	Issue Date: 13th December 2023 **Review Cycle (Years):** 1 Year **Next Review Date:** December 2024 **Person Responsible:** CFO

FINANCIAL REGULATIONS 2023-2024

APPROVAL/CONSULTATION REQUIREMENTS

WHO BY	REQ?	DATE	WHO BY	REQ?	DATE
SLT	Y ☒	13-11 23	Corporation	Y ☒	13-12 23
Health-Safety Comm.	Y ☐		Finance-Resources Comm.	Y ☒	16-11 23
Trades Union	Y ☐		Audit Comm.	Y ☐	
Education-Standards Comm.	Y ☐		Remuneration Comm.	Y ☐	

POLICY LOCATION: **Internal** ☒ **(Sharepoint)** **External** ☒ College Website

Related Documents:

1. INTRODUCTION TO THE FINANCIAL REGULATIONS

1.1 The Financial Regulations

1.1.1 This document sets out the College's Financial Regulations (the Financial Regulations). It translates into practical guidance the College's broad policies relating to financial control.

1.1.2 All College activities, trading activities and the activities of any wholly owned subsidiary companies will be conducted in accordance with these Finance Regulations.

1.2 Accountability and Obligations

1.2.1 The Financial Regulations of the College form part of this overall system of accountability. These Financial Regulations together with the Financial Procedures that support them should be followed by all staff. The induction programme for all new staff members should familiarise them with the requirements of the Financial Regulations

1.2.2 The Financial Regulations place obligations on staff to carry out certain functions, prohibit certain actions and vest powers and authority in certain individuals. Staff will therefore need to be mindful of the elements of the Financial Regulations that require their compliance, the elements that prohibit certain actions and be aware of actions for which they require the power or the authority to be vested.

1.2.3 Compliance with the Financial Regulations is compulsory for all staff employed by the College. A member of staff who fails to comply with the requirements of the Financial Regulations, carries out an action expressly prohibited or who acts without the power and authority to do so, will be in breach of the Financial Regulations and may be subject to disciplinary action under the College's disciplinary procedures. If a Governor fails to comply with the financial regulations they may have to account to the Corporation for their actions and, if in breach of their terms of appointment, may have to resign from the Corporation.

1.2.4 It is the responsibility of all managers to ensure that the staff within their areas of functional and line responsibility are aware of the existence and content of the College's Financial Regulations.

1.2.5 The Principal/CEO as accountable officer is responsible for advising the Corporation of material instances of non-compliance with the Financial Regulations.

1.2.6 The Financial Regulations meet the requirements of the HM Treasury document "Managing Public Money" (MPM) and its key themes (which are the fiduciary duties of those handling public resources to work to high standards of probity; and the need for the public sector to work in harmony with parliament (which expects the government and its public servants to meet the ethical standards in MPM and to operate transparently).

1.2.7 MPM defines the transactions that could be novel, contentious or repercussive that require Treasury approval.

- 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.

Examples (from MPM) include:

- extra statutory payments similar to but outside statutory schemes;
- ephemeral ex gratia payment schemes, e.g. payments to compensate for official errors;
- special severance payments, e.g. compromise agreements in excess of ard payments in kind;
- unusual financial transactions, e.g. imposing lasting commitments or using tax avoidance; and
- unusual schemes or policies using novel techniques

See Appendix 8 for further guidance on novel, contentious and repercussive transactions and Appendix 6 for Special payments, including severance, compensation and ex-gratia payments

1.3 Review of the Financial Regulations

1.3.1 These financial regulations are subject to an annual review in order to ensure they are kept up-to-date, reflect current and 'best' business and operating practices, and guidance issued by the Education & Skills Funding Agency, National Audit Office, Association of Colleges and other external bodies. Amendments to the Financial Regulations will be considered by the Finance and Resources Committee who shall recommend any changes to the Corporation for approval.

2. CORPORATE GOVERNANCE

2.1 The Corporation

2.1.1 The Corporation is responsible for the determination of the educational character and mission of the College and for oversight of its activities. A summary of its financial responsibilities is attached as Annex A.

2.1.2 The Corporation has ultimate responsibility for the institution's finances for which it receives the advice of, and delegates aspects of its responsibility to, the Finance and Resources Committee, the Audit Committee and the Remuneration Committee.

2.2 Role of the Finance and Resources Committee

2.2.1 Along with wider responsibilities the Finance and Resources Committee:

- considers matters relating to current and future relevant College strategies;
- informs the Corporation and other sub-Committees, as appropriate, on financial matters relating to College strategy;
- advises the Corporation on matters relating to employment policy and the impact on the efficient and effective operation of the College. It monitors the institution's financial position and financial control systems;
- examines annual budgets and accounts and recommends their approval to the Corporation;
- annually reviews the continued appropriateness of accounting policies and makes recommendations to the Corporation as required;
- ensures annual budgets are in line with agreed current year plus 2 year forecast financial plans and that the plans are followed;
- considers any other matters relevant to the financial duties of the Corporation and makes recommendations accordingly;
- ensures that the Corporation has adequate information to enable it to discharge its financial responsibilities;
- reviews significant capital expenditure project plans;
- reviews virement movements;
- reviews material bad debt write offs;
- determines tuition and other fees, policies and rates at least annually;
- reviews the appointment of bankers; and
- reviews proposals for new business ventures and maintaining close oversight and monitoring of progress against business development targets.

2.3 Role of the Audit Committee

2.3.1 Colleges are required by their Financial Memorandum and by the Education & Skills Funding Agency's Audit Code of Practice to appoint an Audit Committee.

2.3.2 The Committee is independent, advisory and reports to the Corporation. It has the right of access to obtain all the information it considers necessary and to consult directly with the internal and external auditors, without the need to notify College management. The responsibilities of internal audit and external audit are documented within its terms of reference which reflect national statutory guidance from government and professional accounting bodies.

2.3.3 The Committee must also ensure that satisfactory arrangements are in place to promote economy, efficiency and effectiveness of the College's resources to secure value for public money.

2.4 Role of the Remuneration Committee

2.4.1 This committee advises the Corporation on the remuneration and terms and conditions of employment of the College's designated senior post-holders in line with national statutory guidance and best practice on good governance in public bodies.

3. FINANCIAL RESPONSIBILITY

3.1 The Accounting Officer

3.1.1 The Principal/CEO is the College's designated Accounting Officer and is responsible for the financial administration of the Corporation's affairs. The role of Accounting Officer cannot be delegated to any other member of staff. As the designated officer the Principal/CEO may be required to justify any of the College's financial matters to the Public Accounts Committee at the House of Commons.

3.1.2 The Principal/CEO shall be responsible for advising the Corporation in writing if, at any time, in his or her opinion any action or policy under consideration by the Corporation is incompatible with the terms of the Financial Memorandum between the Education & Skills Funding Agency (or any other funding agency) and the College.

3.1.3 The Principal/CEO shall be similarly responsible for advising the Corporation in writing if the Corporation appears to be failing to act where required to do so by the terms and conditions of the Financial Memorandum. Where the Corporation determines to proceed despite the advice of the Principal/CEO the Principal/CEO should consider the reasons the Corporation gives for its decision. If, after considering the reasons given by the Corporation the Principal/CEO still considers that the action proposed by the Corporation is in breach of the Financial Memorandum the Principal/CEO shall advise in writing the Education & Skills Funding Agency's Accounting Officer of the position.

3.1.4 MPM states that the Accounting Officer should ensure that the organisation operates effectively and to a high standard of probity. The organisation should:

governance

- have a governance structure which transmits, delegates, implements and enforces decisions;
- have trustworthy internal controls to safeguard, channel and record resources as intended;
- work cooperatively with partners in the public interest;
- operate with propriety and regularity in all its transactions;
- treat its customers and business counterparties fairly, honestly and with integrity;
- offer appropriate redress for failure to meet agreed customer standards;
- give timely, transparent and realistic accounts of its business and decisions, underpinning public confidence;

decision-making

- support its ministers [*in the College's case this is assumed to be DfE, ESFA etc*] with clear, well-reasoned, timely and impartial advice;
- make all its decisions in line with the strategy, aims and objectives of the organisation set by ministers and/or in legislation;
- take a balanced view of the organisation's approach to managing
- opportunity and risk;
- impose no more than proportionate and defensible burdens on business;

financial management

- use its resources efficiently, economically and effectively, avoiding waste and extravagance;
- plan to use its resources on an affordable and sustainable path, within agreed limits;

- carry out procurement and project appraisal objectively and fairly, using cost benefit analysis and generally seeking good value for the Exchequer as a whole;
- use management information systems to gain assurance about value for money and the quality of delivery and so make timely adjustments;
- avoid over defining detail and imposing undue compliance costs, either internally or on its customers and stakeholders;
- have practical documented arrangements for controlling or working in partnership with other organisations, as appropriate; and
- use internal and external audit to improve its internal controls and performance.

