



## **FINANCIAL REGULATIONS**

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- We will consider any request for this policy to be made available in an alternative format or language. Please note that the College may charge for this service. Please contact: Head of Finance
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- All our policies are subject to equality impact assessments\*. We are always keen to hear from anyone who wishes to contribute to these impact assessments. Please contact:

\*Equality Impact Assessments are carried out to see whether the policy has, or is likely to have, a negative impact on grounds of: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex or sexual orientation.

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**Equal Opportunities: Impact Assessed  
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# **TYNE COAST COLLEGE**

## **FINANCIAL REGULATIONS**

### **A COMPLIANCE WITH FINANCIAL REGULATIONS**

- A1 This document sets out the College's Financial Regulations. It translates into practical guidance the College's broad policies relating to financial controls and represents the minimum acceptable standard to be maintained by the members and staff of the College. The Financial Regulations apply to the College and its subsidiary undertakings.
- A2 The Office for National Statistics reclassified the English College sector to Central Government from 29<sup>th</sup> November 2022. A significant adjustment to this change relates to financial management – as part of the public sector, colleges must now adhere to the government sectors spending rules which are set out in a HM Treasury Managing Public Money publication which sets out the requirements for all central government bodies.
- A3 The Education & Skills Funding Agency published a College Financial Handbook in March 2024; the Handbook:
- Describes the financial responsibilities of colleges, reflecting their status as charitable corporations acting in the public interest and classified as central government bodies
  - Explains when colleges must obtain advance approval for certain financial transactions and that colleges must ensure they are familiar with these requirements
  - Balances the need for effective financial management with the freedoms that colleges need over their day to day business
  - Reflects the Seven Principals of Public Life to which public office holders must adhere, these being selflessness, integrity, objectivity, accountability, openness, honesty and leadership
  - Must be complied with as a requirement of colleges accountability agreements with the Secretary of State for Education
  - Sets out that DfE may take action, in accordance with the framework for College oversight: support and intervention where there are concerns about a colleges compliance with financial management requirements
- A4 Whilst the College has autonomy over financial transactions arising in the normal course of business, some transactions have delegated authority limits beyond which colleges must obtain prior approval, regardless of the source of funds. The DfE may take action where colleges do not obtain the required approval in advance.
- A5 Transactions by colleges or their subsidiaries that may be considered novel (no prior experience or outside of normal business), contentious (cause controversy or criticism) or cause repercussive pressures on the college sector or other parts of the public sector to take a similar approach or set a precedent, must always be referred to DfE for prior approval.

A6 The College Financial Handbook provides a summary of freedoms and delegations recreated within the Financial Regulations – this is not a substitute for the full handbook.

|                                     |   |  |
|-------------------------------------|---|--|
| Novel, contentious and repercussive | Novel, contentious and repercussive transactions                            | DfE agreement required   |
| Special Payments                    | Staff severance and compensation  | DfE agreement required inf non-statutory/non-contractual element is £50,000 or more, or more than 3 months' salary before tax<br><br>And<br><br>DfE agreement required for an exit package which: <ul style="list-style-type: none"> <li>• Includes a special severance payment that is at, or above, £100,00: and/or</li> <li>• The employee earns over £150,000</li> </ul> |
| Special payments                    | Ex gratia, extra-contractual, extra-statutory and extra-regulatory payments | DfE agreement required   |
| Write-offs and liabilities          | Writing-off debts and losses  | DfE consent required if exceeds: <ul style="list-style-type: none"> <li>• 1% of annual income or £45,000 individually; or</li> <li>• 5% of annual income or £250,000 cumulatively</li> </ul>   |
| Disposal of fixed assets            | Land and buildings  | Proceeds must be used for capital reinvestment or to pay off debts. DfE agreement required if proceeds are intended to be used to support working capital.   |
| Disposal of fixed assets            | Moveable assets   | Proceeds may be used at the college's discretion, subject to the usual requirements of regularity, propriety and value for money.  |
| Leasing                             | Finance and Operating leases  | DfE agreement not required.  |
| Surpluses                           | Surplus carry forward   | DfE agreement not required.  |
| Borrowing                           | Loan, overdraft   | DfE agreement not required.  |
| Borrowing                           | Credit cards (for business use)   | College has full discretion provided interest not incurred   |

- A7 Implicit with compliance with the Financial Regulations is compliance with the College Financial Handbook and HM Treasury Managing Public Money which is compulsory for all governors and 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 procedure. Any breach resulting in disciplinary action will be notified to the Board through the Audit Committee.
- A8 It is the responsibility of the members of the College, managers and other Budget Holders to ensure that their staff are aware of their responsibilities under the Financial Regulations and College Financial Handbook and that an adequate number of copies are available for reference for staff involved in the financial affairs of the College and its subsidiary undertakings. The Financial Regulations and College Financial Handbook will also be made available on the College Intranet.
- A9 The requirement to comply with Financial Regulations and College Financial Handbook at all times will be brought to the attention of all staff via staff induction from managers.
- A10 The Financial Regulations will be reviewed regularly and amended as necessary to ensure they reflect the College's current structure and arrangements.
- A11 Where the Financial Regulations have been waived in accordance with guidance herein such occurrences will be reported to the Finance Committee by the Chief Operating Officer.

## **B BACKGROUND TO THE FINANCIAL REGULATIONS**

- B1 The College was incorporated under the Further and Higher Education Act 1992 and is an exempt charity by virtue of the Charities Act. Its structure of governance is laid down in the instruments of its incorporation, the Instruments and Articles of Government. The College is accountable through the Board of Governors (Board) which has ultimate responsibility for the College's management and administration.
- B2 The College conducts its financial affairs in line with its Financial Memorandum with the ESFA. This sets out the terms and conditions of the agreement under which the FE funding bodies provides funds to the College. The Board is responsible for ensuring that conditions of grant are met. As part of this process the College shall adhere to the Joint Audit Code of Practice issued by the Education and Skills Funding Agency (ESFA) which requires it to have sound systems of financial and management control.
- B3 The Financial Regulations of the College form part of the overall system of accountability and internal control. They reflect the requirements of the Instruments and Articles of Government, the Financial Memorandum, and the Audit Code of Practice, whilst remaining subordinate to any restrictions contained within them.

## **C TERMINOLOGY**

C1 In these regulations:

- (i) 'the College' refers to Tyne Coast College.
- (ii) 'the Board of Governors' refers to that established under the Further and Higher Education Act 1992 for the governance of the College. Reference to the Board shall imply the Governing Body of The College.
- (iii) 'the Chief Executive' refers to the Chief Executive of the College, appointed under section 12 of the Articles of Government.
- (iv) references to Senior Post Holders means the posts of Chief Executive, Chief Operating Officer and Director of Governance
- (iv) references to other Senior Posts of the College will indicate the post holder under sections 1(c) of the Articles of Government. These posts are:
  - Chief Operating Officer
  - Principal of South Shields Marine School
  - Principal of Tyne Metropolitan College and South Tyneside CollegeReferences to College Management Team (CMT) includes the Chief Executive, Chief Operating Officer, Principals and Directors of the college.
- (v) 'the staff' refers to all employees of the College
- (vi) references to 'College Managers and other Budget Holders' shall include any member of staff or external specialist employed by the College, nominated by him/her and for whom that team member has responsibility. College managers includes:- Chief Executive, Chief Operating Officer, Principals, Vice / Assistant Principals, Directors, Heads of Curriculum, Heads of Services and any other posts nominated to be put in the management structure.
- (vii) reference to '..... to the College' shall imply either a member of staff or an external specialist employed by the College. Where the Board has complete discretion, neither method of service provision is assumed.
- (viii) FE Funding Bodies refers to the Education and Skills Funding Agency (ESFA) where appropriate.
- (ix) words importing one gender shall import all genders, the singular number shall include the plural and vice versa (unless the context otherwise requires).
- (x) 'cash' shall mean all cash and cash equivalents such as cheques and bankers drafts.
- (xi) Finance Committee means any committee of the governing body that considers finance matters, by whatever name it is known.

