability to:

- pay the mortgage and bills
- manage and maintain the co-op in the short- and long-term
- offer affordable and well-maintained housing, and
- plan and invest in the future of the co-op and its members.

The co-op board of directors must manage the co-op in a fiscally accountable way. But this is not the responsibility of the board alone. Committees and members need to be informed and vigilant about co-op finances, and responsible when spending co-op money.

The best way to ensure good financial management is to use effective systems for administering, recording, controlling and reporting on the co-op's financial situation.

Clear finance policies and procedures, consistently applied, are key parts of your financial management system.

Make sure your policies identify who has the responsibility and authority for financial management in your co-op:

- management staff, either a management company or employee
- a paid bookkeeper, and
- the role of the board, finance and other committees, or other designated persons.

It is important to be informed about your co-op's funding program when working on finance policies. Your co-op policies must reflect the requirements of your operating agreement with Canada Mortgage and Housing Corporation (CMHC) and/or BC Housing.

The sample policies provided in this manual are based on sound financial practices and include:



Budgeting Policy

The co-op budget is a financial plan. Your co-op will need to develop a plan for each year and also for the long-term. The operating budget sets targets for the income, expenses and reserves needed to run the co-op effectively. Many of the other financial policies are tools to help the co-op carry out its plans and stay on budget.

Financial Reporting Policy

You will want to know where your co-op stands financially, on a regular basis. A reliable bookkeeping system is not enough – your co-op needs monthly financial statements and the annual audit.

Throughout the year your co-op can monitor how it is doing compared to the budget by reviewing the monthly budget control report. Other reports will help your co-op monitor arrears, vacancies, changes to reserves, subsidy, cash flow, investments and any capital budgets.

Spending Policy

A spending policy helps your co-op to control spending in order to meet budget targets. It identifies who can spend the co-op money, how much money can be spent and how the spending and purchasing will be done.

Arrears Policy

Housing charges are the major source of income in co-ops so it is important that your co-op collects all housing charges, in full and on time.

An arrears policy is designed to help co-ops collect housing charge and other payments when they are due. It also provides clear direction for dealing with any late payments. This ensures the co-op will have the income needed to meet monthly expenses and long-term plans.

Subsidy Policies

Subsidy is funded differently under different operating agreements. Most co-ops are funded under the federal Section 95 (56.1) program. Others receive funding through the Federal Cooperative Housing Program (FCHP), also known as the index-linked mortgage (ILM) program. More recent co-ops are funded under a provincial Homes BC program. This manual contains a sample housing charge assistance policy for Section 95 co-ops and a subsidy policy for Homes BC and FCHP (ILM) co-ops. Discussion notes are provided for the separate subsidy policies.