

# Northern College

## Financial Regulations

<b>APPROVED BY:</b>	BOARD OF GOVERNORS
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## **1. Background**

- 1.1. The College is a designated institution created under the provisions of the Further and Higher Education Act 1992. Its structure of governance is laid down in the memorandum and articles of government. The College is accountable through its Board of Governors, which has ultimate responsibility for all the College's activities.
- 1.2. The College is a registered charity for the purposes of the Charities Act 1993, as amended by the Charities Act 2011.
- 1.3. The Financial Memorandum between the funding body and the College sets out the terms and conditions on which grant is made. The Board of Governors is responsible for ensuring that conditions of grant are met. As part of this process, the College must adhere to the funding body's audit code of practice, which requires it to have sound systems of financial and management control. The Financial Regulations of the College form part of this overall system of accountability.
- 1.4. From 29<sup>th</sup> November 2022 FE Colleges were reclassified as public sector and as such are required to adhere to Managing Public Money (MPM) rules. Any borrowing and amendments to existing agreements require formal written consent by DfE in advance of committing to any new financing arrangements or actioning any new drawdowns of overdrafts, RCF's or loans.

More detailed guidance is available in this document [Bite-size guides to aid colleges in meeting new requirements following reclassification - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/bite-size-guides-to-aid-colleges-in-meeting-new-requirements-following-reclassification)

## **2. Status of Financial Regulations**

- 2.1. This document sets out the College's Financial Regulations. It translates into practical guidance the College's broad policies relating to financial control. It applies to the College and any subsidiary undertakings.
- 2.2. These financial regulations are subordinate to the College's memorandum and articles of government and to any restrictions contained within the College's Financial Memorandum with the funding body and the funding body's audit code of practice.
- 2.3. The purpose of these financial regulations is to provide control over the totality of the College's resources and provide management with assurances that the resources are being properly applied for the achievement of the College's strategic plan and business objectives:
  - 2.3.1. financial viability;
  - 2.3.2. achieving value for money;
  - 2.3.3. fulfilling its responsibility for the provision of effective financial controls over the use of

public funds;

2.3.4. ensuring that the College complies with all relevant legislation;

2.3.5. safeguarding the assets of the College.

- 2.4. Compliance with the financial regulations is compulsory for all staff (including agency staff) connected with the College. A member of staff who fails to comply with the financial regulations may be subject to disciplinary action under the College's disciplinary policy. The Board of Governors will be notified of any such breach through the Audit Committee. It is the responsibility of Executive Leadership Team members to ensure that their staff are made aware of the existence and content of the College's financial regulations.
- 2.5. The Policy and Finance and Audit Committees are responsible for reviewing the financial regulations, through the Deputy Principal & CFO, and for advising the Board of Governors of any additions or changes necessary.
- 2.6. In exceptional circumstances, the Policy and Finance Committee may authorise a departure from the detailed provisions herein, such departure to be reported to the Board of Governors at the earliest opportunity.
- 2.7. The College's detailed financial procedures detail how these regulations will be implemented and are contained in a separate manual which is available to all departments.

### **3. The Board of Governors**

- 3.1. The Board of Governors has ultimate responsibility for all the College's activities. Its specific financial responsibilities are to:
- 3.1.1. ensure the solvency of the College and the safeguarding of its assets;
  - 3.1.2. appoint, grade, suspend, dismiss and determine the pay and conditions of service of the Principal and other senior post-holders;
  - 3.1.3. set a framework for pay and conditions of service of all other staff;
  - 3.1.4. ensure that the financial, planning and other management controls, including controls against fraud and theft, applied by the College are appropriate and sufficient to safeguard public funds;
  - 3.1.5. approve the appointment of external auditors and an internal audit service (if required – see point 15.6);
  - 3.1.6. secure the efficient, economical and effective management of all the College's resources and expenditure, capital assets and equipment, and staff, so that the investment of public funds in the College is not put at risk;
  - 3.1.7. ensure that appropriate financial considerations are taken into account at all stages in reaching decisions and in their execution;
  - 3.1.8. plan and conduct its financial and academic affairs so that its total income is sufficient to meet its total expenditure;
  - 3.1.9. approve an annual budget before the start of each financial year;
  - 3.1.10. determine tuition fees;
  - 3.1.11. ensure that the College complies with the funding body's audit code of practice;
  - 3.1.12. approve the College's strategic plan;
  - 3.1.13. approve the annual financial statements.

### **4. Accounting Officer**

- 4.1. The Principal is the College's designated officer and is responsible for ensuring the financial administration of the College's affairs in accordance with the financial memorandum with the funding body. As the designated officer, the Principal may be required to justify any of the College's financial matters to the Public Accounts Committee at the House of Commons.
- 4.2. The Principal shall demonstrate their oversight of financial matters by signing the balance sheet and the statement of corporate governance within the annual financial statements, and the financial forecasts submitted to the funding body.

## 5. Committee Structure

- 5.1. The Board of Governors has ultimate responsibility for the College's finances, but delegates specific powers and processes to the committees detailed below. These committees are accountable to the Board of Governors.

### **Policy and Finance Committee**

- 5.2. Monitoring of the College's financial position and financial control systems is undertaken by the Policy and Finance Committee. The committee will examine annual estimates and accounts (including the accounting policies upon which they are based) and recommend their approval to the Board of Governors. It will ensure that short-term budgets are in line with agreed longer-term plans and that they are followed. It will consider any other matters relevant to the financial duties of the Board of Governors and make recommendations accordingly. The committee will also ensure that the Board of Governors has adequate information to enable it to discharge its financial responsibilities. The Policy and Finance Committee's terms of reference can be found on the College website.
- 5.3. The Policy and Finance Committee is responsible for ensuring that all the financial implications of the College's strategic plan are taken into account before their approval by the Board of Governors. In addition, it is responsible for considering the College's capital program before it can be recommended to the Board of Governors for approval. Similarly, it considers and makes recommendations to the Board of Governors on the allocation of resources between academic and non-academic areas.

### **Audit Committee**

- 5.4. Colleges are required by their financial memorandum with the funding body and by the funding body's audit code of practice to appoint an Audit Committee. The committee is independent, advisory and reports to the Board of Governors. It has the right of access to obtain all the information it considers necessary and to consult directly with the internal and external auditors. The committee is responsible for identifying and approving appropriate performance measures for internal and external audit and for monitoring their performance. It must also satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness. The Audit Committee's terms of reference can be found on the College website. The audit requirements of the College are set out in the funding body's audit code of practice.

### **Remuneration Committee**

- 5.5. Consideration of senior post holder pay and conditions is the responsibility of the Remuneration Committee. It has the power to make recommendations to the Board of Governors on their remuneration, including pay and other benefits, as well as contractual arrangements.

- 5.6. In line with Managing Public Money (MPM) requirements senior pay advertised at or above £150,000 or performance related pay above £17,500 must be approved by DfE in advance. Further guidance can be found [Senior pay controls for colleges - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

## 6. Other Senior Post Holders with Financial Responsibility

### Deputy Principal & Chief Finance Officer (CFO)

- 6.1. Day-to-day financial administration is controlled by the Deputy Principal & CFO, who is responsible to the Principal for:
- 6.1.1. preparing annual capital and revenue budgets and financial plans;
  - 6.1.2. preparing accounts, management information, monitoring and control of expenditure against budgets and all financial operations;
  - 6.1.3. preparing the College's annual accounts and other financial statements and accounts which the College is required to submit to other authorities;
  - 6.1.4. ensuring that the College maintains satisfactory financial systems;
  - 6.1.5. providing professional advice on all matters relating to financial policies and procedures;
  - 6.1.6. day-to-day liaison with internal and external auditors in order to achieve efficient processes.

### College leadership team

- 6.2. Other members of the college leadership team are responsible to the Principal for the financial management of the areas or activities they control. They are advised by the Deputy Principal & CFO in executing their financial duties. The Deputy Principal & CFO will also approve and supervise the financial systems operating within their departments, including the form in which accounts and financial records are kept. Executive leadership team members are responsible for establishing and maintaining clear lines of responsibility within their department for all financial matters. Where resources are further devolved to budget holders, they are accountable to their manager for their own budget.
- 6.3. College leadership team members shall provide the Deputy Principal & CFO with such information as may be required to enable:
- 6.3.1. compilation of the College's financial statements;
  - 6.3.2. implementation of financial planning;
  - 6.3.3. implementation of audit and financial reviews, projects and value for money studies.