## **D FINANCIAL CONTROL AND RESPONSIBILITIES**

### **D1 COMMITTEE STRUCTURE**

- D1.1 The Board shall have responsibility for the following financial matters:
- (i) approving the annual estimates of income and expenditure
  - (ii) ensuring the solvency of the College
  - (iii) safeguarding the College's assets
  - (iv) ensuring financial matters are always taken into account when making decisions
  - (v) giving an annual account of their stewardship of the College's funds
  - (vi) ensuring that there are adequate management controls in place to enable them to discharge their other responsibilities
  - (vii) securing value for money
- D1.2 In addition the financial memorandum requires that the responsibilities of the Board include:
- (i) setting a framework for pay and conditions of service of all staff
  - (ii) ensuring 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
  - (iii) securing the efficient, economical and effective management of the College's resources and expenditure, capital assets, equipment and staff, so that the investment of public funds in the College is not put at risk
  - (iv) setting the policy for determining tuition fees
- D1.3 The Board has established a committee to advise on financial matters and an Audit Committee. The committees shall be properly constituted by the Board who will set terms of reference for each committee. The Board shall periodically review the membership and terms of reference of its committees.
- D1.4 As part of its terms of reference the Committee responsible for Finance shall be responsible for:
- (i) the implementation of the Board's overall financial policy
  - (ii) maintaining a continuous review of the Financial Regulations and advising the Board of any necessary additions or changes
  - (iii) the administration, management and control of the College's finances within guidelines agreed by the Board and subject to the restrictions placed upon delegation of responsibilities under the Articles of Government, section 5
- D1.5 The Audit Committee shall adopt an advisory role and shall examine the College's systems of internal control through the work of the College's Internal Auditor and its External Auditor.



## **D2 RESPONSIBILITIES OF THE CHIEF EXECUTIVE**

- D2.1 Under the Articles of Government the Chief Executive of the College is responsible for preparing annual estimates of income and expenditure for consideration and approval by the Board, and the management of budget and resources within the estimates approved by the Board.
- D2.2 The Financial Regulations are without prejudice to this responsibility. Unless stated to the contrary, senior post holders, senior managers, College managers and other Budget Holders act under powers delegated to them by the Chief Executive.
- D2.3 The Chief Executive is the College's designated accounting officer and shall be responsible for ensuring that funds from the FE funding bodies are used only for the purposes for which they are given and in accordance with any terms and conditions attached to them. As accounting officer, the Chief Executive may be required to justify any of the College's financial matters to the Public Accounts Committee at the House of Commons.

## **D3 SENIOR POST HOLDERS, COLLEGE MANAGERS AND OTHER BUDGET HOLDERS**

- D3.1 As the College's designated accounting officer, the Chief Executive under the general direction of the Finance Committee and assisted by the Senior Post Holders, shall be responsible for the financial administration of the College's affairs. To this end he/she will delegate whatsoever duties and responsibilities he/she sees fit to the Senior Post Holders, senior managers, College managers, other Budget Holders and other College staff.
- D3.2 Day to day financial administration is controlled by the Chief Operating Officer. The Chief Operating Officer is responsible to the Chief Executive for:
- (i) ensuring that the College maintains satisfactory financial systems
  - (ii) providing professional advice on all matters relating to financial policies and procedures
  - (ii) co-ordinating the preparation of annual capital and revenue budgets and financial plans and forecasts
  - (iii) preparing accurate and timely budgetary control information and management accounts
  - (iv) preparing the College's annual accounts and other financial statements and accounts which the College is required to submit to other authorities
  - (v) exercising efficient cash management including preparation of regular bank reconciliations and cash flow projections
  - (vi) managing working capital
- D3.3 The Chief Operating Officer shall issue such instructions, receive such information, give such advice, or establish such procedures relating to financial matters, to the level of all relevant codes of practice and Accounting and Audit Standards, in order to secure the proper administration of the College's financial affairs.

- D3.4 College managers and other Budget Holders are responsible to the Chief Executive for financial management in their own areas. The Chief Operating Officer provides professional support.
- D3.5 College managers and other Budget Holders are responsible for the accountability and control of staff and security, custody and control of all other resources, including plant, materials, buildings, cash and stores appertaining to his/her School, Department or Section, as well as for ensuring compliance with these regulations.
- D3.6 College managers and other Budget Holders will consult the Chief Operating Officer in good time with respect to any matter within his/her view which is liable to materially affect the finances of the College before any commitment is made. This shall not only be considered in financial terms (where upon a transaction in excess of £5,000 will be considered as material) but also any matter affecting the integrity of financial systems and other affairs. The Chief Operating Officer shall inform and be accountable to the Chief Executive regarding all financial matters.

## **E FINANCIAL PLANNING**

### **E1 EDUCATIONAL CHARACTER**

- E1.1 It is the responsibility of the Board to determine the educational character and mission of the College and for oversight of its activities including the effective and efficient use of resources. To this end, it will be the responsibility of the Board to determine in light of student number allocations and the requirements of the external funding bodies, the pattern of course provision to be made by the College.

### **E2 STRATEGIC FINANCIAL PLANNING**

- E2.1 The Chief Executive is responsible for the annual presentation of a rolling two-year financial forecast for approval by the Board on the recommendation of the Finance Committee.
- E2.2 The financial forecast will form an integral part of the strategic plan of the College. It will express in financial terms the costs of implementing the strategic plan and show the income and expenditure associated with the projected levels of activity.

### **E3 FORECASTS AND ESTIMATES**

- E3.1 Prior to the start of each financial year detailed estimates will be prepared by the Chief Operating Officer in line with the financial forecasts within the strategic plan. Estimates will be prepared under the direction of the Chief Executive.
- E3.2 The detailed form of the estimates will be determined by the Chief Operating Officer in accordance with the general direction of the Finance Committee and the Chief Executive.
- E3.3 It will be the responsibility of the Board, prior to the start of the new financial year, to approve the annual estimates of income and expenditure on the recommendation of the Finance Committee.
- E3.4 In determining the annual budget for the College the Board shall plan and conduct its financial and academic affairs so that its total income is not less than sufficient, taking one year with another, to meet its total expenditure (excluding net annual depreciation charges) and ensure that the solvency of the institution will not be jeopardised.
- E3.5 During the year the Chief Operating Officer will be responsible for submitting revised budgets to Finance Committee before submission to the Board for approval as required by the Board.

### **E4 NEW VENTURES**

- E4.1 Managing Public Money to be reviewed to determine whether DfE approval is required.
- E4.2 The authorisation of the Finance Committee shall be obtained for significant new ventures, i.e. any contract with an overall value in excess of £150,000. This applies where the contract is with an external party who has not previously enjoyed a robust

trading history with the College, regardless of the nature of the new venture and where we have a direct or indirect relationship with the third party.

- E4.3 The Committee approval of any new venture should be informed by a paper which shows the expected impact upon the College's strategic plan and on the College's in year estimates and future financial periods. The plan should be reviewed by the College Finance Department for the identification of financial risk and the creditworthiness of the proposed new partner.
- E4.4 The Committee should be informed at regular intervals of the progress of such ventures until such time as the venture is established, when it should then be absorbed into the mainstream reporting processes of the College.

## **E5 THE CAPITAL PROGRAMME**

- E5.1 The capital programme means the capital budget approved as part of the annual budget and other large capital schemes brought to the Board for Approval as funding becomes available.
- E5.2 At the same time as elements of the capital programme are approved by the Board the Chief Executive will, with the assistance of the Chief Operating Officer indicate the proposed financing of the programme.
- E5.3 The inclusion of a scheme in the College's approved capital programme does not constitute approval for the commitment of expenditure on that scheme. Expenditure may only be incurred on a scheme where:
- (i) the Finance Committee has approved the scheme as being within the College's Strategic Financial Plan or objectives
  - (ii) a tender or quotation has been received which does not exceed the amount upon which the financial report was based or funding for any additional amount has been approved by the Finance Committee
  - (iii) all Government and other approvals have been received where required
  - (iv) the Chief Executive with the assistance of the Chief Operating Officer is satisfied at the time the tenders or quotations are considered that sufficient resources are available to finance the capital expenditure and revenue costs associated with the scheme.
- E5.4 All bids for future years budget within the Capital Programme need to be presented to the Chief Operating Officer as part of the annual budget setting process and shall include:
- (i) a statement which demonstrates the project's consistency with the strategic plans including the property strategy where appropriate, which has been approved by the Board
  - (ii) an initial budget including a breakdown of costs including professional fees, VAT and funding sources
  - (iii) an investment appraisal which will include as a minimum an assessment of the impact of the project on the College's financial forecasts.

## **F FINANCIAL CONTROL**

### **F1 HIGH LEVEL FINANCIAL CONTROL**

- F1.1 Notwithstanding the responsibilities of the Corporation under D1 above it shall be the responsibility of the Finance Committee to oversee the financial performance of the College on a regular basis. The Board shall notify the ESFA in writing if at any time there is a significant deterioration in its financial position.
- F1.2 The Chief Operating Officer will be responsible for supplying reports on all aspects of the College's finances to the Finance Committee in a format and on a basis determined by the Finance Committee.
- F1.3 The Chief Operating Officer shall be responsible for providing regular statements concerning all capital expenditure to the Finance Committee for monitoring purposes.
- F1.4 Following completion of capital projects exceeding £500,000, a final report shall be submitted to the Finance Committee recording actual expenditure against budget and reconciling funding arrangements.
- F1.5 The Chief Executive will report promptly to the Finance Committee on the impact on the College's finances of pay and price increases and of other material variations to enable appropriate action to be taken.

