



# **Financial Regulations**

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## **1.0 Financial Memorandum**

### **1.1 Background**

Blackburn College is a Further Education Corporation incorporated under the Further and Higher Education Act 1992, with exempt charity status for the purposes of Part 3 of the Charities Act 2011.

In the conduct of its financial affairs, the College will comply with any financial requirement contained in the College Instrument and Articles of Government under the Further and Higher Education Act 1992. The College also complies with the Financial Memorandum published by the Education and Skills Funding Agency (ESFA) and the Office for Students (OfS) which sets out responsibilities as set out in these regulations. The College is subject to financial supervision by the Chief Executive of the Education and Skills Funding Agency.

The College will not adopt any conditions applicable to any other external agency or funding source which conflicts with those outlined by the ESFA or OfS without prior written agreement.

### **1.2 Status**

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 of its subsidiary companies.

Any changes to these regulations will be agreed by the Policy and Resources Committee on an ongoing basis. These regulations will be formally reviewed at least every two years.

Compliance with the financial regulations is compulsory for all 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 with any such breach being notified to the Audit Committee. It is the responsibility of members of College Leadership Team (CLT) to ensure that their staff are made aware of the existence and content of the College's regulations, together with ensuring that adequate number of copies are available for reference within their departments. Copies are available to all staff on the Blackburn College staff intranet. The College Leadership Team consists of the Executive Team, Heads of Schools and Business Support Heads.

Detailed financial procedures are set out in a separate manual and these are approved and updated on an ongoing basis by the Principal and Chief Executive.

### **1.3 Financial Control**

The Corporation Board's responsibilities are set out in the Financial Memorandum, with the governing body having responsibility for ensuring that the College's funds are used only in accordance with the College's powers as set out in the Further and Higher Education Act 1992 and the College's own statutory duties and other obligations.

Through its Accounting Officer, the Corporation Board is required to prepare financial statements for each financial year in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, the ESFA's Accounts Direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and the result for that year.

In carrying out its responsibilities, the Corporation Board takes account of the AoC Code of Good Governance for English Colleges which it adopted in July 2015 subject to the stipulation that the number of terms of office for Governors would be a matter reserved for determination by the Corporation Board having conducted a current and future skills need analysis and performance assessments of its Governors. In July 2022 the Corporation Board agreed to adopt the revised AoC Code of Good Governance for English Colleges with effect from the 2022/23 academic year.

Its financial responsibilities include:

- Ensuring the solvency of the College, safeguarding its assets and demonstrating value for money in all transactions involving Public Funds.

- Informing the Chief Executive of the Education and Skills Funding Agency of any transactions that could jeopardise the College's financial viability.
- Ensuring that the financial, planning and other management controls applied by the College are appropriate and safeguard public funds.
- Inform the ESFA Chief Executive of the vacating and filling of the positions of Chair of the Corporation Board, Principal and Chief Executive and Director of Governance.
- Approving the appointment of internal and external auditors.
- Notifications relating to property disposals on which there is a capital grant.
- Approving the College's Strategic Plan.
- Appoint an Accounting Officer and ensure that there is an Accounting Officer in place at all times, notifying the Chief Executive of the Education and Skills Funding Agency in writing the name and position of the Accounting Officer and if the Accounting Officer is absent for an extended period, as determined by the College, the name of the person who will discharge the Accounting Officer's responsibilities during the absence.

The Corporation Board has ultimate responsibility for the governance of the College but delegates responsibilities to the following committees:

- Policy and Resources.
- Learning and Quality.
- Audit
- Remuneration
- Governance Panel.

The main responsibilities of each of these committees are as follows:

### **1.3.1 Policy and Resources Committee**

- To review and monitor the College's Strategic and Operational Plans and make recommendations to the Corporation Board, including being responsible to the Board for monitoring effective and efficient use of resources together with the maintenance of proper accounting systems and records.
- To monitor financial performance and ensure continuance of financial health, including monitoring the solvency of the College and the safeguarding of assets.
- To approve virement between budget heads (when possible).
- To recommend to the Corporation Board the annual budget and 3 year plan, including capital expenditure within the approved programme and monitoring projects.
- To determine tuition and other fees.
- To ensure adequate and appropriate Financial Regulations are maintained and recommend to the Board the updating of these, including the College Investment Policy.
- To receive and determine on the recommendations of the Remuneration Committee.
- To determine the employment policies to be adopted by the College and the scheme of delegation for their approval.
- To monitor Health and Safety within the College and to receive an annual report
- To approve and monitor the Governors' Expenses Policy
- To approve and monitor the College's Sub-contractor contracts ensuring quality and value for money.
- To monitor the College's Overseas Provision, approving in advance all overseas contracts and recommending approval of expenses for any Principalship overseas visits.
- To receive termly reports on the College's Commercial Activities
- To be abreast of the national policy context in which FE operates.
- To advise the Corporation on any other issues as requested.
- To review the Policy and Resources Committee Terms of Reference and calendar of business on an annual basis.