## 7. All members of staff

- 7.1. All members of staff should be aware and have a general responsibility for the security of College property, for avoiding loss and for due economy in the use of resources.

- 7.2. They should ensure that they are aware of the College's financial authority limits (see 21.2) and the values of purchases for which quotations and tenders are required (see 21.13).
- 7.3. They shall make available any relevant records or information to the Deputy Principal & CFO or his or her authorised representative in connection with the implementation of the College's financial policies, these financial regulations and the system of financial control.
- 7.4. They shall provide the Deputy Principal & CFO with such financial and other information as they may deem necessary, from time to time, to carry out the requirements of the Board of Governors.
- 7.5. They shall immediately notify the Deputy Principal & CFO whenever any matter arises which involves, or is thought to involve, irregularities concerning, *inter alia*, cash or property of the College. The Deputy Principal & CFO shall take such steps as they consider necessary by way of investigation and report.

## 8. Risk Management

- 8.1. The College acknowledges the risks inherent in its business and is committed to managing those risks that pose a significant threat to the achievement of its business objectives and financial health.
- 8.2. The Board of Governors has overall responsibility for ensuring there is a risk management strategy and a common approach to the management of risk throughout the College through the development, implementation and embedding within the organisation of a formal, structured risk management process.
- 8.3. In line with this, the Board of Governors is required to ensure that the risk management strategy and supporting procedures include:
  - 8.3.1. the adoption of common terminology in relation to the definition of risk and risk management;
  - 8.3.2. the establishment of College-wide criteria for the measurement of risk, linking the threats to their potential impact and the likelihood of their occurrence together with a sensitivity analysis;
  - 8.3.3. a decision on the level of risk to be accepted, together with tolerance levels expressed in terms of measurable outcomes (see above);
  - 8.3.4. a decision on the level of risk to be covered by insurance (see 23.1);
  - 8.3.5. detailed regular review at department or support function level to identify significant risks associated with the achievement of key objectives and other relevant areas;
  - 8.3.6. development of risk management and contingency plans for all significant risks, to include a designated 'risk owner' who will be responsible and accountable for managing the risk in question;
  - 8.3.7. regular reporting to the Board of Governors of all risks above established tolerance levels;



8.3.8. an annual review of the implementation of risk management arrangements.

8.4. The strategy and procedures must be capable of independent verification.

8.5. Executive leadership team members must ensure that any agreements negotiated within their departments, with external bodies, cover any legal liabilities to which the College may be exposed. Where needed, legal advice should be sought to ensure that this is the case.

## **9. Whistleblowing (Public Interest Disclosure)**

9.1. Whistleblowing in the context of the Public Interest Disclosure Act is the disclosure by an employee regarding wrong-doing, risk or malpractice in the workplace. For a disclosure to be protected by the Act's provisions it must be a 'qualifying' disclosure. The full procedure for whistleblowing is set out in the College's Whistleblowing (Public Interest Disclosure) Policy and Procedure, which is available on the College web site.

## **10. Code of Conduct**

10.1. The College is committed to the highest standards of openness, integrity and accountability. It seeks to conduct its affairs in a responsible manner, having regard to the principles established by the Committee on Standards in Public Life (formerly known as the Nolan Committee), which members of staff at all levels are expected to observe.

10.2. Additionally, members of the Board of Governors, senior management or those involved in procurement are required to disclose interests in the College's register of interests maintained by the Clerk to the Governors. They will also be responsible for ensuring that entries in the register relating to them are kept up to date regularly and promptly, as prescribed by the Clerk to the Governors.

10.3. In particular, no person shall be a signatory to a College contract where he or she also has an interest in the activities of the other party.

## **11. Receiving gifts or hospitality**

11.1. It is an offence under the Bribery Act 2010 for members of staff to offer, accept or corruptly receive any gift or consideration as an inducement or reward for doing, or refraining from doing, anything in an official capacity or showing favour or disfavour to any person in an official capacity.

11.2. The guiding principles to be followed by all members of staff must be:

11.2.1. the conduct of individuals should not create suspicion of any conflict between their official duty and their private interest;

11.2.2. the action of individuals acting in an official capacity should not give the impression (to

any member of the public, to any organisation with whom they deal or to their colleagues) that they have been (or may have been) influenced by a benefit to show favour or disfavour to any person or organisation.

- 11.3. Thus, members of staff should not accept any gifts, rewards or hospitality (or have them given to members of their families) from any organisation or individual with whom they have contact in the course of their work that would cause them to reach a position whereby they might be, or might be deemed by others to have been, influenced in making a business decision as a consequence of accepting such hospitality. The frequency and scale of hospitality accepted should not be significantly greater than the College would be likely to provide in return.
- 11.4. When it is not easy to decide between what is and what is not acceptable in terms of gifts or hospitality, the offer should be declined or advice sought from the Deputy Principal & CFO. For the protection of those involved, the Clerk to the Governors will maintain a register of gifts and hospitality received where the value is in excess of £50. Members of staff in receipt of such gifts or hospitality are obliged to notify the Clerk to the Governors promptly.

## **12. Financial Planning**

12.1. The Deputy Principal & CFO is responsible for preparing annually a rolling three year financial plan for approval by the Board of Governors on the recommendation of the Policy and Finance Committee and for preparing financial forecasts for submission to the funding body. Financial plans should be consistent with the strategic plans and property strategy approved by the Board of Governors.

### **Financial objectives**

12.2. The Board of Governors will set financial objectives for the College. These will help the Deputy Principal & CFO in preparing more detailed financial plans for the College.

### **Resource allocation**

12.3. Resources are allocated annually by the Board of Governors on the recommendation of the Policy and Finance Committee, and on the basis of the above objectives. The executive leadership team are responsible for the economic, effective and efficient use of resources allocated to them.

### **Budget preparation**

12.4. The Deputy Principal & CFO is responsible for preparing each year an annual revenue budget incorporating any capital program for consideration by the Policy and Finance Committee before submission to the Board of Governors. The budget should also include monthly cash flow forecasts for the year and a projected year-end balance sheet. The Deputy Principal & CFO must ensure that detailed budgets are prepared in order to support the resource allocation process and that these are communicated to executive leadership team members as soon as possible following their approval by the Board of Governors.

12.5. During the year, the Deputy Principal & CFO is responsible for submitting revised budget outturns to the Policy and Finance Committee for consideration before submission to the Board of Governors for approval.

### **Capital Programs**

12.6. A capital program includes all expenditure on land, buildings, equipment, furniture and associated costs whether or not they are funded from capital grants or capitalised for inclusion in the College's financial statements. Expenditure of this type can only be considered as part of the capital program approved by the Board of Governors.

12.7. The Deputy Principal & CFO will establish protocols for the inclusion of capital projects in the capital program for approval by the Board of Governors. These will set out the information that is required for each proposed project as well as the financial criteria that they are required to meet.

- 12.8. The Deputy Principal & CFO is responsible for providing regular statements concerning all capital expenditure to the Policy and Finance Committee for monitoring purposes.

### **Overseas activity**

- 12.9. Overseas activity cannot take place without prior written consent from the Principal. In planning and undertaking overseas activity the College must have due regard to the relevant guidelines issued by the funding body, in particular with regards to controls laid down in the College's bribery policy, particularly in any dealings relating to the recruitment of overseas students or income and the College's current policy on authorisation for overseas travel.

### **Other major developments**

- 12.10. Any new major aspect of business, or proposed establishment of a company or joint venture, which will require an investment in buildings, resources or staff time of more than £100,000, should be presented for approval to the Policy and Finance Committee.
- 12.11. All substantial arrangements entered into for business purposes whether extending the College's provision or of a commercial nature must be approved by the Board of Governors on the basis of a full business plan. These arrangements should be subject to annual reports to the Board with more regular reporting where there are high risk factors such as heavy reliance upon third parties, activity distant from the main campus, or involvement in the provision of non-educational goods or services.
- 12.12. The Deputy Principal & CFO will establish protocols for these major developments to enable them to be considered for approval by the Board of Governors. These will set out the information that is required for each proposed development as well as the financial criteria that they are required to meet.
- 12.13. The relevant executive leadership team member must provide the Policy and Financial Committee with a report each year on the progress of each subsidiary or associate company and the rationale behind its continuing existence.

## **13. Financial Control**

### **Budgetary control**

- 13.1. The control of income and expenditure within an agreed budget is the responsibility of the designated budget holder, who must ensure that day-to-day monitoring is undertaken effectively. Budget holders are responsible to their executive leadership team member for the income and expenditure appropriate to their budget.
- 13.2. Significant departures from agreed budgetary targets must be reported immediately to the Deputy Principal & CFO by the executive leadership team member concerned and, if necessary, corrective action taken.