### **F2 BUDGETARY CONTROL**

- F2.1 The Chief Executive will be responsible for ensuring that net spending is kept within the approved budget. He/she may delegate responsibility for monitoring whatsoever budget areas he/she sees fit to members of the College managers and other Budget Holders. The Chief Operating Officer shall be informed of any such proposed delegation. Any member of the team with such a delegated responsibility will be termed as budget holder for that budget area (a budget area may be a grouping or subdivision of the budget heads approved under section E3 of these regulations).
- F2.2 The control of income and expenditure within an agreed budget is the responsibility of the designated budget holder who shall ensure that day to day monitoring is undertaken effectively. The budget holder will be assisted in this duty by management information provided by the College Director of Finance and/or Head of Financial Planning and/or Finance Manager and/or Technical Finance Lead. The Designated Budget Holder shall ensure that the expenditure within the agreed budget complies with these Financial Regulations and the Authorisation requirements contained therein.
- F2.3 Where it appears that the amount of any budget item may be exceeded, or the amount of any income stream may not be reached, and it is not possible to cover the amount involved by the use of virement between budgets as set out in section F3 below, it shall be the duty of the budget holder to bring this to the attention of the Chief Executive and Chief Operating Officer through the budget monitoring process. Further expenditure may not be incurred against the budget without the Chief Executive's approval.

- F2.4 Any proposal which involves the incurring of expenditure:
- (i) shall indicate the budget from which such expenditure can be met
  - (ii) where it involves entering into any commitment of delayed expenditure, e.g. leasing, hire purchase, etc., shall be the subject of consultation with the Chief Operating Officer who shall carry out such analysis and research as appropriate in each circumstance
  - (iii) shall not incur any material item of expenditure beyond the budget value unless the expenditure is necessitated by an emergency, or is mitigated by savings elsewhere / increased revenue. For this purpose, an emergency includes work urgently needed to protect life or property or safeguard the rights or finance of the College. Any expenditure of this kind will be subject to the immediate approval of the Chief Executive or nominated deputy and be subsequently resourced from elsewhere in the budget or reserves.
- F2.5 Commitment of the College to expenditure (or loss of revenue) outside of budgets approved by the Board will be subject to the approval and specific authorisation of the Chief Executive or their delegated representative. For the purpose of these regulations, a proposal, which would result in a loss of revenue, shall be treated as if it were a proposal to increase expenditure.
- F2.6 At the year-end, budget holders will not have the authority to carry forward an unspent balance or income within their budget, unless specifically agreed by the Chief Executive in consultation with the Chief Operating Officer.

### **F3 BUDGET VARIATIONS**

- F3.1 The Chief Executive or their nominated representative may vire the budget within the approved income and expenditure estimates without recourse to the Finance Committee, provided that such variations:
- (i) amount to less than £125,000 of net additional expenditure
  - (ii) do not give rise to a continuing commitment in future years
  - (iii) do not involve the use of sums provided for employee costs in such a way as to require adjustment to the approved staffing establishment of the College
  - (iv) do not involve the use of sums provided for capital projects
- F3.2 The Chief Executive may delegate the right to exercise budget variations to any budget holder. In doing so he/she shall indicate the financial limits and budget within which a budget holder may vary resources. These criteria may not exceed the overall constraints described in F3.1 above.
- F3.3 The Chief Operating Officer will be informed of all proposals for variations under F3.2 above and may refuse any proposal made under such delegated powers if he/she considers it to be in contravention of these regulations or otherwise against the financial interest of the College, following consultation with the Chief Executive.
- F3.4 Variations which falls outside the criteria laid down in F3.1 above will be subject to the approval of the Finance Committee or Members of the Board given specific delegated powers by that committee, except where the variation is necessitated by expenditure incurred in an emergency as described in F2.4 (iii) above.

F3.5 The net effect of variations upon the budget will be reported to the Finance Committee.

**F4 CAPITAL PROJECTS**

F4.1 The Chief Executive may reallocate resources from one project to another in the capital budget provided that the approval of the Finance Committee has been obtained for all projects in excess of £125,000. Any application for such approval shall be accompanied by a financial report on the proposal showing the estimated effect of the proposed alteration on current and future revenue and capital projects.

**G MAJOR CONTRACTS FOR BUILDING, CONSTRUCTIONAL OR ENGINEERING WORK**

- G1 Where contracts provide for payment to be made by instalments, the Chief Operating Officer shall arrange for the establishment of a spreadsheet to include the account of each contract between the College and the contractor, together with any other payments and related professional fees. To accomplish this the Chief Operating Officer will as soon as possible after any such contract has been made be furnished with a copy of the contract which will be added to the contracts register and a payment schedule.
- G2 Payments to contractors on account of contracts shall be made only on a certificate issued by the Architect, Engineer, Quantity Surveyor or other authorised consultant engaged by the College or any other member of the staff appointed by the Chief Executive for the purpose.
- G3 Subject to the provisions of the contract in each case every extra expenditure (over and above any contingency built into the contract) or variation exceeding £20,000 (excluding VAT) or 10% of the contract price, whichever is the lower, shall be authorised in writing by the Director of Estates or professional project manager after consultation with the Chief Executive or his/her nominated representative, prior to the commencement of the variation. Any variation within the contingency shall be authorised by the Director of Estates or project manager responsible for the project once they and college management are satisfied it is required.
- G4 Where the cumulative effect of any extras and variations exceeds £20,000 (excluding VAT) or 10% of the contract price, whichever is the lower, a report will be submitted detailing the reasons for the variations as part of the post project evaluation.
- G5 Where the cumulative effect of variations mean that any contractor and/or client contingency will be fully utilised, the Finance Committee will be informed of the reasons and to agree whether to increase the budget or change the specification on the advice of the Chief Executive.
- G6 The final certificate of completion of any contract shall not be issued on behalf of the College until the Architect, Engineer, Quantity Surveyor, consultant, Director of Estates or other nominated employee as appropriate has produced to the Chief Operating Officer a detailed statement of account, and all relevant documents if required, and the Chief Operating Officer has approved the amount certified.
- G7 Claims from contractors in respect of matters not clearly within the terms of any existing contract shall be referred to the college's consultants for review and if necessary to the Solicitor of the College for consideration of the College's legal liability and to the Chief Operating Officer for financial consideration before settlement is reached.
- G8 The appropriate employee or consultant, after appropriate consultation and after agreement of the final account, shall submit to the College a report of the total cost of each contract. Where the total cost of the work carried out under a contract exceeds the approved amount the causes of the excess expenditure shall be detailed in the submitted report, which shall be discussed with the Finance Committee.



## **H     EXPENDITURE**

### **H1    GENERAL**

H1.1 This section applies to the procurement of all goods, works and services, including capital purchases. All thresholds in this section are inclusive of VAT.

H1.2 The College must be able to demonstrate the effective and proper use of public funds. This includes the following requirements:

- Accountability – The College is publicly accountable for all expenditure.
- Transparency – The College can demonstrate that all parties are dealt with fairly and on an equal basis, without favouritism or corruption.
- Value for Money – Obtaining value for money is essential to support the appropriate use of public funds.

H1.3 Every purchase of goods, works and services require an Official College Purchase Order to be issued and approved prior to requesting the goods, works and services from a supplier.

H1.4 The only exceptions are small items ordered using an authorised college purchasing card that shall follow the guidance issued for their use.

H1.5 The College requires that all employees obtain value for money when purchasing goods, works and services. Value for money is the balance of total cost of ownership and best overall quality. Total cost of ownership includes the initial purchase price and any associated costs for ownership, operating, maintenance and disposing of goods, works and services.

H1.6 Each College employee is subject to the above requirement. In addition, the Budget holder is responsible for ensuring:

- A budget has been identified and approved in accordance with the college financial regulations.
- The budget identified is sufficient to cover the intended expenditure.
- Any guidance on purchasing including sustainability and local purchasing is followed. Any guidance will be kept updated on the college intranet or advice can be sought from the college procurement team.

The finance department will monitor supplier turnover.

### **H2    PURCHASING**

H2.1 All orders for goods, works and services shall comply with the following regulations:

- (i) Purchase requisitions are submitted on the college e procurement system. Each budget holder shall be responsible for all requisitions raised in their area of responsibility.
- (ii) Purchase requisitions must fully detail all items and/or services required, the correct supplier name, price, expense code, department code and any other required fields.

