DN COLLEGES GROUP

FINANCIAL REGULATIONS

Effective from: July 2023

Author(s): Chief Operating Officer – Finance & Infrastructure

Foreword

To conduct its business effectively, DN Colleges Group (the College) needs to ensure that it has sound financial management systems in place and that they are strictly adhered to.

Financial Regulations (FR) are an essential part of the College's framework of systems and controls and key to the professionalism of its operation. Funding bodies require the College to have sound systems of internal financial management and control and may withhold funding if these are not in place; the members of the College's Corporation Board place reliance on the FR in providing assurances to funding and other bodies that it follows fully documented financial procedures.

As the College's Accounting Officer, it is my responsibility to ensure a robust system of financial control exists within the institution. These regulations are a key control in meeting this responsibility. The regulations have been subject to the consideration of the Finance and Resources Committee and subsequent scrutiny of the Corporation Board. The Financial Regulations were approved by the Finance & Resources Committee on 14 June 2023.

John Rees
Chief Executive Officer

1 Terminology

1.1 The subsequent terms used within the Financial Regulations will have the following meanings:

"**Academic Year**": The College academic year is 1st September to 31st August.

"**Accounting Officer**": The senior executive leader of the College, designated as accountable for value for Money (VFM), regularity and propriety. The post is usually held by the Chief Executive Officer, or equivalent, of the Corporation.

"**Audit and Risk Committee**": The Committee to which Corporation members have delegated responsibility for internal and external audit as well as the review of key decisions as may be determined from time to time.

"**Chief Executive Officer (CEO)**": The person with ultimate executive responsibility for the management of the Colleges and who acts as the Corporation's Chief Accounting Officer.

"CLT": College Leadership Team.

"**College**": This refers to DN Colleges Group, its Colleges and any subsidiaries or entities over which it exercises control.

"**Corporation**": A membership comprising of individuals who form the legal entity/body ultimately responsible for the affairs of the College.

"**Corporation Board**": The members of the Corporation Board who are ultimately responsible for the affairs of the Corporation and its constituent Colleges.

"**Clerk to the Corporation**": The Clerk is appointed by the Corporation and is responsible for ensuring the integrity of the governance framework, the efficient administration of the Corporation, ensuring compliance with statutory and regulatory requirements and implementing decisions made by the Corporation.

"**DfE**": Department for Education

"**Finance Business Partner**": A finance function professional who works alongside other business areas, supporting and advising their strategic and operational decision-making through insights that drive better business performance.

"**Finance and Resources Committee**": A committee of the Corporation who advise on all financial and asset related matters as per their Terms of Reference.

"**Financial Year**": The College financial year is 1st August to 31st July.

"**Financial Memorandum**": The Financial Memorandum sets out the formal relationship between the Educations and Skills Funding Agency (ESFA) and the College, and the requirements with which the College must comply as a term and condition of grants received from the ESFA.

"**Fiscal Year**": The financial year in the United Kingdom runs from 1st April to 31st March for the purposes of government financial statements.

"**Fixed Assets**": Assets with a useful life of more than one year, which cost greater than the capitalisation level and which are intended for continued use.

"**Funding Body**": In further education, this refers to the relevant funding council. For England, it refers to the Education and Skills Funding Agency (ESFA), which provides funding as well as having a wide range of other powers. Similarly, the Office for Students (OFS) is the funding body that funds higher education provision delivered by the College.

"**Impairment**": Impairment is an accounting principle that describes a permanent reduction in the value of an organisation's assets, normally fixed assets.

"**Intangible Assets**": Assets of a non-physical nature that have a useful life of more than one year, which cost greater than the capitalisation value and which are intended for continued use i.e. Software Licensing.

"**Intellectual Property (IP)**": Knowledge, creative ideas, or expressions of human mind that have commercial value and are protectable under copyright, patent, service mark, trademark from imitation, infringement, and dilution. Intellectual property includes brand names, discoveries, formulas, inventions, knowledge, registered designs, software, and works of artistic, literary, or musical nature.

"**Principal Budget Holder**": A member of staff who has been assigned their own budget and who is accountable to SLT/CEO. A Principal Budget Holder will often be a head of academic studies or support services.

"**Senior Leadership Team (SLT)**": Member of senior staff who collectively drive the management and leadership of the College.

"**Significant Control or Influence**": An entity, group or individual who has the right to appoint or remove the majority of the board or otherwise exercises significant influence or control.

"**Useful Economic Life**": The expected period of time during which an asset remains useful to the owner. The economic life of an asset could be different than its actual physical life.

"**Virement**": the process of transferring income, expenditure or budget items from one financial account to another.

2. Background

DN Colleges Group is a Further Education Corporation incorporated under the Further and Higher Education Act 1992, as amended by the Education Act 2011. Its structure of governance is laid down in the Instrument and Articles of Government. The Corporation is accountable through its Board of Members, which has ultimate responsibility for the effectiveness of the Corporation's management and administration.

The Financial Memorandum between the Education and Skills Funding Agency and the Corporation sets out the terms and conditions on which grant is made. The Corporation Board is responsible for ensuring that the conditions of the grant are met. As part of this process the Corporation must adhere to the ESFA's Post-16 Audit Code of Practice which requires it to have sound systems of financial management and control.

In November 2022, the Office for National Statistics (ONS) reclassified the FE sector into the central government sector. Following the reclassification, all colleges and their subsidiaries are now subject to the framework for financial management set out in Managing Public Money (MPM).

MPM sets out the requirements for everyone working in central government to manage and deploy public resources responsibly in the public interest. Rec-classification does mean that there is new requirements for colleges relating to financial management. These Financial Regulations have been updated to reflect the change in classification of the Further Education sector and requirements of MPM.

The Corporation is an exempt charity by virtue of the Charities Act 2011.

3 Status of Financial Regulations

This document sets out the Corporation's Financial Regulations (FR). It translates into practical guidance the policies and processes relating to financial control. The FR will form part of the overall system of internal control and accountability for the Corporation. The FR apply to the Corporation, its Colleges and any subsidiary/commercial entity where the Corporation exercises control.

The FR have been developed by the Corporation in accordance with the conditions laid down by the Education and Skills Funding Agency (ESFA) and in accordance with the Instruments and Articles of Government of the Corporation and the Post-16 Audit Code of Practice to which these FR are subordinate.

The purpose of the FR is to provide control over the totality of the Corporation's resources and provide assurance that resources are being properly applied for the achievement, aims and objectives as set out in the Group's Strategic Plan. Those objectives include:

- financial viability;
- achieving Value for Money (VfM);
- safeguarding the assets of the Corporation and its constituent Colleges and subsidiary undertaking;
- ensuring that the Corporation complies with all relevant legislation; and
- fulfilling its responsibility for the provision of effective financial controls over the use of public funds.

Compliance with the FR is compulsory for all employees, volunteers and those who exercise significant control/influence over or within the College. Any individual who fails to comply with the FR may be subject to disciplinary action under the Corporation's Disciplinary Policy. Any such material breach will be notified to the Corporation Board through the Audit and Risk Committee. It is the responsibility of the Senior Leadership Team (SLT) to ensure that staff are made aware and have access to the FR.

Where specific matters are not directly covered by the FR, they should be resolved within the spirit of the policies and guidelines contained herein.

The Finance and Resources Committee is responsible for maintaining a continuous review of the FR and advising the Corporation Board of any additions or amendments necessary. However, amendments to the schedules reflecting the Corporation's accounting and management structures can be made with the approval of the SLT, with subsequent ratification by the Finance and Resources Committee. Custodial responsibility for the FR will reside with the Chief Operating Officer for Finance & Infrastructure (COOFI) who will hold responsibility for maintaining the FR and for monitoring compliance on a day to day basis.

The Audit and Risk Committee will undertake a programme of compliance testing of the FR; findings of any compliance field work will be reviewed, and recommendations provided to the Finance and Resources Committee and the Corporation Board for approval.

Ultimate responsibility for ensuring compliance with the FR rests with the Chief Executive Officer (CEO) who acts as the Corporation's Accounting Officer.

4 Waiver, Suspension or Variation

The CEO in consultation with the Chair or Vice Chair(s) of the Corporation, may waive, suspend or vary any policy/regulation if circumstances so dictate.

Any such departure will be formally documented and reported to all relevant committees and subsequently reported to the Corporation Board at the earliest opportunity.

5 Corporate Governance

The Corporation Board

The Corporation Board is responsible for the management and administration of the Corporation. The duties and responsibilities of the members are detailed within the Instrument and Articles of Governance and the Corporation Board Terms of Reference. In summary the Corporation is responsible for:

- the solvency if the Corporation,
- approving annual estimates of income and expenditure,
- the efficient and effective use of resources, and
- safeguarding the Corporation's assets.

The Corporation Seal

The management and application of the Corporation Seal is the responsibility of the Clerk to the Corporation and shall be authenticated by:

- the signature of either the Chair or of some other individual authorised generally or specifically by the Corporation Board to act for that purpose, and/or
- the signature of any two members of the Corporation Board, and the
- Clerk to the Corporation to witness signatures.

Where a deed or document requires the Corporation Seal, it must be sealed by the Clerk to the Corporation.