## **Financial information**

- 13.3. The budget holders are assisted in their duties by management information provided by the Head of Finance. The types of management information available to the different levels of management are described in the detailed financial procedures, together with the timing at which they can be expected.
- 13.4. The Deputy Principal & CFO is responsible for supplying budgetary reports on all aspects of the College's finances to the Policy and Finance Committee on a basis determined by the Policy and Finance Committee but subject to any specific requirements of the funding body. These reports are presented to the Board of Governors, which has overall responsibility for the College's finances.

## **Changes to the approved budget**

- 13.5. Changes proposed to the approved budget will be first considered by the Policy and Finance Committee, which will make proposals to the Board of Governors.

## **Treatment of year-end balances**

- 13.6. At the year end, budget holders will not normally have the authority to carry forward a balance on their budget to the following year.

# **14. Accounting Arrangements**

## **Financial year**

- 14.1. The College's financial year will run from 1 August until 31 July the following year.

## **Basis of accounting**

- 14.2. The consolidated financial statements are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards.

## **Format of the financial statements**

- 14.3. The financial statements are prepared in accordance with the Statement of Recommended Practice *Accounting for Further and Higher Education*, subject to any specific requirements of the funding body, and in accordance with the provisions of the Companies Act.

## **Capitalisation and depreciation**

- 14.4. New land and buildings will be recorded in the balance sheet at actual build or acquisition cost, except where they are received as gifts, where they will normally be recorded at depreciated replacement value. Buildings will be depreciated in equal instalments over their estimated remaining useful life. Land will not be depreciated.

- 14.5. Expenditure incurred on the acquisition of assets other than land and buildings will be recorded in the balance sheet where the acquisition cost per item is £1,500 or more. Grouped items (e.g. a suite of computers) with an individual value of less than £1,500, but a group value of £1,500 or more, will be capitalised. Capitalised assets other than land and buildings will be depreciated according to their expected life, commencing in the year of acquisition.

### **Accounting records**

- 14.6. The Deputy Principal & CFO is responsible for the retention of financial documents. These should be kept in a form that is acceptable to the relevant authorities.

- 14.6.1. The College is required by law to retain prime documents for seven years. These include:

- official purchase orders;
- paid invoices;
- accounts raised;
- bank statements;
- copies of receipts;
- paid cheques;
- payroll records, including part-time lecturers' contracts.

- 14.7. The Deputy Principal & CFO will make appropriate arrangements for the retention of electronic records.

- 14.8. Members of staff should ensure that retention arrangements comply with any specific requirements of funding organisations and the College's document retention policy schedule.

- 14.9. Additionally, for auditing and other purposes, other financial documents should be retained for seven years or as determined by the funder.

### **Freedom of Information**

- 14.10. As a public body, the College is required under the Freedom of Information Act to supply information, reasonably requested as to content and volume, to external organisations and individuals. The details of the College's compliance and response are included in the College's Freedom of Information publication scheme. All responses to requests under the Freedom of Information Policy are dealt with by the Data Protection Officer.

## Public access

- 14.11. Under the terms of the Charities Act 1993, the Board of Governors is required to supply any person with a copy of the College's most recent financial statements within two months of a request. Therefore, the College's financial statements will be published on the College website for viewing.

## Taxation

- 14.12. The Deputy Principal & CFO is responsible for advising or sourcing the advice required by executive leadership team members, in the light of guidance issued by the appropriate bodies and relevant legislation as it applies, on all taxation issues, to the College. Therefore, the Deputy Principal & CFO will issue instructions to teams on compliance with statutory requirements including those concerning VAT, PAYE, National Insurance, Corporation Tax and Import Duty.
- 14.13. The Deputy Principal & CFO is responsible for maintaining the College's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

## Novel, Contentious and Repercussive Transactions

- 14.14. Following the ONS reclassification of Colleges to Public Sector, Colleges are required to follow the overall financial control framework for all central government bodies. Managing Public Money (MPM) provides a framework for financial oversight, whereby the majority of financial decision-making is delegated to operational leadership in organisations. However, there are certain classes of transactions where decision-making is never delegated and this includes transactions that are novel, contentious or repercussive
- 14.15. This restriction does not mean that all such transactions are forbidden, only that the college does not have the authority to enter into them without permission from DfE. Consequently, all such transactions must always be referred to DfE for approval, and the request **must** be made before the transaction occurs. DfE may refer such requests to HM Treasury for approval, so colleges should allow sufficient time for proposals to be considered.
- Novel transactions are those of which the college has no experience or are outside its range of normal business.
  - Contentious transactions are those that might cause criticism of the college by Parliament, the public or the media.
  - Repercussive transactions are those that may have wider financial implications for the sector or which appear to create a precedent.
- 14.16. There is no financial threshold relating to these transactions, as such all require approval regardless of value. Further, colleges should assess these matters objectively: if a transaction could reasonably be considered to be novel, contentious or repercussive, then it must be treated as such. Further guidance can be found: [College requirements for novel, contentious and repercussive transactions - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

## 15. Audit Requirements

### General

- 15.1. External auditors and internal auditors (where appointed) shall have authority to:
  - 15.1.1. access College premises at reasonable times;
  - 15.1.2. access all assets, records, documents and correspondence relating to any financial and other transactions of the College;
  - 15.1.3. require and receive such explanations as are necessary concerning any matter under examination;
  - 15.1.4. require any employee of the College to account for cash, stores or any other College property under his or her control;
  - 15.1.5. access records belonging to third parties, such as contractors, when required.
- 15.2. The Deputy Principal & CFO is responsible for drawing up a timetable for final accounts purposes and will advise staff and the external auditors accordingly.
- 15.3. The financial statements should be reviewed by the Audit and Policy and Finance Committees. On the recommendation of the committees they should then be submitted to the Board of Governors for approval.

### External audit

- 15.4. The appointment of external auditors for the main financial statements of the College will take place annually. On the recommendation of the Audit Committee this will be submitted to the Board of Governors for approval.
- 15.5. The primary role of this external audit is to report on the College's financial statements and to carry out such examination of the statements and underlying records and control systems as are necessary to reach their opinion on the statements and to report on the appropriate use of funds. Their duties will be in accordance with advice set out in the funding body's audit code of practice and the auditing practices board's statements of auditing standards.

### Internal audit

- 15.6. The requirement for an internal audit service will be considered and appointed by the Board of Governors on the recommendation of the Audit Committee. Where there is no internal audit service it is the Audit Committee's responsibility to ensure there is sufficient and objective assurance on the adequacy and effectiveness of the College's internal control system.



- 15.7. Where an internal audit service is appointed it will remain independent in its planning and operation but has direct access to the Board of Governors, Principal and chair of the Audit Committee. The internal auditor will also comply with the auditing practices board's auditing guideline *Guidance for Internal Auditors*.

### **Fraud and corruption**

- 15.8. It is the duty of all members of staff, management and the Board of Governors to notify the Deputy Principal & CFO immediately whenever any matter arises which involves, or is thought to involve, irregularity, including fraud, corruption or any other impropriety.
- 15.9. The Deputy Principal & CFO shall immediately invoke a fraud response plan as per the College's policy and procedures on fraud.
- 15.10. If the suspected fraud is thought to involve the Deputy Principal & CFO and/or the Principal, the member of staff shall notify the Chair of the Audit Committee direct of their concerns regarding irregularities.

### **Value for money**

- 15.11. It is a requirement of the financial memorandum that the Board of Governors of the College is responsible for delivering value for money from public funds. It should keep under review its arrangements for managing all the resources under its control, taking into account guidance on good practice issued from time to time by the funding body, the National Audit Office, the Public Accounts Committee or other relevant bodies.

### **Other auditors**

- 15.12. The College may, from time to time, be subject to audit or investigation by external bodies such as the funding body, National Audit Office, European Court of Auditors, HM Revenue & Customs. They have the same rights of access as external and internal auditors.

## **16. Treasury Management**

- 16.1. From 29th November 2022, FE Colleges were reclassified as public sector and as such are required to adhere to Managing Public Money (MPM) rules. Any borrowing and amendments to existing agreements require formal written consent by DfE in advance of committing to any new financing arrangements or actioning any new drawdowns of overdrafts, RCF's or loans. Further details of new arrangements are detailed in the Dear Accounting Officer letter sent to all Colleges.

