

Midland Heart

Governance and Control Framework

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Contents

	Page
PART ONE – Midland Heart Overview and Orientation	3
Introduction	3
Legal and Governance Structure	3
Statutory and Regulatory Framework	4
UK Corporate Governance Code	5
Probity	7
Boards and Committee Structure	7
Board Composition and Membership	11
Officer and Executive Roles and Responsibilities	13
Governance Effectiveness Review	15
Board and Committee Training and Development	15
Board Members' Interests	16
Access and Approval of this Document	17
PART TWO – Governance Framework	18
Framework of Documents	18
Constitutional Documents – Rules and MAA	18
Mission, Vision, Values, Strategy and Corporate Priorities	19
Standing Orders (Control Framework and Financial Delegations)	19
Policies	20
Procedures	20
Risk Management	20
PART THREE – Control Framework	22
Introduction	22
Operational Structure	22
Accounting and Financial Statutory Requirements	25
Annual Planning and Budgeting	25
Grants and Certification	27
Corporate Finances and Bank Accounts	27
Income and Debtors	30
Assets	30
Procurement of Goods and Services	30
Contract Management	32
Provision of Goods and Services	33
Health and Safety	33
Staff Ethics and Culture	34
Staff Payments and Benefits	35
Remuneration of Members and Executive Officers	36
Contracts and Use of Company Seal	37
Information Governance	38
Insurance Arrangements	38
Resilience	38
PART FOUR – Financial Regulations	40
Introduction	40
Authorisation to Order Goods and Services	40
Authorisation to Pay for Goods and Services	40
Payment	40
Emergency Approvals	41
Budget Holders and Executive Director Delegation	41
Records	42
Financial Tables	42
Abbreviations	42
Appendices (available on Request)	42
A – Boards and Committees Terms of Reference	
B – Delegated Contract Signatories	
C – Financial Table – Commitment to Spend/Receive	
D – Financial Table – Approval of Payment	

PART ONE:

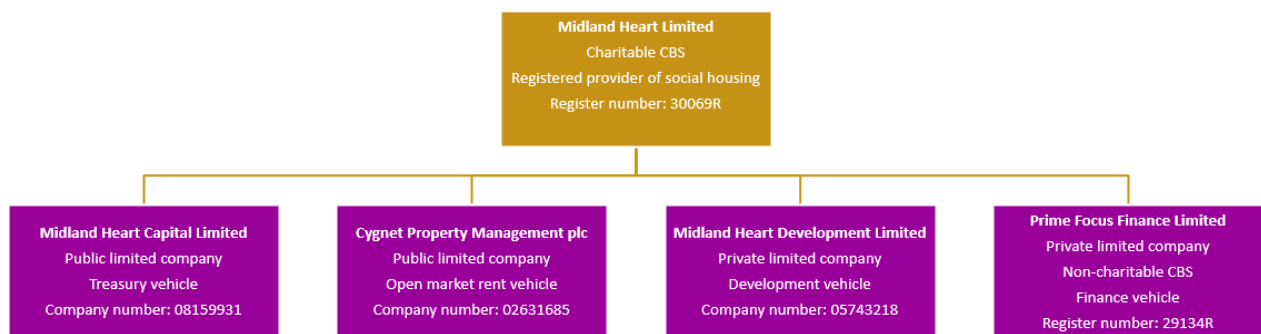
Overview and Orientation

1.0 Introduction

- 1.1 The Governance & Control Framework (the '**Framework**') details the governance structures and internal control systems in place at Midland Heart Limited (**Midland Heart**) and within its wider group (the '**Group**') and reflects the delegations of power made by the Board of Midland Heart (the **Main Board**).
- 1.2 The purpose of the Framework is to:
- enable Midland Heart to meet its legal and regulatory obligations
 - set out the key principles of effective governance that underpin Midland Heart's activities; and
 - provide a strong internal control system to allow Midland Heart and its wider group to achieve effective self and co-regulation.

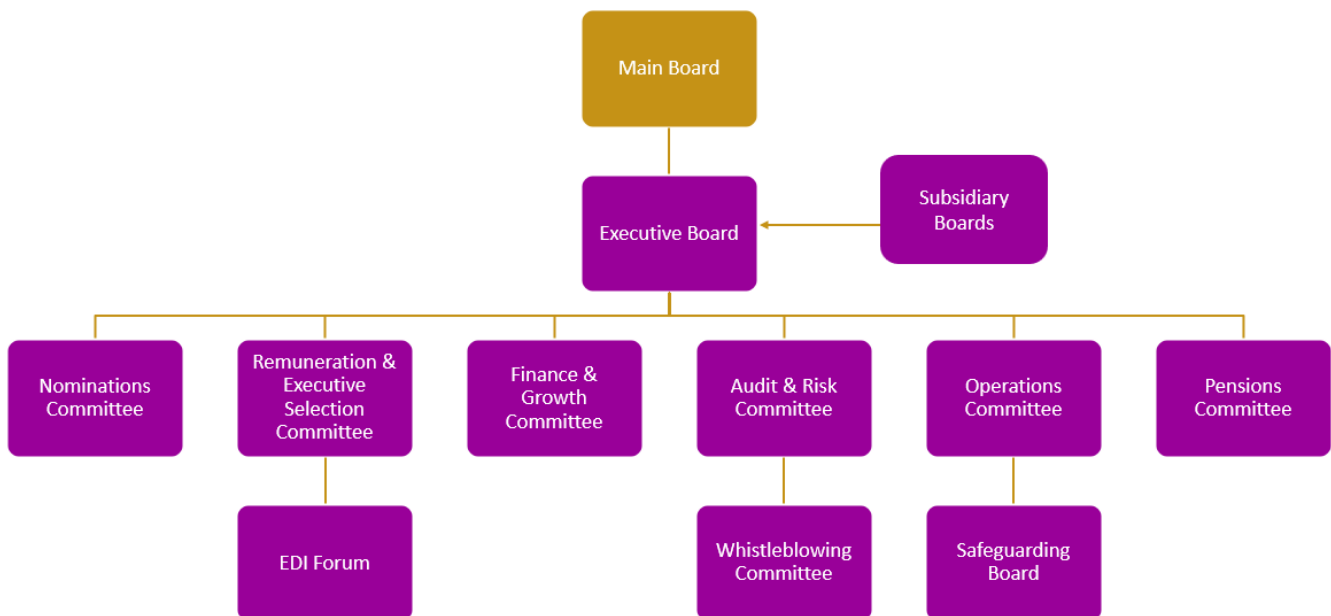
2.0 Legal and Governance Structure

- 2.1 A diagram showing the legal structure of the Group is set out below:



The Group's legal and governance structures are designed to support it in delivering its strategy effectively, and the Main Board regularly reviews the structure to ensure it remains fit for purpose.

2.2 A diagram showing the governance structure of the Group is set out below:



Further details of the Group’s Boards and Committees are included in **Section 6** below.

2.3 The Group’s shareholding/membership structure is summarised below:

- As a community benefit society, Midland Heart has shares which are of nominal financial value. Midland Heart’s current shareholders are independent shareholders and the non-executive members of the Board; however, the independent shareholders are “legacy” shareholders, and no new shareholders will be admitted who are not also Board Members. The role of shareholder confers key roles in the decision-making processes for Midland Heart including receiving the Group’s accounts approving the auditors and changes to Midland Heart’s Rules. Each shareholder may only hold one share, and each share is equivalent to one vote. When ceasing to be a Board Member, the non-executive Board Members shall cease to be shareholders (in line with rule C8.7 of Midland Heart’s Rules).
- Cygnet Property Management plc (**Cygnet**), Midland Heart Development Limited (**MHD**), Midland Heart Capital plc (**MHC**) are all companies limited by shares and are wholly owned subsidiaries of Midland Heart and Prime Focus Finance Limited (**PFF**) is also a subsidiary of Midland Heart through control provisions contained in its constitution (its Rules). Cygnet, MHD, MHC and PFF are together referred to as the **Subsidiaries**.

Midland Heart also has operational and financial relationships with a number of mutual organisations (known collectively as Coventry Churches). These are separate legal entities registered with the Financial Conduct Authority and Midland Heart provides a range of administrative support services as managing agent to each of the customer led boards in place.

3.0 Statutory and Regulatory Framework

- 3.1 Midland Heart and its Subsidiaries are subject to various legislation which includes:
- The Co-operative and Community Benefit Societies Act 2014 (for community benefit societies); and
 - The Companies Act 2006 (for registered companies); and
 - The Charities Act 2011 (for exempt charities).

All organisations within Midland Heart's wider Group are subject to additional statutory and regulatory requirements. Policies, procedures and an internal control framework have been put in place to ensure that each member of the Group complies with all relevant requirements. Further details of the Governance Framework are contained in Part Two.

- 3.2 The Regulator of Social Housing oversees registered providers of social housing (**RP**s) in England. The Regulatory Framework consists of Standards with which Midland Heart, as an RP, must comply. The Standards are supplemented by Codes of Practice which provide useful guidance on compliance with the Standards and Midland Heart will seek to comply with these Codes of Practice where appropriate.
- 3.3 The Board of Midland Heart seeks to ensure that the activities of its wider Group do not compromise Midland Heart's registration as an RP or compliance with the Standards and that the Group's governance arrangements meet the requirements of the Governance and Financial Viability Standard.