The Clerk to the Corporation is responsible for submitting an annual report to the Corporation detailing the use of the seal during the preceding twelve months.

Deeds

All contracts to be executed as deeds, must be executed under the Seal of the Corporation and signed by the Chair and one other member of the Corporation, if required. The Seal of the Corporation should be affixed on the advice of the Clerk to the Corporation. The execution of deeds should be reported by the Clerk to the Corporation to the next meeting of the Corporation.

Committee Structure

The Corporation Board has ultimate responsibility for the College's finances, but delegates this to the Committees detailed below:

- Finance and Resources Committee
  Monitoring of the Corporation's financial position and system of financial control is undertaken by the Finance and Resources Committee. The Committee examines the annual estimates of income and expenditure and annual financial statements and recommends their approval to the Corporation Board. It will ensure that short-term budgets are in line with agreed longer-

term plans and that they are followed. It will consider any other matters relevant to the financial duties of the Corporation and make recommendations accordingly. The Committee will also ensure that the Corporation has adequate information to enable it to discharge its financial responsibilities. The Finance and Resources Committee Terms of Reference provides a comprehensive schedule of responsibilities.

- Audit and Risk Committee
  The Corporation is required by its Financial Memorandum with the ESFA and by the Post-16 Audit Code of Practice to appoint an Audit Committee. The Committee is independent, advisory and reports to the Corporation Board. It has the right of access to obtain all the information it considers necessary and to consult directly with the internal, external and regulatory auditors. The Committee is responsible for advising the Corporation on the comprehensiveness and effectiveness of its assurance frameworks and for providing the Corporation with an opinion on the adequacy and effectiveness of audit arrangements and the framework of governance, risk management and control. It must also be satisfied that arrangements are in place for the effective and efficient use of resources, the solvency and sustainability of the Corporation and the safeguarding of its assets. The Audit and Risk Committee's Terms of Reference provides a comprehensive schedule of responsibilities.

The Committees are accountable to the Corporation Board.

Risk Management
The Corporation acknowledges the risks inherent in its operating environment and is committed to managing those risks that pose a significant threat to the achievement of its strategic objectives and financial health.

In terms of day-to-day operations, risk management, including reporting to the Audit and Risk Committee, the preparation of a risk management strategy and co-ordination of internal audit visits is the responsibility of the Chief Operating Officer for Finance and Infrastructure.

The Corporation has overall responsibility for ensuring there is a risk management strategy and a common approach to the management of risk through the development, implementation and embodiment within the College of a structured risk management process.

The Corporation requires that the risk management strategy and supporting procedures include:
- the adoption of common terminology in relation to the definition of risk and risk management,
- the establishment of an organisational criteria for the measurement of risk,
- detailed regular review at SLT to identify significant risks associated with the achievement of key objectives and other relevant areas,
- development of risk management and board assurance,
- framework for all significant risks, to include a designated 'risk owner' who will be responsible and accountable for managing the risk in question.
- regular reporting to the Corporation of all risks included in the risk management framework, and
- an annual review of the implementation of risk management arrangements.

The Risk Management Strategy and procedures must be capable of independent verification.

DNCG's risk appetite may vary across different areas or over time, therefore understanding and agreeing the risk appetite enables informed and consistent decision-making. In pursuing its objectives, as expressed in its Strategic Plan, DNCG will generally accept a level of risk proportionate to the expected benefits to be gained, and the scale or likelihood of damage or cost.

DNCG accepts that its risk appetite may vary based upon the composition of the Board of Governors and the areas of risk under consideration and therefore adopts a dynamic risk appetite based on area of risk and the impact of internal and external factors.

Once identified the risk appetite is embedded within the strategic risk register and reflected in the residual risk score for each category of risk therefore, only prompting a response above the defined risk appetite (tolerance) level.

DNCG has developed a risk appetite framework, informed by, HM Treasury The Orange Book – Management of Risk and Concepts.

The risk appetite has been defined following consideration of organisational risks, issues and consequences. A risk appetite scale is used to define risk appetite for each category of risk. All staff should familiarise themselves and refer to the Risk Management Policy.

Anti- Fraud, Money Laundering Bribery and Corruption

It is the duty of all staff, volunteers and those with significant control or influence to notify the Chief Finance Officer immediately whenever any matter arises which involves, or is thought to involve, irregularity, including bribery, fraud and corruption.

The Corporation demonstrates its commitment to ethical practises through establishment and communication of its Anti-Bribery, Money Laundering, Fraud and Corruption Policy.

Gifts, Hospitality and Donations

All members of staff, volunteers and those with significant control or influence will only be permitted to accept gifts, rewards or benefits from members of the public and organisations which the College has official interactions with and only where they are isolated gifts of a trivial character, or inexpensive seasonal gifts such as diaries or calendars.

Gifts and hospitality received from any one individual or corporate entity will only need to be recorded within the Register of Gifts, Hospitality and Donations, if the value exceeds the following threshold limits:

- any one gift exceeding £25, or
- any one instance of hospitality exceeding £25.

The Clerk to the Corporation is responsible for maintaining the register for Governors and senior staff. People Services is responsible for maintaining the register for all other staff.

Gifts and hospitality should not therefore be accepted if they appear to be disproportionately generous or could be construed as an inducement or bribe to affect a business decision. All transactions should be handled in accordance with the College Policy for the Acceptance of Gifts and Hospitality.

Whistleblowing

Whistleblowing in the context of the Public Interest Disclosure Act is the disclosure by an employee (or other party) about malpractice in the workplace.

A whistle-blower can blow the whistle about crime, civil offences (including negligence, breach of contract, etc), miscarriage of justice, danger to health and safety or the environment and the cover-up of any of these. It does not matter whether the information is confidential, and the whistleblowing can extend to malpractice occurring in the UK and any other country or territory.

Normally, any concern about a workplace matter at the College should be raised with the relevant member of staff's immediate line manager or Head of Department. However, it is recognised that the seriousness or sensitivity of some issues, together with the identity of the person the member of staff thinks may be involved, may make this difficult or impossible.

A member of staff may, therefore, make the disclosure to one of the staff designated for this purpose, for example their line manager in the first instance. If the member of staff does not wish to raise the matter with this person, then it should be raised with the Clerk to the Corporation, and if the individual feels this route is inappropriate then the Chair of the Corporation should be approached.

The full procedure for whistleblowing is set out in the College's Whistleblowing Policy, available via the College intranet.

Code of Conduct

The College is committed to the highest standards of openness, integrity and accountability. It seeks to conduct its affairs in a responsible manner, having regard to the Seven Principles of Public Life established by the Committee on Standards in Public Life (formerly known as the Nolan Committee).

Members of staff and those with significant control and influence are expected to observe these terms of selflessness, integrity, objectivity, accountability, openness, honesty and leadership. In addition, the College expects all relevant individuals to observe the FR.

The FR should be read in conjunction with the College Anti-Fraud, Bribery and Corruption Policy which reflects the requirements of the Bribery Act 2010, its Anti-Money Laundering Policy and any other relevant policies, procedures and guidance signposted from each of these policies.

All members of staff and those individuals with significant control or influence are required to disclose, as appropriate, personal and business interests in the Registers of Interest maintained by the Clerk to the Corporation.

Ordinarily, no individual shall procure goods or services where they/their spouse and/or family member have an interest, pecuniary or otherwise in the activities of a third-party providing works, goods or services to the College.

Procurement may be permitted where the third-party supplies works, goods or services to College at either cost; where the margin is immaterial either in isolation or cumulatively or where the provision of works, goods or services are specialist in nature and/or delivered via a sole supplier for all intent and purposes.

Subsidiary Companies and Joint Ventures

Any proposal for the establishment of a new aspect of business or proposed establishment of a company, joint venture or minority interest holding should be presented to the Finance and Resources Committee for consideration and recommendation and subsequently to the Corporation Board for approval. Protocols are available from the Clerk to the Corporation and Chief Operating Officer for Finance and Infrastructure to guide staff in the establishment of a business case which sets out:

- a demonstration of the proposal's consistency with the College Strategic Plan and the College's powers under current legislation,
- details of the market need and the assumptions (market-based data) of the level of business available,
- details of the business and what product or service will be delivered,
- an outline plan for promoting the business to the identified market and achieving planned levels of business,staffing requirements to deliver, promote and manage the business, together with any re- skilling or recruitment needs
- premises and other resource requirements.

- a financial evaluation of the proposal together with its impact on financial forecast, plus advice on the impact of possible alternative plans, and sensitivity analyses in respect of key assumptions,
- contingency plans for managing risks,
- consideration of taxation and other legislative or regulatory issues; and
- a three-year financial forecast for the proposal including a cash flow forecast and details of the impact on the financial forecast for the College.

The Corporation will undertake a thorough review of the business plan and any proposed control arrangements for a new company.

If the purpose of any such subsidiary could be deemed to be novel, contentious or repercussive then the acquisition or establishment of such subsidiary will require DfE approval.

The Corporation will ensure that following the establishment of a separate company, a formal memorandum of understanding is established between the College and the company, setting out the relationship between the company and the College.

Before any College funds are made available to a company, the Corporation should ensure that it will receive a satisfactory return, and that the College does not bear undue risk.