[DAO letter - FINAL FOR ISSUE - 28112022.pdf \(publishing.service.gov.uk\)](#)

### **Treasury management policy**

- 16.2. The Policy and Finance Committee is responsible for approving a treasury management policy

(based on CIPFA's *Treasury Management in the Public Services: Code of Practice*) setting out a strategy and policies for cash management, long-term investments and borrowings. This may require compliance with funding body rules regarding approval for any secured or unsecured loans that go beyond the general consent levels set out in the financial memorandum. The Policy and Finance Committee has a responsibility to ensure implementation, monitoring and review of such policies.

- 16.3. All executive decisions concerning borrowing, investment or financing (within policy parameters) shall be delegated to the Deputy Principal & CFO and an appropriate reporting system set up. All borrowing shall be undertaken in the name of the College and shall conform to any relevant funding body requirements. The Deputy Principal & CFO and his or her staff are required to act in accordance with CIPFA's *Code of Practice*.
- 16.4. The Deputy Principal & CFO will report to the Policy and Finance Committee annually on the activities of the treasury management operation for the previous year and on the exercise of treasury management powers delegated to them.

#### **Appointment of bankers and other professional advisers**

- 16.5. The Board of Governors is responsible for the appointment of the College's bankers and other professional financial advisers (such as investment managers) on the recommendation of the Policy and Finance Committee. The appointment shall be reviewed periodically in line with the treasury management policy.

#### **Banking arrangements**

- 16.6. The Deputy Principal & CFO is responsible, on behalf of the Policy and Finance Committee, for liaising with the College's bankers in relation to College bank accounts and the issue of cheques. All cheques shall be ordered on the authority of the Deputy Principal & CFO, who shall make proper arrangements for their safe custody.
- 16.7. Only the Deputy Principal & CFO may open or close a bank account for dealing with College funds. All bank accounts shall be in the name of the College or one of its subsidiary companies.
- 16.8. All cheques drawn on behalf of the College must be signed in the form approved by the Policy and Finance Committee. Details of authorised persons and limits shall be provided for in the College's detailed Financial Procedures.
- 16.9. All automated transfers on behalf of the College, such as BACS or CHAPS, must be authorised in the appropriate manner. Details of authorised persons and limits shall be provided for in the College treasury management policy.
- 16.10. The Deputy Principal & CFO is responsible for ensuring that all bank accounts are subject to regular reconciliation and that large or unusual items are investigated as appropriate.

## 17. Income

### General

- 17.1. The Deputy Principal & CFO is responsible for ensuring that appropriate procedures are in operation to enable the College to receive all income to which it is entitled. All receipt forms, invoices, tickets or other official documents in use and electronic collection systems must have the prior approval of the Deputy Principal & CFO.
- 17.2. Levels of charges for contract research, services rendered, goods supplied and rents and lettings are determined by procedures approved by the Policy and Finance Committee, and are approved by the Board of Governors.
- 17.3. The Deputy Principal & CFO is responsible for the prompt collection, security and banking of all income received.
- 17.4. The Deputy Principal & CFO is responsible for ensuring that all grants notified by the funding body and other bodies are received and appropriately recorded in the College's accounts.
- 17.5. The Deputy Principal & CFO is responsible for ensuring that all claims for funds, including research grants and contracts, are made by the due date.

### Maximisation of income

- 17.6. It is the responsibility of all staff to ensure that revenue to the College is maximised by the efficient application of agreed procedures for the identification, collection and banking of income. In particular, there requires the prompt notification to the Deputy Principal & CFO of sums due so that collection can be initiated.

### Receipt of cash, cheques and other negotiable instruments

- 17.7. All monies received within departments from whatever source must be recorded by the department on a daily basis together with the form in which they were received, for example cash, cheques and other negotiable instruments.
- 17.8. All monies received must be paid to the cashier promptly, and in accordance with a timetable prescribed by the Deputy Principal & CFO and set out in financial procedures. The custody and transit of all monies received must comply with the requirements of the College's insurers.
- 17.9. All sums received must be paid in and accounted for in full, and must not be used to meet miscellaneous departmental expenses or be paid into the departmental petty cash float, unless authorised by the Deputy Principal & CFO. Personal or other cheques must not be cashed out of money received on behalf of the College.

### Receipts by credit or debit card

17.10. The College may receive payments only by debit or credit card using procedures approved by the Deputy Principal & CFO.

### **Paypal**

17.11. Any member of staff wishing to arrange for payment to be made to the College by the Paypal facility should seek guidance from the Head of Finance.

### **Collection of debts**

17.12. The Deputy Principal & CFO will ensure that:

17.12.1. debtors invoices are raised promptly on official invoices, in respect of all income due to the College;

17.12.2. invoices are prepared with care, recorded in the ledger, show the correct amount due and are credited to the appropriate income account;

17.12.3. any credits granted are valid, properly authorised and completely recorded;

17.12.4. VAT is correctly charged where appropriate, and accounted for;

17.12.5. monies received are posted to the correct debtors account;

17.12.6. swift and effective action is taken in collecting overdue debts, in accordance with the protocols noted in the financial procedures;

17.12.7. outstanding debts are monitored and reports prepared for management.

17.13. Only the Deputy Principal & CFO can implement credit arrangements and indicate the periods in which different types of invoice must be paid.

17.14. Writing off of any debts should be considered under the guidance for Managing Public Money (MPM), the College must consider and clearly document:

17.14.1. The circumstances

17.14.2. Reasons/rationale

17.14.3. Cost effectiveness

17.14.4. Good/bad faith

17.14.5. Fraud

17.14.6. Internal Controls

17.15. Colleges have delegated authority to write off debts up to a certain individual and cumulative limit, beyond this they must be referred to the DfE for approval in advance. DfE approval will only be required where:

17.15.1. The write off exceeds 1% of annual income or £45k individually (whichever is smaller)

- 17.15.2. Or the write-off takes the College cumulative total write offs for the academic year to beyond 5% of its annual income or £250k (whichever is smaller)
- 17.16. Additionally, the College must seek DfE approval, irrespective of amount if they identify losses and write-offs which may:
- 17.16.1. Involve important questions of principle
  - 17.16.2. Raise doubts around the effectiveness of existing systems
  - 17.16.3. Contain lessons of wider interest
  - 17.16.4. Are novel, contentious or repercussive
  - 17.16.5. Might create a precedent for other Colleges in similar circumstances or
  - 17.16.6. Arise because of obscure or ambiguous instructions centrally
- 17.17. Further guidance can be found: [College requirements for write-offs and losses - GOV.UK \(www.gov.uk\)](http://www.gov.uk)
- 17.18. Requests to write off individual debts in excess of £3,000 or a group in excess of £10,000 per annum, must be referred in writing to the Deputy Principal & CFO for submission to the Policy and Finance committee for consideration. Debts below this level may be written off with the permission of the Principal. The Policy and Finance committee will receive an annual report of all debts written off within the year.

### **Student fees**

- 17.19. The procedures for collecting tuition and residence fees must be approved by the Deputy Principal & CFO.
- 17.20. Any student who has not paid an account for fees or any other item owing to the College shall not receive the certificate for any degree, diploma or other qualification awarded by the College until all outstanding debts have been cleared. Such students shall be prevented from re-enrolling at the College and from using any of the College's facilities unless appropriate arrangements have been made.

### **Student loans**

- 17.21. Appropriate records will be maintained to support all transactions involving student loans.

### **Emergency/hardship loans**

- 17.22. The College's scheme for emergency/hardship loans is managed by the Assistant Principal – Student Experience. This will include the maximum assistance that can be given in any individual case. Under no circumstances should payments be made other than in accordance with the approved scheme.

- 17.23. The Principal is responsible for ensuring the adequacy of the systems in place for:
- 17.23.1. approving loans in accordance with the scheme;
  - 17.23.2. paying loans that have been approved;
  - 17.23.3. recovering loans that have been paid.