4. UK Corporate Governance Code 2024 (the "Code")

- 4.1 Midland Heart has adopted the Code (published by the Financial Reporting Council) as its chosen code of governance, in line with the requirements of the Governance and Financial Viability Standard.
- 4.2 The Code is supported by the Guidance on Board Effectiveness (the **Guidance**) which contains suggestions of good practice to support in applying the Code.
- 4.3 In general, the Code is adopted by for-profit organisations which pay dividends to their shareholders and is applicable to all companies with a premium listing. However, the Code has been adopted by a number of housing associations. Whilst there is a clear distinction between the companies normally regulated by the Code and the corporate structure of Midland Heart (a charitable community benefit society), it is the view of the Board that the principles in the Code are applicable to the Group and Midland Heart will seek to comply with the Code in all aspects of its operations.
- 4.4 The Code sets out five core principles: (the Principles):

- Board Leadership and Company Purpose
- Division of Responsibilities
- Composition, Succession and Evaluation
- Audit, Risk and Internal Control
- Remuneration

4.5 Stemming from each core Principle is a set of more detailed provisions with which organisations adopting the Code can demonstrate how the governance of the organisation contributes to its long-term sustainable success and achieves wider objectives. The Code does not set out a rigid set of rules; instead, it offers flexibility through the application of the Principles and through 'comply or explain' provisions and supporting guidance. Midland Heart must make a statement as to how it has applied the Principles in a manner that easily enables stakeholders to evaluate their application. Reporting should cover the application of the Principles in the context of the particular circumstances of Midland Heart and how the Board has set the organisation's purpose and strategy, met objectives and achieved outcomes through the decisions it has taken.

4.6 In the event that Midland Heart cannot comply with any requirement of the Code, a statement of non-compliance should be contained in the annual report, alongside the background, provide a clear rationale for the action Midland Heart is taking, and explain the impact that the action has had and an explanation as to when Midland Heart expects to conform to relevant provisions.

4.7 In line with the requirements of the Code, Midland Heart is committed to operating transparently and to demonstrating accountability to its key stakeholders. As such, it will seek regular feedback from its stakeholders (including customers and staff) on significant matters and publish:

- Information annually on Midland Heart's activities, performance and plans for future improvements
- Information on how the view of Midland Heart's key stakeholders have been considered in Board discussions and decision-making
- Clear and up-to-date information about its Board Members, Committees and governance structure and the division of responsibilities (including the role played by Executive Board Members);
- Information about the appointment of new Board Members, and about the diversity, experience, skills and attributes of all Board Members (subject to compliance with any legal requirements);
- Information about its work and progress on delivering commitments and objectives on equality, diversity and inclusion; and
- How opportunities and risks to the future success of the business have been considered and addressed, the sustainability of the organisation's business model and how its governance contributes to the delivery of its strategy in the annual

report.

- 4.8 The Main Board has determined that the Code will apply to all subsidiaries within the Group. In the event that a subsidiary of Midland Heart does not adopt the Code, reasons for this should be provided in the annual report.

5. Probity

- 5.1 As a registered provider and exempt charity, Midland Heart, its Board, its shareholders and its wider Group are committed to achieving and maintaining the highest standards of probity and conduct.
- 5.2 The Board has adopted a Code of Conduct to which Board Members adhere. The standards required of the Board and employees are also set out in the Anti-Fraud and Money Laundering Policy which covers bribery and fraud and the Declarations of Interest Policy.
- 5.3 Other Group policies which support Midland Heart's approach to maintaining the highest standards of probity include its:
- Anti-Fraud and Money Laundering Policy;
 - Company Code of Conduct;
 - Whistleblowing Policy; and
 - Declarations of Interest Policy.
- 5.4 All new Board Members and staff will receive appropriate training and information on the Anti-Fraud and Money Laundering Policy and associated policies as part of the induction process to ensure that their responsibilities in relation to probity are understood.

6.0 Board and Committee Structure

Role of the Main Board

- 6.1 Responsibility for the conduct of the Group rests with the Main Board. The powers and responsibilities of the Main Board are defined within the Rules for Midland Heart. The Rules confirm that the business of Midland Heart shall be directed by the Main Board and that the Main Board may exercise all of the powers of Midland Heart (other than those powers reserved to be exercised by Midland Heart's shareholders by statute or under the Rules).
- 6.2 Rule D1 states that Midland Heart's Main Board 'shall direct the affairs of the Association in accordance with its objects and these Rules and ensure that its functions are properly

performed’.

- 6.3 These powers and responsibilities are reflected in the Main Board’s terms of reference, a copy of which is included in **Appendix A** to this document. The Main Board has retained ultimate approval for these areas and uses Group Committees and the Group’s broader governance structure to support it in fulfilling these responsibilities.
- 6.4 In line with its requirement to establish, oversee and review annually a framework of delegation and systems of internal control, **Parts Three and Four** of this Governance Framework set out details of the Group’s Control Framework and Financial Regulations. The Main Board will publish an annual statement setting out its approach to compliance and internal control in the annual report to the financial statements.

Roles of the Committees

- 6.5 The following Committees have been established by the Board of Midland Heart, with Terms of Reference for each Committee contained at **Appendix A**. A summary of primary responsibilities for each Committee is contained below.
- 6.5.1 **Nominations Committee** – Recommending new Board Members; appointment of Committee members and Chairs; development of Board Members’ skills; Board and Committee succession planning; and Board and Chair appraisals.
- 6.5.2 **Remuneration & Executive Selection Committee** - Establishing compensation packages for Executive Directors; approving reward and compensation structures for all Midland Heart staff including Non-Executive Board Members; recommending individuals to be appointed as the Chief Executive; carrying out the annual appraisal of the Chief Executive and the Executive Board; review of Equality Diversity and Inclusion updates; and overseeing the Pensions Strategy. The Equality, Diversity and Inclusion Forum is a sub-group of this Committee.
- 6.5.3 **Finance and Growth Committee** – Overseeing the financial management of the Group; agreeing treasury strategy and controls; and approving new loan facilities and all minor amendments to existing loan facilities, reviews the Environmental Social and Corporate Governance annual report for recommendation to the Board for approval and reviews the annual insurance report and agree the premium for the year and the associated terms and conditions. It also approves the appraisal parameters for capital and revenue schemes and monitors Midland Heart’s progress against its development plans.
- 6.5.4 **Audit & Risk Committee** – Appointing the internal auditors and recommending the appointment of the statutory (external) auditors to the Main Board; ensuring that an effective risk management and internal control framework environment exists; approving

the annual internal audit programme and reviewing the outputs from this; approving health and safety policies and overseeing compliance with these; monitoring the integrity of the financial statements of the Group, and approving accounting policies and overseeing compliance with these. In general, this Committee seeks to ensure that the Main Board receives adequate assurance as to the management of risk in the Group. The Whistleblowing Committee is a sub-group of this Committee.

- 6.5.5 Operations Committee** - Overseeing the effective implementation of customer engagement and customer scrutiny; exercising oversight and scrutinising quality of performance in the Group's operational services; and approving all customer facing policies. This Committee reviews the outcomes of key activities undertaken through the My Voice Framework and areas of tenant insight captured through the Framework. This Committee will provide views and recommendations on relevant matters to the Main Board or any other Committee as and when it is appropriate to do so. The Safeguarding Board is a sub-group of this Committee.
- 6.5.6 Pensions Committee** – overseeing pension performance; reviewing and assessing risks relating to pension schemes and associated mitigation strategies; act as the representative of Midland Heart in relation to the Defined Benefit Plan; ensure compliance with relevant legislation and regulatory requirements. This Committee will provide recommendations to the Board.
- 6.6** In addition, the following operational committees have been established by the Chief Executive and feed into the Main Board or any other Committee as and when it is appropriate:
- 6.6.1 Executive Board** – A board comprised of the Executive Directors and chaired by the Chief Executive to assist him / her in managing and developing the Group in accordance with the strategies and policies approved by the Main Board.
- 6.6.2 Directors Group** – a group comprised of Functional Directors (other than Executive Directors) to support the delivery of strong operational performance and to support the delivery of the Group's Corporate Strategy.
- 6.7** Details of the other executive governance forums, each of which has a level of authority delegated to it by the Executive Board, are set out in **Section 2.0 of Part Three** of this Governance Framework.
- 6.8** It is essential to note that the Committees, Executive Board and Directors Group operate across the Group insofar as the delegated authority from each Subsidiary Board permits and their functions cover all staff and relate to all members of the Group and to their Boards.

Subsidiary Boards

- 6.9 The Subsidiaries have their own Boards in place to oversee the operational activities of each Subsidiary and these Boards are directly responsible and accountable to the Main Board for the delivery of the Subsidiaries' objectives.