3.2 **Chief Finance & Operating Officer**

3.2.1 Day-to-day financial management and administration is controlled by the Chief Finance & Operating Officer who is responsible to the Principal/CEO for:

- providing professional advice on all matters relating to the financial well-being of the College, the financial implications of decisions, financial policies and procedures;
- ensuring that the College maintains satisfactory financial regulations, systems and procedures;
- preparing annual capital, revenue budgets and financial plans;
- preparing monthly management accounts and any other financial information as required;
- preparing statutory accounts, monitoring and control of income and expenditure against budgets and all financial operations; and
- preparing other financial statements and accounts which the College is required to submit to other authorities/bodies.

3.3 **Senior Leadership Team**

3.3.1 Members of the Senior Leadership Team are responsible to the Principal/CEO for financial management and administration in their areas of functional and line responsibility, including the compliance with the Financial Regulations of staff in those areas.

3.3.2 Members of the Senior Leadership Team may delegate day to day budgetary responsibility to other managers, within an agreed scheme of delegation, but will retain ultimate responsibility.

3.3.3 It is the responsibility of the members of the Senior Leadership Team to seek the advice of the Chief Finance & Operating Officer as and when required or for the avoidance of doubt in executing their financial duties.

3.4 **Budget Holders**

3.4.1 Budget holders are responsible for the management of resources allocated to them and for the achievement of Education & Skills Funding Agency, higher education and other income targets agreed with them. They are advised by the Chief Finance & Operating Officer and the Head of Finance in executing their financial duties.

3.4.2 Budget holders are responsible for ensuring that the College's financial policies are adhered to by the staff within their department.

3.5 **Staff**

3.5.1 As a public funded body, the College is committed to the highest standards of probity and priority in all its activities. The College expects that staff at all levels will observe and comply with the requirements of the Financial Regulations.

4. CODE OF FINANCIAL CONDUCT

4.1 Standards in Public Life

4.1.2 The College is committed to the highest standards of openness, integrity and accountability. It seeks to conduct its affairs in a responsible manner, and all members of staff are expected to observe to the seven [Nolan] principles established by the Committee on Standards in Public Life:

- Selflessness;
- Integrity;
- Objectivity;
- Accountability;
- Openness;
- Honesty; and
- Leadership.

4.2 Register of Interests

4.2.1 Members of the corporation, senior management, budget holders and those involved in procurement or any other financial transactions are required to disclose interests in the College's register of interests maintained by the Head of Governance. The Head of Governance is also responsible for ensuring that entries in the register relating to them are kept up to date. In particular, no person shall be a signatory to a College contract where he or she also has an interest in the activities of the other party.

4.3. Receiving Gifts or Hospitality

4.3.1 It is an offence under the Prevention of Corruption Act 1906 for members of staff to accept corruptly any gift or consideration as an inducement or reward for doing, or refraining from doing, anything in an official capacity or showing favour or disfavour to any person in an official capacity. The guiding principles to be followed by all members of staff must be:

- the conduct of individuals should not create suspicion of any conflict between their official duty and their private interest; and
- the action of individuals acting in an official capacity should not give the impression (to any member of the public, to any organisation with whom they deal or to their colleagues) that they have been (or may have been) influenced by a benefit to show favour or disfavour to any person or organisation.

4.3.2 Guidance on receiving Gifts or Hospitality are contained in appendix 4.

4.4 Transparency and Openness

4.4.1 It is the responsibility of all governors, managers, budget holders and staff to conduct the College’s financial affairs in a transparent and open way, demonstrating at all times that the pursuit of value for money is paramount. This includes conducting all commercial negotiations professionally and competently, maintaining robust, detailed, trails to support financial decisions and acting at all times within the best interests of the College.

4.4.2 Specifically, the selection of suppliers for procurement of goods, services and works must be carried out in accordance with the financial regulations and procedures and in line with best practice, particularly best practice guidance issued from time to time by Education & Skills Funding Agency, and any applicable legislation.

4.4.3 Wherever possible budget holders should utilise suppliers through recognised procurement routes such as frameworks or supply consortiums such as CPC which is the College's preferred source. Using CPC where possible reduces time and effort required and provides more assurance about securing the right product/service at the right price. Specifically it ensures that suppliers have been through a rigorous due diligence process thereby reducing risk and are offering a service or goods that has been market tested and tendered and therefore should ensure overall better value for money.

4.5 Sponsorship

4.5.1 From time-to-time the College may receive offers of sponsorship from suppliers or companies with which it works. Before any offers of sponsorship are accepted, the terms and conditions attached to the sponsorship should be documented and agreed by the College. Attention should be paid to the sponsor, their reputation and relationships with the College and any negative public perceptions receipt of funds may cause. Sponsorship should be proportionate to the benefits being received by both parties. Any conflicts in terms of relationships should be fully documented when approval is sought from SLT. Agreements should be made in writing and hold proportionate detail. Where an agreement is above £5k in value legal advice should be sought via the Head of Governance.

4.5.2 Sponsorship up to £1,000 can be approved by a budget holder, with sums above that value requiring SLT approval and those above £5,000 requiring legal advice through the Head of Governance. Sums above £20,000 to be recommended to the Corporation by SLT for approval. If the ethics of receiving sponsorship may be questioned, advice should be sought from the Principal/CEO.

5. FRAUD, CORRUPTION AND IRREGULARITY

5.1 General

5.1.1 Staff are required at all times to act honestly and with integrity and to safeguard the public resources for which they are responsible. The College will not accept any level of fraud, corruption or irregularity. Any cases of fraud, corruption or irregularity will be investigated thoroughly and dealt with appropriately in line with the staff disciplinary policy. The College may report matters of fraud, corruption or irregularity to the police.

5.2 Definitions

5.2.1 Fraud

5.2.1.1 The Fraud Act 2006 introduces provision for a general offence of fraud in one of three ways:

- fraud by false representation (a knowingly misleading or untrue representation with the intention of making a gain or causing a loss or risk of loss to another);
- fraud by failing to disclose information (that there is a legal duty to disclose with the intention of making a gain or causing a loss or risk of loss to another); and
- fraud by abuse of position (a person in a privileged position acting dishonestly by abusing the position held by failing to disclose information that there is a legal duty to disclose with the intention of making a gain of causing a loss or risk of loss to another).

5.2.2 **Corruption**

5.2.2.1 Corruption is a specific type of fraud involving the offering, giving, soliciting or acceptance of any inducement or reward which may influence the action of any person. It involves two or more people. Corruption does not always result in a loss. The corrupt person may not benefit directly from their deeds.

5.2.3 **Irregularity**

5.2.3.1 An irregularity may be any significant matter or issue other than fraud or corruption which may warrant consideration or investigation (for instance, the possible inappropriate use of College funds not technically constituting fraud or corruption).

5.2.4 **Tax Evasion** The Criminal Finances Act 2017 created in Part 3 of the Act the corporate offences of failure of a company or partnership to prevent facilitation of UK tax evasion. The College will take reasonable actions, as defined in the legislation, through its policies, procedures and controls to ensure appropriate amounts of tax are paid to HMRC.

5.2.5 **Responsibilities**

5.2.5.1 Overall responsibility for dealing with fraud and corruption rests with the Principal/CEO (as the Accounting Officer).

5.2.5.2 However, in the first instance, if a member of staff suspects fraud, corruption or irregularity they should report the matter to their line manager (or the Chief Finance & Operating Officer if the matter relates to their line manager) and if the line manager believes that there are grounds to support this suspicion the matter should be reported immediately to the Chief Finance & Operating Officer. If the fraud, corruption or irregularity under suspicion involves the Chief Finance & Operating Officer, the matter should be reported to the Principal/CEO.