## **18. Research, Externally Funded Grants and Contracts**

### **General**

- 18.1. Research can be defined as original investigation, undertaken to gain new knowledge and understanding, which may be directed towards a specific aim or objective. It can use existing knowledge in experimental development to produce new or substantially improved materials, devices, products and processes including design and construction. It excludes routine testing and analysis of materials, components and processes.
- 18.2. The term 'research grant' is restricted to research projects funded by the UK research councils, charities and the higher education funding bodies.
- 18.3. All other externally financed research projects are classified as 'research contracts'.
- 18.4. Where approaches are to be made to outside bodies for support for research or other externally funded projects, it is the responsibility of the relevant executive leadership team member to ensure that the financial implications have been appraised by the Deputy Principal & CFO.
- 18.5. The Deputy Principal & CFO will then ensure (in liaison with the Principal) that there is adequate provision of resources to meet all commitments. The Deputy Principal & CFO should ensure that the full cost of all contracts is established. The research or other project costings must be in line with the College's approach with regard to indirect costs and other expenses and taking account of different procedures for the pricing of projects depending on the nature of the funding body. Overheads will be charged to the activity whether or not the funding arrangements permit full recovery.
- 18.6. All grants and contracts shall be accepted on behalf of the College by the Principal.
- 18.7. The Deputy Principal & CFO shall maintain all financial records relating to research, externally funded grants and contracts and shall initiate all claims for reimbursement from sponsoring bodies by the due date.
- 18.8. Each grant or contract will have a named supervisor or grant holder and will be assigned to a specific budget holder. Staff undertaking the activity will maintain records specified by the Deputy Principal & CFO to enable compilation of returns to the funding body which meet the requirements of the Transparency Review.

18.9. Control of pay and non-pay expenditure will be contained within the budget area. The relevant executive leadership team member may delegate day-to-day control of the account to a supervisor or grant holder, but any overspend or under-recovery of overheads is to be the clear responsibility of the executive leadership team member, with any loss being a charge on departmental funds.

### **Grant and contract conditions**

18.10. Many grant-awarding bodies and contracting organisations stipulate conditions under which their funding is given. In addition, there are often procedures to be followed regarding the submission of interim or final reports or the provision of other relevant information. Failure to respond to these conditions often means that the College will suffer a significant financial penalty. It is the responsibility of the named supervisor or grant holder to ensure that conditions of funding are met.

18.11. Any loss to the College resulting from a failure to meet conditions of funding is the responsibility of the budget holder, and will be charged against departmental funds.

## **19. Other Income-Generating Activity**

### **Private consultancies and other paid work**

19.1. Unless otherwise stated in a member of staff's contract (under exclusivity of service or other employment clauses:

19.1.1. outside consultancies or other paid work may not be accepted without the prior consent of the Principal;

19.1.2. written applications for permission to undertake work, as a purely private activity, must be submitted to the Principal and include the following information:

- the name of the member(s) of staff concerned;
- the title of the project and a brief description of the work involved;
- the proposed start date and duration of the work;
- an undertaking that the work will not interfere with the normal College duties of the member(s) of staff concerned; or involve College branding or cause any potential conflicts of interest.

19.2. Once agreed details will be held on record by the College's HR department.

19.3. Where an externally remunerated activity is considered to be part of a role it will be agreed by the Principal as part of the post holders job description, and any income generated will be retained by the College.

### **Full Cost Externally Funded Courses**

19.4. In this context a course is any course which is not funded by the Education Skills Funding Agency

["ESFA"], South Yorkshire Mayoral Combined Authority ["SYMCA"] or West Yorkshire Mayoral Combined Authority ["WYMCA"]

- 19.5. All new courses must be costed by the Head of Finance and appropriately authorised by the executive leadership team before any commitments are made. Provision must be made for charging both direct and indirect costs, in particular for the recovery of overheads. All activities must be self-financing or surplus generating unless it is intended that a new course is to be launched as a loss leader. If that is the case, the reason for it must be specified.
- 19.6. The course organiser will be responsible to the executive leadership team member for day-to-day management of the course. Any unplanned deficits incurred will be charged to the relevant department.

#### **Off-site collaborative provision (subcontracting)**

- 19.7. Any contract or arrangement whereby the College provides education to students away from College premises, and/or with the assistance of persons other than the College's own staff or with independent contractors (partner organisations), will comply with the sub-contracting requirements set out in the ESFA/SYMCA/WYMCA's funding rules.
- 19.8. This will include a contract signed by the Principal and on behalf of any partner organisation that shall comply at least with the funding body model contract (as amended from time to time) in place before any provision is made.
- 19.9. The impact of the contract(s) shall be subject to scrutiny by the Policy and Finance Committee or the Board of Governors. The format for regular reports shall be as stated in funding body guidance. They shall consider the risk factors associated with the proposed partnership and agree an appropriate entry in the College's financial forecast.
- 19.10. Where the partnership would represent a significant departure from the College's strategic plan, the Board of Governors shall approve the departure, and the Principal shall seek the views of and inform the funding body.

#### **European Union (EU) and other matched funding**

- 19.11. Any such project requires the approval of the Principal prior to any commitment being entered into. Such approval shall be dependent upon the relevant executive leadership team member being able to demonstrate that eligible matching funds are available and that the project is financially viable by the application of the College's approach on costing and pricing.
- 19.12. Individual applications for funds in excess of £100,000 shall be the subject of a report by the Principal to the Policy and Finance Committee which will set out, amongst other things, the potential risks generated by the project.



- 19.13. If the College sub-contracts such work to external providers, the relevant executive leadership team member shall ensure that:
- 19.13.1. this is on the basis of a written contract, which is in line with the College's Subcontracting (Fees and Charging) Policy, and allows for full audit access to detailed records;
  - 19.13.2. appropriate monitoring procedures are in place to ensure that the outputs are achieved and the provision is of suitable quality;
  - 19.13.3. payments are only made against detailed invoices.

## 20. Intellectual Property Rights and Patents

### General

- 20.1. Certain activities undertaken within the College including research and consultancy may give rise to ideas, designs and inventions which may be patentable. These are collectively known as intellectual property.

### Patents

- 20.2. The Policy and Finance Committee is responsible for establishing procedures to deal with any patents accruing to the College from inventions and discoveries made by staff in the course of their research.

### Intellectual property rights

- 20.3. In the event of the College deciding to become involved in the commercial exploitation of inventions and research, the matter should then proceed in accordance with a process to be agreed by the Policy and Finance Committee. If the intellectual property arises out of grant funds, then treatment of this must comply with the clauses within the grant funding.

## 21. Expenditure

### General

- 21.1. The Deputy Principal & CFO is responsible for making payments to suppliers of goods and services to the College.

### Scheme of delegation/financial authorities

- 21.2. The executive leadership team are responsible for purchases within their departments. Purchasing authority may be delegated to named individuals within the department. In exercising their delegated authority, budget holders are required to observe the College's procurement policy and financial procedures.

- 21.3. The Head of Finance shall maintain a register of authorised signatories. Any changes to the authorities to sign must be notified to the Deputy Principal & CFO immediately. Only Budget Holders are authorised to certify invoices for payment.
- 21.4. The Deputy Principal & CFO must be notified immediately of any new budget holders. These would then be considered and submitted to the Principal for authorisation.
- 21.5. Executive leadership team members and budget holders are not authorised to commit the College to expenditure without first reserving sufficient funds to meet the purchase cost.
- 21.6. Any employee of the College who has any pecuniary, family or other interest, direct or indirect, in any supplier of goods or services to the College, shall be responsible for making a declaration of the interest to the Principal.

### **Procurement**

- 21.7. The College requires all budget holders, irrespective of the source of funds, to obtain supplies, equipment and services at the lowest possible cost consistent with quality, delivery requirements and sustainability, and in accordance with the College's procurement policy.

### **Purchase orders**

- 21.8. The ordering of goods and services shall be in accordance with the College's procurement policy and detailed financial procedures.
- 21.9. Official College orders must be placed for the purchase of all goods or services, except those made using petty cash. In exceptional circumstances, urgent orders may be given orally, but must be confirmed by an official purchase order endorsed 'confirmation order only' not later than the following working day.
- 21.10. It is the responsibility of the Deputy Principal & CFO to ensure that all purchase orders refer to the College's purchase order terms and conditions that can be found on the College website.

### **Purchasing Cards**

- 21.11. The operation and control of the College's purchasing cards is the responsibility of the Deputy Principal & CFO.
- 21.12. Holders of purchasing cards must use them only for the purposes for which they have been issued and within the authorised purchase limits. Cards must not be loaned to another person, nor should they be used for personal or private purchases. Cardholders should obtain approval to purchase from the relevant budget holder and should ensure that there is sufficient budget available to meet the costs. The Deputy Principal & CFO shall determine what information is required on purchases made with purchasing cards from cardholders and deadlines for receipt in the finance section to enable financial control to be maintained and cardholders must provide that information.