Terms of reference

- 6.10 The current terms of reference for the Main Board, Subsidiary Boards, Committees, Executive Board and Directors Group are included in **Appendix A** to this Governance Framework.

Resident focus and engagement

- 6.11 Midland Heart is committed to effective engagement with its residents in designing, delivering and scrutinising its services and in supporting residents to engage with, influence and contribute to strategic decision-making. It will report regularly to residents on how its commitments to resident focus have been delivered.
- 6.12 The Group's My Voice Framework (**MV Framework**) is the key mechanism for capturing tenant insight and is comprised of five sub-groups. These include: My Impact, My Scrutiny, My Experience, My Area and My Feedback. The Operations Board is responsible for reviewing the outcomes of key activities undertaken under the MV Framework and the Main Board receives a quarterly report outlining the key areas of tenant insight captured through the MV Framework. Further detail as to the key functions of the sub-groups and reporting mechanisms are set out in **Section 6.15** below.
- 6.13 The Group's Equality & Diversity Steering Group (the **E&D Group**) receives customer feedback through the MV Framework that relates to diversity and inclusion and ensures that it is representative of the Group's customer demographic. The E&D Group has one tenant voluntary member who is actively involved with the MV Framework. This group reports key findings to the Remuneration and Executive Selection Committee.
- 6.14 Within the Group's formal governance structure, the Operations Committee includes three independent members with tenant experience, and feeds directly into the Main Board. The role of the Operations Committee is set out in **Section 6.5.5** above.
- 6.15 The MV Framework is the key governance mechanism for capturing tenant insight and comprises of five sub-groups:
- My Impact: A tenant led group that ensures actions arising from tenant scrutiny are completed, undertakes tenant led audits of compliance with regulatory standards

and ensures tenant scrutiny and insight is delivered effectively. My Impact meets bimonthly.

- My Scrutiny: A tenant led group that undertakes in depth scrutiny reviews of key service areas, making recommendations for improvement. My Scrutiny meets monthly.
- My Experience: Tenants who feed back their views on set topics that matter most to them. My Experience has ad hoc meetings with at least one activity per month.
- My Area: Tenants, who through local meetings or our estate champion programme give feedback about the area in which they live. My Area meets monthly.
- My Feedback: Tenants who have opted in to complete ad hoc surveys, giving their views on a variety of topics. Meetings are held as and when required.

7.0 Board Composition and Membership

Main Board

7.1 The Midland Heart Board (the '**Main Board**') usually comprises between five and twelve members (subject to the provisions within its Rules) which will consist of:

- non-executive Board Members (which will include the Chair and the Senior Independent Director);
- the Chief Executive and up to three other Executive Board Members
- (if required) up to three co-optees.

7.2 The Main Board has determined that its maximum Board size is twelve members (including co-optees), in line with its Rules. Rule D2 confirms that Executive Board Members must be in the minority of the Main Board.

Terms of appointment

7.3 Board Members will be appointed in accordance with the Board's agreed selection criteria and election procedures. The Main Board must ensure that the Main Board possesses a diversity of backgrounds and attributes in line with Midland Heart's stated commitments to equality, diversity and inclusion alongside the quality, skills, competencies, and experience that the Main Board has determined it requires.

7.4 Each Board Member shall be elected for a fixed term of office. The fixed term shall be for a term of three years (unless the Main Board has specified a lower number). In line with the Midland Heart's current Rules, no Board Member should serve beyond their ninth consecutive year unless this is supported by a strong business case and agreed to be in the best interests of Midland Heart by the Main Board on the recommendation of the Nominations Committee.

- 7.5 In carrying out recruitment and selection for the Main Board, the Nominations Committee will consider the processes for Board recruitment and renewal and will also consider succession planning to ensure that Midland Heart has the right leadership in place for the future. The Nominations Committee will:
- actively seek appropriate candidates in an open and transparent manner, including carrying out an open recruitment exercise supported by an independent consultant where appropriate
 - refer to the Board Member, Chair or Senior Independent Director job description and role profile in seeking qualified candidates for the position
 - regularly consider the skills, experience, diversity and competencies of the Board and upcoming succession requirements to ensure that the requirements of Midland Heart are met
 - make recommendations on proposed candidates for election to the Main Board.

All Board appointments require the approval of the Main Board.

- 7.6 Re-appointment to the Main Board will be dependent on satisfactory performance throughout the term of office and the requirements of Midland Heart's succession planning (including in relation to the skills, experience and other characteristics required on the Main Board). All term extensions will be approved by Nominations Committee and Main Board.
- 7.7 As per Rule D9.3, a retiring member of the Main Board, or other Board and Committees within the Group, having completed their maximum tenured service (two terms of 3 years, and up to nine years by exception) shall not be eligible for re-appointment for at least one fixed term of office, which will usually be a term of three years.

Removal of a Board Member

- 7.8 A Main Board Member may be removed from office by
- a resolution passed by two-thirds of the Main Board present (excluding the Board member subject to the removal, employees and co-optees), provided that at least 14 days' notice of the proposed resolution has been given to all Board Members, the notice sets out in writing the alleged breaches of the Board Member's obligations under their service agreement and the Main Board is satisfied the reasons justify their removal.
 - Board members will also automatically cease to be Board members (or co-optees and committee members as the case may be) should any of the circumstances set out in rule D6 of the Midland Heart Rules occur.

Subsidiary Boards

- 7.9 The size and composition of any Subsidiary Boards will be determined by the Main Board

on the recommendation of the Nominations Committee and in accordance with each Subsidiary's Constitution.

- 7.10 All Subsidiary Constitutions and the Intra-Group Agreement provide that the Main Board can exercise controls over the Subsidiaries. Midland Heart, as Group Parent, has the power to appoint and remove all / a majority of the members of the Subsidiary Boards.

8.0 Officer and Executive Roles and Responsibilities

Roles of the Main Board and the Executive

- 8.1 The role of the Main Board, as set out in **Section 6.2** above, is to set and oversee the Group's overall direction and strategy and ensure compliance by Midland Heart with its charitable objects and legal and regulatory requirements.
- 8.2 The Main Board must ensure that the right Executives are in place with the necessary resources to deliver the Group's strategy effectively. The Main Board is responsible for approving and rigorously stress testing the strategy and the effectiveness of its delivery; it must satisfy itself that risks have been identified and are managed and that appropriate targets and performance measures have been set and are monitored.
- 8.3 The role of the Executive is to devise and propose the right strategy in the context of the operating environment to achieve the Group's purpose for approval by the Main Board. The Executive must put in place the right resources and performance management processes to effectively deliver the strategy.
- 8.4 The roles and responsibilities of the Boards, Board Committees and the Executive are set out in this Governance Framework, the Scheme of Delegation and in each Group Member's Constitution. There is also a separate role description for non-executive Board Members that is kept up to date and includes part of the formal arrangements for Board membership.
- 8.5 Where the Executive have concerns about the operation of the board or the management of the company that cannot be resolved, their concerns should be recorded in the board minutes. On resignation, a non-executive director should provide a written statement to the chair, for circulation to the board, if they have any such concerns.

The Group Chair

- 8.6 The Main Board elects a Group Chair with the appropriate skills to be responsible for leading the Main Board and for ensuring its effectiveness.

- 8.7 The Group Chair does not chair and is not a member of the Audit & Risk Committee nor do they chair the Remuneration Committee. The role of the Group Chair and the Chief Executive will be exercised by different people.
- 8.8 The Group Chair is responsible for and must oversee a number of personnel and performance matters and must ensure that suitable arrangements are in place to appraise the performance of the Chief Executive. The Group Chair must also ensure proper and appropriate arrangements for the appraisal of the Main Board and each of its members.
- 8.9 Further information on the role and duties of the Group Chair is set out in a separate role description.

The Senior Independent Director

- 8.10 There will be a Senior Independent Director ('**SID**') who will support the Group Chair and, when necessary, the Main Board, to ensure that the Main Board operates effectively and in the best interests of Midland Heart. The SID is also responsible for the appraisal of the Group Chair.
- 8.1 The role of the SID is set out in a separate role description.

The Company Secretary

- 8.12 The Company Secretary is responsible for providing advice and support to the Group Members' chairs and Boards on all governance and compliance matters. The Company Secretary also ensures that all new Board Members receive the required induction training.
- 8.13 The Main Board is responsible for the appointment and removal of the Company Secretary.

The Chief Executive

- 8.14 The Chief Executive is appointed by (and may be dismissed by) the Main Board and reports directly to the Group Chair.
- 8.15 The Chief Executive has delegated authority to oversee and manage the operational delivery of the strategies set by the Main Board. The role and duties of the Chief Executive are set out in his/her role description.