- (iii) Purchase requisitions exceeding the financial thresholds must have the relevant supporting information attached e.g. quotations and any supporting notes.
- (iv) Orders shall be issued on official order forms, as approved by the Chief Operating Officer. Order forms may be despatched via mail or electronically to suppliers.
- (v) Verbal orders should be avoided except in a genuine emergency and shall be placed only after the appropriate written authorisation has been obtained. Verbal orders should be confirmed in writing as soon as possible. Emergency orders may only be placed by the Procurement and Payments Lead or nominated deputy. The Procurement Function will ascertain that appropriate authorisations have been sought prior to placing the order.
- (vi) Designated budget holders shall be responsible for the proper use of requisition forms and shall authorise them personally using the college e-procurement system or be passed to their line manager or other nominated manager for authorisation in their absence. Access to this facility is attached to the member of staffs IT account.
- (vii) A register of Authorised Signatories shall be maintained by the Director of Finance. An appropriate cost centre and expense code shall be identified. This shall be a code included in the budget holder's area of responsibility and shall correspond with the type of goods or service described on the invoice.
- (viii) Orders should not be placed for works, goods and services unless:
  - the order has been authorised as laid out in H3 (below).
  - the cost is covered by an approved budget. This shall be a budget included in the budget holder's area of responsibility.
  - a competitive tender or quotation has been obtained where required.

H2.2 Purchase Orders for Goods and Services to be required 'on demand' will be termed as 'Open Orders'. The authorisation of such orders will be subject to the requirements in Section H2. A report detailing aggregate spend for each order where the ultimate possible spend is in excess of £125,000 will be provided to each meeting of the Finance Committee.

### **H3 FINANCIAL THRESHOLDS**

- H3.1 All orders for goods, works and services shall be authorised in accordance with the table below (all values are inclusive of VAT)
- H3.2 To determine the estimated total value of a contract or a purchase, all elements of the contract/purchase must be considered for the life of the purchase/contract. Where a contract is for less than 4 years but considered an ongoing requirement the value for 4 years must be used.
- H3.3 The Financial Thresholds apply to the aggregate of orders raised by a budget holder, i.e. orders cannot be split. Split orders aimed at circumventing the thresholds should not be made under any circumstances. Any circumstance where it appears that this is the case will be considered a breach of these regulations.

| <b>EXPENDITURE APPROVAL PROCESS</b>                                   |   |  |                                 |
|---|---|--|---------------------------------|
| <b>Total Purchase or Contract Value for the Total Contract Period</b> | <b>Stage 1</b>  | <b>Stage 2</b>   | <b>Stage 3 (if applicable)</b>  |
|   | <b>Purchase Process to be followed</b>  | <b>Contract or Order Approved by</b>   | <b>Contract to be signed by</b> |
| Up to £5,000  | Purchasers should ensure they get value for money and take note of any guidance issued by the procurement team  | Designated Budget Holder or Director of Finance  | Director of Finance             |
| £5,001 to £10,000   | Two written quotations - to include where possible a Tyne and Wear supplier   | Designated Budget Holder AND Director of Finance   | Director of Finance             |
| £10,001 to £24,999  | Three written quotations – to include where possible a Tyne and Wear supplier   | Designated Budget Holder AND Chief Operating Officer   | COO                             |
| £25,000 to £50,000  | Three written quotations - to include where possible a Tyne and Wear supplier.<br>Award to be published on Contracts Finder – budget holder to notify the procurement team  | Designated Budget Holder AND Chief Operating Officer   | COO                             |
| £50,001 to £124,999   | Competitive Tender process carried out with the Procurement Team<br>Award to be published on Contracts Finder   | Designated Budget Holder AND Chief Operating Officer AND Chief Executive Officer                                 | CEO                             |
| £125,000 to £1,499,999  | Competitive Tender process carried out with the Procurement Team<br>OR, where the value is above the Public Contracts Regulations (PCR) threshold<br>PCR compliant process carried out with the Procurement Team<br>Award to be published on Contracts Finder | Designated Budget Holder AND Chief Operating Officer AND Chief Executive Officer AND Finance Committee           | CEO                             |
| £1,500,000 or above   | PCR compliant Tender Process carried out with the Procurement Team<br>Award to be published on Contracts Finder   | Designated Budget Holder AND Chief Operating Officer AND Chief Executive Officer AND Finance Committee AND Board | CEO                             |

H3.4 The Chief Operating Officer and Chief Executive shall nominate deputies who can act on their behalf if they are away from college, e.g. holidays.

#### **H4 TENDERS**

- H4.1 All purchases where the Total Cost of Ownership has a value of £50,000 or above are to be tendered.
- H4.2 The tender process for under Public Contracts Regulations thresholds will involve approaching at least three potential suppliers to ask for fully costed solutions within the parameters laid down in the tender documentation.
- H4.3 Where appropriate the use of Public Sector Frameworks, standing arrangements with other public bodies and fully PCR complaint buying consortium may be used to purchase. The Chief Operating Officer must be formally consulted in these circumstances.
- H4.4 Representatives of the College's Procurement or Estates Function as appropriate must be involved in the tendering process from its inception. They will provide the necessary documentation and guidance to ensure adherence to the College's regulations.
- H4.5 All tenderers shall be informed in writing of the outcome of the tendering process once the preferred organisation has accepted.

#### **H5 PUBLIC CONTRACTS REGULATIONS 2015**

- H5.1 The Members of the Board, or, in the case of an authorised employee acting under powers delegated to them, shall be responsible for ensuring that the College complies with its legal obligations concerning UK procurement legislation. UK procurement regulations apply to written contracts for all forms of procurement or hire (whether or not hire purchase) with a total value exceeding the following thresholds, inclusive of VAT:

| Current Tender Thresholds (inc VAT) |           |
|-------------------------------------|-----------|
| Goods and Services                  | £214,904  |
| Works                               | £5,372,69 |
| Light Touch Regime                  | £663,540  |

- H5.2 A breach of UK procurement regulations is actionable by a supplier or potential supplier. If a purchase is likely to exceed the threshold the Procurement function should be contacted for advice on how to proceed.
- H5.3 It is the responsibility of College managers and budget holders to ensure that their members of staff comply by notifying the Procurement function and Chief Operating Officer of any purchases likely to exceed the thresholds noted above. This is required in a timely manner and no less than 6 months in advance of the time goods or services are required to permit advertisements on Find a Tender Service (FTS) etc.

#### **H6 EXEMPTIONS**

- H6.1 Any exemption from the requirement to obtain tender/quotation must be the exception to the rule and may only be applied for under specific circumstances via a Tender/Quotation Exemption Application Form.
- H6.2 Exemptions will only be considered for values below the Public Contract thresholds.
- H6.3 For values over £5000 and below Public Contract thresholds exemption may be sought in one or more of the following circumstances:

- For goods, works or services which are obtainable from only one supplier (sole or specialist supplier) based on manufacture, location or knowledge. A full justification, including applicable evidence must be provided by the budget holder to support the application.
- There is an emergency involving immediate risk to person, property, or serious disruption to college operation.
- The repairs or parts for additions to existing hardware, machinery or plant or where the comparable costs for repairs, parts or additions would not be compatible with existing kit.
- Purchase or repair of items sold at a fixed price whereby no variance of price would be achieved via quotations or tendering.
- Exceptional circumstances authorised by the Chief Operating Officer and Chief Executive Officer.

H6.4 Failure to properly prepare and plan for a tendering exercise prior to the expiry of an existing contract or following identification of a need to purchase is not an acceptable business case for exemption.

H6.5 All exemption forms must have a full justification for the exemption and include supporting evidence as to why the exemption is required. They must be signed by the budget holder and include a declaration that due diligence has been undertaken in support of the application.

H6.6 When a tender is expected to have a value equal to or above Public Contract thresholds the exemption **must not** be accepted.

H6.7 All applications will be evaluated to ensure that the College is not at risk of breaking procurement law or breaching funding body requirements that could lead to penalties or withdrawal of funding at a later stage.

H6.8 Staff must not make a commitment to a supplier ahead of the exemption application being approved and should plan efficient time for a procurement process to take place if the application is unsuccessful.

H6.9 All applications must be approved by the Chief Operating Officer and Chief Executive Officer.

## **H7 CONTRACTS**

H7.1 All contracts for goods and services exceeding £125,000 may be forwarded to the Solicitor of the College for approval, as deemed appropriate prior to authorisation. The Chief Executive or their nominated representative shall be responsible for ensuring that:

- (i) Financial Regulations and standing orders have been complied with for every such contract
- (ii) that any such contract signed by him/her or his/her nominee is recorded in a register.

H7.2 All contracts must be approved and signed in accordance with the expenditure approval process in H3.

## **H8 PURCHASING CARDS**

- H8.1 The use of Purchasing Cards by College Staff is controlled by the College Director of Finance and subject to the approval of the Chief Operating Officer, by reference to the written Purchasing Card Procedure.
- H8.2 All expenditure using Purchasing Cards is subject to the requirements of the College Financial Regulations. Authorisation for a member of staff to become an authorised card user can only be provided by the Chief Executive or their nominated representative.
- H8.3 Finance must maintain a register of cards.