5.2.5.3 The Chief Finance & Operating Officer is responsible for assessing the financial risks arising from the suspected fraud, corruption or irregularity with a view to, where appropriate, instigating immediate actions to isolate potentially important evidence or to limit the prospect of adverse financial outcomes for the College. This responsibility does not override the general provisions contained within the College’s staff disciplinary policy or the College’s public disclosure policy.

5.2.5.4 In the event of fraud, corruption or irregularity the Principal/CEO may report the matter to the police.

5.2.4.5 The Principal/CEO will report to the Education & Skills Funding Agency serious weaknesses, significant frauds or major accounting and other control breakdowns. A serious weakness is one which may result in a significant fraud or irregularity, and may include cases of irregularities in expenditure which could lead to suspicions of fraud. Significant fraud usually involves one or more of the following factors:

- the sum of money involved exceeds £10,000;
- the circumstances of the fraud are novel, unusual or complex; and
- there is likely to be public interest because of the nature of the fraud or the people involved.

6. ACCOUNTING POLICIES

6.1 Basis of Accounting

6.1.1 The Statutory Financial Statements are prepared on the historical cost basis of accounting and in accordance with applicable Accounting Standards. Management accounts should be prepared on the same basis with the exception of items specifically approved by the Corporation. Assumptions should be clearly stated within the commentary to the management accounts for any items not accounted for on this basis.

6.2 Format of the Statutory Financial Accounts

6.2.1. The Statutory Financial Accounts are prepared for the financial year ending 31st July in the format required by the Education & Skills Funding Agency, and in accordance with applicable Accounting Standards.

6.3. Basis of Consolidation of the Statutory Financial Accounts

6.3.1. The consolidated financial statements consolidate the financial statements of the College and any subsidiary undertakings for the financial year.

6.4 Accounting Returns

6.4.1 The Chief Finance & Operating Officer is responsible for ensuring that statutory financial returns and other periodic financial returns are submitted in a timely manner to the Education & Skills Funding Agency and other agencies as required.

6.5 Accounting Records

6.5.1 The Chief Finance & Operating Officer is responsible for the retention of financial documents and has delegated this to the Head of Finance on a day-to-day basis. The retention of the financial documents should be in line with statutory requirements and good practice guidance. Retention periods for documents are at Appendix 2.

7. FINANCIAL PLANNING, MONITORING AND REPORTING

7.1 Establishing Budget Holders

7.1.1 It will be College practice to delegate responsibilities for resource management to those departmental, programme or project managers responsible for particular service delivery. They shall be held responsible for the quality of service delivery and the achievement of such delivery within an agreed budget (the budget holder's responsibility).

7.1.2 All elements of the College's budget will have a nominated budget holder. No two budget holders should be responsible for the same budget head.

7.1.3 The Principal/CEO shall ensure that appropriate training is provided to budget holders and that they are aware of the extent of their authority and accountability.

7.1.4 The Chief Finance & Operating Officer shall ensure that each budget holder is aware of the budget(s) for which he or she is accountable, both in monetary terms and resource terms before the start of the financial year.

7.1.5 The Chief Finance & Operating Officer shall ensure that budget holders receive or have access to up-to-date information to enable them to control the budgets for which they are responsible.

7.1.6 However, while the activities in the various areas are the responsibility of the budget holders, the Senior Leadership Team retains direct control of certain aspects of spending:

- Staffing costs:

  a) All new and replacement posts and non-incremental salary increases are to be approved by the Principal/CEO on advice from the Senior Leadership Team;
  b) Control of teaching hours by the Vice Principal Curriculum Innovation, Quality and Performance;
  c) All agency staff requests to be approved by SLT; and
  d) All sessional contracts are to be approved by the Director of HR with reference to b) above.

- Capital expenditure – programme approved and controlled by the Senior Leadership Team.

7.2 Budget Preparation

7.2.1 The Chief Finance & Operating Officer oversees the preparation of:

1) Annual revenue and capital budgets,
2) A current year plus two full year financial forecast to meet ESFA reporting requirements,

Budgets will be prepared in consultation with SLT and budget holders.

7.2.2 The proposed annual budgets, two full year forecast are considered by the Finance and Resources Committee before recommending submission to the Corporation for approval. The Chief Finance & Operating Officer is subsequently responsible for using the budgets and forecast as the basis for preparing the Financial Plan and submitting it to the Education & Skills Funding Agency in a timely manner each year.

7.2.3 The Chief Finance & Operating Officer should ensure that the budget process is formally documented setting the basis on which detailed budgets are constructed.

7.2.4 The Head of Finance leads the detailed budget setting process and is responsible for ensuring adequate supporting records are held, the budgets are recorded on the College's finance system and monthly reports are prepared in good time showing actual performance against these budgets so that variations can be addressed by management.

7.3 Budgetary Management and Control

7.3.1 Managers, budget holders and staff are responsible for the economic, effective and efficient use of financial and non-financial resources allocated to them. This includes both the procurement and consumption of goods and services

7.3.2 Individual budget holders are ultimately responsible to the Principal/CEO for the income and expenditure appropriate to their budget. On a day-to-day basis, senior managers are responsible for the individual budget holders within their functional areas of responsibility.

7.3.3 Budget holders are responsible for achieving income targets designated to them and for containing expenditure within budgets allocated to them. Any shortfalls in income must be reviewed and, where possible, compensated by equal reductions in expenditure.

7.3.4 Budget holders must report any forecast adverse variation on total budget from agreed budgetary targets immediately to the Chief Finance & Operating Officer so that the necessary corrective action proposed by the budget holder can be assessed and agreed in a timely manner.

7.3.5 The Chief Finance & Operating Officer shall promptly inform the Principal/CEO of any significant adverse changes to the College's budget or financial plans. The Principal/CEO shall promptly inform the Corporation of any matter which is liable to affect materially the finances of the College.

7.3.6 The Chief Finance & Operating Officer is responsible for ensuring that budget holders are provided with information to assist them in managing their budgets. This responsibility is delegated day-to-day to the Head of Finance to ensure that budget holders are provided with the financial data and information to allow them to exercise their responsibilities, including a statement of income and expenditure, on a monthly basis. This information should be timely and accurate and available to budget holders within by the end of the following month (excluding August).

7.4 Budget Virements

7.4.1 The Principal/CEO and the Chief Finance & Operating Officer shall be permitted to exercise transfers between any budgets approved by the Corporation (except where such transfers have been specifically excluded by the Corporation).

7.4.2 Individual budget virements of £100,000 or greater should be approved by SLT.

7.4.3 Individual budget virements of £100,000 or greater should be reported to the Finance and Resources Committee.

7.5 Treatment of Year End Balances

7.5.1 Budget holders will not be permitted to carry forward underspent balances on their revenue budgets to the following year. Goods and services committed but not received by 31 July each year will be charged against the following year's budget without carry forward from the prior year.

7.5.2 Balances on capital budgets may only be carried forward with the approval of the Senior Leadership Team.

7.6 Reporting Timescales

7.6.1 Consolidated management accounts will ordinarily be produced by the end of the following month for September to July in each financial year and distributed to the Senior Leadership Team and governors. The latest management accounts will be presented at each meeting of the Finance and Resources Committee. Management accounts will be made available to the College bankers, the Education & Skills Funding Agency and other third parties who may reasonably require them, as requested.

7.6.2 Statutory annual financial statements will be produced within timescales to allow independent audit, consideration by the Audit Committee and formal approval by the Corporation prior to 31 December in each financial year.

7.7 Capital Programmes

7.7.1 Capital expenditure is approved by the Senior Leadership Team within the budgetary allocations that have been approved by Corporation. Larger value projects may also require approval by the Education & Skills Funding Agency in accordance with their capital appraisal requirements.

7.7.2 Where the College has obtained capital grant funding to fully cover the cost of the capital expenditure the capital expenditure can be approved by the Senior Leadership Team.

7.7.3 Proposed capital expenditure projects should be supported by a completed Capital Expenditure Proposal that:

- gives clear reasons / need for the expenditure including risks;
- identifies total costs of assets, professional fees including VAT;
- identifies any associated immediate or ongoing revenue costs;
- identifies any income likely to be generated as a result of the implementation of the project and cost savings;
- identifies the proposed date of incurring expenditure

7.7.4 Whenever possible the College will apply for capital support funds from the Education and Skills Funding Agency, Office for Students and other funding bodies as appropriate in order to minimise the effect on College cash balances and reserves.