Education and Skills Funding Agency funds may be used to purchase goods and services from a company or joint venture, subject to the usual requirements regarding value for money. However, ESFA funds should not be used to fund or subsidise private training ventures by the College, either through direct transfers of cash or indirect funding or subsidy arrangement such as granting subsidiaries more favourable terms of trade than other customers and providing staff free of charge or at a rate which does not cover the full costs involved.

It is the responsibility of the Corporation to establish the shareholding arrangements. Directors of companies will be appointed in accordance with the articles of the company and in accordance with the guidance issued by the ESFA.

The financial performance of subsidiary companies and joint ventures will be consolidated in line with the requirements of Financial Reporting Standards (FRS) and presented within the Corporation’s financial statements

The external/internal auditors of the College will also be the external/internal auditors for any wholly owned subsidiary company established by the Corporation, and the financial framework within which the company operates shall be the same as that of the College. The directors of College companies must submit the annual accounts to the Corporation. The performance of the company must be reported at least termly to the Corporation.

Partnerships and Sub-Contracting

Partnerships and Subcontracting are used by the College to enter into a contractual agreement with third parties to deliver educational programmes resourced through funding bodies and on behalf of the Corporation.

The Vice Principal for Growth, Skills and Partnerships is responsible for ensuring that all partnership and subcontracting provision is subject to appropriate controls in accordance with guidance issued from time to time by the relevant funding body.

The Corporation shall adopt the model form of contract published by the funding body as the basis of a generic contract. Such contracts should not be signed before either a partner or subcontractor has cleared the approval protocol. Provision must not commence until a contract has been signed and suitable arrangements are in place. A Fees and Charges Policy for Subcontracts will be approved by the Finance and Resources Committee.

The Vice Principal for Growth, Skills and Partnerships or equivalent is responsible for presenting details of Partnership and Subcontracting contracts for approval to the Corporation each year.

The Vice Principal for Growth, Skills and Partnerships or equivalent will ensure that compliance audits, including checks on attendance records, take place on a systematic basis and are properly documented. Performance reports will be submitted to the Curriculum, Quality and Performance Committee at least termly, including details of activity, key financial and operational information and future plans.

Any new proposals in the year must first be presented to the SLT for approval prior to seeking Corporation approval. Staff should not enter into any contracts for any external delivery. All contracts once approved by the Corporation must be signed by the CEO.

Intellectual Property Rights

Intellectual Property (IP) rights for any idea, design or invention that arises from research, consultancy or other work undertaken by a member of staff whilst employed by the College, and which may be patentable, capable of protection by design registration or otherwise benefiting from protection under the law of IP, shall as provided by his or her contract of employment, normally belong to the College.

In the event of the College deciding to become involved in the commercial exploitation of inventions, research and registered marks, the matter should then proceed in accordance with professional advice and guidance and an assessment of risk appropriate to the circumstances at the time.

6 Executive Responsibilities And Management

Chief Executive Officer (CEO)

The Chief Executive Officer (CEO) is the Corporation's designated Accounting Officer (AO) and is responsible for ensuring the financial administration of the College's affairs in accordance with the Financial Memorandum. The CEO will advise the Corporation on non-compliance within the requirement of the FR and the procedures which should be followed, should such circumstances arise.

As the Accounting Officer (AO), the CEO may be required to justify any of the College's financial matters to the Public Accounts Committee at the House of Commons.

The CEO may delegate their responsibility for the effective management and financial administration of the Corporation's affairs to executive directors and managers as provided within the College's scheme of delegation. Subsequently, these responsibilities may be further delegated to subordinate operational managers.

The CEO shall demonstrate their oversight of financial matters by signing the balance sheet, statement of Corporate Governance within the Annual Report and the principal statement of financial forecast submitted to the relevant funding body.

Chief Operating Officer (COOFI)

The COOFI is responsible to the board of governors, via the CEO for the effective acquisition, deployment, development and disposal of the Group's resources. They will be responsible for:

- advising on the financial aspects of the College's strategy
- the overall financial administration of the College

- ensuring that the College has satisfactory systems of financial control and management
- the leadership of all planning and resourcing processes and the management of organisational risk linked to the delivery of the College's strategic objectives

Director of Finance (DoF)

The DoF will assume responsibility for the day-to-day financial administration and management of the College's and associated trading subsidiary finances including but not limited to:

- advising the CEO, COOFI and the Executive and any other manager, as appropriate on the financial implications of the Corporation's regulations, policies and procedures,
- annual capital and revenue budgets and financial plans are prepared,
- accounts, management information, monitoring and control of expenditure against budgets and all financial operations are prepared,
- production of management accounts to budget holders,
- summary management accounts to the Senior Leadership Team,
- the College's annual accounts and other financial statements and accounts which the Corporation is required to submit to third party organisations,
- the College maintains satisfactory financial systems and procedures,
- professional advice on all matters relating to financial strategy policies and procedures is made available as necessary,
- effective liaison with the College's financial statement and regularity auditors is maintained in order to achieve efficient processes.
- delivering value for money and managing resources effectively, including procurement

Principal Budget Holders

Principal Budget Holders are responsible for maintaining clear lines of responsibility for all financial matters within their areas. Where responsibility for resources is delegated, the Principal Budget Holder remains ultimately accountable for this resource within their overall budget.

All Budget Holders are supported and guided in the execution of their financial responsibilities by the finance function through the provision of advice, guidance and training, to ensure all necessary financial transaction are adequately reviewed, approved and discharged within their respective areas of responsibility.

All budget holders shall provide the finance function with such information as may be required to enable:

- compilation of the College financial statements,
- implementation of financial planning,
- implementation of audit and financial reviews, projects and value for money assessments.

All Members of Staff

All members of staff should be aware and have a general responsibility for the security of College assets, for avoiding loss and for the effective and efficiency in the use of resources:

- staff should ensure that they are aware of the College financial authority limits and the values of purchases for which quotations and tenders are required, scheme of financial delegation,
- staff shall make available any relevant records or information to the DoF or any authorised representative in connection with the implementation of the College Financial Regulations and systems of financial control,
- the COOFI shall be immediately notified whenever any matter arises which involves, or is thought to involve, irregularities concerning, inter alia, cash or assets of the Corporation. The COOFI will take all such steps as necessary by way of investigation and report.

7 Financial Management and Control

Financial Planning

The DoF is responsible for preparing annually a rolling three-year financial plan for approval by the Corporation on the recommendation of the Finance and Resources Committee and for preparing financial forecasts for submission to the funding body. Financial plans should be consistent with the strategic plan and the property and accommodation strategies approved by the Corporation.

The DoF is responsible for preparing an annual revenue budget and capital programme for consideration by the Corporation, the budget will also include a monthly cash flow forecast and a projected year-end balance sheet. The DoF must ensure that detailed budgets are prepared in order to support the resource allocation process and that these are effectively communicated to the SLT and Principal Budget Holders as soon as possible following their approval by the Corporation Board.

Financial Management

Principal Budget Holders are responsible for delivering financial targets, including those for the generation of income and the management of costs set for their area of responsibility. The performance of Budget Holder will be reviewed on a monthly basis by the appropriate Finance Business Partner (FBP).

The control of income and expenditure within an agreed budget is the responsibility of the Principal Budget Holder, who must ensure that day-to-day monitoring is undertaken effectively.

Budget performance reviews are undertaken regularly between the principal budget holder and the FBP. The Principal budget holders may delegate responsibility for both the income and expenditure elements of their budget within their department, however, they remain ultimately responsible and accountable.

Significant departures from agreed budgetary targets are reported immediately to the Director of Finance and if necessary, corrective action taken.

Forecasting

The DoF will undertake a review and reforecast of the Corporation budgets. This will involve in-depth reviews with the SLT, data colleagues and principal budget holders to ascertain expected year end outcomes. These projections will reflect the expected income, expenditure, cash and balance sheet outcomes for the financial year based on patterns of activity that arise or are anticipated. The reforecast budget will be subject to review by the CEO and SLT before being submitted to the Finance and Resources Committee for consideration/recommendation and subsequently the Corporation Board for approval.

Once the reforecast budget has been approved this will be shared with principal budget holders and will be reported within the monthly management accounts.

Capital Programmes

The capital programme includes all expenditure on land, buildings, equipment, furniture and associated costs whether they are funded from capital grants or capitalised for inclusion in the Corporation’s financial statements.

Expenditure of this type can only be considered as part of the larger capital strategy approved by the Corporation.

The DoF has established protocols for the inclusion of capital projects exceeding procurement thresholds in the capital programme for approval by the Corporation. Detailed procedural protocols set out the information that is required for each proposed project as well as the financial criteria that they are required to meet.

The DoF will also establish procedures for the approval of variations, including the notification of large variations to the funding body, as laid down in funding body guidelines.

The COOFI is responsible for providing regular statements concerning all capital expenditure to the SLT, Finance and Resources Committee and the Corporation Board.

Overseas Activity

In planning and undertaking overseas activity, the College must have due regard to the relevant guidelines issued by the funding body and any restrictive clauses within the Instrument of Governance and the Financial Memorandum. All overseas activities must be the subject of approval by the CEO and one other member of the SLT.