## **I SALARIES, WAGES, PENSIONS AND OTHER EMOLUMENTS**

- I1 The Chief Operating Officer shall be responsible for the payment of all salaries, wages, pensions, compensation and other emoluments to all employees of the College under arrangements approved and controlled by him/her.
- I2 The Director of Human Resources shall be responsible for keeping all records relating to payroll including those of a statutory nature.
- I3 All College staff will be appointed to the salary scales approved by the Board and in accordance with appropriate conditions of service. All letters of appointment shall be issued by the Human Resources Department.
- I4 The Human Resources Department, will notify the College's payroll provider in writing or appropriately secure electronic means of all matters affecting the payment of emoluments and in particular:
- (i) Appointments, resignations, dismissals, suspensions, secondments and transfers
  - (ii) Absences from duty for sickness or other reason, apart from approved paid leave
  - (iii) Changes in remuneration, including increments, pay awards and agreements of general application
  - (iv) Information necessary to maintain records of service for superannuation, income tax, national insurance.
- I5 All pay documents and time records shall be in a form approved by the Chief Operating Officer and shall be certified by or on behalf of the Chief Executive. The names of persons authorised to sign such records shall be sent to the Chief Operating Officer together with specimen signatures and shall be amended on any change.
- I6 All delivery by staff on casual contracts and overtime shall be authorised by the appropriate Budget Holder prior to work being undertaken. Claims shall be reconciled to such authorisation and evidence of delivery prior to payment being made. The authorisation shall be checked by the member of the College Management Team who the budget holder reports to (or other member of CMT in their absence).
- I7 The Chief Operating Officer shall be responsible for payments to non-employees and for informing the appropriate authorities of such payments. Payments for work undertaken will only be made outside the payroll with the written authorisation of the Chief Operating Officer under exceptional circumstances.
- I8 All casual and part-time employees will be included on the payroll.

- I9 All payments shall be made in accordance with the College's payroll procedures and comply with Her Majesty's Revenue and Customs and other statutory regulations.
- I10 The Board is responsible for undertaking the role of employer in relation to appropriate pension arrangements for employees.
- I11 The Chief Operating Officer is responsible for day to day superannuation matters, including:
- (i) Payment of contributions to any authorised superannuation schemes
  - (ii) Preparing the annual return to any superannuation schemes.



## **J TRAVELLING, SUBSISTENCE, ATTENDANCE AND FINANCIAL LOSS ALLOWANCES**

The following regulations should be read in conjunction with all College guidance concerning Expenses and Foreign Travel

- J1 All claims by employees for payment of car mileage shall be submitted by the 4<sup>th</sup> of the following month to the College Director of Finance in a form approved by the Chief Operating Officer and duly certified by the employee's line manager.
- J2. Travel claims should be compiled, processed and certified in accordance with issued procedures and guidance.
- J3 Payment of other travelling expenses, subsistence allowances and incidental expenses shall be made upon receipt by the College Director of Finance of the appropriate form, duly certified.
- J4 The names of staff authorised to sign such records shall be sent to the College Director of Finance together with specimen signatures and shall be amended on the occasion of any change.
- J5 Payments to Members of The Board who are entitled to claim travelling, subsistence, attendance or financial loss allowances will be made by the College Director of Finance upon receipt of the prescribed form duly completed, and authorised by the Clerk to the Board.
- J6 Certification of a claim shall be taken to mean that the journeys were authorised and the expenses properly and necessarily incurred and reasonable in nature and size and that the allowances are properly payable by the College in accordance with the approved rates.
- J7 Travel in respect of an educational visit shall be subject to advance approval by the relevant member of the College Management Team.
- J8 Where foreign travel is planned by the Chief Executive or Governors, approval shall be sought in advance from the Chair or Vice Chair. Foreign travel by other members of staff, shall be subject to approval by the Chief Executive.
- J9 Claims for foreign travel and subsistence should be consistent with the estimated breakdown of costs provided in advance of the overseas trip. Any variances should be highlighted within the report submitted to the Chief Executive subsequent to the overseas visit.

## **K PAYMENT OF ACCOUNTS**

### **K1 OVERVIEW OF PAYMENTS SYSTEM**

- K1.1 All payment systems shall be under the control of the Chief Operating Officer and shall be amended only with his/her authorisation.
- K1.2 With the exception of petty cash and other payments from imprest accounts the method of payment of money due from the College shall be by cheque, BACS, CHAPS, or other instrument drawn on the College banking accounts by the Chief Operating Officer or other officer authorised by him/her.
- K1.3 It shall be the duty of all members of the College managers and other Budget Holders to certify for payment and send without delay to the College Director of Finance all invoices and accounts in respect of their departments or sections. All Members of the College managers and other Budget Holders shall certify accounts personally (either in paper or online as appropriate) or be passed to their line manager or other nominated manager for authorisation in their absence. The specific officers will sign their own names. Specimen signatures shall be sent to the College Director of Finance who shall maintain a register of authorised signatories and amendments shall be made thereto upon a change of appointment.
- K1.4 Where consultants have been appointed to supervise a contract, they shall be authorised to certify payments to contractors, these shall then be authorised by the relevant college budget holder and payments will be in accordance with current college regulations.
- K1.5 Certification shall mean that:
- (i) Goods have been received, examined and approved as to quality and quantity, or the work has been done or services performed satisfactorily and that the orders have been complied with
  - (ii) Charges are correct and in accordance with any quotations or contracts
  - (iii) All known discounts have been claimed and that the arithmetic and allocations are correct
  - (iv) The account has not previously been certified for payment and remains covered by an approved estimate or special financial provision
  - (v) Proper entries have been made in inventories or stores records where appropriate
  - (vi) Standing Orders and Financial Regulations have been complied with
- K1.6 Payments shall be authorised in accordance with the bank mandate and authorised signatories shall examine, so far as they consider necessary, certified accounts passed for payment prior to authorisation.
- K1.7 The College shall normally pay suppliers within 30 days of the invoice date subject to the validity of the invoice, and the terms and conditions of the purchase order.
- K1.8 Where a same day or faster payment is required outside of the normal weekly pay run, authorisation must be granted from the Chief Operating Officer, Director of

Finance or nominated delegated officer with evidence of why immediate payment is required.

## **K2 OPERATION OF PETTY CASH IMPRESTS**

- K2.1 The Chief Operating Officer shall provide such imprest accounts as he/she considers appropriate for the purpose of defraying petty cash disbursements. Such accounts shall be maintained on an imprest system. Wherever possible, purchases shall be made through the College's main purchase ledger system.
- K2.2 No income received on behalf of the College may be paid into an imprest account.
- K2.3 Payments shall be limited to minor items of expenditure and to such other items as the Chief Operating Officer may approve. Any reimbursement made to an individual employee will be made through the bank account.
- K2.4 A member of staff responsible for an imprest account shall ensure that all cash is kept in a safe place secure from unauthorised interference, if so requested, give the Chief Operating Officer access to all records and monies held, and supply a certificate as to the balance of that account.
- K2.5 Payments from imprest accounts will be subject to these Financial Regulations and should not be used as an alternative to the Order of Works, Goods, and Services as laid out in Section H.
- K2.6 Payments shall be supported by receipted vouchers. Value Added Tax invoices containing the appropriate Value Added Tax registration number shall be obtained to enable Value Added Tax to be reclaimed, where possible.
- K2.7 On leaving the employment of the College or at any other time required by the Chief Operating Officer, the account holder shall account for the amount advanced to him/her.
- K2.8 All petty cash vouchers and claims shall be certified as correct by the budget holder and authorised by their line manager and submitted with a claim for reimbursement at such periods as when the Imprest Account has been reasonably expended or at such periods as the Chief Operating Officer shall determine.

## **L INCOME**

### **L1 GENERAL RESPONSIBILITIES**

- L1.1 All the systems for the recording of income shall be under the control of the Chief Operating Officer and shall be amended only with his/her express authorisation.
- L1.2 The Chief Executive and the Chief Operating Officer shall be notified in advance of contracts, leases and other arrangements entered into which involve the receipt of money by the College. The Chief Operating Officer shall have the right to inspect any documents or other evidence in connection with this as he/she may decide.
- L1.3 Each member of the College managers and other Budget Holders shall furnish the Chief Operating Officer promptly with such particulars in connection with work done, goods supplied or services rendered and of all other amounts due as may be required to record correctly all sums due to the College and to ensure the prompt rendering of accounts for the recovery of income due.
- L1.4 Fees will be waived, discounts allowed and split payments allowed only under criteria stipulated by the College Fees Policy as agreed by the Finance Committee or by approval of the Chief Executive or other senior post holders.