### **1.3.2 Learning and Quality Committee**

On behalf of the Board, the Committee will provide an effective oversight of the work of Academic Board through the monitoring and evaluation of the following:

- That the College's Quality Improvement Plan is appropriately reviewed, evaluated and updated including the associated activities determined by Academic Board.
- That the College's Curriculum Strategy is appropriately reviewed, evaluated and updated including the associated activities determined by Academic Board
- That the College's Quality of Education Strategy is appropriately reviewed, evaluated and updated including the associated activities determined by Academic Board
- That the College's Research and Scholarship Strategy is appropriately reviewed, evaluated and updated including the associated activities as determined by Academic Board
- Consider and approve the Single Quality Action Plan and Annual Report
- Consider and approve the Careers Education, information, Advice and Guidance Strategy
- Monitor and have oversight of the approved Office for Students (OfS) Improvement Plan and compliance with all specific ongoing conditions of registration of the College with the OfS, reporting to the Corporation Board on the College's overall compliance with all specific ongoing conditions of registration
- Consider and approve the Academic Board Terms of Reference on an annual basis
- Review and monitor the Self-Assessment Report and Self-Evaluation Document
- Review the Learning and Quality Committee Terms of Reference and Calendar of Business on an annual basis

### **1.3.3 Audit Committee**

- To assess and provide the Corporation with an opinion on the adequacy and effectiveness of the Corporation's assurance arrangements, framework of governance, risk management and control processes and its processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets.
- To advise and support the Corporation in explaining, in its annual accounts, the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities.
- To advise the Corporation on the appointment, reappointment, dismissal and remuneration of the external auditor, reporting accountant, internal audit (as applicable) and other assurance providers (as applicable), and establish that all such assurance providers adhere to relevant professional standards.
- To advise the Corporation on the scope and objectives of the work of the external auditor, the funding auditor (where appointed), and the internal audit service.
- To approve the External Audit Annual Plan
- To inform the Corporation on the provision of any additional services by the external auditor, reporting accountant, internal audit (as applicable) other providers (as applicable), and to explain how independence and objectivity were safeguarded
- To ensure effective co-ordination between the internal audit service (where appointed), the funding auditor (where appointed) and the external auditor including whether the work of the funding auditor should be relied upon for internal audit purposes.
- To consider and advise the Corporation on the audit strategy and annual internal audit plans for the internal audit service.
- To advise the Governing Body on internal audit assignment reports and annual reports and on control issues included in the management letters of the external auditor (including their work on regularity) and the funding auditor (where appointed) and of any reports submitted by other providers of audit and assurance services to the College, and management's responses to these.
- To consider and advise the Corporation on relevant reports by the National Audit Office (NAO), the ESFA and other funding bodies, and where appropriate, management's response to these.
- To review and consider the reports of external auditor, reporting accountant, internal audit (as applicable) and other assurance providers (as applicable), and to monitor, the implementation of recommendations to agreed timescales.
- To establish, in conjunction with College management, relevant annual performance measures and indicators and to monitor the effectiveness of the internal audit service and external auditor through these measures and indicators and decide, based on this review, whether a competition for price and quality of the audit service is appropriate.

- To produce an annual report<sup>1</sup> for the Corporation, summarising the Committee’s activities relating to the financial year under review, including:
  - a) A summary of the work undertaken by the Committee during the year
  - b) Any significant issues arising up to the date of preparation of the report
  - c) Any significant matters of internal control included in the reports of audit and assurance providers
  - d) The Committee’s view of its own effectiveness and how it has fulfilled its terms of reference
  - e) The Committee’s opinion on the adequacy and effectiveness and efficient use of resources, solvency of the institution and the safeguarding of its assets
  - f) Submit the annual report to the Corporation before the statement of corporate governance and internal control in annual accounts is signed
- To oversee the Corporation’s policies on fraud, irregularity and whistleblowing, and ensure:
  - a) The proper, proportionate and independent investigation of all allegations and instance of fraud and irregularity
  - b) That investigation outcomes are reported to the Audit Committee
  - c) That the external auditor (and internal auditor if applicable) has been informed, and that appropriate follow-up action has been planned/actioned
  - d) That all significant cases of fraud or suspected fraud or irregularity are reported to the appropriate funding body
- The Committee must ensure that its activities are restricted to Governance and that members do not adopt an executive role
- The Committee will have the power to investigate any activity within its terms of reference and obtain external professional advice.

#### **1.3.4 Remuneration Committee**

- The Committee shall advise on the remuneration of the holders of designated senior posts. This will include all aspects of their remuneration package including appraisal targets.
- The Committee shall advise on the criteria and scheme for performance related pay where appropriate.
- The Committee shall advise on the pay of the Director of Governance as required and in accordance with the Instrument & Articles of Government. (Art. 3)
- The Committee will have due regard for the Remuneration Code 9as stated in 9.9 and 9.10 of the AoC Code of Good Governance)
- The Committee will present an annual report to the Corporation Board which must contain:
  - A list of Senior Post Holders within the remit of the Remuneration Committee
  - Its policy on the remuneration for post holders within the remit of the Remuneration Committee
  - Its policy on income derived from external activities
  - The pay multiple of the Principal and Chief Executive and the median earnings of the institution’s whole workforce, illustrating how that multiple has changed over time and, if it is significantly above any published average, an explanation of why
  - Its choice of comparator College(s)/organisation(s)
- The Committee will advise on any other issues as required by the Corporation Board.

#### **1.3.5 Governance Panel**

- The Panel will advise the Board on the broad balance and shape of the Corporation to ensure that the Corporation reflects the private, public, ‘third’ sectors and community aspects and ethnic, gender, disability and other perspectives and is equipped with appropriate skills, experience and stakeholder representation.
- The Panel shall advise the Board on the appointment of new members of the Corporation for the “lay/external category”.
- The panel will undertake a 12-month Probationary Review following the appointments of all External and Staff Governors and shall advise the Board on their continued membership
- The Panel shall advise the Board on the reappointment of existing members whose term of office has expired. The Committee will take account of contribution, expertise and attendance records when making recommendations for reappointment.

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<sup>1</sup> A copy of the Audit Committee’s Annual Report will be submitted to the relevant funding body with the annual accounts.



- The Panel shall advise the Board on the appointment/re-appointment of the Chairs of Committees, including their Term of Office
- The Panel shall undertake performance assessments for all Governors.
- The Panel shall advise the Board on the training and development programme for Board and Committee members
- The Governance Panel shall advise the Board on the appointment and re-appointment of College Ambassadors, Governor Champions and College Fellows.
- The Panel shall advise the Board on any other matters relating to membership and appointments as the Corporation may remit to it.