Urgent decision-making

- 8.16 The Group Chair (or in his/her absence, the SID) has delegated authority to make decisions on urgent matters between Main Board meetings. Where it is essential for the effective

operation of Midland Heart that a decision that would normally be taken at a Main Board meeting has sufficient urgency that it must be taken between meetings, the following process will operate:

- The Chief Executive, or in his/her absence, another Executive Director, will alert the Group Chair, or in his/her absence the SID, that an urgent matter has arisen on which a decision under delegated urgency procedures, or Chair's Action, must be taken.
- The Group Chair will decide whether the matter requires an urgent decision, and whether it can be decided under Chair's Action, or by reference to the Main Board as a whole. As a general rule, this authority does not apply to policy decisions, even if urgent, which should be the subject of a specially convened Main Board meeting.
- Matters to be decided by Chair's Action will be set out in writing, with a clear recommendation, to be signed as approved and dated by the Chair, or SID.
- Where circumstances permit, the Group Chair (or SID) will consult with at least one and as many other Main Board Members as reasonably possible before taking a decision in accordance with this urgency procedure. A formal record should be made of those consulted and their views, which should be reported to the next meeting of the Main Board.
- All decisions made under this urgency procedure will be reported to the next following Main Board meeting, together with any copies of reports provided to the Group Chair in relation to the decision.

9.0 Governance Effectiveness Review

9.1 The Group must consider the effectiveness of its Boards and Committees annually and assess how they conduct their business. As part of the overall evaluation process, and to ensure an element of independence in the procedures, the performance evaluation will usually be externally facilitated regularly.

10.0 Board and Committee Training and Development

10.1 Each new Board and Committee member shall receive induction and ongoing training that meets the needs of each specific individual.

10.2 The Company Secretary will ensure that Board and Committee members' individual induction and training requirements are met through liaison with the Board Chairs and the independent directors.

10.3 Board and Committee members shall receive induction training within three months of their appointment and the process must be reviewed regularly to ensure that it continues to remain fit for purpose.

- 10.4 To ensure that Board Members can keep their skills and knowledge up to date, the following resources should be made available:
- Accurate, timely and clear information in the form of reports, briefings, workshops etc
 - Relevant trade publications and regular briefings on both sector wide and Group specific issues
 - The opportunity to meet operational colleagues and customers and to visit various sites and areas of operation
 - Activities such as Away Days and Strategic Planning Days
 - Mentoring arrangements between Board Members
 - An agreed programme of ongoing learning and development opportunities, including any needs identified through the appraisal process.

11.0 Board Members' Interests

- 11.1 Board Members have a legal duty to act in the best interests of the organisation of which they are a Board Member and should not benefit from their role as a Board Member or from the business (other than through agreed remuneration) or be influenced by their wider interests when making decisions affecting Midland Heart or the wider Group.
- 11.2 The Group requires all Board and Committee Members to identify, declare, record and manage any actual, potential and perceived conflicts of interest.
- 11.3 The Main Board has adopted a Code of Conduct, with which all Board and Committee members must comply. A copy of the Code of Conduct can be found [here](#).
- 11.4 Board and Committee Members must complete a declaration of interests form annually and must inform the Company Secretary as soon as possible when there are any changes to the details contained within their form, including any new actual or potential conflicts of interest.
- 11.5 The Group maintains a register of Board and Committee member declarations of interest, which is made publicly available.
- 11.6 Where Board Members are required to serve on more than one Board within the Group, they will be provided with guidance on how to manage any potential conflicts of interest.
- 11.7 Where there is a material conflict of interest, the Board or Committee member concerned must withdraw from the Board or Committee's discussions on relevant matters. In the event of a fundamental or ongoing material conflict, the Board must determine whether the individual concerned should remain a Board or Committee member.

12.0 Access and Approval of this Document

- 12.1 This Governance Framework and the Appendices referred to within it are available on the Intranet and to Board and Committee Members through the electronic Board pack platform, currently OnBoard.
- 12.2 This document is owned by the Company Secretary. It is reviewed by the Audit & Risk Committee and the Nominations Committee in accordance with their Terms of Reference and approved annually by the Main Board.

PART TWO

Governance Framework – Framework of Documents

The following diagram shows how the Governance Framework translates into the key documents of the Group which are described in the sections below.



1.0

Constitutional Documents – Rules and MAA (Primary Governing Documents)

- 1.1 Each legal entity within the Group has written constitutional arrangements. For Midland Heart Ltd and Prime Focus Finance Limited these are documented within their Rules and for Cygnet Property Management plc (**'Cygnet'**), Midland Heart Capital plc (**'MHC'**) and Midland Heart Development Ltd (**'MHDL'**) these are within their Memorandum and Articles of Association (**'MAA'**), each a "Constitution" and together the **Constitutional Documents**

Each Constitution sets out the legal foundation and regulatory requirements of each organisation and defines its purpose, structure, powers and internal rules. It also sets out the relationship between its Shareholders, Members, Board Members and Directors, in addition to the rights, duties and powers for each group. It regulates governance and is an essential reference document for the public that guides and protects each organisation's activities and purpose while also ensuring its accountability.

- 1.2 Each Constitution confirms that the Boards of each entity are empowered and responsible to run the business of that organisation.

- 1.3 In line with the Regulatory Framework, the Constitutions of each Subsidiary contains provisions that permit the Main Board to exercise controls over the Subsidiaries in specific scenarios and can appoint individuals to or remove them from the Subsidiary Boards (step in rights).
- 1.4 Each Constitution will take precedence over this Governance Framework (including the Standing Orders and Financial Regulations) in the event of a conflict.
- 1.5 The Standing Orders (including the Control Framework and Financial Regulations) are the secondary tier of the governing document hierarchy. All other documents (policies, procedures etc.) sit below the first and second tier.

2.0 Mission, Vision, Values, Strategy and Corporate Priorities

- 2.1 The Mission of Midland Heart reflects the high-level objectives of Midland Heart as defined in its Rules and this provides an important context within which the strategy and priorities of the business should be set.
- 2.2 Midland Heart's Values set the fundamental culture and expected standards of behaviour for staff to fulfil the Mission. The Main Board will lead by example and promote the culture of Midland Heart.
- 2.3 The Main Board sets Midland Heart's Mission and Values and regularly reviews and reaffirms their relevance. The Main Board will regularly consider and define the culture and behaviours of the Group that will best enable it to deliver the Mission and Values. The Main Board will also assess how the culture and behaviours are embedded. The Main Board must ensure that value for money is achieved in meeting Midland Heart's strategic objectives, which must include measurable targets based on outcomes.
- 2.4 The strategies are the internal plans adopted by the Group and, where appropriate, approved by the Main Board. These determine the Group's goals and objectives and how these will be achieved having regard to the Mission of the Group. The most important of these is the Corporate Strategy, to which all other plans and strategies must be aligned.
- 2.5 There are also Corporate Priorities, which are shorter term (normally annual) aims which will support the delivery of the Corporate Strategy.

3.0 Standing Orders (Control Framework and Financial Regulations) (Secondary Governing Documents)

3.1 The Standing Orders are detailed in **Parts Three and Four** of this Governance Framework. These explain the powers that have been retained by the Main Board and those delegated by the Main Board to the various Committees, Boards, Officers and staff of Midland Heart. They are separated into two parts: the Control Framework and the Financial Regulations.

3.2 They form the central part of Midland Heart's system of internal control which is necessary to achieve effective management, good governance and to safeguard Midland Heart's assets. They should be read in conjunction with Midland Heart's financial strategies and plans, and other internal control procedures. In particular, they are intended to aid speedy decision making on financial issues, ensure the protection of social housing assets, support compliance with law and regulation and, overall, are designed to support the delivery of the Corporate Strategy.

4.0 **Policies (Tertiary Governing Documents)**

4.1 These are the internal documents approved by the Main Board, or the appropriate Group Committee, which set out the principles under which the Group operates, and which staff must adhere to in their dealings with other staff, third parties and customers. Policies are created because they reflect a major business decision or where there is a regulatory or legislative obligation with which the Group is required to comply.

4.2 The range of policies cover all areas of Midland Heart's operations and its support functions, including IT, HR, Finance and Governance.

4.3 All policies are accessible through the Intranet and a framework for their review, consultation and approval is in place, with review undertaken at regular intervals in line with relevant updates and in accordance with the level of risk associated with the policies.

5.0 **Procedures**

5.1 Procedures document how officers and staff should implement the Group's policies and follow Midland Heart's strategies in an organised and pre-planned way so as to achieve efficiency and consistency of operation.

6.0 **Risk Management**

6.1 The Main Board is responsible for establishing and maintaining the effectiveness of the risk management and internal control framework across the Group. There is a Risk Management Policy, and the Group's Risk Appetite Statement forms part of this.

6.2 Midland Heart maintains a Strategic Risk Register, detailing the most significant strategic

risks. The Main Board reserves the right to approve the Strategic Risk Register at least twice per year and receives a report on risk and its management/mitigation to every meeting, with support from the Audit & Risk Committee which also performs a regular review. The Audit & Risk Committee also monitors these risks and reports any significant concerns to the Main Board as and when required. This forms a crucial part of the Audit & Risk Committee's role in assessing the effectiveness of the internal audit and risk management processes and the internal control environment.