### **L2 COLLECTION OF CASH**

- L2.1 The college is moving towards being a cashless college however the below regulations exist in the interim.
- L2.2 The collection of all money due to the College and its custody, control and deposit shall be in accordance with arrangements agreed with the Chief Operating Officer. Where monies are received via a College till appropriate X and Z readings must be taken and reconciled to the sums remitted to the College Finance department or Bankers. The College employees responsible for operating the till must sign the documentation remitted to the Finance Department and investigate and account for material under or over bankings. The College Director of Finance is responsible for ensuring the daily reconciliation and recording in the College Finance System of sums received into the Finance Department. The recording of receipts in College systems other than those controlled by the Finance Department shall be the responsibility of the Line Manager of the department in receipt of the cash.
- L2.3 All receipt forms, books, tickets and other such items deemed controlled financial stationery shall be ordered and supplied by the College Director of Finance. Members of the College Managers and other Budget Holders shall make satisfactory arrangements for their security and control.
- L2.4 All sums received by a cashier or other authorised College employee shall be immediately acknowledged by the issue of a receipt or ticket or by other agreed methods.
- L2.5 All cash received by an employee on behalf of the College shall without delay be remitted to the College Director of Finance, or nominated representative, as he/she may direct, to the College's banking account or transmitted directly to any other body or person entitled thereto. Each employee who banks money shall enter on the paying-in slip a reference to the related debt (such as the receipt number or the name of the debtor) or otherwise indicate the origin of the remittance. Where remittance is received through a cash till, a till reconciliation will be completed on each banking of receipts.

- L2.6 All cash received by an employee on behalf of the College shall be remitted under para L2.4 above without deduction save to the extent that the Chief Operating Officer may specifically authorise in writing.
- L2.7 Personal cheques shall not be cashed out of money held on behalf of the College.
- L2.8 Every transfer of official money from one member of staff to another will be evidenced in the records by the signature of both employees.
- L2.9 All staff taking in cash will follow cash handling and security processes issued by the Finance team or its bankers.

### **L3 DEBTORS SYSTEM**

- L3.1 The Chief Operating Officer shall be responsible for maintaining an appropriate debtor system for the timely recovery of debt owed to the College including the use of collection agencies where appropriate.
- L3.2 The Chief Operating Officer shall be responsible for implementing credit arrangements.
- L3.3 Credit notes in excess of £1,500.00 will only be issued on the authority of the Chief Operating Officer or his/her nominated representative.

### **L4 DEBTORS POLICY**

- L4.1 The College shall adopt a Debtors Policy that shall require assessment of customer credit limits. Customer credit references will be sought at the discretion of the Chief Operating Officer.
- L4.2 The relationship with customers shall be governed by the College's standard terms and conditions for the transaction in question unless otherwise agreed in writing between the parties.

#### Debt Write off

- L4.3 Where the Chief Executive is advised by the Chief Operating Officer that there is no prospect of a debt being paid e.g. an organisation in receivership or the cost to action recovery would be greater than the amount owed, they may write off up to £1,500.00 in each case acting under delegated powers so to do. A record of the exercise of such discretion should be maintained.
- L4.4 A summary statement of amounts written off under paragraphs L4.3 shall be submitted annually to the Finance Committee.
- L4.5 Any other sums not covered by paragraphs L4.3 shall only be written off where authority to do so has been granted by the Finance Committee.

### **L5 FEES AND CHARGES**

- L5.1 The College Fees Policy shall be reviewed annually by the Finance Committee.

### **L6 SHORT COURSES**

- L6.1 A short or full cost course is taken to be one outside the core curriculum of the College which is tailored to the particular needs of the small number of people undertaking the course. As

a result the course is costed to recover the additional and one-off costs associated with the delivery of a specially scheduled and adapted course.

L6.2 College managers or other Budget Holder responsible for the course shall furnish the College Director of Finance promptly with such particulars in connection with the course which allow complete, prompt and accurate levying of debtors invoice(s) against the recipients or their sponsors.

**L7 GRANTS AND CONTRACTS**

L7.1 Each grant or contract shall have a named Project Leader designated by the Chief Executive. The Project Leader will be responsible for informing the Chief Operating Officer of the existence of the Grant or Contract.

L7.2 The Project Leader shall be responsible for ensuring that the financial implications have been appraised by the Chief Operating Officer and/or his/her representative prior to entering into a commitment to meet any conditions attached to the grant or contract.

L7.3 The grant or contract application and claim shall be costed in line with the College’s policy with regard to indirect costs and other expenses and take account of different procedures for the pricing of projects depending upon the nature of the funding body.

L7.4 The College Director of Finance is responsible for the maintenance of a Register of Contracts and Grants with external bodies. The Project Leader in conjunction with the Chief Operating Officer and/or his/her representative will be responsible for the maintenance of all financial and enrolment records relating to contract or grant funded activity and shall initiate all claims for reimbursement from sponsoring bodies by the due date.

**L8 INCOME FOR NON TRAINING DELIVERY / GRANT INCOME**

L8.1 Any contract or other arrangement that generates income (or a cash receipt for the college) that is not direct training of individuals or teams shall require the following levels of approval prior to entering into the agreement:

| <b>Value</b>           | <b>Evidence Required</b>  | <b>Authorisation Requirement</b>   |
|------------------------|---|--|
| Up to £25,000          | Written Rationale of why this should be undertaken and how it fits our business plan to be attached to income/sales invoice request   | Designated Budget Holder and Relevant Principal  |
| £25,001 to £124,999    | Written Rationale of why this should be undertaken and how it fits our business plan including risks and rewards to be authorised as per the requirement prior to the contract being drawn up.<br>The contract shall be approved by the Chief Operating Officer prior to issue and shall have the authorisation attached. | Designated Budget Holder<br>Relevant Principal<br>Chief Operating Officer<br>Chief Executive |
| £125,000 to £1,499,999 | Written Rationale of why this should be undertaken and how it fits our business plan and includes risks and rewards to be authorised as per the requirement including   | Designated Budget Holder<br>Relevant Principal<br>Chief Operating Officer<br>Chief Executive |

|                     |  |  |
|---------------------|--|--|
|                     | a paper to the finance committee of the Board before the contract is drawn up<br>The contract shall be approved by the Chief Operating Officer and Chief Executive prior to issue and shall have the authorisation attached.   | Finance Committee  |
| £1,500,000 or above | Written Rationale of why this should be undertaken and how it fits our business plan and includes risks and rewards to be authorised as per the requirement including a paper to the finance committee of the Board before the contract is drawn up<br>The contract shall be approved by the Chief Operating Officer and Chief Executive prior to issue and shall have the authorisation attached. | Designated Budget Holder<br>Relevant Principal<br>Chief Operating Officer<br>Chief Executive<br>Finance Committee<br>Board |

- L8.2 When issuing/agreeing contracts any authoriser may with the agreement of the Chief Operating Officer agree that the College Solicitors shall review any proposed contract to ensure it is fit for purpose. This could be if the college or the customer/client is issuing the contract. For contracts over £250k the presumption should be that legal advice is obtained unless it is a repeat of a previous contract/agreement which should be noted in the business case but lower value contracts should also be approved by the College Solicitors if they contain novel or unusual terms. Finance shall keep master copies of contracts that can be used in future. If the customer is issuing the contract, once signed, the original shall be kept by finance.
- L8.3 If the college is issuing the contract, two copies of any contract shall be issued unsigned to the client/customer. The supplier shall be requested to sign both copies and return to the college. On receipt both signed copies shall be signed by the Chief Executive or authorised deputy and one copy shall be returned to the client/customer and one copy sent to the budget holder with the second original stored in finance.
- L8.4 Grant Terms and Conditions should be scrutinised to ensure the college can meet these conditions and grant acceptance must only be signed by the Accounting Officer (Chief Executive).

## **M BANKING ARRANGEMENTS**

- M1 The Chief Operating Officer is responsible for liaising with the College's bankers in relation to the operation of the College's bank accounts and the issue of cheques. Only the Chief Executive and Chief Operating Officer may open or close a bank account for dealing with the College's funds. All bank accounts shall be in the name of the College or its subsidiary undertakings.
- M2 All banking stationery shall be ordered only on the authority of the Director of Finance or delegated representative, who shall make proper arrangements for their safe custody.
- M3 The authorisation to the bank for all financial transactions will be in line with the Mandate agreed between the bank and the Corporation. A list of authorised signatories will be maintained by the Director of Finance.

M4 The Chief Operating Officer and/or College Director of Finance shall be responsible for ensuring the monthly reconciliation of all bank accounts and the investigation of large or unusual items as appropriate.

## **N FINANCIAL PROCEDURES AND ACCOUNTING**

### **N1 PROCEDURES/ STATIONERY**

N1.1 All accounting procedures and records of the College shall be determined by the Chief Operating Officer after consultation with the internal and external auditors, College managers and other Budget Holders as appropriate.

N1.2 All items deemed controlled financial stationery shall be ordered and supplied by the Director of Finance and/or nominated deputy. College managers and other Budget Holders shall make satisfactory arrangements for their security and control.