Budgetary Control Framework

The DoF shall maintain an effective framework of budgetary control including:

- the Corporation shall always operate a computerised financial accounting system,
- proper arrangements for financial administration to ensure that all financial transactions affecting the Corporation are known and are properly recorded in the financial accounting system,
- detailed income and expenditure, capital, balance sheet and cash-flow budgets to ensure all transactions can be matched against a budget provision,
- the production of detailed financial reports each month for budget holders,
- the production of consolidated management accounts each month.

Budgetary Reporting

The DoF will ensure that:

- all budget holders receive, monthly, a statement of actual income and expenditure against the budget for the month ended and for the period ended, for each of the budget centres delegated to them,
- a detailed statement of actual income and expenditure against the budget for all budgets is prepared, each month, for consideration by SLT
- consolidated management accounts are distributed to the Finance and Resources Committee each month, including a commentary, income and expenditure account, balance sheet, rolling cash-flow forecast and assessment of College financial health,
- summary financial reports are presented at each Finance and Resources Committee meeting,
- summary financial reports are presented to the Corporation at least once per term.

Virement

Virements between budget headings up to £9,999 may be approved by the DoF. Virements between £10,000 and £49,999 may be approved by COOFI.

Virements between £50,000 and £100,00 may be approved by the CEO, subject to the presentation of a detailed report.

Virements of £100,000 or more required the approval of Finance and Resources Committee. Virement thresholds are applicable to all budget headings e.g., Income, Pay and Non-Pay.

The authorisation of virements is based on cumulative methodology e.g., a virement of £50,000 would require the consent and approval of the DoF, COOFI and CEO. This methodology ensures there is clear accountability and traceability of all virements.

The DoF is responsible for submitting all virement reports to the Finance and Resources Committee and/or the Corporation Board.

Year End Budget Allocation Balances

Budget holders will not normally have the authority to carry forward a balance on their budget to the following financial year unless the COOFI and the Finance and Resources Committee have approved a specific scheme for carrying forward all or part of unspent amounts. Specific consumables and equipment surplus balances may be carried forward with the approval of the Director of Finance, subject to the authorisation and threshold levels as identified within the scheme of financial delegation.

The Corporation will normally expect the College to make a surplus in line with its financial strategy for sustainability and thus its discretionary/unrestricted reserves will grow over time, all other things being equal.

8 Accounting Arrangements

Financial Year and Basis of Accounting

The Financial Statements are prepared in accordance with, and include information required under, the Statement of Recommended Practice "Accounting for Further and Higher Education" (SORP), Companies Act, FRS102 and other applicable accounting standards.

Financial Records

The DoF is responsible for the retention of financial documents in a form that is acceptable to the relevant authorities. The Corporation is required by law to retain prime documents for six years as follows:

- official purchase orders,
- paid invoices,
- debtors/creditors,
- accounts/invoices raised,
- bank statements,
- copies of receipts and payroll records, including part-time lecturers' contracts.

Members of staff should ensure that retention arrangements comply with any specific requirements of funding organisations e.g., European Commission and Research Councils.

The College will retain all records supporting Individual Learner Records (ILR) return for a minimum of 6 years. Additionally, for auditing and other purposes, other financial documents should be retained for 7 years.

The retention of records by the College shall be governed by the College Records Retention Policy.

Taxation

The DoF is responsible for advising the Corporation, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues. The DoF will issue instructions on compliance with statutory requirements including those concerning VAT, PAYE, NI, Corporation Tax and Import Duty.

The DoF is responsible for maintaining the Corporation's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

Financial Procedures

The DoF shall ensure that up to date financial procedures are in place for accounting policies, financial systems and financial planning and management; ensuring staff have ease of access to supporting information allowing for the effective and efficient management of the finance function of the College.

9 Audit Requirements

Auditors Authority

External auditors and internal auditors shall have authority to:

- access College premises at reasonable times,
- access all assets, records, documents and correspondence relating to any financial and other transactions of the College,
- require and receive such explanations as are necessary concerning any matter under examination,
- require any employee or volunteer of the College to account for cash, stores or any other College property under their control,
- access records belonging to third parties, such as contractors, when required.

The DoF is responsible for drawing up a timetable for preparation of the Corporation's financial statements and will advise staff and the external auditors accordingly.

Internal Audit

The internal auditor is appointed by the Corporation on the recommendation of the Audit and Risk Committee.

The College Financial Memorandum with the funding body requires that it has an effective internal audit function and their duties and responsibilities must be in accordance with advice set out in the funding body's Post-16 Audit Code of Practice. The main responsibility of internal audit is to provide the Corporation with assurances on the adequacy of the system of internal control.

The internal audit service remains independent in its planning and operation but has direct access to the Corporation, Chair of the Audit and Risk Committee and the CEO.

The internal auditors are required to comply with International Internal Audit Standards and the Auditing Practice Board's 'Guidance for Internal Auditors'.

External Audit

The primary role of this external audit is to report on the College financial statements and to carry out such examination of the statements and underlying records and systems of control, as are necessary to reach their opinion on the statements and to report on the appropriate use of funds.

The appointment of external auditors for the financial statements of the College will take place annually and is the responsibility of the Corporation. The provision of external audit services should be formally reviewed at interval of not greater than three years and should be tendered at intervals of not greater than five years.

Regularity Assurance

The external auditor for the purposes of Regularity Assurance is defined as the 'Reporting Accountant' and must provide an assurance report and audit opinion on regularity to the Corporation and the Funding Body.

Funding Assurance

The primary role of funding assurance (Learner Existence and Eligibility) is to report on the College Individualised Learner Record. The role and purpose of this assurance is defined by the ESFA but focussed primarily on establishing whether learners exist and are eligible for the funding generated by the funding programme. Where funding auditors are to be appointed, the appointment is the responsibility of the ESFA.

Value for Money

It is a requirement of the Financial Memorandum that the College is responsible for delivering value for money (VfM) from the use of public funds. The College should keep under review its arrangements for managing all the resources under its control, considering guidance on good practise issued from time to time by the funding body, the National Audit Office (NAO), Education and Skills Funding Agency (ESFA), the Public Accounts Committee and other relevant bodies.

The threshold at which VfM exercises are undertaken are clearly identified within the financial scheme of delegation.

Other Auditors and Inspectors

The College may, from time to time, be subject to financial audit, inspection or investigation by external bodies such as funding bodies, National Audit Office, European Court of Auditors and HM Revenue and Customs. A copy of any subsequent audit report must be provided directly to the Audit and Risk Committee by the auditor or inspection body.

The Audit and Risk Committee will be advised of the key findings of all significant financial audits of the College, the findings will be reflected within an audit findings report addressed to the Corporation. Risks identified or suggested actions will be reflected within the risk management strategy of the College, where appropriate.

10 Treasury Management

Treasury Management Policy

The Corporation is responsible for approving a Treasury Management Policy, setting out a strategy and policies for cash management, long-term investments and borrowings. This will require compliance with funding body rules regarding approval for any secured or unsecured loans that go beyond the general consent levels set out in the financial scheme of delegation.

The Finance and Resources Committee is responsible for ensuring implementation, monitoring and review of the Treasury Management Policy.

Decisions concerning investment or financing should be made in accordance with the Treasury Management Policy.

All investments shall be undertaken in the name of the Corporation and shall conform to any relevant funding body requirements. The DoF will provide a report to the Finance and Resources Committee at least annually in each financial year regarding treasury management activities and on the exercise of delegated treasury management powers.

Borrowing

The College must obtain DfE prior approval for borrowing (including finance leases and overdraft facilities) from any source. However, as a public sector organisation, the College will only be permitted to borrow where the transaction delivers better value for money for the Exchequer. Because non-government lenders face higher financing costs, in practice it is very unlikely that private sector borrowing shall be approved. Therefore, DfE consent is required for any future borrowing and amendments to existing agreements.

Appointment of Bankers and Other Professional Advisers

The Corporation is responsible for the appointment of the College's bankers and other professional financial advisers upon the recommendations of the Audit and Risk, and Finance and Resources Committees. The provision of banking services should be formally reviewed at intervals of not greater than three years.

Banking Arrangements

The DoF is responsible on behalf of the Corporation for liaising with its appointed bankers in relation to all the Corporation income, payment, deposit and lending mechanisms. All financial instruments in use by the Corporation, shall where required be ordered on the authority of the Corporation by the DoF, who shall make proper arrangements for their safe custody.

The DoF is responsible for creating all bank accounts, including those bearing the College's title and all bank accounts of subsidiary undertakings of the Corporation. Only bank accounts created by the DoF under the delegated responsibility of the Corporation shall be operated. The DoF will maintain a central record of all official bank accounts together with copies of authorised specimen signatures. The DoF is responsible for ensuring that all bank accounts are subject to regular reconciliation and that large or unusual items are investigated as appropriate.

All payments drawn on behalf of the College and its subsidiary undertakings and Joint Ventures (JV) require authorised signatures in accordance with the bank mandate, delegated authorities and the Treasury Management Policy. All electronic transfers on behalf of the College, such as Bankers' Automated Clearing Services (BACS) or Clearing House Automatic Payments System (CHAPS), must be approved/signed in accordance with the Corporation's bank mandate.