- 6.3 In addition to the Strategic Risk Register there are also directorate, functional, operational and project risk registers held, where required, in each business unit of Midland Heart which are reviewed regularly. These provide a source of information for the Strategic Risk Register for when it is reviewed and updated, along with consideration of risks flowing from the Corporate Strategy and the Regulator's "Sector Risk Profile" document. Each Directorate has an appointed Risk Champion who is responsible for championing risk within their areas. Operational oversight of risk management is undertaken by the Executive Board and Directors Group.

PART THREE

Control Framework

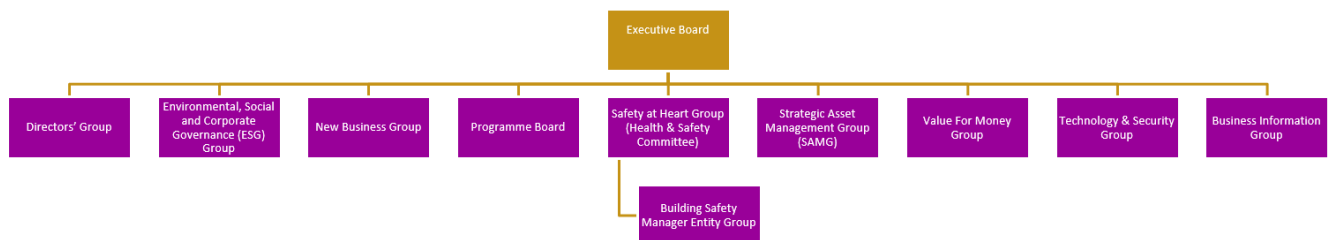
1.0 Introduction

- 1.1 The Main Board is responsible for developing, approving and monitoring delivery of the Group's Corporate Strategy. The Executive Board is responsible for delivery of the Corporate Strategy. A control framework is put in place by the Main Board to manage issues associated with the delivery of the Corporate Strategy as defined in the sections below.
- 1.2 Risks carried by Midland Heart relate not only to financial transactions, but also to changes in the external environment and other areas such as compliance with regulatory requirements and legislation, e.g. health and safety. Controls are intended to reduce the likelihood of a risk arising and the Main Board regularly participates in multi-variate stress testing of its plans, to identify the risks that may pose a material threat to the viability of the Group and its members and ensure that appropriate mitigations are in place.
- 1.3 The Main Board monitors the internal control framework and review its effectiveness annually. A joint report from the Chief Executive and Chair of Audit & Risk Committee is presented to the Main Board outlining the performance of the material controls, including financial, operational, reporting and compliance controls. This is summarised in the Group's Annual Report to the Financial Statements.
- 1.4 A key element of the control framework is to clearly define and ensure appropriate segregation of duties and to include appropriate checks and balances; for example, those committing to a payment cannot provide the instruction to make the payment and those physically making the payment must also be different.
- 1.5 A key part of the delegation of the Main Board's powers, and maintaining appropriate controls in relation to these delegations, relies on financial approval levels. These are set out in Appendix C and form part of the control framework required by the Main Board.

2.0 Operational Structure

- 2.1 The exercise of authority and the performance of controls can be delegated to either job roles or groups, i.e. Committees and other governance forums. Details of the Group's Committees are set out in **Section 6.5 of Part 1** of this Governance Framework. These structures are designed to promote business agility but also ensure accountability and responsibility for decisions made.

- 2.2 The highest level of executive authority lies with the Executive Board; its terms of reference are included in **Appendix A**.
- 2.3 The members of the Executive Board, Directors Group and other senior management and staff have levels of authority delegated to them. These are in line with their roles and responsibilities as defined in their job descriptions and in line with the financial delegations set out in **Part Four** of this Governance Framework.
- 2.4 Midland Heart has various executive governance forums, each of which has a level of authority delegated to it by Executive Board. These forums are as follows:



- 2.4.1 **Directors Group** – its role is to support and strengthen the delivery of strong operational performance and to support the delivery of the Corporate Strategy.
- 2.4.2 **Environmental, Social and Corporate Governance (ESG) Group** – the role of this group is, primarily, to have oversight of our environmental, including net zero carbon emissions, plans and ensure that we can meet the reporting requirements of the broader ESG agenda.
- 2.4.3 **New Business Group** – Reviews and approves new business initiatives of both a capital and revenue nature for Midland Heart, in line with its approved level of authority. It also approves extensions and renewals of existing contracts in accordance with the thresholds detailed in its terms of reference. It feeds in directly to the Main Board and, is ultimately responsible to the Executive Board.
- 2.4.4 **Programme Board** – The role of this group is to carry out feasibility assessments for all Midland Heart’s major project proposals as part of the annual corporate planning cycle and on an ad hoc basis where appropriate. It is also required to review and monitor the delivery of approved projects and to report project progress updates to Executive Board.
- 2.4.5 **Safety at Heart Group (Health & Safety Committee)** – Ensures that the requirements of the Group’s Health and Safety Policy are embedded in the Group’s operational practices. It also monitors issues relating to health and safety within the Group’s Operations. Significant issues are then escalated through

the governance framework to the Executive Board and Audit & Risk Committee and subsequently to the Main Board where appropriate.

- 2.4.6 Building Safety Manager Entity Group** - The primary objective of this group is to monitor the functions and delivery of the responsibilities under the Building Safety Act 2022. Under the Act, the buildings for BSM Group control are those that are deemed Higher-risk building' (at least 18 metres in height or at least 7 storeys, and is of a description specified in regulations made by the Secretary of State).
- 2.4.7 Strategic Asset Management Group** – Performs its functions in line with the Group's Asset Management Strategy and has been formed with the purpose of reviewing Midland Heart's portfolio of homes and making decisions about the optimal use of our stock, including disposals and acquisitions in certain circumstances. The Group reports to the Executive Board on an annual basis.
- 2.4.8 Value for Money Group** – This group is responsible for ensuring oversight and adherence to our VFM Strategy and the VFM standard, identifying and monitoring VFM activity across the organisation, agreeing the VFM aspect of the annual report, and any other VFM publication produced by the organisation, appraising non-confidential business cases that require additional resources outside of the budgetary cycle, prior to Executive approval, in addition to governance and oversight of commercial expenditure and supply chain decisions across Midland Heart.
- 2.4.9 Technology & Security Group** – This group primarily exists to oversee implementation of the Technology Strategy to 2030. The Group is responsible for monitoring, tracking, reporting and taking remedial action where needed in relation to applications, software, systems, cyber security, data handling and ensuring that our technical foundation is stable, scalable and secure.
- 2.4.10 Business Information Group** - This group primarily exists to oversee implementation of the Data Strategy to 2030. The Group is responsible for monitoring, tracking, reporting and taking remedial action where needed in relation to business reporting, data collection and management, data architecture and quality improvements, whilst ensuring the application of data related policies and legal requirements such as retention schedule, GDPR and document management initiatives.

Their terms of reference are included in **Appendix A**.

3.0 Accounting and Financial Statutory Responsibilities

- 3.1 All accounting procedures and records of the Group are determined by the Executive Director of Finance and Growth in accordance with legal requirements and the requirements of statutory agencies and authorities. These conform to current accounting regulations and guidance and accounting policies approved by Audit & Risk Committee, to provide a true and fair view of the financial position and prospects of the business.
- 3.2 The Executive Director of Finance and Growth is accountable for ensuring that financial records are maintained and provide accurate and timely evidence of transactions. He/she must also ensure that all legal and regulatory requirements in relation to accounts and accounting records of Midland Heart are complied with.
- 3.3 The Executive Director of Finance and Growth shall arrange a timetable to ensure that draft accounts are approved by the Audit & Risk Committee and the Main Board before being adopted at the Annual General Meeting of the Group within six months of the financial year end.
- 3.4 Accounts shall be filed by the Company Secretary with regulatory bodies and funders within the timescales defined by those bodies.
- 3.5 The Executive Director of Finance and Growth is responsible for advising Executive Directors, in the light of guidance issued by appropriate bodies and advice from Midland Heart's tax advisors and relevant legislation as it applies, on all taxation issues that affect the Group.
- 3.6 The Executive Director of Finance and Growth is responsible for maintaining the Group's tax records, making all tax payments, receiving tax credits, ensuring that Midland Heart pays the correct level of VAT for goods / services received and submitting tax returns by their due date as appropriate.
- 3.7 The Group is committed to a zero-tolerance approach to the facilitation of tax evasion and has put in place reasonable prevention procedures to ensure that tax evasion cannot be committed within the Group, or otherwise facilitated, including by the Group's contractors and associates.

4.0 Annual Planning and Budgeting

- 4.1 The Main Board retains the responsibility for approving the Corporate Strategy, a medium – long term plan which the Executive Directors are accountable for delivering. In support of this, the annual Delivery Plan is agreed by the Main Board each year for delivery by the

Executive Board.