## **2.0 Audit Requirements**

### **2.1 General**

Full terms of reference for the internal audit and financial statements audit, including regularity audit, are in line with the 'model terms' set out in the Post 16 Audit Code of Practice.

External and internal auditors shall have authority to:

- Access the College's premises at all reasonable times.
- Access to assets, records and information which they consider necessary to fulfil their responsibilities.
- Require and receive such explanations as are necessary in carrying out their duties.
- Require any employee to account for any College property under the employee's control.
- Access records belonging to third parties (such as contractors) that are necessary in carrying out their duties.

### **2.2 External Audit**

The appointment of the external auditors will take place annually and is the responsibility of the Corporation Board, who will be advised by the Audit Committee. Although appointment will take place on an annual basis, a tendering process should be undertaken as determined by the Audit Committee. This will be conducted by the Audit Committee, who will advise the Corporation Board on the appointment. The Audit Committee will ensure that the Head of External Audit (i.e. the Partner in the relevant accountancy firm) is rotated at least every 5 years.

The primary role of external audit is to report to the Corporation on the financial statements and to carry out such examination of the statements, underlying records and control systems as are necessary to reach their opinion on the statements and to report on the use of funds. Their duties will be in accordance with advice set out in the Post 16 Audit Code of Practice and the Auditing Practices Board's auditing standards.

Additional audit requirements from the Educations and Skills Funding Agency will be completed and reports issued as necessary – for example the Regularity Audit.

### **2.3 Internal Audit**

The internal auditor is appointed by the Corporation Board on the recommendation of the Audit Committee. The appointment will be for a period of time as determined by the Corporation Board. However, a tendering process should be undertaken as determined by the Audit Committee. This will be conducted by the Audit Committee, who will advise the Corporation Board on the appointment. The Audit Committee will ensure that the Head of Internal Audit (i.e. the Partner in the relevant accountancy firm) is rotated at least every 7 years.

The Financial Memorandum requires that it has an effective internal audit function. The main responsibility of internal audit is to provide the Corporation Board, the Principal and Chief Executive and Senior Management with assurances on the adequacy of the internal control system.

The internal audit service remains independent in its planning and operation and has direct access to the Corporation Board, the Principal and Chief Executive and the Chair of the Audit Committee.

The internal auditor will comply with the Auditing Practices Board's Auditing Guidelines and the Post 16 Audit Code of Practice. The responsibilities of the internal auditor are to achieve the following objectives:

- To review and appraise the soundness, adequacy and application of internal controls.
- To ascertain the extent to which the systems of control ensure compliance with established policies and procedures.
- To ascertain the extent to which the assets and interests entrusted to, or funded by, the College are properly controlled and safeguarded from losses of all kinds.
- To ascertain that management information is reliable as a basis for the production of financial, statistical and other returns.

- To ascertain the integrity and reliability of information provided to management included that which is used in decision-making.
- To ascertain that systems of control are laid down and operate to achieve the most economic, efficient and effective use of resources.

#### **2.4 Other Auditors**

The College may, from time to time, be subject to audit or investigation by external bodies such as the Education and Skills Funding Agency, National Audit Office and HM Revenue and Customs. They have the same rights of access as external and internal auditors.

### **3.0 Responsibilities**

The College has adopted the Financial Memorandum published by the ESFA which sets out, in detail, various responsibilities. The respective responsibilities of the governing body and the Principal and Chief Executive, as Accounting Officer, are set out in the College's Instrument and Articles of Government. The enclosed responsibilities provide a summary of the responsibilities contained in the Instrument and Articles of Government and the Financial Memorandum or other College documentation.

#### **3.1 Principal and Chief Executive**

The Principal and Chief Executive is the institution's designated Accounting Officer and is responsible for the financial administration of the College's affairs. The governing body requires the Principal and Chief Executive to take personal responsibility, which may not be delegated, to assure them that there is compliance with the financial memorandum and all other terms and conditions of funding. As Accounting Officer, the Principal and Chief Executive may be required to justify any of the College's financial matters to the Parliamentary Committee of Public Accounts. Key responsibilities are set out in the Financial Memorandum and include:

- Advising the Corporation Board, in writing, if at any time, in his or her opinion, any action under consideration by the Board is incompatible with the terms of the Financial Memorandum. If the accounting officer has evidence that the Board is acting in breach of the Financial Memorandum or any other terms and conditions of funding the accounting officer shall inform the ESFA in writing.
- Ensuring that funds from the Council are used only for the purpose for which they are given and in accordance with any terms and conditions attached to them.
- Making proposals to the Corporation Board about the educational character and mission of the College and for implementing the decisions of the Corporation Board.
- Preparing annual estimates of income and expenditure for consideration and approval by the Corporation, and the management of budget and resources within the estimates approved by the Board
- The determination of the institution's academic and other activities
- The organisation, direction, management of the institution and leadership of the College staff.
- The appointment, assignment, grading, appraisal, suspension, dismissal and determination within the framework set by the Corporation, of the pay and conditions of service of staff, other than the holders of senior posts or the Director of Governance, where the Director of Governance is also a member of the staff
- Ensuring the proper and effective operation of financial, planning and management controls and compliance with the Financial Memorandum.
- Maintaining student discipline.

#### **3.2 Director of Governance**

The Director of Governance is responsible for:

- advising the Corporation with regard to the operation of its powers
- advising with regard to procedural matters and for intervening when the Director of Governance considers that the Board is acting inappropriately or beyond its powers, in which case the Director of Governance may need to seek external advice. The Corporation Board are advised to agree procedures they would expect the Director of Governance to follow if there were difficulties in this area.
- advising the Corporation with regard to the conduct of its business
- advising the Corporation with regard to matters of governance practice

#### **3.3 Vice Principal - Finance and Corporate Services**

Day to day financial administration is controlled by the Vice Principal - Finance and Corporate Services.