Income

The DoF is responsible for ensuring that appropriate procedures are in operation to enable the College, subsidiary and JV companies to receive all income to which they are entitled. All staff receiving income on behalf of the College, subsidiary and JV companies have a responsibility to ensure that the DoF is aware of and has agreed, appropriate processes for recording, handling and banking such income. All receipt forms, invoices, tickets or other official documents in use and electronic collection systems must have the prior approval of the DoF.

The DoF is ultimately responsible for:

- the prompt collection, security and banking of all income received,
- ensuring that all grants notified by the Funding Body and other bodies are received and appropriately recorded in the financial statements and;
- ensuring that all claims for funds, including grants and contracts are made by the due date.

It is the responsibility of all staff to ensure that revenue is maximised by the efficient application of agreed procedures for the identification, collection and banking of income. This requires the prompt notification to the Head of Finance of sums due so that collection can be initiated.

Receipt of Cash, Cheques and Other Negotiable Instruments

All payments received must be recorded by the cash office or finance department daily including reference to the form in which they were received, for example cash, cheques or electronic transfer together with details of the student, grant or other contract to which they relate.

All monies received must be paid to the Cash Office in line with the College Cash Handling Procedure. The custody and transit of all monies received must comply with the requirements of the College insurers, information on which is available from the finance department.

The processing of payments via a method with the minimum processing costs (e.g., direct to bank, debit card) is always preferred. However, the College will receive payments by debit or credit cards using procedures approved by the DoF.

Invoicing

The DoF shall ensure that:

- debtor invoices are raised promptly on official invoices, in respect of all income due to the College. Employees providing consultancy services to third parties must agree invoicing procedures with the DoF and adhere to them;
- invoices are prepared with care, recorded in the ledger, show the correct amount due, correct due date and are credited to the appropriate income account and debtor ledger;
- any credits granted are valid, properly authorised and recorded;
- VAT is correctly charged and accounted for, and relevant information is provided on the invoices, where applicable;
- monies received are applied to the correct debtor's account.

Student Fees

Levels of all tuition fees are reviewed annually by the SLT and Corporation Board.

The procedures for collecting tuition and associated fees must be approved by the Finance and Resources Committee. The College must ensure as far as possible that student fees due to the College are received.

Students who have an outstanding tuition fees account owing to the College may not be permitted to collect/receive their certificate(s) for any degree, diploma or other qualification awarded by the College until all outstanding debts have been cleared.

Students with material outstanding debts shall be prevented from re-enrolling at the College and/or any of its subsidiaries, and from using any of the College facilities, unless appropriate arrangements have been made to settle the outstanding balance.

The responsibility for the payment of tuition fees rests with the student. This liability may only be relieved by:

- another individual undertaking to pay the fees provided such an undertaking is confirmed in writing,
- an employer or another organisation undertaking to pay the fees provided such an undertaking is confirmed in writing on headed paper by a duly authorised representative of that organisation.

The Corporation will maintain a facility for students to pay fees by instalments in certain circumstances details of which are provided within the Fees Policy.

Debt Management

All bad debts will be managed in line with the Students Fees and Debt Management Policies.

Students who have not settled their account or who leave the College with an outstanding balance may be traced via a Debt Collection Agency engaged by the College; debts may be recovered through a legal process in line with the Debt Management Policy.

Write-offs and Losses

The College should only consider accepting losses and write-offs after careful appraisal of the facts, including whether all reasonable action has been taken to effect recovery, and should be satisfied that there is no feasible alternative.

Before proposing a write-off, the DoF must consider and clearly document (with legal advice as appropriate):

- **The circumstances** - the nature of the case, the amount involved and the circumstances in which it arose.
- **Reasons** – the rationale for the proposed write-off, including any legal advice.
- **Cost effectiveness** - of further action. The College should take decisions about their tactics in seeking recovery in particular cases on the strength of cost benefit analysis of the options. Decisions not to pursue recovery should be exceptional and taken only after careful appraisal of the relevant facts, taking into account the legal position. The option of abating future payments to the recipient should always be considered.
- **Good/bad faith** – in the case of an overpayment, whether the recipient accepted the money in good or bad faith, consistency of approach and timing:
  - Where recipients have acted in good faith, e.g., genuinely believing that the payment was right, they may be able to use this as a defence, though good faith alone is not a sufficient defence to not result in recovery of public funds.
  - Where recipients of overpayments have acted in bad faith, recovery of the full amount overpaid should always be sought. Recipients may be inferred to have acted in bad faith, if they have wilfully suppressed material facts or otherwise failed to give timely, accurate and complete information. Other cases, e.g. those involving recipients' carelessness, may require judgement. And some cases may involve such obvious error, e.g. where an amount stated is very different from that paid, that no recipient could reasonably claim to have acted in good faith. If an overpayment involved bad faith on the part of the recipient, you should automatically consider the possibility of fraud in addition to recovery action, taking legal advice, where appropriate.
  - Consistency - the need to deal equitably with overpayments to a group of people in similar circumstances, and/or to adjust to individuals' relevant personal circumstances.
  - Timing – the length of time since the overpayment in question was made.
- **Fraud** (suspected or proven) - If there is evidence of fraudulent intent, legal and/or disciplinary action should be considered, taking legal advice where appropriate. A criminal conviction in such a case will not eliminate the public debt which had resulted, and so recovery of the debt should also be pursued by any available means.
- **Internal controls** - whether the investigation has shown any defects in the college's systems of control and, if so, what action will be taken.

The College must obtain DfE prior approval for any write off if the individual loss/write off exceeds 1% of annual income or £45k individually (whichever is smaller) per single transaction, or 5% of annual income cumulatively (subject to a £250k cumulative ceiling).

For these purposes, income will be the budgeted total income for the current year as approved by the corporation's board.

Additionally, irrespective of the amount of money involved, colleges must always consult DfE if they identify losses and write-offs which may:

- involve important questions of principle
- raise doubts about the effectiveness of existing systems
- contain lessons which might be of wider interest
- are novel, contentious or repercussive
- might create a precedent for other colleges in similar circumstances, or
- arise because of obscure or ambiguous instructions issued centrally.

In turn DfE may need to consult HM Treasury.

The DoF will maintain an up-to-date record of losses, which includes:

- the nature, gross amount and cause of each loss, and
- the action taken, total recoveries and date of write-off, where appropriate.

The DoF will provide a termly report to the Finance and Resources Committee informing them of any bad debt provision and write offs made during the period as part of the Management Accounts report.

Indemnities, Guarantees and Letters of Comfort

The College should not be entering into liabilities without explicit parliamentary authority, other than those arising in the normal course of business. However, many commercial contracts will, in the normal course of business, include indemnity clauses. These are not restricted and DfE consent will not be required.

Examples of indemnities found in contracts deemed to be in the normal cause of business are:

- a catering contract that supplies catering services to students and staff
- a data-sharing agreement that ensures information transfers between organisations
- a utilities contract that supplies electricity/water/gas to the colleges buildings
- a commercial IT contract which supports the college to run business as usual
- a land transaction contract for the buying or transfer of land to college

The DoF in managing procurement will maintain a contracts register, including known indemnity clauses with the necessary assessments.

Beyond this, DfE consent will be required in respect of indemnities beyond the normal course of business, guarantees and letters of comfort in excess of: -

- 1% of annual income or £45k (whichever is smaller; or
- 5% of annual oncome cumulatively (subject to a cumulative ceiling of £250k).

Matched Funding Projects and Grants

Any such project or grant application requires the approval of the Corporation prior to any commitment being entered. Such approval shall be dependent upon the delivery of a report to the Corporation demonstrating:

- that eligible matching funds are available,
- the project is financially viable and/or strategically critical,
- potential risks generated by the project,
- commitment of resources to the application phase of the project or grant submission,
- this is based on a written contract which allows for full audit access to detailed records,
- appropriate monitoring procedures are in place to ensure that the outputs are achieved, and the provision is of suitable quality.

The DoF shall maintain all financial records relating to matched funding projects and grants, each project will have a named budget holder and project lead who will initiate all claims for reimbursement from sponsoring bodies and ensure all contractual obligations are adhered to.

Control of pay and non-pay expenditure will be managed within a project cost centre. The budget holder may delegate day-to-day control to the project manager, but any overspend, or under-recovery of overheads is to be the clear responsibility of the budget holder.

Unauthorised losses associated with the funded project/grant may be charged to the academic/support area at the discretion of the DoF.

Grant and Contract Conditions

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

Material loss resulting from a failure to meet conditions of funding is the responsibility of curriculum/support area and will be notified to SLT and the Finance and Resources Committee at the earliest opportunity.

Commitments to Expenditure relating to Additional Income

Except for the provisions in the relevant foregoing paragraphs of these FR, no individual shall commit the Corporation to permanent or recurring expenditure directly related to time-limited funded contracts. Such commitments will be treated as unauthorised and in contravention of FR. Principal Budget Holders must ensure that any agreements negotiated within their departments with external bodies cover any legal liabilities to which the Corporation may be exposed. To that end, the DoF must be informed of all agreement/contract negotiations.

Profitability and Recovery of Overheads

All income generating activities e.g. research, consultancy, full cost and CPD activities must recover the full economic costs associated with the activity, unless it is determined that the activity is of strategic importance to the College and may be operated at less than full economic costs, subject to the approval of the CEO and COOFI.