- 4.2 Each directorate is required to have an operational plan, along with a financial budget, which is then consolidated into a Group Budget and approved by the Main Board. There is also a Financial Plan, which contains a medium-term financial forecast, and is reviewed by the Finance and Growth Committee annually as a minimum, or more often as required.
- 4.3 The Group operates a devolved budgetary system. It is the responsibility of the budget owners to compile and submit to the Executive Director of Finance and Growth budgetary estimates in line with the instructions issued by the Finance Team, within an agreed timetable. The budget estimates submitted are compiled for initial consideration by the Executive Board.
- 4.4 The budget is then updated in a form agreed by the Finance & Growth Committee to accord with the objectives of the Group, its business plans and to incorporate the requirements of funders and the Regulator of Social Housing.
- 4.5 The annual budget for the Group is produced for approval by the Main Board by 31st March each year, after consideration by the Finance and Growth Committee. Once the budget is approved by the Main Board the financial regulations section of this Governance Framework must be followed (see Part 4) in relation to any transactions carried out.
- 4.6 Budget owners are required to provide re-forecasts of their cost centre's anticipated performance compared to budget as and when required by the Executive Director of Finance and Growth. The Executive Director of Finance and Growth then provides monitoring reports to the Main Board and its Committees highlighting any key variances (both positive and negative) from the budget and actions being taken to address these.
- 4.7 From time-to-time transfers between individual cost centres of a budget owner may be required of income or expenditure, within a financial year. Where this is a revenue budget, this should not result in a worsening of the budgeted surplus / deficit for the year. In the case of a capital budget, this should not result in an increase in net expenditure. Budget transfers between budget owners shall not be permitted without approval of the relevant Executive Directors.
- 4.8 Once the annual budget has been approved the staffing establishment can only be changed following approval by the Executive Director of Corporate Resources with relevant justification. Any new posts included within the approved budget do not require further approval so long as the original business case remains valid.

5.0 Grants and Certification

- 5.1 Executive Directors, in consultation with the Executive Director of Finance and Growth, shall ensure that adequate accounting systems are in place to enable the Group to comply with procedural requirements in respect of grants and allowances. This shall include keeping a full record of costs and expenditure sufficient to enable grant payments to be redeemed, and publishing information where required under grant agreements. This is likely in practice to relate to new build schemes where a proportion of the capital cost is provided by way of grant funding by Homes England.
- 5.2 Grant supported project applications are to be submitted in accordance with the schedule of delegated authority set out in **Appendix C** and treated as revenue schemes. All grant supported activities shall be subject to a full risk assessment to ensure present and future obligations (including the risk of grant clawback) can be met and the risk of defaulting is sufficiently mitigated. Any extensions to grant agreements are to be approved in line with the authorisation requirements for the original grant.
- 5.3 Executive Directors shall ensure that grant income is maximised and that all grant income due is claimed promptly. Executive Directors shall ensure that the Executive Director of Finance and Growth is notified promptly of all grant income due with an estimate of the likely date of receipt.

6.0 Corporate Finances and Bank Accounts

- 6.1 The Executive Director of Finance and Growth shall maintain systems and processes for the borrowing or investment of money for Midland Heart sufficient to satisfy legal requirements and the requirements of the Group's regulators and funders.
- 6.2 The Main Board shall maintain appropriate policies (in line with the principles of the CIPFA code and any relevant regulatory Guidance), together with the Group's Treasury Strategy and Rules to ensure borrowings and investments operate in the best interest of the Group, meet charity law and regulatory requirements and support the delivery of the Corporate Strategy. The Executive Director of Finance and Growth shall report to the Finance and Growth Committee on treasury performance at each meeting of the Committee.
- 6.3 The Executive Director of Finance and Growth will ensure that there is clear segregation of responsibilities in place between those verifying and calculating treasury payments due to be received or paid and those making or receiving the payment.
- 6.4 The Director of Corporate Finance approves all intercompany transfers insofar as is permitted by the Scheme of Delegation, Standing Orders and Terms of Reference, but must ensure that this is reported to the Boards of the companies involved.

- 6.5 In addition, Midland Heart needs to maintain a number of bank accounts in order to support its day to day operations, such as receipt of rent. This is the responsibility of the Executive Director of Finance and Growth who shall:
- Direct and authorise all arrangements with bankers
 - Review, every three years, the adequacy of the banking arrangements
 - Maintain and monitor an overdraft agreement with the clearing bankers to provide short-term loan facilities
 - Order all cheques and controlled stationery and ensure proper arrangements for their safe custody
- 6.6 The Finance and Growth Committee shall appoint the clearing bankers, authorise the opening of bank accounts and provide the Executive Director of Finance and Growth with the necessary authority to operate any approved bank accounts, notably the terms, size and security requirements of the overdraft facility. Bank account operating mandates shall be signed by a Board Member and the Executive Director of Finance and Growth or the Director of Corporate Finance and the Director of Commercial Finance
- 6.7 The following principles shall be observed in the allocation of accounting duties in order to protect the Group's assets. In all appropriate instances specialist legal advice is sought as part of the process.

Delegated Power	Authorities
Appointment of clearing bank and setting of bank	Finance and Growth Committee
Opening, amending and closing bank accounts	Completed under the control of the Executive Director
Authorising dealing mandates – deposits and borrowings	Finance and Growth Committee
Appointment of external investment managers and setting their terms within the approved Treasury Strategy	Approved by the Executive Director of Finance and Growth
Approval of new finance loans/agreements	Approval up to and including £20m by Finance and Growth Committee (in line with its approved terms of reference), above this limit
Amendments/variations to treasury documentation where no material change to Midland Heart's risk arising from the amendment / variation	Finance and Growth Committee
Loan interest fixings < 1 year	Approved by the Director of Corporate Finance or in his/her absence Treasury Manager
Loan interest fixings > 1 year	Approved by the Director of Corporate Finance and Treasury Manager and Executive Director of Finance and Growth
Amendment of list of approved counterparties	Approved by the Executive Director of Finance and Growth

- 6.8 The Executive Director of Finance and Growth shall ensure there are specific systems and processes relating to the control of petty cash. Segregation will be in place between those checking the amounts of cash and those performing the cash transactions. In addition, procurement cards are provided to staff and should be used in line with Government Procurement Card Guidance. Segregation must exist between card users and those responsible for approving transactions, thereby ensuring suitable checks and balances are in place.
- 6.9 Any non-standard transactions, such as making a payment in kind, may take place, but must be approved by the Executive Director of Finance and Growth, and supported by clearly worded documentation stating how such transactions shall be accounted for.

7.0 Income and Debtors

- 7.1 Executive Directors, in consultation with the Executive Director of Finance and Growth, shall maintain systems and processes for the receipt of income and debts owed to Midland Heart sufficient to satisfy the requirements of law, regulators, funders and the Main Board.
- 7.2 Bad debts may be written off only after all reasonable legal and economic means have been used to reduce the debt as far as reasonably possible, and in line with any delegated authority agreed by the Main Board.

8.0 Assets

- 8.1 The Executive Director of Finance and Growth shall ensure the maintenance of systems and processes for the disposal, divestment and acquisition of Midland Heart's assets (properties and land) sufficient to satisfy the requirements of law, regulators, funders, and the Main Board.
- 8.2 Properties and land which are not considered to be in line with Midland Heart's Corporate Strategy and are not financially viable and / or are in areas of low customer demand will be appraised by the Strategic Asset Management Group ('**SAMG**') against the options available. SAMG has the power to approve disposal in line with its terms of reference and delegated authority.
- 8.3 The Executive Director of Property Services shall ensure the maintenance of systems and processes for the maintenance and improvement of Midland Heart's assets (properties and land) sufficient to satisfy the requirements of law, regulators, funders, and the Main Board.

9.0 Procurement of Goods and Services

- 9.1 Midland Heart has a heavy reliance on a supply chain supporting the delivery of goods and services across its businesses. To help ensure that it complies with its legal requirements (including the Public Contracts Regulations 2015, the Procurement Act 2023 and the Modern Slavery Act 2015) and that value for money is obtained, a central procurement team is in place, which supports and guides the procuring managers in their task.
- 9.2 Midland Heart has a zero tolerance to modern slavery and human trafficking and is committed to eradicating it from its supply chains and ensuring transparency in supply.

A Procurement Strategy is in place which sets out the key criteria for successful procurement activity and details of the procurement process to be followed are documented within the procurement information map which is available on the Intranet.

9.3 The principal elements of governance and key controls are:

9.3.1 Each year a Procurement Sourcing Plan is developed and agreed to ensure that all contracts due for re-procurement or extension are planned for.

9.3.2 An assessment is made of the need to be met by procurement, which identifies the risks associated with it. This then determines the most appropriate procurement route to be taken for the tender process.

9.3.3 All procurements to which the Public Contracts Regulations 2015 apply must follow the Regulations (or the requirements of the Procurement Act 2023) and these are built into the process.

9.3.4 A competitive tender process is followed and controlled by the Commercial Team.

9.3.5 The Commercial Team supports the Contract Manager in the assessment of the bids to ensure consistency and fairness.

9.3.6 Approvals of the successful bid are agreed in line with **Part Four** of the Governance Framework - Financial Regulations

9.3.7 The Commercial Team will determine the appropriate contract to be signed and assist in contract negotiations.

9.3.8 A supplier will only be put onto the eBis system for payment if the Commercial Team or the responsible budget holder, as appropriate to the value / process, have signed off that either value for money has been demonstrated or a procurement waiver is in place.