7.7.5 The Chief Finance & Operating Officer is responsible for annual statements of all capital expenditure to the Senior Leadership Team and Corporation for monitoring purposes.

7.7.6 The revenue effects of capital expenditure will be calculated in accordance with the College's depreciation policy, which is approved by the Corporation, and taking into account any capital grants received by the College.

8. EXPENDITURE

8.1 Purchase and Procurement

8.1.1 The purchasing of all goods and services shall be in accordance with the College's Purchasing and Procurement Procedures, as per below.

8.1.2 Below £5,000.01 (incl VAT) – Low Value Procurement (Quotations)

- The above value is for the life of the contract.

- The Lead Officer should, where practical / appropriate, obtain a minimum of 1 written quotation from a suitable supplier.

- The Lead Officer must be able to demonstrate best value for money as well as taking into account any need for expediency, the value of the goods or service being purchased, and prior knowledge of the supplier / goods or service being provided. Whilst there is only a requirement for 1 quotation, the Lead Officer must consider whether additional quotations are in the College's best interests.

8.1.3 **Between 5,001.01 and £25,000)incl VAT) – Intermediate Value Procurement (Quotations**)

- The above value is for the life of the contract.

- The Lead Officer should, where practical / appropriate, obtain a minimum of 3 written quotations from suitable suppliers (unless a fee waiver is signed-off – see 8.1.7.2).

- The Lead Officer must be able to demonstrate best value for money as well as taking into account any need for expediency, the value of the goods or service being purchased, and prior knowledge of the supplier / goods or service being provided. Whilst there is only a requirement for 3 quotations, the Lead Officer must consider whether additional quotations are in the College's best interests.

8.1.4 Between 25,000.01 and £75,000 (incl VAT) – High Value Procurement (Quotations)

- The above value is for the life of the contract.

- The Lead Officer should, where practical / appropriate, obtain a minimum of 6 written quotations from suitable suppliers (unless a fee waiver is signed-off – see 8.1.7.2).

- The Lead Officer must be able to demonstrate best value for money as well as taking into account any need for expediency, the value of the goods or service being purchased, and prior knowledge of the supplier / goods or service being provided. Whilst there is only a requirement for 6 quotations, the Lead Officer must consider a full tender process is in the College's best interests.

8.1.5 Between £75,000.01 and £138,760 (incl VAT) – High Value Procurement (Tenders)

- The above value is for the life of the contract.

- The Lead Officer should, where practical / appropriate, conduct a tender exercise (unless a fee waiver is signed-off – see 8.1.7.2).

8.1.6 Above £138,760 (incl VAT)

- The above value is for the life of the contract.
- Contracts of this value must follow a tender process.
- In addition to the above, values of £300,000 or more must receive Corporation approval.

8.1.7 The Financial Regulations place the following limits and obligations on budget holders responsible for procuring goods and services:

8.1.7.1

Procurement Limits	**Requirement**
Up to £5,000 incl VAT	Where practicable / appropriate, a minimum of 1 written quotation from a suitable supplier.
£5,000.01 - £25,000 incl VAT	Minimum of 3 written quotations from suitable suppliers (unless fee waiver – see 8.1.7.2).
£25,000.01 - £75,000 incl VAT	Minimum of 6 written quotations from suitable suppliers (unless fee waiver – see 8.1.7.2).
£75,000.01 - £138,760 incl VAT	Competitive tendering process (unless fee waiver – see 8.1.7.2).
Over £138,760 incl VAT	Competitive tendering process
Over £300,000 incl VAT	Competitive tendering process and Corporation approval

Sign Off Limits	**PO requisition Sign off Requirement**
Up to £5k incl VAT	The Budget Holder and the Finance Office Manager
£5000.01 - £25,000 incl VAT	The Budget Holder and the Head of Finance
£25,000.01 - £100,000 incl VAT	The Budget Holder and the Chief Finance & Operating Officer
£100,000.01 - £300,000 incl VAT	The Budget Holder, the Chief Finance & Operating Officer and the CEO
>£300,000 incl VAT	The Budget Holder, the Chief Finance & Operating Officer, the CEO and either the Chair or Vice-Chair of the Corporation

8.1.7.2 In exceptional circumstances where it is deemed not possible to comply with the above then a request for waiver from procurement rules should be completed and submitted to the CFOO (or CEO in their absence) for approval prior to a purchase order being raised.

8.1.7.3 Budget holders should always check the purchasing agreements set up by the Crescent Purchasing Consortium (which the College is a member of) before purchasing so as to satisfy the requirement to provide best value and warranty suppliers.

8.1.8 The UK Public Contracts Directive is applicable in cases where the value of a type of supply equals or exceeds laid down thresholds. At the current time (1/11/23) these are: Supplies & Services (Central Government) £138,760; and Works Contracts £5,336,937. All values include VAT and relate to the full life of the contract. UK public procurement opportunities will need to be published on the UK e-notification service called Find a Tender service (FTS).

8.1.9 Quotations and tenders will only be sought from suitable suppliers, namely those that are able to deliver the quantity, quality and specification demanded by the College. The supplier offering the lowest cost quotation or tender (based on life cycle costings) should normally be selected. Only in exceptional circumstances will this requirement be waived. A budget holder wishing to select a supplier that is not the lowest cost must request a waiver from the Financial Regulations from the Chief Finance & Operating Officer.

8.1.10 Given concerns over quality, health and safety, warranty and lifespan, the College will not usually buy second hand goods or purchase via eBay or other online market places. However, in exceptional circumstances, and if no cost-effective alternative is available, the Chief Finance & Operating Officer may approve the purchase of second-hand goods, the use of eBay or other online market places (see also section 10.4.6).

8.1.11 The Financial Regulations specifically require budget holders to ensure that:

- sufficient budget exists to cover the cost of goods and services to be requisitioned and that sufficient budget will remain to meet other commitments throughout the remainder of the year;
- an official purchase requisition must be raised, followed by an official order, prior to entering into financial commitments for all goods and services, without exception. Commitments for purchases entered into prior to the completion of an official purchase order are expressly forbidden. Only the Finance department can raise an official purchase order;
- best value is obtained for all goods and services purchased;
- proper detailed documentary evidence is retained for the purchase of all goods and services regardless of their cost.

8.1.12 College orders must not be used for making private purchases except in accordance with section 14.9.

8.1.13 Given the risks around licences, warranties and of non-compatibility with existing systems, only the designated SLT member (or nominee, Head of IT) has the authority to purchase IT equipment.

8.2 Scheme of Delegation

8.2.1 The College shall operate a Scheme of Delegation detailing the authorisation levels for individuals in the scheme, specifying:

- financial limits for expenditure (as per appendix 5);
- financial limits for authorisation (as per appendix 5); and
- other limitations on expenditure and authorisation.

8.2.2 The Head of Finance maintains specimen signatures of the individual budget holders and their approved nominees. Each budget holder has an authorisation limit, which is in line with the Colleges Scheme of Delegation, as documented at Appendix 5.

8.2.3 Budget holders are not authorised to commit the College to expenditure without first ensuring that sufficient funds remain in their budget to meet the purchase cost. It is specifically forbidden for Budget holders to split an order to circumvent the Scheme of Delegation or spending limits

8.3 Payment of Invoices

8.3.1 The procedures for making all payments shall be in a form specified by the Chief Finance & Operating Officer. Payments to suppliers will normally be made by way of electronic funds transfer. Budget holders must not promise suppliers payment by any other payment method or engage with suppliers that do not meet the College's payment terms or without the prior approval of the Head of Finance.

8.3.2 In exceptional circumstances the Head of Finance is authorised, at his/her discretion, to issue a manual cheque or other form of payment not specified above.

8.3.3 Suppliers should be instructed by the budget holder to submit invoices for goods or services to the Finance Department only. The Finance Department will register all invoices and then pass to the Budget holder for approval. Payments will only be made to suppliers against invoices received by the college that have been certified for payment by the appropriate budget holder. Budget holders must only certify an invoice once they are satisfied that the goods have been received, examined and approved with regard to quality and quantity, or that services rendered or work done is satisfactory:

- it is matched to the purchase order;
- invoice details (quantity, price, discount) are correct;
- the invoice has not previously been passed for payment;
- where appropriate, an entry has been made on a assets register or departmental inventory; and
- an appropriate cost centre and expenditure code 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 services described on the invoice.