### **N2 ALLOCATION OF FINANCIAL DUTIES**

N2.1 The following principles shall be observed in the allocation of accounting duties:

- (i) the duties of providing the information regarding sums due to or from the College and of calculating, checking and recording these sums shall be separated as completely as possible from the duty of collecting or distributing them
- (ii) staff charged with the duty of examining, checking and authorising transactions shall not themselves be engaged in any of these transactions. All cash transaction actions shall be checked independently of their origination
- (ii) all statutory financial returns shall be reviewed before despatch by the Chief Operating Officer or his/her nominated representative and subject to audit by the External or Internal Auditor to the College as appropriate. Where returns are prepared within the Finance Section, review will be carried out independent of preparation.

### **N3 RETENTION OF FINANCIAL DOCUMENTS**

N3.1 The Chief Operating Officer shall be responsible for the retention of financial documents in line with the college document retention policy. These shall be kept in a form acceptable to the relevant authorities.

N3.2 The College is required by law to retain prime documents for six years plus the current year. These include:

- (i) paid invoices
- (ii) accounts raised
- (iii) bank statements
- (iv) copies of receipts

Additionally, for auditing and other purposes, other financial documents shall be retained for the time period stipulated in contracts and / or agreements.

### **N4 AMENDMENTS TO FINANCIAL RECORDS**

N4.1 Amendment to a College financial document or record shall be made in ink and initialled by the officer making it, stating briefly the reasons where they are not self-evident. Correction fluid is not to be used to amend prime financial records and documents.



## **N5 COMPILATION OF ACCOUNTS AND ACCOUNTING RECORDS**

N5.1 The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards (extract from the responsibility statement within the proforma financial statements).

N5.2 All accounts and accounting records of the College shall be compiled by the Chief Operating Officer or under his/her direction.

N5.3 The Chief Operating Officer shall be responsible for the maintenance of the College's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

## **O ANNUAL FINANCIAL REPORTS**

O1 Each year the Chief Executive and the Chief Operating Officer shall submit to the Board a report incorporating an Annual Report and Financial Statements required under statute or regulation.

O2 The Chief Operating Officer shall be responsible for drawing up a timetable for final accounts purposes and will agree this with staff and the external auditors accordingly.

O3 Members of the College Managers and other Budget Holders will furnish such information as the Chief Operating Officer or Chief Executive deems necessary for the completion of the above report.

O4 The financial statements shall be prepared for the financial year ending 31 July, in the format specified by the FE Funding bodies and in accordance with applicable Accounting Standards. Guidance on preparing financial statements is set out in the ESFA Accounts Direction Handbook and in the Statement of Recommended Practice "Accounting for Further & Higher Education".

O5 The financial statements will be subject to Board approval prior to submission to the ESFA by the specified deadline.

O6 The College's Internal Auditor Annual Report shall be received and be available to the Board before the responsibility statement, contained within the annual financial statements is signed.

## **P AUDIT**

### **P1 GENERAL**

P1.1 The Board shall arrange external and internal audit in accordance with the requirements and guidance published by the ESFA in its Audit Code of Practice and in succeeding publications and supplementary guidance.

P1.2 A new competition for the selection of the Internal Auditor or external auditor shall be held at least every 5 years.

## **P2 INTERNAL AUDIT**

P2.1 The Internal Auditor is appointed by the Board for a term of up to 5 years subject to satisfactory annual review by the Audit Committee and recommendation to the Board. Remuneration shall be fixed by the Board on the advice of the Audit Committee.

P2.2 It is the responsibility of internal audit to give an annual opinion to the Board, through the Audit Committee, on the adequacy and effectiveness of the College's system of internal control and the extent to which the Board can rely on it. The Internal Auditor shall not have an executive role or any responsibility for the development, implementation or operation of systems.

P2.3 The Internal Auditor shall design a cycle and annual programme of work to achieve the following objectives:

- i) review and appraise the soundness, adequacy and application of the whole system of internal control
- ii) ascertain the extent to which the whole system of internal controls ensures compliance with established policies and procedures
- iii) 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
- iv) ascertain that management information is reliable as a basis for the production of financial, statistical and other returns
- v) ascertain the integrity and reliability of information provided to management including that which is used in decision making
- vi) ascertain that systems of control are laid down and operate to achieve the most economic, efficient and effective use of resources.

P2.4 The work of the Internal Auditor shall be performed in accordance with the requirements of the Joint Audit Code of Practice and its supplements and the standards for internal audit promulgated by HM Treasury. The work shall comply in all material respects with the Government Internal Audit Manual (GIAM) and have regard to the auditing guideline 'Guidance for Internal Auditors'.

P2.5 The Internal Auditor shall have rights of access to the College's personnel, premises, documents, records, information, assets, its companies and collaborative partners and is authorised to obtain such financial and other information and explanations which the Internal Auditor considers necessary to fulfil its responsibilities.

P2.6 The Representative of the Internal Auditor shall report to the Board through the Chairman of the Audit Committee drawing the attention of the Audit Committee to significant findings or recommendations. On day-to-day operational matters, the Representative of the Internal Auditor shall report audit findings to the Chief Executive or his nominee without prejudice to his/her right of direct access to the Chairman of the Audit Committee.

## **P3 EXTERNAL AUDIT**

P3.1 The Board appoints the External Auditor for a period of up to 5 years, subject to satisfactory annual review by the Audit Committee and recommendation to the Board. Remuneration shall be fixed by the Board on the advice of the Audit Committee.

P3.2 The primary role of external audit is to report on the College's financial statements and to perform such examination of the statements, underlying records and control systems as are necessary to reach their opinion on the statements. They report on the appropriate use of funds in accordance with relevant legislation, the Financial Memorandum with the ESFA and any other terms and conditions attached to them.

P3.3 External Audit shall obtain such financial and other information and explanations, which it considers necessary to fulfil its responsibilities including unrestricted access to the files and working papers of the College Internal Auditor.

## **Q GIFTS & HOSPITALITY**

Q1.1 Gifts are items of value other than a cash or monetary payment, for example, book tokens or wine. When gifts are offered to staff or Governors in return for their contribution as part of their duties, they may be accepted provided that the value of the gift does not exceed £35.00. Where gifts of a value greater than £35.00 are offered, the acceptance should be recorded in a Register to be maintained by the Clerk to the Board and will, where appropriate, remain the property of the college. Inclusion in the Register is necessary where the cumulative value of gifts and / or hospitality from an organisation/individual exceeds £35.00 in a twelve month period.

Q1.2 A member of staff or Governor must not, either directly or indirectly accept any gift, reward or benefit from any member of the public or organisation with whom he or she has been brought into contact with by reason of their duties, with the following exceptions:

- (i) as permitted under Q1.1 above
- (ii) occasional gifts of a trivial character or inexpensive seasonal gifts (such as calendars)
- (iii) conventional hospitality provided it is normal and reasonable in the circumstances. In considering what is normal and reasonable regard should be had to:
  - (a) the degree of personal involvement - there is no objection to the acceptance of, for example, an invitation to the annual dinner of a large trade organisation or of working lunches
  - (b) the usual conventions of returning hospitality- the occasional acceptance of, for example, a meal would not offend the rule
  - (c) the total cost of hospitality which may include, for example, travel and overnight accommodation
  - (d) the timing of such hospitality in relation to procurement or purchasing decisions the College is taking

Staff or Governors should seek advice from the Chief Executive, Chief Operating Officer or Clerk if they are unsure whether to accept a gift.

Q1.3 Staff or Governors responsible for the purchase of supplies or equipment should take particular care to ensure that there can be no criticism that unequal treatment has been given to suppliers involved in a tender process.

Q1.4 Staff or Governors may not receive any fee i.e. cash sum, cheque or payable order, from another person or organisation for work related in any way to their employment by the College.

## **R FRAUD & IRREGULARITY**

- R1 The Board is responsible, under the Financial Memorandum, for ensuring that the financial, planning and other management controls, including controls against fraud, theft and bribery, applied by the College, are appropriate and sufficient to safeguard public funds.
- R2 The College's written policy on the process to be followed when evidence is discovered of potential irregularity, including fraud, corruption, bribery or any impropriety is detailed in paragraphs R3-7.

## **FRAUD & BRIBERY POLICY**

- R3 Whenever any matter arises which involves, or is thought to involve, irregularities or fraud concerning cash, stores or other property of the College or any other suspected irregularity in the exercise of the activities of the College, the Chief Executive shall be informed immediately. The Chief Executive shall take such steps as considered necessary by way of investigations and report using the college disciplinary policy.
- R4 Where the external auditor or internal auditor identifies or is informed of a serious weakness or an accounting or other control breakdown it shall be reported to the Chief Executive the Chair of the Board and the Chair of the Audit Committee without delay.
- R5 Where the Audit Committee feels there is evidence of irregularity, fraud, corruption, bribery or any impropriety, the Chair shall notify the Chief Executive and the Chair of the Board.
- R6 The College, its internal auditor and, where appropriate, its external auditor shall report to the ESFA Chief Executive, copied to the ESFA Chief Auditor, without delay, serious weaknesses, significant frauds or major accounting and other control breakdowns.