9.3.9 Once the procurement process has been completed, authority to commit to the contract is required via an approved contract award report. These authorities are detailed in **Part Four** of the Governance Framework – Financial Regulations.

9.4 Except in the case of a development contract when the provisions of paragraph 9.5 will apply, where a contract has received approval but the expenditure changes prior to contracts being signed or during the life of the contract, then re-approval will be required in line with the relevant delegated authorities if the expenditure varies by more

than 15% as more particularly described in **Appendix C** of this Governance Framework.

9.5 In the case of a development contract, where a development contract has received approval, but the expenditure and/or the tenure mix changes prior to contracts being signed or during the life of the contract then the following shall apply as more particularly described in **Appendix C** of this Governance Framework:

- (i) where (a) the expenditure varies by more than 5%; and/or (b) the number of units and/or tenure mix varies by more than 5% then re-approval will be required;
- (ii) where (a) the expenditure varies by up to and including 5%; and/or (b) the number of units and/or the tenure mix varies by up to and including 5% the variance can be approved by the Executive Board subject always to the following controls:
 - the development KPIs for the scheme are still within the Board's approved limits as set down at the time of the delegated approval; and
 - the updated financial liability modelling associated with the scheme has been checked and approved by the Finance Team; and
 - the Green Light Approval has been updated and support is in place from the operational teams; and
 - a summary of any delegated approvals will be circulated to the next available Finance and Growth Committee and Main Board meetings for oversight.

9.6 Where contracts have options for renewal or extension and these are being exercised then it must be assessed using the same criteria as a new contract before any commitment is given to the extension or renewal.

10.0 Contract Management

10.1 Midland Heart has many suppliers, and it is important that they deliver good quality services, meet the Group's value for money requirements and are held to account for the delivery of their goods and services. Some suppliers, such as maintenance contractors, deliver services direct to Midland Heart's customers and therefore it is essential that they are also monitored closely to ensure quality of service and that they meet their safeguarding obligations to residents.

10.2 A Contract Management Framework is in place with which all Contract Managers are required to comply; however, maintaining compliance with this framework is the responsibility of the relevant Directors. Contract Managers are required to provide evidence of supplier performance and value for money in line with the frequencies specified in the contract documents/framework documents via a central depository system. Full details of the framework and access to relevant training is available on the Intranet.

11.0 Provision of Goods and Services

- 11.1 Midland Heart Development Ltd ('**MHDL**') is a wholly owned subsidiary which purchases land and designs and builds properties on behalf of Midland Heart and is delegated its authority through this Governance Framework and an Intra-group Agreement. MHDL operates within the controls defined within this Governance Framework, including the review and approval of individual schemes through the New Business Group and the Executive Board, in line with the authorities described in their terms of reference at **Appendix A** and **Part Four** – Financial Regulations - of this Governance Framework.
- 11.2 Midland Heart provides services to other organisations, including local authorities and charities.
- 11.3 All services which provide revenue to Midland Heart must be assessed for alignment to Midland Heart's Corporate Strategy and Corporate Priorities, and financial viability (with specific criteria as defined from time to time by the Finance Team) demonstrated. In performing this assessment all relevant parties are consulted, in particular Finance and Human Resources (particularly where TUPE applies or there are pension risks) and all relevant policies considered (including Anti- Fraud and Bribery Policies) If the criteria are met, then the decision to enter into the contract is approved in line with Part 4 - Financial Regulations – of this Governance Framework.
- 11.4 Where a scheme has received approval, but the cost / income changes prior to contracts being signed or during the life of the contract then re-approval will be required. For changes which significantly change the risk profile or the change pushes the total value into the next level of approval, then the change will need to be approved in line with Part 4 – Finance Regulations – of this Governance Framework. If the amendments are minor, then this can be approved by the Executive Director responsible or the Executive Director of Finance and Growth.
- 11.5 Where contracts have options for renewal or extension and these are being exercised, then it must be assessed using the same criteria as a new contract before any commitment is given to the extension or renewal.

12.0 Health & Safety

- 12.1 The Main Board is responsible for ensuring that there are suitable arrangements in place to protect the health and safety of customers and staff, in particular around compliance with relevant regulations and legislation.

- 12.2 The Main Board also seeks assurance from other governance forums within the Group to evidence that these responsibilities are met.
- 12.3 The Main Board has delegated the monitoring of health and safety performance to the Audit & Risk Committee, and this is embodied in its terms of reference. To support the Committee, Midland Heart has a Health and Safety Team, responsible for designing the strategy, policy and control frameworks in relation to health and safety and monitoring adherence to these, as well as dealing with significant issues and associated investigations as they arise. There is also a Compliance Team within the Operations Directorate that manages risks related to significant health and safety areas such as fire, gas safety legionella and asbestos.
- 12.4 The Safety at Heart Group (Health & Safety Committee) monitors and reviews operational issues and escalates significant concerns through to the Executive Board and Audit & Risk Committee.
- 12.5 The Main Board is responsible for appointing a Health and Safety Lead of sufficient seniority within Midland Heart to ensure compliance with the Group's health and safety obligations and the Group's compliance with the Regulatory Consumer Standards. The Health and Safety Lead is responsible for:
- monitoring the Group's compliance with health and safety requirements;
 - assessing risks of failure to comply with health and safety requirements;
 - notifying the Main Board of any risks to comply with health and safety requirements or any material failures by the Group to comply; and
 - providing advice to the Main Board as to how the Group should address any risks and failures to ensure compliance with the relevant requirements.
- 12.6 The Health and Safety Lead will report regularly to the Main Board and Audit & Risk Committee. A link to the Health and Safety Management Policy is [here](#).
- 12.7 Each staff member also has a personal responsibility for ensuring staff, customers and visitors remain safe, and this is reflected in the relevant policies and role descriptions.
- 13.0 Staff Ethics and Culture**
- 13.1 The Staff Code of Conduct is reviewed and updated every 3 years. It is owned by the Executive Director of Corporate Resources and is approved by the Executive Board. The Code of Conduct outlines the basic levels of conduct that are expected of all employees and volunteers.

- 13.2 Staff can access the most current Code of Conduct through Midland Heart's Intranet. New staff are provided with a copy electronically as part of their on-boarding pack. The Human Resources Team are responsible for regularly reviewing the Code of Conduct and informing existing staff of updates.
- 13.3 Staff (and Board and Committee members) are required to declare any conflicts of interest, gifts or hospitality as and when they arise through the year to the Company Secretary through the submission of a Declaration of Interest Form. These are reviewed and any concerns are raised with the relevant Executive Director.
- 13.4 Midland Heart also has a Fraud and Anti Money Laundering Policy and a Whistleblowing Policy, which defines the actions that must be taken on the suspicion of a fraud, or other activity not in line with the Group's policies or within normally accepted standards or behaviour. The policies are owned by the Director of Governance & Assurance with oversight and approval resting with the Audit & Risk Committee. Investigations into suspicions are carried out to ensure that optimal segregation is in place with the Head of Risk and Assurance having oversight on all investigations. Each investigation will provide clear findings and recommendation for any actions required in response, including any changes required to the control frameworks as a result.
- 14.0 Staff Payments and Benefits**
- 14.1 The Executive Director of Finance and Growth is responsible for ensuring the payment of salaries and benefits to staff sufficient to satisfy the requirements of law, regulators, funders and auditors and the Main Board.
- 14.2 Payments and benefits shall be paid in line with an individual's contract of employment and, where applicable, in line with the Group's Company Code of Conduct.
- 14.3 The monthly payrolls are authorised by the Executive Director of Finance and Growth or Director of Corporate Finance.
- 14.4 Any ex gratia payments will be signed off in line with levels of delegated authority by the Executive Director of Corporate Resources (or the Board or Remuneration and Executive Selection Committee, if required under the Group's Company Code of Conduct). For any such payments to Executive Directors, written legal advice will be obtained to confirm payment is in line with contractual obligations and the Regulatory Standards and the payment will be authorised by the Remuneration and Executive Selection Committee. The Director of People has authority to sign any ex gratia settlement agreements to the maximum value of £25,000 for all employees up to but not including Functional Directors and subject to all approvals being signed off in accordance with this paragraph 14.4

15. Remuneration of Members and Executive Officers

15.1 Midland Heart recognises the public and reputational interest which is attached to the payment of Members and Executive Officers. As a result, it will deploy a robust system to determine the correct remuneration package which will stand up to public scrutiny.

15.2 When establishing a remuneration package for Board Members, in addition to taking regular independent external advice in relation to the package and considering charity law and sector guidance, the following criteria should be adopted and considered:

- Payment supports effective governance and encourages the recruitment and retention of Board Members with specific skills and knowledge.
- Payment differentials amongst members reflect specific responsibilities and time commitments (e.g. Chair compared to Board Member).
- Impact on Midland Heart's overall financial position.
- Comparison and benchmarking against other similar Registered Providers and commercial organisations.
- Payment is proportional to the complexity, size and demands of Midland Heart.
- The Board Member should sign an agreement for services.