8.3.4 The College will normally make payment within 30 days of receiving the invoice but timing of payment runs (mid and end of month) may lengthen this but is able to consider individual supplier payment terms if deemed to be in the best interests of the College. No agreement can be made with a supplier other than by Head of Finance/Chief Finance & Operating Officer.

8.4 Petty Cash/Imprest

8.4.1 Only payments up to and including £50 will normally be made through the College petty cash account. No official purchase order is required for expenditure less than £50 in value for each transaction subject to the prior approval of the budget holder. Receipts for all petty cash purchases must be obtained. Expenditure on items of greater than £50 should be by way of an official purchase order and will not be reimbursed through petty cash.

8.4.2 Imprest Claims are available for cash transactions that exceed the petty cash limit of £25 and which, with the agreement of the Head of Finance fall outside of the Purchase Ledger system. Imprest claims will not normally exceed £500. Imprest forms for items over £25 must be completed and signed by the budget holder prior to the transaction. All Imprest requests must be authorised by the Head of Finance. Three days' notice is required for all Imprest requests. All Imprest requests must be returned to Finance within 14 days following receipt of the funds, accompanied by a statement of expenditure, all receipts and any unspent monies.

8.4.3 The College operates a number of tills and each has an associated petty cash 'float'. Amounts issued as floats to members of staff must be authorised by the

Head of Finance; the members of staff must sign that they have received the float and ensure that the cash is held securely. A list of floats will be held in Finance. The Head of Finance will make spot checks of all floats at least once a year.

9. PAYROLL

9.1 General

9.1.1 The Director of HR is responsible for ensuring that suitable arrangements are in place for maintaining the College payroll. This includes the correct calculation of payments, the timely and accurate payment of salaries, wages, emoluments and disbursements to all individuals (including permanent and temporary staff, part time and casual contracted staff and agency staff) and the correct deductions for statutory purposes and payment to relevant regulatory authorities.

9.1.2 The Director of HR shall be responsible for ensuring that suitable arrangements are in place for maintaining the necessary personnel records and for the provision of the relevant information needed to enable salaries, wages, emoluments and disbursements to be correctly calculated by the Payroll team. This will include but not be limited to relevant information relating to:

- staff appointments, resignations, dismissals, sabbaticals and secondments;
- absences from duty for sickness or other reason;
- all changes in remuneration other than normal increments and pay awards; and
- information necessary to maintain records of service for superannuation, income tax, national insurance etc.

9.1.3 The Director of HR shall be responsible for ensuring that suitable arrangements are in place for all College staff to be issued with a contract of employment.

9.1.4 All permanent, part-time and casual employees will be included on the payroll and will have contracts of employment. Payments to all individuals carrying out engagements on behalf of the College who are not permanent, part-time or casual employees will be processed through the payroll with appropriate deductions for taxation and national insurance unless expressly agreed by the Director of HR.

9.1.5 All payments must be made in accordance with the College's detailed financial procedures and comply with statutory regulations.

9.2 Recruitment of Permanent, Temporary and Agency Staff

9.2.1 Staff shall only be recruited to a post which is part of the agreed staffing establishment and for which there is an approved budget. The recruitment of agency staff should be on an exceptional basis, be agreed by SLT in advance and in the absence of an agreed budget the costs met by commensurate savings in the other budget lines.

9.2.2 The Chief Finance & Operating Officer is responsible for ensuring that suitable arrangements are in place for maintaining a fully costed staffing establishment and for appraising the financial implications of requests to recruit staff to existing vacant posts or to a new post.

9.2.3 The Director of HR is responsible for ensuring that suitable arrangements are in place for appraising the human resource implications of requests to recruit staff to existing vacant posts or to a new post.

9.2.4 Following confirmation by the Chief Finance & Operating Officer that there is an approved budget and by the Director of HR that the proposal fulfils the necessary human resource requirements, the recruitment of staff should be authorised by SLT.

9.2.5 The Director of HR will lead working with the Head of Finance to ensure that proposed off payroll engagements that maybe subject to IR35 regulations are appropriately assessed and recommendation made to SLT about the basis of engagement. SLT will approve each case.

9.3 **Pensions**

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

9.3.2 The Director of HR is responsible for ensuring that suitable arrangements are in place for administering day-to-day financial matters relating to the relevant pension schemes including:

- paying of contributions and statutory deductions to various authorised pension schemes;
- preparing the annual return to various pension schemes; and
- ensuring suitable arrangements are in place to administer the College's pension funds.

9.3.3 The Director of HR is responsible for ensuring that suitable arrangements are in place for keeping under review changes to Pension Scheme membership rules and regulations directly affecting staff contracts of employment and terms and conditions.

9.4 **Staff Expenses**

9.4.1 Where travel and subsistence expenses have been necessarily incurred in the performance of their official duties, employees of the College shall be reimbursed in accordance with the Travel and Subsistence Policy approved by the Corporation.

9.4.2 In determining a policy, the setting of mileage rates should be determined with due consideration of the prevailing HM Revenue and Customs rates. Mileage claims should be limited to mileage additional to the normal mileage from home to College or usual work base. It is the responsibility of all staff to ensure that their vehicle is insured for business use, has a valid MOT certificate, that the vehicle is roadworthy and they have a valid diving licence before any business miles are undertaken.

9.4.3 Staff must fill in the claim form prescribed by the Director of HR. Claims should be submitted at least monthly and will be paid in accordance with College payroll procedures. Only actual mileage and expenses incurred should be claimed. Falsification of claims is fraud. Supporting documentation should be attached in support of all claims (receipts, parking tickets, etc.).

9.4.4 No member of staff shall be allowed to authorise their own claim form for the payment of expenses. All claims must be authorised by the line manager and approved for payment by the relevant budget holder.

9.4.5 The Principal/CEO's and Head of Governance expense claims are authorised by the Chair of the Corporation.

9.5 Overseas Activities and Travel

9.5.1 All expenditure on overseas activities and travel will be in accordance with the College procedures. The subsistence and other costs must be estimated in advance of the journey, and should be approved by a member of SLT. Overseas travel by the Principal/CEO must be approved by the Chair of Governors.

9.6 Advances of Expenses

9.6.1 In exceptional circumstances, and with the prior approval of the Chief Finance & Operating Officer, advances may be obtained when expenditure is approved prior to expenditure being incurred, in line with College procedures. Advances will not be agreed where it would be more appropriate for the College to administer the payment directly (e.g. a hotel bill). Advances need to be reconciled to actual expenditure within a month.

9.7 Advances of Salary

9.7.1 It will not be possible to provide advances of salary to staff other than in an exceptional case of extreme hardship (for example to staff making claims where paperwork has been delayed by other College staff and for new starters whose previous circumstances were such that receiving their first salary payment at the end of their first month at the College would cause undue hardship). Where a member of staff is encountering exceptional hardship a request for an advance to the salary must be submitted to the Director of HR (to reflect the need for the individual to be afforded anonymity) for consideration. In the event that an advance is agreed, the balance must be cleared within one month.

9.8 Overtime

9.8.1 The budget holder must approve overtime prior to it being undertaken and it should be within budget funding. Once the overtime has taken place the employee should fill in an overtime form, which is then counter-signed by the budget holder who agreed the overtime. This form should be passed to Payroll for payment within the next salary payment run.

9.9 Additional Payments to Staff

9.9.1 Any proposal that involves additional payments to members of staff for supplementary work done should be supported by a schedule of names and values and must be approved by the Principal/CEO or Chief Finance & Operating Officer.

9.9.2 The Principal/CEO or Chief Finance & Operating Officer is authorised to agree one-off payments outside of normal conditions of service where the payment is deemed to be in the best interests of the College, e.g. a payment in lieu of notice or to avoid an industrial tribunal dispute. In the event of the payment being made to a member of SLT, the Principal/CEO is the authoriser and will inform the Corporation at its next meeting. The Remuneration Committee is responsible for authorising one-off payments to senior post-holders.

9.10 **Record Keeping**

9.10.1 The Director of HR is responsible for keeping all payroll records relating to payments to employees including deduction records, taxation and superannuation.

10. FIXED ASSETS

10.1 **Security**

10.1.1 All members of staff are responsible for making sure that all assets under their care are properly secured at all times e.g. stocks, stores, fixtures and fittings, computer and other equipment, and any petty cash under their control.