The Vice Principal - Finance and Corporate Services is responsible to the Principal and Chief Executive for:

- Preparing annual capital and revenue budgets and in-year re-forecasts.

- Preparing accounts, management information and monitoring expenditure against budget.
- Preparing the College's annual accounts.
- Providing professional financial advice.
- Preparing financial documents regarding major capital projects.
- Ensuring the College obtains value for money.
- In accordance with Charity Commission guidance, make the Annual Reports and Accounts promptly available on the College website.

#### **3.4 College Leadership Team (CLT)**

The College Leadership Team members are responsible to the Principal and Chief Executive for financial management in their own areas and will be advised by the Vice Principal - Finance and Corporate Services. They are responsible for ensuring that Financial Regulations and Procedures are followed within their areas.

## **4.0 Budgeting**

### **4.1 Budget Preparation**

Budgets shall be set annually, as part of the two year planning process (where budgets include capital expenditure the planning process extend to two years beyond the completion of the programme) by the Board of Governors, on the recommendation of the Policy and Resources Committee. These will be prepared by the Vice Principal - Finance and Corporate Services and budget holders. The budget will include an Income and Expenditure Account, Cash flow and Balance Sheet. The requirement from the ESFA is a two year plan, however the College will produce a longer term forecast for review by Policy and Resources Committee whenever required (e.g. when capital works are planned).

### **4.2 Monitoring / Changes to the Budget**

The Policy and Resources Committee will receive regular updates and a forecast of the latest position. The Policy and Resources Committee will be able to agree amendments to the budget during the year.

The Board of Governors should receive an update of the latest forecast position, together with any agreed budget amendments at each Governors meeting.

### **4.3 Budgetary Control / Resource Allocation**

Budget holders are responsible for the effective and efficient use of resources allocated to them.

The control of income and expenditure within an agreed budget is the responsibility of the budget holder, who must ensure that day to day monitoring is undertaken effectively. The budget holder will be assisted in this duty by management information provided by the Vice Principal - Finance and Corporate Services.

Significant departures from agreed budget targets must be reported by the budget holder to the Executive Team.

### **4.4 Two Year Financial Plan or Capital Plan**

The Two Year Financial Plan will be prepared by the Vice Principal - Finance and Corporate Services, after consultation with budget holders and the Principal and Chief Executive. It will be agreed by the Corporation Board, on recommendation of the Policy and Resources Committee. It will be submitted to the ESFA by the Principal and Chief Executive.

### **4.5 Virement / Treatment of Year End Budget Unspent**

Where budget holders are responsible for more than one budget, virement is permitted with approval from the Vice Principal - Finance and Corporate Services up to £50,000. Virement beyond this level is permitted with approval of the Principal and Chief Executive.

Virement between revenue and capital is permitted with agreement from the Vice Principal - Finance and Corporate Services up to £50,000. Virement beyond this level is permitted with approval of the Principal and Chief Executive.

## **5.0 Accounting Policies**

### **5.1 Basis of accounting**

The consolidated financial statements are prepared on the historical cost basis of accounting, modified for the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

The College is required to follow the 'Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP)', the ESFA College Accounts Direction and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102), or any successor to these standards, in the preparation of their financial statements.

### **5.2 Format of the accounts**

Accounts are prepared for the financial year ending 31 July in the format required by the Education and Skills Funding Agency as documented in the Accounts Direction Handbook.

### **5.3 Basis of consolidation**

The consolidated financial statements consolidate the financial statements of the College and all its subsidiary and associate undertakings and joint ventures for the financial year.

### **5.4 Accounting returns**

The Principal and Chief Executive is responsible for ensuring that financial returns are prepared and despatched to the ESFA and other agencies as required.

### **5.5 Accounting records**

The Vice Principal - Finance and Corporate Services is responsible for ensuring the retention of financial documents. These should be kept in a form acceptable to the relevant authorities. The College is required by law to retain prime financial documents for six years. These include:

- purchase orders
- purchase invoices
- sales invoices
- banking records

Additionally, for auditing and other purposes, other financial documents should be retained for three years and always in accordance with the Financial Memorandum.

Financial documents relating to other grants (e.g. ESF) will be retained in accordance with the terms of the grant if the grant exceeds 6 years.

## **6.0 Banking**

### **6.1 Appointment of bankers**

The Corporation Board is responsible for the appointment of the College's bankers on the recommendation of the Policy and Resources Committee.

### **6.2 Banking arrangements**

The Head of Finance is responsible for liaising with the College's bankers in relation to the College's bank accounts.

The Head of Finance shall ensure proper arrangements for the safe custody of cash and cheques held in the College are made. The Head of Finance shall ensure that monies received are deposited with the College's bankers promptly and in a secure manner.

The opening and closing of College bank accounts shall be authorised by the Principal and Chief Executive in accordance with the bank mandate. All bank accounts shall be in the name of the College, one of its subsidiary undertakings or of a partnership / consortia in which it participates.

To provide for control and efficiency of operation, the Policy and Resources Committee shall approve authority levels for the signing of cheques. Details of authorised persons and limits shall be outlined in the College's detailed financial procedures.

The Head of Finance is responsible for ensuring that all bank accounts are subject to regular reconciliation and that large or unusual items are investigated as appropriate.

### **6.3 Borrowings**

The Corporation Board, on the recommendation of the Policy and Resources Committee, will approve all borrowing facility's. These will include any loans or overdraft arrangements. The utilisation of the approved overdraft and revolving credit facilities, as approved by the Corporation Board, is the responsibility of the Head of Finance.

Where appropriate the approval of the Education and Skills Funding Agency will be obtained in accordance with the Financial Memorandum. Where relevant, notification will be provided to existing lenders in accordance with the terms of the loan.