## Purchasing Tenders and quotations

21.13. College Leadership Team members and delegated budget holders must comply with the College's tendering procedures, which are applicable as follows:

21.13.1. Up to £7,500 – the budget holder shall have the discretion to decide whether or not to obtain quotations, but value for money must always be obtained;

For expenditure relating to relating to **capital projects only** – up to £10,000 – the budget holder shall have discretion to decide whether to obtain quotations, but value for money must be obtained. Where spend is over £7,500 this must be approved by the Deputy Principal/CFO or the Principal/CEO.

21.13.2. from £7,501 to £50,000 (£10,001 to £50,000 for expenditure relating to capital projects) – the budget holder shall be required to obtain at least three quotations;

- Any spend from £7,501 to £15,000 must be approved by the Deputy Principal & CFO;
- Any spend from £15,001 must be approved by the Deputy Principal & CFO and the Principal;
- All capital projects must be approved by the Deputy Principal & CFO.

21.13.3. Purchases over £50,000 – subject to a competitive tender process being undertaken.

For all tenders, advice should be sought from the Head of Finance or Deputy Principal & CFO, the tender process may have additional requirements, for example European directives.

21.13.4 All thresholds are Inclusive of VAT and apply to the duration of the commitment.

21.13.5 In addition to the thresholds listed above, all new spend over £30,000 must be notified to the Department for Education.

## Purchasing/Procurement Limits and Requirements Table

<b>Spend Type</b>	<b>Level of Spend (including VAT)</b>	<b>Minimum Procurement Requirements</b>	<b>Approval Levels</b>
Revenue	Up to £7,500	One quote	Budget Holder approval only
Revenue	£7,501 to £15,000	Three quotes	Budget Holder and Deputy Principal/CFO approval or Principal/CEO approval
CAPEX	Up to £10,000	One quote	Budget Holder approval only (project already approved by ELT)
CAPEX	£10,001 to £15,000	Three quotes	Budget Holder and either Deputy Principal/CFO <b>or</b> Principal/CEO approval
Revenue or CAPEX	£15,001 to £50,000	Three quotes	Budget Holder and <b>both</b> Deputy Principal/CFO and Principal/CEO approval
Revenue or CAPEX	£50,001 +	Competitive tender	Where possible 3 competitive tenders to be obtained and process to be followed (see Head of Finance or Deputy Principal for more information)

21.14. Budget Holders are encouraged to make use of the Crescent Purchasing Consortia (CPC) who are a 'FE' only consortia and are EU compliant, Crown Commercial Service or other consortia approved by the Deputy Principal & CFO. Tenderers can also be invited to express an interest on the College website, or in appropriate trade journals or in local or national newspapers, at least fourteen days' notice should be provided.

21.15 **Exception process** - If it is impossible to provide the appropriate evidence to show value for money, a procurement waiver form needs to be completed and attached to the purchase order. In effect this explains the reason why the normal procurement process could not be followed. This must be submitted and approved by the Deputy Principal & CFO. If over £15,001 this should be approved by the Principal.

The only exceptions to evidencing value for money are identified below and need to be detailed on the procurement waiver form:

- (i) where there is no genuine competition
  - where goods are only obtainable from one specialist supplier or
  - where goods are only sold at fixed prices.

- (ii) where continuity of design is the overriding factor.
- (iii) where there is a preferred supplier status i.e. a pre-tendered supplier demonstrating value for money.
- (iii) where procuring to policy would create unreasonable time pressures to deliver the required outcomes. In such cases this must not be through poor planning or lack of action by the College to have created the time constraint.
  
- (iv) where there is an unforeseen emergency involving immediate risk to persons, property or serious disruption to college.

A lack of time or appropriate planning is not an exception to evidencing value for money.

- 21.16. Consultants may be appointed if the project, as determined by the Policy and Finance Committee, is too large or too specialised for departmental resources. Appointments shall be subject to tendering and other procedures where appropriate and will have oversight by either the Head of Finance or the Deputy Principal & CFO.
- 21.17. The award of contracts over £50,000 shall be reported to the Policy and Finance Committee.
- 21.18. The College's tendering procedures can be found within the College's Financial Procedures on the College Microsoft Teams.

### **EU regulations**

- 21.19. The Deputy Principal & CFO is responsible for ensuring that the College complies with its legal obligations concerning European procurement legislation. EU procurement regulations apply to written contracts for all forms of procurement or hire (whether or not hire purchase) with a total value exceeding a threshold value.
  
- 21.20. The requirements of the EU Public Contracts Regulations from January 2022 specify the following thresholds, inclusive of VAT, in respect of orders for the supply of one product or service which will in any one twelve (12) month period exceed the following thresholds: Goods and Services: £213,477, Works – £5,336,937, Small Lot Works – £884,720, Social and Other Specific Services – £663,540, Utilities £884,720.
  
- 21.21. The EU Public Contracts Regulations and the thresholds which they specify also apply where the total value of a product or service contract exceeds the specified threshold, regardless of the duration of that contract.

- 21.22. It is not permissible to avoid the provisions of the EU Public Contracts Regulations by breaking down orders into smaller quantities/values or by letting contracts of shorter durations which would result in a commitment value below the relevant threshold level
- 21.23. It is the responsibility of college leadership team members to ensure that their members of staff comply with EU regulations by notifying the Deputy Principal & CFO of any purchases likely to exceed the thresholds noted above. This will need to be done well in advance in order to permit advertisements in official journals such as the *Official Journal of the European Community* (OJEC).
- 21.24. The Deputy Principal & CFO is also required to submit to the funding body annually details on expenditure which exceeds the threshold. Copies of the relevant documentation falling into this category must be provided by executive leadership team members to the Deputy Principal & CFO.

### **Post-tender negotiations**

- 21.25. Post-tender negotiations (i.e. after receipt of formal tenders but before signing of contracts) with a view to improving price, delivery or other tender terms can be entered into, provided:
- 21.25.1. it would not put other tenderers at a disadvantage;
  - 21.25.2. it would not affect their confidence and trust in the College's tendering process.
- 21.26. In each case, a statement of justification should be approved by the Principal prior to the event, showing:
- 21.26.1. background to the procurement;
  - 21.26.2. reasons for proposing post-tender negotiations;
  - 21.26.3. demonstration of the improved value for money;
  - 21.26.4. post tender negotiations cannot be entered into if the Open or Restricted OJEU Regulation process has been used.
- 21.27. All post-tender negotiations should be reported to the Policy and Finance Committee.

### **Contract Extensions**

- 21.28. Where contracts for goods or services have a fixed end date, the renewals of such contracts are subject to the requirements of the procurement disciplines as described in these financial regulations. Contract values will determine the disciplines to be followed and will include as appropriate quotation, tendering processes and adherent to the latest European purchasing legislation.

### **Payment of invoices**

- 21.29. The procedures for making all payments shall be in a form specified by the Deputy Principal & CFO.

- 21.30. The Deputy Principal & CFO is responsible for deciding the most appropriate method of payment for categories of invoice. Payments to UK suppliers will normally be made by computer cheques or BACS transfer each week.
- 21.31. Executive leadership team members are responsible for ensuring that expenditure within their departments does not exceed funds available.
- 21.32. Suppliers should be instructed by the budget holder to submit invoices for goods or services to the finance team.
- 21.33. Care must be taken by the budget holder to ensure that discounts receivable are obtained.
- 21.34. Payments will only be made by the Head of Finance against invoices that have been certified for payment by the appropriate budget holder (paper-based system).
- 21.35. Certification of an invoice or receipting of an electronic order will ensure that:
- 21.35.1. the goods have been received, examined and approved with regard to quality and quantity, or that services rendered or work done is satisfactory;
  - 21.35.2. where appropriate, it is matched to the order;
  - 21.35.3. invoice details (quantity, price discount) are correct;
  - 21.35.4. the invoice is arithmetically correct;
  - 21.35.5. the invoice has not previously been passed for payment;
  - 21.35.6. where appropriate, an entry has been made on a stores record or departmental inventory;
  - 21.35.7. an appropriate cost centre is quoted; this must be one of the cost centre codes included in the budget holder's areas of responsibility and must correspond with the types of goods or service described on the invoice.

#### **Staff reimbursement and Cash Advances**

- 21.36. The College's purchasing and payments procedures are in place to enable the majority of non-pay supplies to be procured through the creditors system without staff having to incur any personal expense. However, on occasion, staff may incur expenses, most often in relation to travel, and are entitled to reimbursement.
- 21.37. The Head of Finance and the relevant executive leadership team member may jointly approve cash advances for projects carried out away from the College where cash expenditure may be unavoidable. Other forms of payment will be expected to be used wherever possible.