15.3 The Group's annual audited accounts will include a statement from the Main Board clarifying:

- The amount being paid to Board Members.
- The proportion which the total amount paid forms as part of Midland Heart's total annual turnover.
- The process for evaluating the performance of Board Members on an individual basis and as a collective body.
- Level of payments made to the Chair of the Board and Board Members.
- Attendance record of Board Members.
- Information about the appointment of new Board Members and the diversity, skills and attributes of all Board Members.

15.4 When establishing and reviewing remuneration packages for Executive Officers, the Remuneration and Executive Selection Committee will take into consideration the following:

- Market comparisons (including benchmarking) drawn from analysis of similar organisations.

- That pay and benefits are in line with the Group's overall remuneration policy and are proportionate to Midland Heart's size, complexity, level of risk and resources and align with Midland Heart's purpose and wider reputation.
- Impact of the overall pay and executive costs on the Group's management costs.
- The overall performance of Midland Heart and the successful delivery of the Group's long term strategy.

15.5 The remuneration package paid to the Executive Team shall be stated in Midland Heart's annual audited accounts.

15.6 When establishing terms and conditions for Executive Officers, the Remuneration and Executive Selection Committee will take into consideration the following:

- The desire to attract above average talent to improve performance.
- Pay and benefits are based upon a system which ensures that the obligations of meeting equality legislation are delivered.
- Additional benefits (e.g. car allowance, health insurance) are in line with market comparisons.
- Payments in lieu of notice do not exceed contractual levels.
- Any payments linked to performance should be reviewed annually against performance levels.
- Severance payments are reasonable and fair and need to be approved by the Main Board with costs, reasons and reputational risks associated with the decision minuted.

16.0 Contracts and Use of the Company Seal

16.1 Each Executive Director shall ensure systems and processes are in place to ensure that their functions only commit Midland Heart via authorised and experienced staff, in line with the Group's procurement processes and the Financial Regulations contained within Part 4 of this Governance Framework. In particular, the requirements of law, regulators and funders must be met.

16.2 Where an agreement has no consideration (nothing of discernible value is being given by one of more of the parties), the agreement shall be a deed and Midland Heart shall execute the document as a deed using one of the following methods:

- the society seal shall be used to execute the deed (and it shall be affixed in accordance with the signing and sealing policy detailed in Appendix B); or
- two Board Members or one Board Member and the Secretary shall sign the deed (either virtually or as specified);

the signature of an individual or individuals authorised by a valid power of attorney granted by the Board of Midland Heart to execute deeds on behalf of Midland Heart, with each signature

being duly witnessed.

16.3 Some specific agreements must be executed as a deed (generally property transactions that require filing with the Land Registry) and an original of the signed or sealed document must be retained by the relevant business unit for safekeeping (or in such other place as the Company Secretary shall direct and record). A register of all deeds entered into and of all land or interests in land disposed of shall be maintained by the Company Secretary and produced to each meeting of the Main Board.

16.4 Details of the delegated authorities to sign legally binding contracts and other documents and deeds are detailed in **Appendix B**.

17.0 Information Governance

17.1 The Group is committed to ensuring that all information held is accurate, up to date and held safely in accordance with the Group's legal obligations and regulatory requirements. There are clear legal obligations regarding information governance and data security which are detailed within key Group policies.

17.2 All staff and Board and Committee members are required to pay due regard to the confidentiality of company and customer information and the policies and procedures in place and to ensure they do not do, or omit to do, anything which could cause the Group to breach its legal obligations regarding information governance and data protection.

17.3 The Company Secretary is responsible for maintaining a framework for the storage, processing and retention of customer and staff records in line with the Data Protection Act 2018 and other relevant regulatory and legal requirements (including GDPR and access to information rights which form part of the Regulator's Consumer Standards, once in force). Staff responsibilities are clearly communicated and training is in place, along with monitoring and reporting of adherence to the framework.

18.0 Insurance Arrangements

18.1 In conjunction with other Executive Directors, the Executive Director of Finance & Growth shall ensure that the Group has adequate insurance provision and loss control measures in place to ensure no significant financial losses are sustained to its assets. The Chief Executive approves the annual insurance arrangements and premium. The Audit & Risk Committee also has oversight of the adequacy of the Group's insurance arrangements via consideration of an annual insurance report.

19.0 Resilience

- 19.1 The Group maintains an effective framework of resilience to ensure that plans are in place in the event of service disruption to ensure continuity of service to customers. Ownership of the framework, which includes incident management and business continuity and links to IT disaster recovery, is the responsibility of the Executive Director of Corporate Resources.
- 19.2 Key elements of the resilience framework are regularly tested to ensure that arrangements in place remain current. Each Functional Director is responsible for championing resilience within their remits and ensuring that up to date resilience plans are in place in their areas. Operational oversight of resilience is undertaken by the Executive and Directors Group. The Audit & Risk Committee also provides oversight of resilience arrangements and reports any significant concerns to the Board as and when required.

PART FOUR

Financial Regulations

1.0 Introduction

1.1 Sitting above the delegations contained within these Financial Regulations is the approval of the annual budget by the Main Board. This is an umbrella approval where the Main Board considers alignment of the budget to the Strategic Objectives and Mission of Midland Heart and to the long-term financial plan. This does not provide any authority to commit to spend individual items within the budget, as this is acquired by adherence to the Financial Regulations, detailed below.

1.2 The key principle within the financial delegations is to ensure proper segregation of duties between commitment to spend and payment. These are the financial delegations which are approved by the Main Board and staff must comply with these.

2.0 Authorisation to Order Goods and Services

2.1 This is the approval that allows a legal commitment to be entered into for goods or services for which Midland Heart is either in receipt of or delivering. Details of the authorities are shown in **Appendix C**.

3.0 Authorisation to Pay for Goods and Services

3.1 This is confirmation that the goods or services have been received or delivered and that payment to the supplier can be made. Only an individual or body who has personal knowledge of delivery of the service or goods and is satisfied that this has been received / delivered in line with the contract can perform this approval and must be different from the person who gave approval to commit to the spend.

4.0 Payment

4.1 All payments are made by Finance and can be via a variety of means, such as faster payments (TTs), BACs or cheque. On receipt of an approval for payment, Finance will follow the instruction as provided but check the input of the information onto the payment system.

4.2 In the case of external suppliers, the contractor must be set up as a supplier within Open Accounts/eBis, Northgate and other core systems before any payments can be made to the contractor. The approval to pay is processed through these systems,

and transaction data is automatically transferred through to Open Accounts. This holds the supplier data and is maintained by the central Procurement Team, thereby adding another layer of segregation within the payment process. The Finance Team need to check that the instruction has transferred / input accurately and then submit the payment to the bank.

4.3 There are also other means of payment, such as procurement cards. The Government Procurement Card Guidance is in place and outlines the way in which procurement cards are allocated.

4.4 Details of approval levels are set out in **Appendix D**.

5.0 **Emergency Approvals**

5.1 The Chief Executive (or in his/her absence, his/her Deputy) shall retain authority to exercise any financial commitment he/she wishes under emergency circumstances. Such circumstances shall be limited to:

- averting the risk of loss of life or limb
- preventing a breach of law or regulation
- preventing the incurring of significant additional expenditure at a later date.

5.2 The Chief Executive's emergency approvals power can only be utilised if all other approvals within this document have been exhausted. Any such action requires approval (preferably before but can be given retrospectively in exceptional circumstances) from either the Chair or Deputy Chair / Senior Independent Director of the Main Board and shall be reported to the Main Board and any other interested body as soon as is reasonably possible.

6.0 **Budget Holders and Executive Director Delegation**

6.1 Executive Directors will allocate parts of their budget to staff in their area on a permanent basis, whilst retaining oversight. For example, a scheme manager will have a local budget for the scheme and will be responsible for managing this. These arrangements **MUST** be clearly documented by the Executive Director and communicated to Finance. Finance will then be able to ensure that the right approval has been received for expenditure, before payment is made.

7.0 Records

7.1 Files or computer-based records shall be properly maintained with copies of appropriate approvals included so that Midland Heart and its advisers can check that the Financial Regulations and control framework are being complied with. Records shall only be kept for the retention period for that record type stated in the Information Asset Register.

8.0 Financial Tables

8.1 At **Appendices C & D** are the financial tables which set out the levels of authority required to commit to expenditure and income and to make payments.

ABBREVIATIONS/DEFINITIONS

CBS	Community Benefit Society
CH	Companies House
CIPFA	Chartered Institute of Public Finance and Accountancy
CLG	Company Limited By Guarantee
CLS	Company Limited By Shares
FCA	Financial Conduct Authority
FGC	Finance and Growth Committee
MAA	Memorandum and Articles of Association
MHC	Midland Heart Capital plc
MHDL	Midland Heart Development Limited
PLC	Public Limited Company
Regulator	The Regulator of Social Housing
RP	Registered Provider
SID	Senior Independent Director

APPENDICES

A – Boards and Committees Terms of Reference

B – Delegated Signatories

C – Financial Table – Commitment to Expenditure/Income

D – Financial Table – Approval of Payment