## **7.0 Income**

### **7.1 General**

The Head of Finance is responsible for ensuring that appropriate procedures are in operation to enable the College to promptly receive all income to which it is entitled.

### **7.2 Sales Invoicing**

The Head of Finance will ensure that College procedures are in place to ensure that:

- Sales invoices are raised accurately and as promptly as possible.
- Outstanding debts are subject to regular monitoring and review.
- Effective debt recovery procedures are in place and followed accordingly.

The Head of Finance will determine a period in which different types of invoice should be paid and implement credit arrangements as detailed in the Tuition Fee Policy, carrying out credit reference checks in accordance with financial procedures.

The Head of Finance will ensure that raising of credit notes shall be authorised in accordance with financial procedures.

### **7.3 Debt Write Offs**

Any debts to be written off will be approved by both the Principal and Chief Executive and the Vice Principal - Finance and Corporate Services and will be in accordance with financial procedures.

The Principal and Chief Executive and the Vice Principal - Finance and Corporate Services will be limited to approving debt write offs, of up to £500,000 in any one academic year. In addition they will be limited to approving the write offs of individual debts of up to £10,000.

Amounts beyond these levels will need the prior approval of the Policy and Resources Committee. All debt write offs will be reported to the Policy and Resources Committee annually.

### **7.4 Student fees**

Procedures for collecting and administering student fees shall operate in accordance with the College's tuition fee policy. The Tuition Fee Policy shall be reviewed and approved on, at least, an annual basis by the Policy and Resources Committee.

## **8.0 Expenditure**

### **8.1 General**

The Head of Finance will ensure that payments are made to suppliers of goods and services in line with the College's procedures.

### **8.2 Authorities**

Budget holders are responsible for purchases within their respective areas. Budget holders should operate within their allocated budgets and must not commit the College to expenditure without first reserving sufficient funds.

The Head of Finance will ensure that appropriate systems are in place to ensure legitimacy of approvals, whether this be for electronic approvals (user specific log ins) or paper approvals (register of authorised signatories with specimen signatures is maintained). Details of authority levels and procedures are set out in the detailed financial procedures.

### **8.3 Petty Cash**

The College shall operate a petty cash facility which will be maintained on an imprest system.

The Head of Finance shall ensure imprests are made available to departments as are considered necessary for the disbursement of petty cash expenses.

Requests for reimbursement via petty cash should be made using an official claim form and should be accompanied by receipts or other vouchers.

Responsibility for the safe keeping of each petty cash float shall be identified with a nominated individual. Petty cash should be stored in a secure place and be subject to periodic checks by the relevant Head of department and Finance department staff.

### **8.4 Purchase Orders**

The ordering of goods and services shall be conducted in accordance with the College's detailed financial procedures. Official College orders shall be used for the ordering of all goods or services with the exception of low value purchases made via the company credit cards or exceptions as listed in financial procedures.

### **8.5 Tendering / Quotations**

Where orders for goods or services are above £10,000 quotations should be obtained in accordance with detailed financial procedures.

Where orders for goods or services are, or are estimated to be, above £25,000, a formal tendering process should be followed in accordance with detailed financial procedures. These amounts are inclusive of any VAT.

Where a Crescent Purchasing Consortium (CPC) supplier exists for the goods or services for which tender or quotation is sought, one of the tenders/quotations should be from the CPC Supplier.

In exceptional circumstances the Principal and Chief Executive can authorise the fact that the ordering and tendering procedures do not need to be followed. Where the tendering procedure is not followed then the Principal and Chief Executive will inform the Policy and Resources Committee at its next meeting.

### **8.6 Procurement Regulations**

The College's tendering procedure ensures that the College complies with its legal obligations concerning UK procurement legislation. This applies to written contracts for all forms of procurement or hire with a total value exceeding a specified threshold value.

It is the responsibility of budget holders to ensure that any purchases likely to exceed the thresholds are notified well in advance of the order to permit advertisements in official journals, etc. Current thresholds are set out in the College's procedures.

## **8.7 Payment of invoices**

The Head of Finance is responsible for deciding the most appropriate method of payment for categories of invoices. BACS payments will be made on a regular basis to make payments to UK suppliers. Where BACS details are not available from suppliers manual cheques will be raised.

Suppliers should be instructed to submit invoices for goods or services to the Finance Department. Invoices received will be registered by the Finance Department and forwarded to the appropriate budget holder for authorisation.

Payments will only be made against invoices that have been authorised in accordance with the College's approval levels set in the Financial Procedures. Authorisation of an invoice by the relevant member of staff will ensure that:

- goods or services have been received in a satisfactory condition with regard to quantity and quality;
- goods or services have been used on valid College activity;
- where appropriate it is matched against an official College purchase order;
- invoice details (quantity, price, etc.) are correct;
- the invoice is arithmetically correct;
- where appropriate, an entry has been made on a departmental inventory;
- an appropriate coding combination has been quoted.

Invoices must be authorised and returned to the Finance Department as soon as possible. Budget holders must take care to avoid delays that may mean the opportunity to take prompt payments discounts is lost and must follow the College's financial procedures.

Subject to, e.g., the availability of prompt payments discounts, the standard arrangement for the payment of invoices shall be based on 30 day terms unless under dispute.

## **9.0 Salaries and Wages**

### **9.1 General**

The Head of Finance will ensure that payments are made for salaries and wages to all staff, including payments for overtime or other services rendered.

All College staff will be appointed to the salary scales approved by the Corporation Board and in accordance with appropriate conditions of service. The Vice Principal – Finance and Corporate Services or Head of Human Resources must issue all letters of appointment.

The Head of Human Resources will be responsible for informing the Finance Department of all matters relating to employees for payroll and budget purposes.