All income generating activities must be initially reviewed and agreed by the DoF and thereafter regularly reviewed and reported within the monthly management accounts. All activities will be subject to an indirectly attributable percentage charge for overheads.

Surpluses and Deficits

All surpluses and deficits incurred on income-generating activities will be reported in the monthly management accounts against the areas to which they relate and in the financial period they are recognised.

11 Expenditure

The Director of Finance is ultimately responsible for making payments to suppliers of works, goods and services to the Corporation, College and subsidiary/ JV undertakings.

Delegated Authority for Expenditure

The College operates a delegated framework where budgets have been delegated to principal budget holders who are responsible for purchases within their section. However, at any given time, the Director of Finance may impose further restrictions, limiting the amount that any budget holder is able to authorise independently.

Budget holders have delegated authority to expend within the agreed allocated budget but are not authorised to commit the College to expenditure without first ensuring they have complied with VfM and procurement requirements and have enough funds to meet the total procurement cost.

Scheme of Delegated Authority

Principal Budget Holders are responsible for all procurement activities within their departments. Procurement authority may be delegated to named individuals within departments with the prior approval of the DoF or in his/her absence the COOFI.

In exercising this delegated authority, guidance will be provided by finance colleagues regarding the scheme of financial delegation.

Neither principle budget holders nor their delegates are authorised to commit the College to expenditure or future liability in excess of their level of authority or the availability of enough funds within their annual budget. All commitments to future periods of expenditure must be approved in line with the Financial Scheme of Delegation and must be based on the cumulative value of the commitment.

Procurement

The College requires all staff, irrespective of the source of funds, to obtain Value for Money (VFM) when purchasing works, goods and services. VFM is the balance of whole life costs and benefits that meet the requirements of the College. Staff should familiarise themselves with the separate Procurement Policy.

Whole life costs comprise all costs involved in acquiring, owning, maintaining, operating and disposing of goods, works and services.

The Director of Finance is ultimately responsible for:

- ensuring that the purchasing thresholds and procedures are known and observed by all staff involved in purchasing for the College,
- advising on purchasing matters,
- advising and assisting departments, where required, on specific purchases,
- developing appropriate pre-negotiated contracts on behalf of the College to assist budget holders in meeting their VFM obligations,
- overseeing all large-scale purchase contracts undertaken by the College, in collaboration

with the relevant department and the procurement team,
- ensuring that the College complies with all applicable procurement legislation and best practice procurement,
- monitoring/maintaining pre-negotiated contracts and all expenditure.

An official purchase order must be issued for the procurement of all works, goods and services, except for utilities, emergency items and other services expressly referenced within the College procurement policy.

All purchase orders should refer to the College's conditions of supply of goods and services.

In authorising requisitions, purchase orders and invoices, principal budget holder must ensure that the expenditure is a valid charge on the College and, considering any future commitments, that adequate funds are available in their budget to meet the expenditure.

All procurement activity must be undertaken through or under the supervision of the finance function.

The purchase of goods or services for personal use; utilising College systems and resources is strictly forbidden.

Commitment to expenditure on behalf of the College for regular requirements must be made through the generation of an official purchase order raised on the College Finance System. The only exceptions to this are for low value items below £100 whereby the use of procurement/credit cards or petty cash would be the preferred method.

Receipt of Goods

All goods shall be checked for quantity and/or weight (as appropriate) and inspected for quality and specification. A goods received notes (GRN) should be obtained from the supplier at the time of delivery and signed by the person receiving the goods.

All GRN's must be forwarded to the finance directorate at the earliest opportunity following receipt of goods and confirmed using the Corporation's web procurement system. Failure to confirm receipt of goods will result in supplier invoices remaining unpaid; confirmation of good received is an integral part of the Corporation's system on internal control via the web procurement system.

All persons receiving goods on behalf of the College must be independent of those who negotiated prices and terms and those authorising the official purchase order.

Payment of Invoices

The DoF is responsible for deciding the most appropriate method of payment for invoices, the College's standard payment terms are 30 days net, assuming the invoice is fully authorised and there are no outstanding issues. Payments will only be made against invoices that can be matched to a receipted purchase order.

Care must be taken by the budget holder to ensure that all discounts receivable are obtained.

It is the responsibility of the budget holder, or nominated representative, to ensure that the following checks are carried out prior to an invoice being certified for payment:

- that a formal contractual arrangement (if appropriate) is in place for the provision of the goods or services required;
- the goods have been received, examined and approved about quality and quantity, or that services rendered, or work done is satisfactory;

- where appropriate, it is matched to the order;
- invoice details (quantity, price discount) are correct;
- the invoice is arithmetically correct;
- the invoice has not previously been passed for payment;
- the invoice is addressed to the College or its subsidiary companies as applicable;
- the appropriate cost centre/internal order is quoted; this must be one of the cost centre codes included in the Budget Holder's areas of responsibility and must correspond with the types of goods or service described on the invoice.

Other Payments and Late Payment Rules

Bursary payments, and other items paid to the students on behalf of sponsoring organisations, will be made on the authority of the DoF, supported by detailed claims approved by the Budget Holder.

The Late Payment of Commercial Debts (Interest) Act 1998 (as updated by the Late Payment of Commercial Debts Regulations 2013) was introduced to give small businesses the right to charge interest on late payments from large organisations and public authorities.

In view of the penalties provided for by this Act, invoices need to be processed in a timely basis to ensure payment is made in accordance with the agreed supplier terms. The DoF is responsible for managing cash and credit terms.

Novel, Contentious and Repercussive Transactions

Novel transactions are those of which the college has no experience or are outside its range of normal business. Contentious transactions are those that might cause criticism of the college by Parliament, the public or the media. Repercussive transactions are those that may have wider financial implications for the sector or which appear to create a precedent.

There is no financial threshold in relation to novel, contentious or repercussive financial arrangements; all such transactions require approval by the DfE, regardless of value.

12 Pay Expenditure

The Chief Operating Officer for People and Information (COOPI) is responsible for preparing all payments of salaries and wages to all staff. The monthly payroll will ordinarily be approved by the DoF and Director of HR. In their absence, payroll can be approved for payment by any two of the following: -

- Chief Operating Officer for People and Information
- Chief Operating Officer for Finance and Infrastructure
- Director of Finance
- Director of HR

The COOPI is responsible for all matters connected with the appointment; employment and termination of employment of staff, specifically for ensuring effective procedures are in place for:

- providing accurate and timely information, as necessary, to the Director of Finance to enable the proper payment of salaries, wages and other emoluments to all employees of the Corporation
- the appointment of staff and staff contracts, terms and conditions
- maintaining up to date personnel records
- the termination of contracts by way of resignation, redundancy or retirement
- operating within requirements of employment law.

On behalf of the Chief Executive Officer, the COOPI is responsible for ensuring an effective payroll system is in operation, either in house, contracted-out or a combination of the two, in particular that:

- all employees of the Corporation are paid the correct amount at the appropriate times
- all statutory deductions are properly calculated, proper records are maintained and payments to the relevant agencies is done in a timely manner
- all other statutory requirements are fulfilled.

The DoF is responsible for ensuring that appropriate arrangements are in place to deal with payments to non-employees and for informing the appropriate authorities of such payments. All casual employees will be included on the payroll, if appropriate. The services of part-time staff may be secured via an appropriate agency, staff secured in such manner will not be employees.

Staff considering undertaking private consultancy work or other external paid work should refer to their contract of employment or seeking further guidance from the People Services Department.

Superannuation

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

The Director of HR is responsible for the day-to-day superannuation matters including:

- the payment of contributions to the appropriate approved superannuation schemes;
- preparing annual returns to superannuation schemes;
- ensuring compliance with auto-enrolment conditions; and
- pension related HMRC thresholds.

Senior Pay Controls

From 1 May 2023, the DfE must give prior approval when an appointment will attract:

- total remuneration at or above £150,000, or the pro-rata equivalent for part time staff, or
- performance related pay arrangements exceed £17,500.

For existing staff whose remuneration meets or exceeds the threshold approval is required for pay awards above 9% effective from 1 May 2023. For remuneration below the threshold approval is required where a pay award of over 9% takes it to or above the threshold, effective from 1 May 2023.

Where DfE approval is not required, the Remuneration Committee must undertake an assessment of proposed pay in line with the principles set out in the HMT Guidance for all senior post holders. Further information can be found in the HMT Guidance

Advances

On occasions where error or omission by the College has led to a liability and hardship for a member of staff, the College may make temporary advances to be recovered by deduction from payroll. Amounts up to £500, for repayment periods not exceeding six months, may be authorised by the Director of HR. All other advances require the authorisation of the Chief Executive Officer.

Travel, Subsistence and Other Allowances

All travel (UK and overseas), subsistence and other allowances should be claimed by staff in accordance with approved conditions and rates.

The DoF will maintain a schedule of basic rates of allowance in a Travel and Subsistence Policy for consideration by Finance and Resources Committee and approval by the Corporation from time to time. The College will seek to negotiate favourable rates for travel and accommodation with selected agents and details will be included in the schedule of basic rates. Save for exceptional circumstances, such agents should be used at all times.