10.2. **Land & Buildings**

10.2.1 College employees may not acquire, or dispose of, any College land or buildings on behalf of the College without the specific advance approval of the Corporation, following receipt and consideration of detailed reports and advice from the Finance and Resources Committee.

10.2.2 In seeking to acquire or dispose of land and buildings, College employees must comply with the Financial Memorandum between the Education & Skills Funding Agency and the College and, where appropriate, obtain the consent to do so.

10.2.3 When seeking to acquire or dispose of land or buildings employees must take all steps to obtain best value for money. Appropriate independent professional advice should be taken at each step relating to legal, property and financial matters. This should be formally documented and reported as appropriate to the College Corporation and its sub-committees.

10.2.4 The Chief Finance & Operating Officer is responsible for ensuring compliance with the contents of this section relating to Land and Buildings.

10.3 **Asset Purchases**

10.3.1 An ‘asset’ is usually one of the following: land or buildings, fixtures, fittings, machinery, equipment, furniture, or vehicles. Assets should only be purchased where there is a budget specifically for the purpose.

10.3.2 An asset with a value in excess of £2,000 (inclusive of VAT) or more and with a useful life of greater than one year, will normally be capitalised and the cost written down over the useful life of the asset as depreciation in the College’s accounts. These are known as Capital Assets. For such assets, budget holders will need to ensure that there is a ‘capital’ expenditure budget available to support the expenditure.

10.3.3 Expenditure on an asset which is under £2,000 will not normally be capitalised unless part of a larger project / bought with other items to deliver the curriculum or in exceptional circumstances. For such assets, budget holders will need to ensure that there is a ‘revenue’ expenditure budget available to support the expenditure.

10.3.4 Budget holders may not use capital budgets for purchasing assets of less than £2,000 in value, or revenue budgets for purchasing assets of more than £2,000 in value.

10.3.5 Subject to the requirements and limitations of section 8.1.4, purchases of assets from staff must be authorised by the Chief Finance & Operating Officer and be arms-length transactions. The purchase price of an asset, in its current state, from a member of staff must not be greater than market value. For the purchase of assets over £1,000 the value must be confirmed from sources outside the College.

10.4 **Asset Disposal (also see Appendix 10)**

10.4.1 The College will dispose of assets that it no longer makes use of at present, nor is likely to use in the foreseeable future. The College will seek to maximise the proceeds from the sale of any fixed assets. When calculating the sale price of an asset, reference will be made to its net book value, market value and, where appropriate, professional advisers.

10.4.2 A disposal with sales proceeds of up to £1,000 of items on the College inventory must be approved by the relevant budget holder after Head of Finance has provided calculations of any profit or loss on sale and confirmation that the items are not held on a lease or subject to any charge or trust. A disposal with sales proceeds of £1,000.01-£25,000 must be agreed by the Chief Finance & Operating Officer. Approval levels for higher value assets disposals are documented at Appendix 5. Where a loss on disposal will arise, the disposal must be authorised by the Chief Finance & Operating Officer.

10.4.3 For the disposal of land and buildings, professional advice will be sought on the sale, covering, for example, valuation, charges, legal issues and methods of disposal.

10.4.4 For the disposal of equipment, fixtures and fittings, as appropriate, the College may:

- advertise in the local or trade press;
- approach potential buyers directly;
- sell via the College website or internet;
- place the item up for auction either with an auction house or an online site (for example: eBay);
- give staff the opportunity to buy; and
- donate to charities, schools etc.

10.4.5 The Chief Finance & Operating Officer is responsible for any sales of assets through auction including:

- setting up and managing a College account;
- listing items for sale and determining start and reserve prices;
- determining conditions of sale; and
- ensuring payment received before the goods are released.

10.4.6 Sales of assets to members of staff must be authorised by the Chief Finance & Operating Officer and be arms-length transactions. The sale price of an asset to a member of staff must be at least the approximate market value. For the sale of assets over £1,000, the value must be confirmed from sources outside the College. Assets sold to staff will be on a 'sold as seen' basis and will not be offered with any guarantee or service support, other than any remaining term of a guarantee offered by the manufacturer or original supplier to the College. The staff member will be responsible for the eventual disposal of an asset purchased from the College.

10.4.7 For sales of assets to staff, all staff will be given the chance to purchase the assets. The exact method used to determine the purchaser will depend on the value, volume and type of assets to be disposed, however, it will be either by sealed bids, drawing names or on a 'first come first served' basis. The method of disposal will be approved by the Chief Finance & Operating Officer.

10.4.8 The College will dispose of perishable current assets that it is not likely to utilise before their 'use by' date. Foodstuffs will be sold via the Catering department, and other goods will be advertised and sold on a first-come, first-served basis. The price charged for the sale of perishable current assets, to be set by the budget holder, will be the maximum possible to obtain a sale. However, this will be dependent on the state and remaining life of the perishable goods, which may mean that some perishables will be given away (e.g. to students).

10.5 Depreciation

10.5.1 The Chief Finance & Operating Officer is responsible for ensuring that suitable arrangements are in place for maintaining a policy for the depreciation of tangible fixed assets which shall be approved by the Corporation.

10.6 Fixed Asset Register

10.6.1 The Chief Finance & Operating Officer is responsible for ensuring that suitable arrangements are in place for maintaining a fixed asset register. The register shall record all details that are required by the Financial Procedures and shall be kept up to date at all times.

10.7 Inventories

10.7.1 Budget holders are responsible for:

- maintaining up-to-date inventories for all equipment, furniture and stores in their departments with a value in excess of £1,000. Any portable College property shall be clearly marked as College Property. The inventory must also include donated items.
- establishing adequate arrangements for the custody and control of stocks and stores in their department; and
- ensuring that regular inspections and stock checks are carried out. Stocks and stores of a hazardous nature should comply with COSHH regulations (ref: www.hse.gov.uk/COSHH/basics.htm) and be subject to appropriate checks by the budget holder's line manager.

10.7.2 The Chief Finance & Operating Officer is responsible for:

- ensuring stock taking and valuation procedures are in place and carried out for stocks which are to be shown in the balance sheet; and
- ensuring the adequacy of the systems used for stores accounting by the inventory holders.

10.7.3 Budget holders should periodically review actual stock balances to identify any excessive stock holdings or slow moving/obsolete stock and take appropriate remedial action. Surplus stock should be disposed of in accordance with procedures detailed in 10.4.

11. INCOME, DEBTORS AND CONTRACTS

11.1 General

11.1.1 The Chief Finance & Operating Officer is responsible for ensuring that suitable arrangements are in operation to ensure that the College receives all income to which it is entitled.

11.2 Fees Policy

11.2.1 The Chief Finance & Operating Officer shall maintain a fees policy which details the charges levied for education, training, and tuition and which sets out approved fee concessions and exemptions. The policy shall be agreed annually by the Corporation before the start of the financial year.

11.2.2 Relevant managers shall ensure that charges are made as appropriate to individuals, employers or other third parties in accordance with the Fees Policy. Managers must not reduce, waive or alter the fees prescribed within the Fees Policy. Only the Principal/CEO or Chief Finance & Operating Officer has authority to waive or discount fees.

11.2.3 For the avoidance of doubt, advice on the interpretation and implementation of the Fee Policy should be sought from the Chief Finance & Operating Officer.

11.2.4 Fees set should fulfil the specific objectives set by the fees policy.

11.3 Formal Sales Contracts

11.3.1 Managers are responsible for ensuring that all agreements with third parties for the provision of education, training, tuition or services are formalised into a sales contract. This should take the form of either:

- in the case of a funding agency or public body, a signed funding agreement;
- in the case of a learner paying fees, a signed learning agreement; and
- in the case of a third party not covered by either of the above points, where appropriate, an formal contract which specifies any terms and conditions that have been negotiated on behalf of the College.

11.3.2 The Chief Finance & Operating Officer shall ensure that suitable arrangements are in place for maintaining a College sales contract in an appropriate form.

11.4 Departmental Government Funding

11.4.1 The Chief Finance & Operating Officer is responsible for ensuring that suitable arrangements are in operation to ensure that all grants due from Departmental Government Funding are received, reconciled and appropriately recorded in the College's accounts.

11.4.2 The Chief Finance & Operating Officer is responsible for the timely and accurate reporting of key learner number and funding data through the Head of MIS.