In particular these include:

- appointments, resignations, dismissals and transfers
- absences from duty for sickness or other reason, apart from approved leave
- changes in remuneration including increments and pay awards
- memberships and matters relating to pension schemes

In line with the College's procedures, the Head of Finance will ensure that the College complies with all statutory requirements and Inland Revenue requirements relating to deductions for salaries. The Head of Finance will ensure that controls are in place to ensure that amounts have been paid over by the Finance team to the relevant bodies on an on-going basis. Documents relating to salaries and payroll will be retained for 6 years (based on fiscal year).

Payments to part-time staff will be made in accordance with financial procedures.

### **9.2 Pension Schemes**

The Corporation Board is responsible for undertaking the role of employer in relation to appropriate pension arrangements for employees.

The Head of Finance will ensure that deductions are made by the Finance Department relating to pension matters.

The Head of Finance will ensure that controls are in place to ensure that amounts have been paid over by the Finance Department to the relevant bodies on an on-going basis.

## **10.0 Capital Expenditure**

### **10.1 Land and Buildings**

The purchase or disposal of any land and buildings can only be taken with authority from the Policy and Resources Committee.

### **10.2 Other Capital Expenditure**

As part of the annual budgeting exercise, the Policy and Resources Committee will approve a level of capital expenditure for the year. Unbudgeted individual amounts under £50,000 can be approved by the Vice Principal – Finance and Corporate Services. Capital Building projects over £100,000, and unbudgeted amounts of £50,000 or above need the prior approval of the Policy and Resources Committee.

In exceptional circumstances, unbudgeted amounts of £50,000 and above can be approved by the Principal and Chief Executive following consultation with the Chair and Vice-Chair, but must be confirmed at the next Policy and Resources Committee.

### **10.3 Inventories**

The Head of Finance will ensure that a register of land, buildings, fixed plant and equipment will be maintained in line with the College's financial procedures.

In addition to the asset register, the CLT will ensure inventories of items of plant, equipment (including IT equipment) and furniture are maintained in accordance with the College's financial procedures.

### **10.4 Asset Disposal**

Disposal of land and buildings can only be taken with the authority from the Policy and Resources Committee and ESFA, if required.

Disposal of fixed plant and equipment must be in accordance with the College's detailed financial procedures.

### **10.5 Capital Building Projects**

Capital building projects in excess of £100,000 or that require either ESFA notification or approval, will be reported separately to the Policy and Resources Committee. Details of projects requiring ESFA notification or approval are included in the Financial Memorandum.

A specific budget will be agreed beforehand and the Principal and Chief Executive will ensure that the Policy and Resources Committee receives, before commencement of the project, a paper which includes:

- An investment appraisal and assessment of compliance with ESFA criteria.
- A statement showing how the project links with the College's Strategic Plan.

During the project, there will be regular reports and at the end of the project, the Principal and Chief Executive will ensure that a paper is presented to the Policy and Resources Committee which will include:

- Actual outcome against budget.
- Demonstrating compliance of the College tendering procedures.

## **11.0 Travel, Subsistence and Other Allowances**

All claims for payment of subsistence allowances, travelling and incidental expenses shall be completed in accordance with the College's Travel and Expenses Policy and approved in accordance with the authorisation levels set out in financial procedures.

Travel and subsistence rates paid shall be within those allowed by HMRC as not creating a taxable benefit.

Official College stationery shall be used for all claims.

All claims shall be signed by the claimant and certified by an appropriate budget holder. Certification shall be taken to mean that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the College.

### **11.1 Overseas Travel**

Travel expenses on overseas trips will be approved and claimed in accordance with the College's procedures. The Policy and Resources Committee will receive an annual report of the costs of all overseas trips. The Policy and Resources Committee may determine to receive more regular or detailed reports depending on the amounts involved. The Chair will approve in advance all overseas travel by the Principal and Chief Executive (NB see also 11.4 below).

### **11.2 Significant UK Travel and Subsistence**

An annual report of UK travel by members of the College Executive Team will be produced for the Policy and Resources Committee. The Policy and Resources Committee may determine to receive more regular or detailed reports depending on the amounts involved. The Chair will approve all UK travel and subsistence claimed by the Principal and Chief Executive.

### **11.3 Other Significant Expenses**

The Policy and Resources Committee will set a limit for any other significant expenses incurred by a Senior Postholder for which reports should be produced on an annual or ad hoc basis.

### **11.4 Payment of Expenses to Governors**

Governors shall not receive payment for services as Governors. Reimbursement of reasonable travel, subsistence or support expenses for attending training courses or other events incurred in the execution of their duties as Governors will be permitted in line with College Policy. Support expenses are defined as expenses relating to circumstances where additional costs are incurred by a Governor in relation to the provision of childcare or to assist a Governor with a disability.

Any costs relating to any Governors UK travel should be agreed by the Principal and Chief Executive in advance. Any amounts reimbursed should be reported annually to the Board.

Any costs relating to any Governors overseas travel should be agreed by the Principal and Chief Executive in advance and reported to the Corporation Board at the meeting following the visit.

Should an overseas trips involve both the Chair and the Principal and Chief Executive the trip will be approved in advance by the Vice Chair, or other member of the Governing Body (if relevant), however in all cases by an individual independent to the trip and reported to the Corporation Board at the meeting following the visit.

## **12.0 Management Information**

### **12.1 Management Information - Policy and Resources Committee / Corporation Board**

At each meeting, the Policy and Resources Committee will normally receive the latest published management information, which will include:

- Current Income and Expenditure Account with latest forecast position.
- Current Balance Sheet with latest forecast position.

At each Board Meeting, the Corporation Board will receive management information, in a summarised form, and include an income and expenditure account, balance sheet and current forecast.

As noted below, because of items such as finalising the year end, results for certain months (e.g. August) may not be produced.

### **12.2 Management Information - CLT**

A monthly summary will be produced (excluding months noted above) together with a commentary and distributed to CLT. These reports will normally be produced by the 8th working day following the month end.