All claims for payment of allowances should be made on an approved expense claim form.

Claims by staff must be approved by the appropriate budget holder or if the budget holder is making the claim by a member of CLT or SLT. Approval of a claim 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.

The Chair of the Corporation is responsible for the authorisation of travel claims and expenses for the CEO. The CEO will authorise the travel claims and expenses for members of SLT.

The Clerk to the Corporation is responsible for the authorisation of claims and expenses for Governors, who are subject to the same process as College staff in respect of travel, subsistence and any other allowances.

All arrangement for overseas travel must be approved by a member of the Senior Leadership Team in advance of committing the College to those arrangements or confirmation of any travel bookings. Arrangements for overseas travel by the CEO or members of the Corporation shall be approved by the Chair of the Corporation. Arrangements for travel by the Chair shall be approved by the Resources Committee or Board of the Corporation.

Claims submitted more than two months after the expenses were incurred will be paid only with the express approval of the Chief Executive Officer or Director of Finance.

Authorisation to Recruit to Vacant Posts/Amend Existing Employees' Salaries

The starting point for seeking authorisation to recruit to a vacant post is the completion of a Networx request for both full-time and part-time posts. When completed the proposal will be subject to approval as follows: -

Authorisation Required	Responsibility for Authorisation by:
Confirmation of request to appoint and proposed appointment details.	Budget Holder
Confirmation that the Human Resource implications of the proposal have been reviewed and are acceptable	HR Business partner
Confirmation that role is required and supported	SLT Lead
Confirmation that the post is on the approved funded establishment and that the financial implications of the proposal have been reviewed and are acceptable	Director of Finance

The authorisation process set out above is not intended to be a process of escalation. However, all three signatures must be secured in the above sequence before a post is authorised for recruitment. In the absence of one or more of the signatures no authority exists to recruit.

The Director of Finance may assign the administrative responsibility for authorisation to nominated, suitably qualified individuals, but may not devolve accountabilities in this respect.

Agency Workers

To ensure the College effectively manages its resources, and obtains VfM, the use and cost of Agency Workers will be subject to close monitoring and regular reporting.

It is recognised, however, that there are occasions when the need may arise for a post to be filled on a short-term basis by an Agency Worker for example in times of intense work pressure, staff shortages, staff absence or to meet seasonal trends/peaks in workload.

The College has an approved list of employment agencies. Agency workers utilised must come direct from one of the approved organisations, unless the agencies are unable to fulfil the College's requirements.

Prior to securing the services of an Agency Worker, consideration should be given to whether the work could be undertaken by another employee. Covering such posts enables employees to develop new skills and gain experience in alternative areas of service provision.

If there are no employees able to undertake the work required, and there are no staff able to work additional hours, line management must obtain the approval of the Deputy Principal, Director of HR and the Director of Finance prior to securing the services of an Agency Worker.

The Director of HR will be responsible for monitoring the use of agency workers monthly to ensure there is still a requirement to retain their services. In the event of an agency worker being utilised for more than three months then the Director of HR will need written confirmation of the reasons for the continued use of the agency worker.

Special Severance and Non-Recurring Payments

Severance payments shall only be made in accordance with relevant legislation subject to the approval of the Finance and Resources Committee and the Corporation Board.

Certain transactions by public bodies may fall outside their usual planned range of activity and may exceed statutory and contractual obligations. HM Treasury (HMT) calls these special payments (see annex 4.13 of Managing Public Money) and are subject to greater control than other payments. They include:

- **staff severance payments** which go beyond statutory or contractual entitlement
- **compensation payments** which go beyond statutory or contractual entitlement
- **ex-gratia, extra-contractual, extra-statutory and extra-regulatory payments**

Special severance payments are paid to employees, contractors and others outside of normal statutory or contractual requirements, when leaving employment in public service, whether they resign, are dismissed or reach an agreed termination of contract. Special severance must not be treated as a soft option, e.g. to avoid management action, disciplinary processes, unwelcome publicity or reputational damage. Making such payments on top of the normal entitlements does not usually provide good value for money or offer fairness to the taxpayers who fund them. Special severance payments should therefore only be considered in exceptional cases.

However, special severance payments can be an important mechanism to allow the College to reform and react to new circumstances in the workplace. Accordingly, such payments may be permitted when there is a clear, evidenced justification for doing so and when all relevant internal policies and procedures have been followed, and all alternative actions have been fully explored and documented.

Before making a special severance payment, the following steps must be taken:

- **Consider whether a special severance payment is appropriate in this case**
  A severance payment may not always be the right approach: for example, severance payments should not be made to staff with poor performance, and DfE and HM Treasury are unlikely to approve such payments.
- **Take and document legal/HR advice**
  Appraise any course of action with the associated costs and the likelihood of winning. If there is a good chance of the college winning the case, you will also need to demonstrate why this route was not taken and instead, a payment was made to the employee. You should balance the legal and management costs against the level of pay-out.
- **Clearly document the management and approval process**
  This must take account of the college's own internal processes and employment law.
- **Consider the appropriate level of payment**
  Following any legal advice, can a change from the settlement value be justified? A severance payment is made from the public purse and therefore value for money must be demonstrated.
- **Ensure you can support any non-financial considerations with evidence**
  For example, that learner performance has been affected by a lack of continuity of tuition due to absence or teaching by temporary staff.
- **Confidentiality clauses**
  Colleges **must** ensure that the use of confidentiality clauses associated with staff severance payments do not prevent an individual's right to make disclosures in the public interest (whistleblowing) under the Public Interest Disclosure Act 1998.

The COOPI is responsible for ensuring all severance payments comply with these financial regulations and Managing Public Money.

The COOPI will have delegated authority to make individual severance payments, provided non-statutory/non-contractual element is under £30,000 or 3 months salary, whichever is the lower. The COOFI and CEO should be kept informed of all payments irrespective of value.

Any payment over £30,000 up to £50,000 (or 3 months salary, whichever is lower) will require approval by the Finance and Resources Committee. In exceptional circumstance this approval may be given by the Chair of Finance and Resources in consultation with the CEO and shall be subsequently reported to the next meeting of Committee and Corporation Board.

DfE approval will be required in advance for special staff severance payments where any of the following scenarios arise individually or collectively:

- the proposed special staff severance payment is for £50,000 or more (gross, before income tax or other deductions)
- the proposed special staff severance payment is equivalent to 3 months' salary or more (gross, before income tax or other deductions)
- an exit package which includes a special staff severance payment is at, or above, £100,000.
- the employee earns over £150,000.
- Additionally, irrespective of the amount of money involved any proposed payments linked to a non-disclosure agreement will require DfE approval.

Where prior approval is not required by DfE, the College still **must** be able to show it has applied the same level of scrutiny to the case. DfE expects colleges to have a business case, which, at least, addresses the matters set out above, for any special payments and to provide this to DfE in a timely manner, if requested.

Compensation payments

Compensation payments provide redress for loss or injury, for example personal injuries, traffic accidents or damage to property. The College, in considering a compensation payment, must base its decision on a careful appraisal, including legal advice where relevant, and ensure value for money.

The COOFI has delegated authority to approve individual compensation payments, provided any non-statutory/non-contractual element is under £50,000. Where the college is considering a non-statutory/non-contractual payment of £50,000 or more, DfE's prior approval must be obtained.

Ex-gratia payments and other types of special payment

Managing Public Money identifies a number of other types of special payment:

- **Ex gratia payments** are transactions going beyond statutory or contractual cover, or administrative rules. This could include payments to meet hardship caused by official failure or delay, and to avoid legal action due to official inadequacy.
- **Extra-contractual payments** are those which, though not legally due under contract, appear to place an obligation on a public sector organisation which the courts might uphold. Typically, these arise from the organisation's action or inaction in relation to a contract. Payments may be extra-contractual, even where there is some doubt about the organisation's liability to pay, e.g., where the contract provides for arbitration, but a settlement is reached without it. (A payment made as a result of an arbitration award is contractual.)
- **Extra-statutory and extra-regulatory payments** are within the broad intention of the statute or regulation, respectively, but go beyond a strict interpretation of its terms.

These transactions must always be referred to DfE for prior approval.

13 Assets

Land, Buildings, Fixed Plant and Machinery

The purchase, sale, or lease of land, buildings or fixed plant can only be undertaken with authority from the Corporation and with reference to Funding Body terms and conditions.

Fixed Asset Register

The Director of Finance is responsible for maintaining the College's register of land, buildings, fixed plant and machinery. Maintenance of the fixed asset register for those parts relating to land, buildings, fixed plant and machinery will be delegated to the Director of Estates. The element of the register relating to IT and computer equipment will be delegated to the IT department.

Capitalisation

Tangible and intangible fixed assets depending upon their cost (inclusive of VAT) are subject to either of the following approaches:

- An individual asset or a group of assets which can be identified and recorded as one item with a cost greater than £1,000 will be capitalised and taken to the balance sheet and depreciated during the remained of their useful economic life.
- An individual asset or group of assets which can be identified and recorded as one item with a cost less than £1,000 will not be capitalised but written off to the income and expenditure account in the year of purchase, unless part of a larger capital programme.