11.4.3 All staff are responsible for complying with College procedures relating to learner records and ensuring the integrity and security of audit evidence for funding claims such as registers and enrolment forms. Staff must ensure that changes in the learning programme of learners are recorded.

11.4.4 Details of all programmes of education and training for which funding is to be received from the Education & Skills Funding Agency (or other funding agencies) should be incorporated into the College Curriculum Plan by the relevant manager prior to the commencement of the academic year.

11.5 Education Contracts

11.5.1 Contracts committing the College to the delivery of education, training or other services in addition to that included in the curriculum offer must be approved by the Chief Finance & Operating Officer. No written agreement may be entered into with third parties and no commitments of College funds made before the activity has been properly authorised.

11.5.2 The Chief Finance & Operating Officer shall be responsible for ensuring that suitable arrangements are in place to maintain all financial records relating to grants and contracts and to initiate all claims for reimbursement from funding bodies/agencies by the due date.

11.6 Sub-Contracting

11.6.1 The College shall have in place protocols and procedures for the commissioning and delivery of subcontracting provision which are in line with all funding requirements and have been subject to legal overview. The College shall only enter into contracts with sub-contract partners for the delivery of education and training on the College’s behalf where the protocols and procedures have been satisfied.

11.6.2 The selection and appointment of sub contract partners should be transparent and clearly documented. Contracts with sub-contract partners should adequately address any obligations, terms or conditions placed upon the College by the Education & Skills Funding Agency and should be considered by the Finance and Resources Committee.

11.7 Tuition Fees and Charges

11.7.1 Procedures for collecting tuition fees must be approved by the Chief Finance & Operating Officer. The Chief Finance & Operating Officer is responsible for ensuring that suitable arrangements are in place to ensure that all learner fees due to the College are received

11.7.2 All fees due are to be paid at enrolment, unless an agreement is made to pay by instalments. If fees are not paid (as per instalment plan), debt collection procedures will be followed. A learner that has not paid fees due may be subject to the learner behaviour and conduct procedure. Such learners may be prevented from re-enrolling at the College and from using any College facilities.

11.7.3 For the College’s other fees and miscellaneous income charges are proposed by the relevant budget holder and approved by the Senior Leadership Team.

11.8 Grant Income

11.8.1 The Chief Finance & Operating Officer is responsible for ensuring that suitable arrangements are in place for ensuring that all claims for funds, including grants and contracts, are made by the due date.

11.8.2 It is the responsibility of all managers to ensure that the information needed to support grant claims for activity under their responsibility is maintained and evidenced in a suitable form.

11.9 **Interest Receivable and Investments Returns**

11.9.1 The Chief Finance & Operating Officer is responsible for ensuring that suitable procedures are implemented to ensure that all income generated through bank interest and returns on investments are recorded accurately and promptly. (The guidance for investments is detailed within the Treasury Management Policy Appendix 3).

11.10 **Cash Receipts**

11.10.1 All monies received within the College from whatever source must be recorded on a daily basis together with the form in which they were received. Therefore, where money is received directly by an authorised member of staff on behalf of the College an official receipt must be issued as acknowledgement.

11.10.2 Money must be paid into the Finance office so that custody of all cash holdings can comply with the requirements of the College's insurers. i.e. money not contained in a locked safe outside business hours up to £750 but held in a secure safe up to £20,000.

11.10.3 Authorised members of staff include members of the Finance office, Reception, Hair & Beauty Reception, and from time to time other persons as nominated and agreed by the Finance department.

11.10.4 No deductions may be made from any cash collected on behalf of the College prior to paying into the Finance office.

11.10.5 Personal or other cheques must not be cashed out of money received on behalf of the College.

11.11 **Collection of Debts (also see Appendix 9)**

11.11.1 The Chief Finance & Operating Officer should ensure that suitable arrangements are in place for ensuring:

- invoices are raised promptly in respect of income due to the College;
- the Chief Finance & Operating Officer is provided with reports on bad debts and invoices not paid at year end (or more frequently if necessary);
- an appropriate debt collection agency is engaged to recover sums due not paid when required;
- the Head of Finance and Chief Finance & Operating Officer write off any debts deemed non-recoverable and any greater than £1,000 will be reported annually to F&R Committee; and
- outstanding debts are monitored and discussions are held with managers so they are aware of this when engaging to deliver services.

11.11.2 The Chief Finance & Operating Officer is responsible for implementing credit arrangements and agreeing the terms for each debt. This period is normally 30 days from the date of the invoice, unless otherwise agreed. In certain circumstances outstanding debts will be referred to a debt collection agency.

11.11.3 Where it has not been possible to recover sums due, and there is little or no chance of doing so in the future, the College will write off these bad debts. The Head of Finance has the authority to write-off debts of up to £1,000, the Chief Finance & Operating Officer up to £10,000 and the Principal/CEO for amounts of £10,000.01-£45,000.

11.11.4 *DfE consent to a write-off will be required if:

- the write-off exceeds 1% of annual income [*for Coventry College, c. £240,000*] or **£45k** individually (whichever is smaller), or
- the write-off takes the college's cumulative total write-offs for the academic year beyond 5% [*for Coventry College, c. £1,200,000*] of its annual income or **£250k** (whichever is the smaller).

11.11.5 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 (also see Appendix 8)
- might create a precedent for other colleges in similar circumstances, or
- arise because of obscure or ambiguous instructions issued centrally.

See Appendix 9 for further guidance write-offs and losses.

11.12 Apprenticeships

11.12.1 The Chief Finance & Operating Officer should ensure that suitable arrangements are in place for ensuring:

- Prices are set in line with Government rules.
- Each fee is fair compared to other fees in the College.
- Fees charged are competitive compared to fees charged by other organisations.
- Once an apprentice is enrolled, their fee cannot change.
- The fee policy is followed in relation to payment of fees and apprenticeship transfers.

11.12.2 For Levy paying employers, the agreed fee is required to be paid to the college on a monthly basis. Any co-investment fee is to be paid in full at the start of the apprenticeship.

12. BANKING

12.1 General

12.2 The Chief Finance & Operating Officer is responsible for ensuring that suitable arrangements are in place for effectively managing all transactions going through the College bank accounts including:

- Cheques
- Direct Debits
- Standing Orders
- BACS
- CHAPS
- Cash
- Procurement card / Credit Card transactions

12.3 The operational use of these transaction methods must be in line with the procedures approved by the Chief Finance & Operating Officer.

12.2 Appointment of Bankers

12.2.1 The Corporation is responsible for the appointment of the College's bankers on the recommendation of the Finance and Resources Committee. The appointment shall be for a specified period after which consideration shall be given by the Finance and Resources Committee to ensure that the College is still receiving value for money from its bankers.

12.3 Banking Arrangements

12.3.1 The Chief Finance & Operating Officer is responsible, on behalf of the Finance and Resources Committee, for ensuring that suitable arrangements are in place for the effective liaison with the College's bankers in relation to the College's bank accounts.

12.3.2 The Chief Finance & Operating Officer, with the approval of the Principal/CEO, may open or close a bank account with the College's day-to-day bank (currently Barclays Bank). Bank accounts may only be opened at a bank other than the College's day-to-day bank following the approval of a resolution to do so at a quorate meeting of the members of the Corporation. All bank accounts shall be in the name of the College.

12.3.3 A bank account may be closed on the authority of the Principal/CEO, and any such action shall be reported to the members of the Corporation at their next meeting.

12.3.4 The Corporation is responsible for ensuring that a bank mandate is in place, and is updated as and when required.

12.3.5 The Chief Finance & Operating Officer is responsible for approving any changes to the bank mandate.

12.3.6 The Chief Finance & Operating Officer is responsible for ensuring that suitable arrangements are in place so that all bank accounts are subject to monthly reconciliation and that unusual items are investigated as appropriate.

12.3.7 The Chief Finance & Operating Officer is responsible for ensuring that suitable arrangements are in place so that Direct Debits and Standing Orders are reviewed on an annual basis and that they are still valid.

12.4 Banking Authorisation

12.4.1 The Chief Finance & Operating officer shall be responsible for ensuring that suitable arrangements are in place for maintaining a schedule of authorised bank signatories. As a minimum, all payments made through the college bank account shall require two authorisations from the following designations:

- Principal/CEO;
- SLT members;
- Head of Finance; and
- Management Accountant.