Performance Review Meetings will be held with the CLT budget holders where results for the year to date will be discussed and reviewed. The frequency will be determined annually by the Executive Team. Any significant issues raised at Performance Review Meetings will be discussed at the next scheduled Executive Team meeting

The Head of Finance will ensure that financial reports are produced in such a format to enable the CLT to manage their budget.

## **13.0 College Investment Policy**

### **13.1 General**

The College Investment Policy will be determined by the Policy and Resources Committee and will be reviewed periodically. The Vice Principal - Finance and Corporate Services will be responsible to the Principal and Chief Executive for ensuring that the policy is carried out.

Funds will be invested in line with the College's financial procedures and in accordance with the relevant bank or building society mandates.

All investments will be made in the College's base currency, i.e. sterling.

The policy complies with the terms of the Trustees Investment Act 2000.

### **13.2 Policy**

Surplus funds made available for investment should be placed on termly deposits (i.e., overnight, 1 month etc.) or on instant access deposit accounts. All deposits will be placed with a UK bank or financial institution following an assessment of the institution's credit rating, unless the UK bank is the College's current bank or one of its current lenders.

The College will place funds only with institutions which have a high credit rating as published by one of the following investment service providers – Fitch / Standard and Poor / Moody's. The college will check credit ratings for all institutions at which deposits are held as a minimum on a monthly basis, unless the UK bank is the College's current bank or one of its current lenders.

Dependent upon the value of funds available for investment, funds may be placed with one or more institutions, so as to maximise the interest earned and spread the risk to the College. Where loan finance is in place with an institution, the College will ensure that the College is a net creditor.

Funds cannot be used to purchase stocks and shares without prior approval from the Policy and Resources Committee. Funds cannot be used to purchase share market 'trackers' without prior approval from the Policy and Resources Committee.

### **13.3 Cash Management**

Surplus funds will be invested in line with the Investment Policy covered in these regulations whilst liquidity will be maintained such that all expenditure can be met.



## **14.0 Risk Management**

### **14.1 General**

The Vice Principal – Finance and Corporate Services maintains a Risk Register and reports to the Principal and Chief Executive on matters of risk management. Reports are sent to each Audit Committee and each Board Meeting. The Vice Principal – Finance and Corporate Services plays a key role in:

- Helping to determine the College's Risk Management Policy.
- Overseeing the operation of the Risk Management Policy ensuring that all key risks are identified, reviewed and covered as part of the Risk Management plan.
- Drawing up a Risk Register, ensuring that it is maintained on an on-going basis with current risks and mitigating actions are being actioned.
- Acting as a focal point for Risk Management activity.

The College's Risk Management Strategy is embedded within the College and is being monitored and followed up by Business Planning and various on-going monitoring arrangements.

### **14.2 Insurance**

The Vice Principal - Finance and Corporate Services is responsible for ensuring effective insurance cover is maintained, as determined by the Policy and Resources Committee. This covers:

- negotiating claims;
- maintaining the necessary records;

CLT members must give prompt notification to the Vice Principal - Finance and Corporate Services of any potential new risks and additional property and equipment which may require additional insurance and alterations affecting existing risks.

The Vice Principal - Finance and Corporate Services will keep a register of all insurances affected by the College and the property and risks covered.

The Head of Finance is responsible for obtaining insurance quotes in accordance with procurement procedures and dealing with the College's insurers and advisers about specific insurance problems.

CLT must ensure that any agreements negotiated within their areas with external bodies cover any legal liabilities to which the College may be exposed. The Head of Finance advice should be sought to ensure that this is the case.

CLT members must advise the Head of Finance, immediately, of any event which may give rise to an insurance claim. The Head of Finance will notify the College's insurers and, if appropriate, prepare a claim in conjunction with the CLT for transmission to the insurers.

The Head of Finance is responsible for ensuring that suitable records of plant which is subject to inspection by an insurance company is kept and for ensuring that inspection is carried out in the period subscribed.

All staff using their own vehicles on behalf of the College shall maintain appropriate insurance cover for business use.

## **15.0 Taxation**

The Head of Finance is responsible for ensuring advice is given to budget holders in the light of guidance issued by the appropriate bodies and relevant legislation as it applies, on all taxation issues, to the College (e.g. VAT, PAYE, National Insurance and Corporation Tax).

The Head of Finance is responsible for ensuring the College's tax records are maintained and that all tax matters are dealt with by their due date as appropriate.

## **16.0 Fraud, Bribery and Irregularity**

### **16.1 Responsibility**

The Financial Memorandum between the College and the Education and Skills Funding Agency states that the Corporation Board is responsible for ensuring (that is, must) that the financial, planning and other management controls, including controls against fraud, bribery and theft, applied by the College, are appropriate and sufficient to safeguard public funds.

The College external auditor has a duty to plan and conduct the audit so that there is a reasonable expectation of detecting material mis-statements in the accounts arising from irregularities, including fraud, or breaches of regulations. The College external auditor does not have a duty to search specifically for irregularities and fraud and their audit should not be relied upon to disclose them. Where the external auditor identifies a serious weakness or an accounting or other control breakdown it must be reported to the Principal and Chief Executive, the Chair of the Corporation Board and the Chair of the Audit Committee without delay.

Ongoing day to day responsibility for the identification of fraud lies with the Principal and Chief Executive.

### **16.2 Instances of Suspected Fraud/Bribery/Irregularity**

Any suspicions of fraud/bribery/irregularity should be reported immediately to the Director of Governance or the Principal and Chief Executive.

Suspicions of serious breaches must be reported to the Chair of Audit and Chair of the Corporation Board who will determine the action to be taken.

In all cases, suspicions of fraud/irregularity must be fully investigated and reported to the appropriate Committee. The Corporation Board should be informed at the earliest opportunity.

Where appropriate the Audit Committee may arrange for a special investigation involving the internal audit service or other parties.