21.38. Where such purchases by staff are planned, the Head of Finance and the relevant executive leadership team member may jointly approve cash advances to staff who are going to incur expenditure on the College's behalf. Receipts or paid invoices will be retained for all sums expended in that way. Upon completion of the travel or project to which the advance relates, within one month a final account must be prepared to demonstrate how the advance was disbursed and any unspent balance repaid. Under no circumstances will a second advance be approved when the final accounting for an earlier advance to an individual is still outstanding.

### **Petty cash**

21.39. Where a single item is for less than £20 it can be paid from petty cash. However, this must be supported by receipts or vouchers.

21.40. The Head of Finance shall make available to departments such imprests as they consider necessary for the disbursements of petty cash expenses. It is important for security purposes that petty cash floats are kept to a minimum.

21.41. Requisitions for reimbursements must be sent to the finance team, together with appropriate receipts or vouchers, before the total amount held has been expended, in order to retain a working balance pending receipt of the amount claimed.

21.42. The member of staff granted a float is personally responsible for its safe-keeping. The petty cash box must be kept locked in a secure place in compliance with the requirements of the College's insurers when not in use and will be subject to periodic checks by the executive leadership team member or another person nominated by him or her.

21.43. Standard College petty cash books are supplied by the Head of Finance and must be used for recording all imprest accounts.

21.44. At the end of the financial year a certificate of the balances held should be completed by the member of staff responsible for the float and the budget holder.

### **Other payments**

21.45. Payments for maintenance and other items to students on behalf of the funding body shall be made on the authority of the Deputy Principal & CFO, supported by detailed claims approved by the Assistant Principal – Student Experience.

### **Late payment rules**

21.46. The Late Payment of Debts (Interest) Act 1998 was introduced to give small businesses the right to charge interest on late payments from large organisations and public authorities. Key points are:

21.46.1. small businesses can charge interest on overdue invoices;

21.46.2. interest is chargeable on sales made after 1 November 1998;

21.46.3. the rate of interest is currently 8% per annum above the official daily rate of the Bank of



England;

21.46.4. the Act also applies to overseas organisations;

21.46.5. colleges can be sued for non-payment;

21.47. In view of the penalties in the Act, the Board of Governors require that invoices are efficiently passed for payment in accordance with payment conditions.

### **Giving hospitality**

21.48. Staff entertaining guests from outside bodies at lunch time should normally use the College catering facilities. Where this is not the case, reasons must be stated when submitting a claim for reimbursement. Any hospitality should be given in line the College's anti-bribery policy which can be found on the College website.

## **22. Pay Expenditure**

### **General**

22.1. All contracts of service shall be concluded in accordance with the College's approved HR Policies and Procedures and all offers of employment with the College shall be made in writing by the Head of HR. Similarly, all extension of temporary contracts shall be approved in writing by the Head of HR.

22.2. Budget holders shall ensure that the Deputy Principal & CFO and the HR department are provided promptly with all information they may require in connection with the appointment, resignation or dismissal of employees.

22.3. The Deputy Principal & CFO is responsible for all payments of salaries and wages to all staff including payments for overtime or services rendered. All timesheets and other pay documents, including those relating to fees payable to external examiners, visiting lecturers or researchers, will be in a form prescribed or approved by the Deputy Principal & CFO.

22.4. The Head of HR will be responsible for keeping the Deputy Principal & CFO informed of all matters relating to personnel for payroll purposes. In particular these include:

22.4.1. appointments, resignations, dismissals, supervisions, secondments and transfers;

22.4.2. absences from duty for sickness or other reason, apart from approved leave;

22.4.3. changes in remuneration other than normal increments and pay awards;

22.4.4. information necessary to maintain records of service for superannuation, income tax and national insurance.

- 22.5. The Deputy Principal & CFO is responsible for payments to non-employees via the College's creditor payments system. All casual and part-time employees will be included within the College's payroll system.
- 22.6. The Deputy Principal & CFO shall be responsible for keeping all records relating to payroll including those of a statutory nature.
- 22.7. All payments must be made in accordance with the College's detailed payroll financial procedures and comply with inland revenue regulations.

### **Superannuation schemes**

- 22.8. The College is responsible for undertaking the role of employer in relation to appropriate pension arrangements for employees.
- 22.9. The Deputy Principal & CFO is responsible for the below superannuation matters:
  - 22.9.1. paying contributions to various authorised superannuation schemes;
  - 22.9.2. preparing the annual/monthly returns to various superannuation schemes.
- 22.10. The Head of HR is responsible for administering eligibility to pension arrangements and for informing the relevant pension scheme and the Deputy Principal & CFO when deductions should begin or cease for staff.

### **Travel, subsistence and other allowances**

- 22.11. All claims for payment of subsistence allowances, travelling and incidental expenses shall be completed in a form approved by the Deputy Principal & CFO.
- 22.12. Claims by members of staff must be authorised by the budget holder (or Principal in the case of executive leadership team members). The certification by the budget holder shall be taken to mean that:
  - 22.12.1. the journeys were authorised;
  - 22.12.2. the expenses were properly and necessarily incurred;
  - 22.12.3. the allowances are properly payable by the College;
  - 22.12.4. consideration has been given to value for money in choosing the mode of transport.
- 22.13. Arrangements for travel by the Principal or members of the Board of Governors shall be approved by the Clerk to the Governors.

### **Overseas travel**

- 22.14. All arrangements for overseas travel must be in accordance with the appropriate scheme approved by the Board of Governors. Any approvals required must be obtained in advance of committing the College to those arrangements or confirmation of any travel bookings.

22.15. Where spouses, partners or other persons unconnected with the College intend to participate in a trip, this must be clearly identified and approved in advance and all associated costs borne by them.

### **Severance and other non-recurring payments**

22.16. Severance payments are any enhanced payments made to an employee on the early termination of a contract. These payments must not be made where disciplinary action would have been more appropriate and they must be reasonable, justifiable and represent value for money. The College must take appropriate external professional advice and the terms of any final agreement must be approved by the Corporation.

22.17. In line with Managing Public Money (MPM) requirements, certain transactions made by public bodies may fall outside their usual planned range of activity and may exceed statutory and contractual obligations. HM Treasury (HMT) calls these special payments (see annex 4.13 of [Managing Public Money](#)) and are subject to greater control than other payments. They include:

22.17.1. Staff Severance Payments;

22.17.2. Compensation Payments;

22.17.3. Ex-gratia, extra-contractual, extra-statutory and extra-regulatory payments.

Such payments need to be justified in the public interest against key public sector principles. Colleges have delegated authority to make special payments up to certain limits, beyond these they must be referred to DfE for approval in advance.

22.18. Severance payments of £50,000 or more, special severance payments equivalent to 3 months salary or more, exit packages of £100,000 or above or where the employee earns more than £150,000 require prior DfE approval.

22.19. Compensation payments over £50,000 require prior DfE approval.

22.20. Ex-gratia payments, extra-contractual payments, extra-Statutory and extra – regulatory payments must always be referred to DfE for prior approval. Further guidance can be found: [College requirements for special payments, including severance, compensation and ex-gratia payments - GOV.UK \(www.gov.uk\)](#)

22.21. All other non-recurring payments will be made in line with the College's Cessation or Diminishment of Employment Policy.

22.22. All such payments shall be authorised by the Principal based on calculations provided by the Head of HR and the Deputy Principal & CFO. No amounts shall be expended that exceed the budget allocated for the purpose. All amounts paid shall be declared in the College's financial statements.

- 22.23. All matters referred to an employment tribunal shall be notified to the Policy and Finance Committee at the earliest opportunity in order that budget provision may be made as necessary. All determinations of tribunals must be similarly notified.

## **23. Assets**

### **Land, buildings, fixed plant and machinery**

- 23.1. The purchase, lease or rent of land, buildings or fixed plant can only be undertaken with authority from the Board of Governors and with reference to funding body requirements where exchequer-funded assets or exchequer funds are involved.

### **Fixed Asset Register**

- 23.2. The Deputy Principal & CFO is responsible for maintaining the College's register of land, buildings, fixed plant and machinery. College leadership team members will provide the Deputy Principal & CFO with any information she may need to maintain the register.

### **Inventories**

- 23.3. College leadership team members are responsible for maintaining inventories, in a form prescribed by the Deputy Principal & CFO, for all plant, equipment, furniture and stores in their departments. The inventory must include items donated or held on trust. Inventories must be checked annually.