## **S ESTATES, PROPERTIES, FIXED ASSETS AND INVENTORIES**

- S1 The purchase, lease or rent of land or buildings or fixed plant can only be undertaken with authority from the Board and with reference to ESFA requirements where appropriate.
- S2 The College Director of Finance shall be responsible for the maintenance of the College's fixed asset register for those assets, which have been capitalised in accordance with the College's statement of accounting policies contained within the Annual Report and Financial Statements.
- S3 The de-minimis level for the Capitalisation of Assets is set at £1,000 per individual item, or £1,000 for a group of similar or same item goods which are acquired as part of an internal project to upgrade/improve facilities. These items can be acquired from the same supplier and billed under different invoices if the purchases are complete at differing times in the same academic periods, or from multiple suppliers if this is required to ensure value for money. There must also be suitable evidence that multiple assets under £1,000 are for internal projects, otherwise they will be deemed as revenue expenditure.
- S4 College managers and other Budget Holders shall be responsible for ensuring inventories are maintained by Schools and Departments in a form prescribed by him/her and therein shall be recorded an adequate description of furniture, fittings, equipment, plant and machinery. Items of a portable or attractive nature shall be recorded in departmental inventories irrespective of their value vis a vis the capitalisation level.

- S5 The College managers and other Budget Holders shall be responsible for maintaining an annual check, on a sample basis, of items on the inventory, for taking action in relation to identified surpluses or deficiencies and amending the inventory accordingly. Any amendments that would affect the college's fixed asset register should be sent to the College Director of Finance to be actioned.
- S6 The College's property shall not be removed other than in the ordinary course of the College's business or used other than for the College's purposes except in accordance with specific directions issued by the Board.
- S7 All items included in inventories shall, so far as practicable, be effectively marked to identify them as College property.
- S8 The College Director of Finance will maintain a register of all properties owned by the College recording the holding Department, purpose for which held, location, extent and plan reference, purchase details, particulars of nature of interest, rents payable and particulars of tenancies granted, where appropriate.
- S9 The Chief Operating Officer shall make arrangement for the custody of all title deeds under secure arrangements.
- S10 Where assets are deemed by the Chief Executive surplus to requirements or obsolete, the Chief Operating Officer shall invite offers by tender or other means agreed with the Chief Executive, unless he/she has certified that the equipment is of a negligible value of £500.00 or less or is being traded in for a reasonable allowance in part exchange for other goods. He/she shall be authorised to accept the highest offer received in response to tender. Offers other than the highest shall only be accepted with the approval of the Finance Committee.
- S11 Assets deemed surplus to requirements or obsolete under para S9 above shall be notified to the Chief Operating Officer.
- S12 In the case of the disposal of scrap materials, the Chief Operating Officer shall invite quotations from a selected list of scrap merchants and shall be authorised to accept the highest quotation. Quotations other than the highest shall only be accepted with the approval of the Finance Committee.
- S13 Disposal of land and buildings shall only take place with the authorisation of the Board. The ESFA has an expectation that the College shall apply the proceeds of asset sales to investment in fixed assets.

## **T STORES AND STORES ACCOUNTS**

- T1 The College managers and other Budget Holders shall be responsible-
- (i) for the custody of the stock and stores in the College
  - (ii) for ensuring that stocks are not in excess of reasonable requirements
  - (iii) for ensuring that stores records are maintained in an appropriate manner
  - (iv) for ensuring that all stores are checked by persons other than storekeepers at regular intervals.
- T2 Storekeepers and other persons having charge of stores shall be responsible-

- (i) for ensuring that a delivery note, submitted by the supplier or signed by the person delivering, is obtained in respect of every delivery of goods and that all practicable steps are taken to see that such delivery note is handed in at the time of delivery
- (ii) for checking all goods with regard to both quantity at the time of delivery and for quality and compliance with specification as soon as practicable afterwards
- (iii) for making such entries into stores records as may have been directed by his/her Line Manager/Supervisor
- (iv) for ensuring that stores (except small consumable stores) are only issued against an authorised requisition stating the quantity of goods required
- (v) for obtaining a receipt for stores issued in such manner as he/she shall have been instructed.

## **U SECURITY**

- U1 The Chief Operating Officer is responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment, cash and such like.
- U2 Maximum limits for cash holdings shall be agreed with the Chief Operating Officer and shall not be exceeded without his/her express permission.
- U3 The Chief Operating Officer shall determine who shall be authorised to hold responsibility for key to safes and other receptacles.
- U4 Keys to safes and similar receptacles are to be carried on the person of those responsible at all times or in a secure location. The loss of any such keys shall be reported to the Chief Operating Officer as soon this is discovered.
- U5 The Chief Operating Officer shall be responsible for maintaining the proper security and privacy of information held on the primary computerised financial systems.
- U6 The restriction of access to computers to authorised persons will be enforced by the use of usernames, passwords and the observation of general physical security measures. It is the responsibility of each authorised user to ensure that his/her access password(s) remain confidential and that unauthorised usage of the system is avoided by, for example, logging out when the application is not in use. This is explained further in the college's Acceptable Use of ICT policy.
- U7 Information relating to individuals held on computer will be subject to the provisions of the Data Protection Act. A data protection officer shall be nominated to ensure compliance with the Act. This is explained further in the college's data protection policy.
- U8 The Chief Operating Officer shall be responsible for maintaining the proper security of any mechanical procedure giving rise to the authorisation of financial documentation. All such procedures will be subject to the approval of the Chief Operating Officer.
- U9 Wherever a signature is required on a financial document of any nature the signatory will sign his/her own name in ink unless the signature is mechanically imprinted through a secure system falling under para U8 above. Manual rubber stamping systems will not be permitted.
- U10 The Chief Operating Officer is responsible for the safekeeping of official and legal documents relating to the College. Signed copies of deeds, leases, agreements and contracts shall therefore be forwarded to the Chief Operating Officer. All such documents shall be held in an appropriately secure location.

U11 Sensitive data should only be transmitted with the approval of the Chief Operating Officer in accordance with arrangements specified by the Director of IT.

## **V INSURANCES**

V1 The Chief Operating Officer shall effect external insurance cover for public liability, employees, premises, boilers and major equipment, vehicles and Member's insurance. He/she is therefore responsible for obtaining quotes, negotiating claims and maintaining the necessary records. The Director of Estates shall manage day to day issues with the insurers.

V2 The Board may if they so wish, effect additional insurance cover.

V3 The Chief Operating Officer shall be given prompt notification of all potential new risks, additional properties, equipment or vehicles (indicating amount of potential loss) which may require insurance and any alterations affecting existing risks.

V4 The Chief Operating Officer shall be immediately notified in writing of any loss, liability or damage or any event likely to lead to a claim. The Director of Estates will notify the College's insurers as appropriate and prepare a claim in consultation with the notifying member of staff.

V5 The College Director of Finance shall keep a register of insurances effected by the College and the property and risks covered. All insurance will be reviewed annually.

V6 All staff using their own vehicles on behalf of the College shall maintain appropriate insurance cover for business use which shall be checked from time to time by the finance department.

V7 Only authorised staff on official College business shall be allowed to drive College vehicles.

## **W PRIVATE PROPERTY**

W1 The Chief Executive shall take appropriate action to prevent or mitigate loss or damage to moveable private property and shall, in appropriate cases, ensure an itemised inventory is prepared and signed.

W2 This does not imply that the College accepts financial responsibility for loss or damage to private property whilst on College premises or under College control.

## **X INVESTMENTS, BORROWINGS AND TRUST FUNDS**

X1 All investments of money under its control shall be made in the name of the Corporation or in the name of nominees approved by the Board as appropriate.

X2 All securities which are the property of or in the name of the Board or its nominees and the title deeds of all property in its ownership shall be held in the custody of the Chief Operating Officer or of nominees approved by the Members of the Board.

X3 All borrowings including the leasing of equipment, freehold and leasehold land and buildings shall be effected in the name of the College.

X4 The Chief Operating Officer shall maintain records of all borrowing and investment of money by the Board.

X5 All trust funds shall wherever possible be in the name of the College. Such funds will be managed in accordance with the Trustee Investment Act.

- X6 All staff acting as trustees by virtue of their official position shall deposit all securities etc. relating to the trust with the Chief Operating Officer unless the deed otherwise provides.
- X7 No member of staff shall assume any trust by virtue of his official position except after consultation with the Chief Operating Officer and with the approval of the Chief Executive.
- X8 The investment, borrowing and management of funds shall be carried out in accordance with the college's Treasury Management policy.
- X9 Any borrowing shall have approval through the Board as provided for in the Financial Memorandum.