The Audit Committee, in conjunction with the Chair of the Corporation Board will, if appropriate, determine:

- When and how to contact the police.
- Other parties to be involved.
- How to initiate recovery action.
- How to secure evidence in a legally admissible form.
- How to disseminate any lessons learned from the experience where there may be implications for the College as a whole.

The Head of Internal Audit (i.e., the Partner in the relevant accountancy firm) must issue written procedures to auditors on the action to be taken if they suspect or discover fraud or irregularity and should make appropriate arrangements to be informed by the College, as soon as possible, of all suspected or discovered fraud, whether internal or external. The Principal and Chief Executive and Chair of the Audit Committee should also be informed.

Where the Audit Committee feels there is evidence of irregularity, fraud, corruption, or any impropriety, the Chair of the Committee must notify the Principal and Chief Executive and the Chair of the Corporation Board, who should raise the matter at the next meeting of the Corporation Board. Where the matter is considered significant, the Governors should consider holding a special meeting.

The College, its internal audit service and, where appropriate, its external auditor must report to the report to the Education and Skills Funding Agency, as soon as practically possible, any significant fraud or major weakness or breakdown in the accounting or other control framework, of which they become aware, as defined in the Post 16 Audit Code of Practice (subject only to the requirements of the Proceeds of Crime Act 2002). Any correspondence should be copied to the Chair of the Corporation. A serious weakness would be one which may result in a significant fraud or irregularity, and may include cases of irregularities

in expenditure which could lead to suspicions of fraud. Significant fraud is usually where one or more of the following factors are involved:

- The sums of money are in excess of £10,000.
- The particulars of the fraud are novel, unusual or complex.
- There is likely to be great public interest because of the nature of the fraud or the people involved.

There may be circumstances that do not fit this definition. In these cases or any others, the College can seek advice or clarification from the Education and Skills Funding Agency.

## **17.0 New Ventures**

### **17.1 New Ventures**

The College produces its Strategic Plan and Budget on an annual basis which may contain proposed new ventures. These new ventures will be considered by the Governing Body and Policy and Resources Committee as part of its review of the Strategic Plan and they will determine the timing and extent of any on-going reporting that is required.

Where opportunities for new ventures occur during the year that are not contained in the strategic plan and budget then they will be reviewed in the first instance by the Principal and Chief Executive. The Principal and Chief Executive will determine if they need to be highlighted specifically to the Policy and Resources Committee in the first instance. If the Principal and Chief Executive has any doubt about whether any new ventures should be specifically highlighted to the Policy and Resources Committee, then The Principal and Chief Executive will seek the advice of the Chair.

New Ventures undertaken during the year which will need to be specifically highlighted to the Policy and Resources Committee. Specifically, where any new venture includes any of the following:

- The need to set up a subsidiary company.
- The purchase of an investment in a company or un-incorporate body, irrespective of value.
- Where it is expected that the venture will incur a net cost in excess of £50,000 in any one financial year.
- Where it is expected that the venture could have a sensitive impact on the College's image or reputation. This may involve a link with a politically sensitive third party.
- Where the venture will require foreign travel by senior postholders or governors, or will require any College employee to have more than three overseas visits.
- Where it is expected that the venture will have a significant impact on the strategic focus of the College (e.g. a large influx of students from overseas).

### **17.2 Reporting**

When any New Venture covered by the above definition takes place a member of the Executive Team will produce a written report, at least termly, which will be presented to the Policy and Resources Committee. The Policy and Resources Committee may determine to receive more frequent reports.

The format of the report will be agreed by Policy and Resources Committee but will normally include:

- A detailed explanation of the venture and its impact on the present College curriculum.
- A statement which demonstrates the venture's consistency/impact on the Strategic Plan, already approved by the Governing body.
- Details of key targets and performance indicators to be achieved over the period of the venture with on-going reports showing progress to achieving these targets.
- Details of any outside parties involved.
- A financial evaluation of the venture and its impact on the present budget.

The Corporation Board receive minutes of the Policy and Resources Committee which will include details of the above new ventures. The Policy and Resources Committee will consider the significance of any new venture and will determine if specific reports on individual ventures will be produced for the Corporation Board.

The Further and Higher Education Act requires the College to seek consent (from the ESFA) to participate in companies providing education funded wholly or partly by the ESFA.

## **18.0 Other**

### **18.1 Hospitality**

The limits and authorisation levels for entertaining guests are detailed in the College's Travel and Expenses and Gifts and Hospitality Policies.

The procedure for entertaining guests is as set out in the College's Travel and Expenses Policy and Gifts and Hospitality Policy and any entertaining should have been approved prior to and authorised in accordance with the College's Gifts and Hospitality Policy.

Any entertaining should normally be done by using the College's catering facilities.

Any gifts, entertainment, hospitality or other inducement from a contractor, supplier or other outside party can only be accepted if they are in line with the specific Gifts and Hospitality Policy.

### **18.2 Code of Conduct**

The College expects that staff at all levels will observe the Code of Conduct as set out in the Staffing and Employment Procedures.

Additionally, members of the Corporation Board, Senior Post Holders and those staff with significant involvement in procurement are required to disclose interests in the College's register of interests.

### **18.3 Year End Carry Forwards**

#### **Additional Allocations**

Increasingly the College is receiving funds that are granted in one academic year but need to be spent in more than one academic year. Where any College area has not completed all the relevant expenditure relating to the allocations the Principal and Chief Executive will be allowed to agree the carry forwards and inform the Policy and Resources Committee accordingly.

#### **Year End Carry Forwards**

At the end of each financial year the year end accounts are finalised.

Where Heads of Schools or Business Support Head has an agreed surplus against its agreed budget it will not normally be permitted to carry forward the under-spends from the previous year unless specifically agreed by the Principal and Chief Executive.