### **Stocks and stores**

- 23.4. College leadership team members are responsible for establishing adequate arrangements for the custody and control of stocks and stores within their departments. The systems used for stores accounting in departments must have the approval of the Deputy Principal & CFO.
- 23.5. College leadership team members are responsible for ensuring that regular inspections and stock checks are carried out. Stocks and stores of a hazardous nature should be subject to appropriate security checks.
- 23.6. Those college leadership team members whose stocks require valuation in the balance sheet must ensure that the stock-taking procedures in place have the approval of the Deputy Principal & CFO and that instructions to appropriate staff within their departments are issued in accordance.

### **Safeguarding assets**

- 23.7. College leadership team members are responsible for the care, custody and security of the buildings, stock, stores, furniture, cash, etc under their control. They will consult the Deputy Principal & CFO in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

- 23.8. Assets owned by the College shall, so far as is practical, be effectively marked to identify them as College property.
- 23.9. College property shall not be removed from College premises unless in accordance with the ordinary course of the College's activities or otherwise used for the College's purposes except when authorised by a specific instruction.

#### **Personal use**

- 23.10. Assets owned or leased by the College shall not be subject to personal use without proper authorisation.

#### **Asset disposal**

- 23.11. Disposal of equipment and furniture must be in accordance with procedures contained in the College's detailed Financial Procedures.
- 23.12. Disposal of land and buildings must only take place with the authorisation of the Board of Governors and the Charities Commission where appropriate. Funding body consent may also be required if exchequer funds were involved in the acquisition of the asset.
- 23.13. Since the ONS reclassification to Public Sector there are specific guidelines regarding asset disposals and the use of proceeds from a fixed asset disposal. A College can dispose of fixed assets which are not novel, contentious or repercussive and maintain the principles of regularity, propriety and value for money. However, there are restrictions regarding how a college may use the proceeds of any fixed asset disposal, depending upon the type of asset. When considering disposal of any asset the following guidance should be referred to and DfE approval requested as required : [College requirements regarding asset disposals - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

## **24. Funds Held on Trust**

#### **Gifts, benefactions and donations**

- 24.1. The Deputy Principal & CFO is responsible for maintaining financial records in respect of gifts, benefactions and donations made to the College and initiating claims for recovery of tax, where appropriate.

#### **Student welfare and access funds**

- 24.2. The Deputy Principal & CFO will prescribe the format for recording the use of student welfare funds. Records of these funds will be maintained according to funding body requirements.

#### **Trust funds**

- 24.3. The Deputy Principal & CFO is responsible for maintaining a record of the requirements for each trust fund and for advising the Policy and Finance Committee on the control and investment of fund

balances.

- 24.4. The Policy and Finance Committee is responsible for ensuring that all the College's trust funds are operated within any relevant legislation and the specific requirements for each trust. They will also be responsible for investment of fund balances.

### **Voluntary funds**

- 24.5. The Deputy Principal & CFO shall be informed of any fund that is not an official fund of the College which is controlled wholly or in part by a member of staff in relation to their function in the College.
- 24.6. The accounts of any such fund shall be audited by an independent external person and shall be submitted with a certificate of audit to the appropriate body. The Deputy Principal & CFO shall be entitled to verify that this has been done.

## **25. Other**

### **Insurance**

- 25.1. The Head of Estates is responsible for the College's insurance arrangements, including the provision of advice on the types of cover available. All risks will be considered and those most effectively dealt with by insurance cover will have been identified. This is likely to include important potential liabilities and provide sufficient cover to meet any potential risk to all assets. This portfolio of insurances will be considered and approved by the Policy and Finance Committee on a renewal basis.
- 25.2. The Head of Estates is responsible for effecting insurance cover as determined by the Policy and Finance Committee. They are therefore responsible for obtaining quotes, negotiating claims and maintaining the necessary records. The Head of Estates will keep a register of all insurances effected by the College and the property and risks covered. They will also deal with the College's insurers and advisers about specific insurance problems.
- 25.3. Executive leadership team members must ensure that any agreements negotiated within their departments with external bodies cover any legal liabilities to which the College may be exposed. If in doubt, legal advice should be sought to ensure that that is the case. Executive leadership team members must give prompt notification to the Head of Estates of any potential new risks and additional property and equipment that may require insurance and of any alterations affecting existing risks. Executive leadership team members must advise the Head of Estates and the Deputy Principal & CFO immediately of any event that may give rise to an insurance claim. The Head of Estates will notify the College's insurers and, if appropriate, prepare a claim in conjunction with the executive leadership team member for transmission to the insurers.

- 25.4. The Head of Estates is responsible for keeping suitable records of plant which is subject to inspection by an insurance company and for ensuring that inspection is carried out in the periods prescribed.
- 25.5. All staff using their own vehicles on behalf of the College shall maintain appropriate insurance cover for business use.

### **Provision of indemnities**

- 25.6. Any member of staff asked to give an indemnity, for whatever purpose, should consult or the Deputy Principal & CFO before any such indemnity is given.
- 25.7. Indemnities, guarantees and letters of comfort are covered under guidance for Managing Public Money (MPM), DfE approval maybe required in certain circumstances. Further guidance can be found: [College requirements for indemnities, guarantees and letters of comfort - GOV.UK \(www.gov.uk\)](http://www.gov.uk)
- 25.8. Indemnities arising in the normal course of business do not require approval, however DfE approval is required where indemnities arise outside the normal course of business, letters of comfort and for guarantees where:
- 25.8.1. The case exceeds 1% of annual income or £45,000 (whichever is smaller); or
  - 25.8.2. The case takes the College's cumulative total of such contingent liabilities for the academic year beyond 5% of income or £250k (whichever is smaller).

### **Companies and joint ventures**

- 25.9. In certain circumstances it may be advantageous to the College to establish a company or a joint venture to undertake services on behalf of the College. Any member of staff considering the use of a company or a joint venture should first seek the advice of the Deputy Principal & CFO, who should have due regard to guidance issued by the funding body.
- 25.10. The Board of Governors is responsible for approving the establishment of all companies or joint ventures and a suitable procedure to be developed in order to do so. This will have regard to any guidance provided by the funding bodies.
- 25.11. It is the responsibility of the Board of Governors to establish the shareholding arrangements and appoint directors of companies wholly or partly owned by the College.
- 25.12. The directors of companies where the College is the majority shareholder must submit, via the Policy and Finance Committee, an annual report to the Board of Governors. They will also submit business plans or budgets as requested to enable the committee to assess the risk to the College. The College's internal and external auditors shall also be appointed to such companies.
- 25.13. Where the College is the majority shareholder in a company, that company's financial year shall be consistent with that of the College.

## **Security**

- 25.14. The executive leadership team will be responsible for maintaining proper security and privacy of information held on the College's computer network. Appropriate levels of security will be provided for both electronic and hard copy data, including appropriate technical measures and training to protect the College against cyber-crime.
- 25.15. Personal information relating to individuals will be subject to the provisions of the Data Protection Act 2018 and the General Data Protection Regulations 2018. The College's nominated data protection officer will monitor compliance with the Act and the safety of documents and provide advice to the executive leadership team as appropriate.
- 25.16. All official and legal documents relating to the College; such as signed copies of deeds, leases, agreements and contracts must be held in an appropriately secure, fireproof location and copies held at a separate location.
- 25.17. Keys to safes or other similar containers are to be carried on the person of those responsible at all times. The loss of such keys must be reported to the Deputy Principal & CFO immediately.

## **Students' Union**

- 25.18. Subject to any constraints imposed by the funding body, the executive leadership team shall determine the level of grant to be paid annually to the Students' Union.
- 25.19. At year end the Students' Union financial statements will be presented to the Policy and Finance Committee for information.
- 25.20. In accordance with an agreement between the College and the Students' Union, the College's internal and external audit service shall have access to records, assets and personnel within the Students' Union in the same way as other areas of the College.

## **Use of the College Seal**

- 25.21. Where a deed or document requires the College's seal, it must be sealed in accordance with the Articles of Association.
- 25.22. The seal shall only be used by the authority of the Board of Governors or of a committee of the Board of Governors authorised by the Board of Governors on that behalf, and every instrument to which the Seal shall be affixed shall be signed by a member of the Board of Governors and be countersigned by the company secretary or by a second member of the Board of Governors or by some other person appointed by the Board of Governors for that purpose.
- 25.23. The company secretary is responsible for submitting a report to each meeting of the Board of Governors detailing the use of the College seal since the last meeting.



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