All assets once capitalised will be held at their deemed cost less accumulated depreciation and impairment losses.

Depreciation and Impairment

Capitalised assets (intangible or tangible) are subject to a depreciation charge over their useful economic life (UEL) based upon their broad asset category. The College has the following depreciation/UEL categories:

• Leasehold Land	Over the period of the lease
• Leasehold Buildings	Up to 50 years
• Freehold Buildings	Up to 50 years
• Motor Vehicles & General Equipment	3 to 10 years
• Computer Equipment	4 years

Freehold Land is not depreciated.

A review for impairment of intangible or tangible assets will be carried out annually to identify if events or circumstances indicated that fair value is less than the carrying value of the asset. Where impairment losses are identified these must be approved in line with the scheme of financial delegation and subsequently written down within the financial statements of the College.

Stocks and Stores

Budget holders are responsible for establishing adequate arrangements for the custody and control of stocks and stores under their control. The systems used for stores accounting by each department, if appropriate, must be approved by the Director of Finance.

Stocks and stores of a hazardous nature should be subject to appropriate security checks and compliance with appropriate legislation.

Safeguarding Assets

Budget holders are responsible for the care, custody and security of the staff, buildings, stock, stores, furniture, cash and other asset types under their control. They will consult the Director of Finance in any case where security is thought to be inadequate or where it is considered that special security arrangements may be needed.

Assets owned by the College will, so far as is practical, be effectively marked to identify them as College property.

Personal Use

Assets owned or leased by the College will not be subject to personal use without written authorisation from the Director of Finance. This does not include ICT which are subject to DN Colleges Acceptable Use Policy.

Asset Disposal

Disposal of fixed assets must be in accordance with the scheme of financial delegation and authorisation level contain therein. All disposals must comply with funding body terms and conditions. The Director of Finance will be responsible for accounting for all sale proceeds and disposal entries into the financial statements of the College.

For moveable assets (e.g., vehicles, IT equipment), the proceeds can be used at the College's discretion. Any proceeds from the sale of land and buildings must be ringfenced for reinvestment in capital assets and/or to:

- repay loans, to DfE and to banks
- repay any overpayments of ESFA/DfE grants, or satisfy grant conditions where a repayment to ESFA/DfE is due (for example overage)
- exceptionally, provide working capital for colleges to avoid the risk of insolvency. In this instance, prior approval is required from the DfE.

For the avoidance of doubt, by disposal we mean any process whereby title to an asset passes to a third party such as sale, conveyance, auction, scrappage, gifting, etc. By land and buildings, we mean any title or interest in land and/or buildings. By proceeds we mean net proceeds, i.e., after the costs of sale (e.g. professional fees) have been deducted, and also after any finance secured over the asset by a third party such as a bank has been settled.

The net proceeds of any fixed asset disposal that are being held as cash pending reinvestment or repayment of overpaid grant or other debt should be accounted for as restricted cash and so will not count as cash for the purposes of the solvency ratio used to determine the college's financial health.

These restrictions will remain in place until 31 March 2025, when it will be reviewed.

14 Funds Held on Trust

Student Welfare and Access Funds

The Director of Finance will make provision for the payment of student welfare funds. The day-to-day management of these funds will be the responsibility of the Director of Academic Services who will be responsible for the maintenance of records according to Funding Body requirements.

Trust Funds

The Director of Finance will be responsible for maintaining a record of the requirements for each trust fund and for advising the Finance and Resources Committee on the control and investment of fund balances.

Voluntary Funds

The Director of Finance shall be informed of any fund that is not an official fund of the College which is controlled wholly or in part by a member of staff in relation to their function in the College. The accounts of any such fund shall be audited by an independent external person and shall be submitted with a certificate of audit to the appropriate body, if required.

15 Insurance

The Director of Finance is responsible for the Corporation's insurance arrangements, including the provision of advice on the types of cover available and ensuring adequate liability and fidelity insurance is in place for governors/non-executive directors, officers and employees. As part of the overall risk management strategy all risks will have been considered and those most effectively managed by insurance cover will have been identified. This is likely to include important potential liabilities and provide enough cover to meet any potential risk. The portfolio of insurances will be considered and approved by the Finance and Resources Committee on an annual basis, irrespective of any term agreement undertaken.

The Director of Finance is responsible for effecting insurance cover and therefore is responsible for obtaining quotes, negotiating claims and maintaining the necessary records. The Director of Finance will keep a register of all insurances effected by the Corporation and the property and risks covered.

The Director of Finance should be consulted during any contract negotiation to ensure the Corporation retains an appropriate level of cover. The Director of Finance must be given prompt notification of any potential new risks and additional property and equipment that may require insurance and of any alterations affecting existing risks.

The Director of Finance must be notified immediately of any event that may give rise to an insurance claim. Insurers will be notified and, if appropriate, the claim will be prepared in collaboration with the affected area of operations.

The Director of Estates is responsible for keeping suitable records of plant that is subject to inspection by an insurance company and for ensuring that inspection is carried out in the periods prescribed.

All governors, staff and volunteers using their own vehicles on behalf of the Corporation shall maintain appropriate insurance cover for business use, and this will be subject to periodic checks. The Director of Finance should be notified in writing of any potential or actual claims against the Corporation for which it might be necessary to set aside a contingent liability within the financial statements of the Corporation.

16 Security

Security keys to safes or other similar containers are always to be carried on the person of those responsible. The loss of such keys must be reported to the Director of Finance immediately.

The Data Protection Officer shall be responsible for maintaining proper security and privacy of information held on the College's computer network and ensuring compliance with the Data Protection Act and the requirements of the ICO.

17 Communication

To be communicated to all staff and made available on the website and staff intranet

18 Authorisation

Policy Holder:	Chief Operating Officer – Finance & Infrastructure
Committee Group:	Senior Leadership Team
Authorising Group:	Finance & Resources Committee
Initial Authorisation:	29 November 2023 (SLT & F&R)
Review Date:	June 2026

Scheme of Financial Delegation

Activity	Value (Inc. VAT)	Delegated Authority	Method
Ordering Goods & Services (Raising Purchase Orders	Up to £5,000	Budget Holder L1	Three quotes for orders over £2,500
	£5,001 up to £10,000	Budget Holder L2	Three quotes
	£10,001 up to £25,000	Budget Holder L3	Three Quotes
	£25,001 up to £50,000	DoF	Formal Tender
	£50,001 up to £100,000	COOFI	Formal Tender
	Over £100,000	Corporation Board	Formal Tender & PCR 2015 Regulations
Approval of Operating Leases (Total Lease Values)	Up to £50,000	DoF	Formal Tender
	£50,001 up to £100,000	COOFI	Formal Tender
	Over £100,000	Corporation Board	Formal Tender & PCR 2015 Regulations
Virement of Budget Provision between Departments/Nominals	Up to £50,000	DoF	Report to Director of Finance
	£50,001 up to £100,000	COOFI	Report to Finance and Resources Committee
	Over £100,000	Chief Executive Officer (CEO)	Report to Finance and Resources Committee
Disposal of Assets	Up to £1,000	DoF	Report to Director of Finance
	Up to £50,000	COOFI	Funding Body Approval (if required)
	£50,000 +	Finance and Resources Committee	Funding Body Approval (if required) and Report to Corporation Board

The Finance Department will maintain a list of budget holders with delegated authority levels. Typically: -

Level 1 – Curriculum Leaders & Heads of Departments (Local Managers)
Level 2 – Curriculum Directors & Directors of Business Services (Cross College Managers)
Level 3 – Corporate Leadership Team/Senior Leadership Team

Signatory Levels and Authorisations – Cash, Cheques and BACS

Two from mandate list for Cheques, two from Bankline Approvers for online payments:

(nb job titles are subject to amendment)

Panel A	Chair of Governors Chair of Finance and Resources Chief Executive Officer (CEO) Chief Operating Officer's Director of Finance
Panel B	Deputy Principal
Panel C	Director of HR
Panel D	Finance Business Partner Financial Accountant Management Accountants Payroll Manager Director of HR

Band 1	Amounts up to and including £50,000	Any 2 signatories
Band 2	Amounts £50,001 to £250,000	2 signatories, at least 1 from panel C
Band 3	Amounts £250,001 to £500,000	2 signatories, at least 1 from panel B
Band 4	Amounts £500,001 to £2,000,000	2 signatories, at least 1 from panel A
Band 5	Amounts greater than £2,000,000	2 signatories from panel A

Payroll payments can be processed by Panel C and D so long as the payroll file has prior approval as per Section 12 of these regulations.

Electronic Banking
All finance department staff (at the discretion of Director of Finance) to have access to electronic banking
Designated finance staff, including any in approval panels, to enter/import transactions for payment
All electronic transactions require dual authorisation per approval panels
No person may authorise transactions they have created
Changes to electronic banking set-up to require 2 approvers

Cheques and other payment instruments
As per approval panels and bands above

Changes to Mandate

Resolution 2	Payments	Bands 1 to 5
Resolution 3	Open/close accounts, foreign bills of exchange	Band 4
Resolution 4	Indemnities and borrowing	Band 5
Resolution 5	Copies of signatures etc re resolution 2	Band 3
Mandate overall		Band 5