12.4.2 Members of staff from the same team will not normally both authorise the same payment except when finance team process transactions in which case a third authorisation will be required.

13. TREASURY MANAGEMENT

13.1 General

13.1.1 The Finance and Resources Committee is responsible for approving the Treasury Management Policy (see Appendix 3) setting out a strategy and policies for cash management, long term investments and borrowings. The Finance and Resources Committee has a responsibility to ensure implementation, monitoring and review of such policies.

13.2 Borrowings

13.2.1 Any proposal for borrowing by the College shall be submitted to members of the Corporation for approval. The submission will detail the amount of borrowing or maximum facility sought, the purpose of the borrowing, the rate of interest to be charged, the repayment schedule and evidence of the capacity of the College to meet the obligations being taken on. No borrowing shall be undertaken by the College without the approval of a resolution to accept the proposed terms at a quorate meeting of the members of the Corporation.

13.2.2 All borrowing shall be undertaken in the name of the College.

14. OTHER REGULATIONS

14.1 College Companies

14.1.1 In certain circumstances it may be advantageous to the College to establish a company, partnership or joint venture to undertake services on its behalf.

14.1.2 College employees may not, on behalf of the College, establish, acquire, dispose of, or place the College in membership of any company, joint venture, or partnership without the specific advance approval of the Finance and Resources Committee and the Corporation. This will only be considered on the merits of receipt and consideration of a full and detailed report on the benefits, including:

- fit with strategic objectives of the College;
- objectives and targets of the new venture;
- financial matters, for example:
  - start-up costs
  - ongoing revenue and capital costs
  - forecast income
  - break-even point
- risks of (not) going ahead with the new business venture;
- financial matters, for example:
  - start-up costs
  - ongoing revenue and capital costs
  - forecast income
  - break-even point
- other relevant factors, for example:
  - management
  - premises

- staffing
- procedures, policies and controls
- legislation
- Education &Skills Funding Agency viewpoint (as appropriate)

14.1.3 The process involved in forming a company will be determined by SLT and approved by the Corporation. The Corporation will receive, on a termly basis in its first year, a report on the progress of the new business venture. The Corporation may reduce the frequency of reporting once the Governors are satisfied as to the success, management and control of the new business venture.

14.1.4 It is the responsibility of the Corporation to establish the shareholding arrangements and appoint directors of companies wholly or partly owned by the College. The Corporation may establish a steering committee for the new business venture, which may include Governors with appropriate experience.

14.1.5 The directors of companies where the College is the majority shareholder must submit, via the Finance and Resources Committee, an annual report to the Corporation.

14.2 **Risk Management and Insurance**

14.2.1 The Corporation is responsible for ensuring a risk management strategy is implemented. This responsibility is delegated to the Senior Leadership Team and the Head of Governance is responsible for monitoring and reporting against the planned activities.

14.2.3 The Chief Finance & Operating Officer is responsible for developing a Business Continuity Plan in order to identify the risks facing the College and types of protection required to cover these risks. The plan should include cover for high impact and probability, potential risks such as terrorism, and be sufficient to meet any potential risk to all major assets and to the College's financial viability; the plan should also include actions for all potential events which would significantly impact on the College's ability to run its business, (for example a major fire). The plan will be considered, approved and monitored by the Audit Committee.

14.2.3 The Corporation is responsible for ensuring the sufficiency of the College's insurance cover. The Chief Finance & Operating Officer has overall responsible for effecting insurance cover as determined by the Corporation, including obtaining quotes, negotiating claims and maintaining the necessary records. The Head of Finance will deal with the College's insurers and advisers about specific insurance problems and will keep a register of all insurances effected by the College and the property and risks covered.

14.2.4 College managers must ensure that any agreements negotiated within their areas of responsibility with external bodies cover any legal liabilities to which the College may be exposed. Prompt notification of any potential new risks and additional assets which may require (additional) insurance must be given to Head of Finance.

14.2.5 College managers must advise the Head of Finance immediately of any event which may give rise to a claim against the College. The Head of Finance will notify the College's insurers and, if appropriate, prepare a claim in conjuncture with the budget holder for transmission to the insurers.

14.2.6 The Chief Finance & Operating Officer is responsible for keeping suitable records of equipment which may be subject to inspection by the College's insurance company and for ensuring that inspection is carried out in the periods prescribed.

14.2.7 The appointment of the College's insurers will be reviewed every five years when consideration shall be given by the Corporation to competitively tendering the service.

14.3 SECURITY

14.3.1 Physical Security

14.3.1.1 College managers are responsible for maintaining proper security at all times for all buildings, stock, stores, furniture, cash etc. under their control. They should consult the Chief Finance & Operating Officer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

14.3.1.2 Keys to safes or other similar containers are to be safeguarded at all times by the person responsible. The loss of such keys must be reported to the Chief Finance & Operating Officer.

14.3.2 Security of Information

14.3.2.1 Designated officers shall be responsible for maintaining proper security and privacy of information held on databases (computer and manual).

14.3.2.2 Access control restricts access to authorised persons. All members of staff are responsible for ensuring the security of their password in order to prevent unauthorised access to the computer system.

14.3.2.3 Information relating to individuals will be subject to the provisions of the General Data Protection Regulations. The Head of Governance shall be nominated to ensure compliance with the Act.

14.3.4 Security of Documents

14.3.4.1 The Head of Governance is responsible for the safekeeping of official and legal documents relating to the Colleges identity as a legal entity. The Chief Finance & Operating Officer is responsible for the safekeeping of deeds, leases, agreements and contracts relating to buildings through the Head of Estates.

14.3.4.2 All such documents shall be held in an appropriately secure, fireproof location and copies held at a separate location.

14.4 Giving Gifts and Hospitality

14.4.1 Introduction

14.4.1.1 Entertainment, hospitality and gifts may be given to others at College expense only if they meet all of the following criteria:

- they are consistent with customary UK business practices;
- they are not excessive in value and cannot be construed as a bribe or a pay-off;
- they are not in contravention of applicable law (e.g. Bribery Act 2010) or ethical standards; and

- public disclosure of the facts will not embarrass either the College or the member of staff.

14.4.1.2 Exercising good judgement regarding the provision of hospitality and gifts is essential. The decision to incur an expense must always pass the test that it provides reasonable expectations of producing a benefit to the College commensurate with the expense.

14.4.2 **Offering**

14.4.2.1 Staff and Governors entertaining guests from outside bodies at any time should normally use the College's catering facilities. Where this is not the case, reasons must be stated when submitting a claim for reimbursement.

14.4.2.2 The limits concerning acceptable expenditure for entertaining guests are set out in the College's detailed financial procedures.

14.4.2.3 It is not envisaged that any member of staff or Governor will be required to entertain business contacts at home on behalf of the College. In the event of such home hospitality being necessary, approval in advance must be given by the Principal/CEO (or by the Chair of the Corporation, if the CEO is providing the hospitality) and a budget agreed with the Chief Finance & Operating Officer. A clear business purpose must be the primary intent of any home entertainment.

14.4.2.4 It may be appropriate on occasions to give a business gift, on behalf of the College, to a business contact for reasons of protocol or courtesy. In these circumstances the gift, cost, purpose and recipient should be approved by the Principal/CEO. A business gift should not exceed £25 in value.

14.4.2.5 It should be noted that "marketing" may, for example, include sponsoring an award or an event, could be permissible and not classed as a "gift" but must still pass the test within 14.4.1.2 of:

- The decision to incur an expense must always pass the test that it provides reasonable expectations of producing a benefit to the College commensurate with the expense.

14.4.3 **Acceptance**

14.4.3.1 Rules exist which cover acceptance by staff of gifts, hospitality and fees and documented at Appendix 4.

14.5 **Students' Union**

14.5.1 The Students' Union is a constituent part of the College and, as such, is responsible to the Corporation.

14.5.2 The Corporation shall determine the level of grant, if any, to be paid annually to the Students' Union.

14.5.3 The Students' Union is responsible for maintaining its own bank account and financial records and preparing its own annual accounts.

14.5.4 In accordance with an agreement between the College and the Students' Union, the College's internal auditor shall have access to records, assets and personnel within the Students' Union in the same way as other areas of the College.

14.6 Use of College Seal

14.6.1 Where a deed or document requires the College's seal, it must be sealed by the Head of Governance.

14.6.2 The application of the seal shall be authenticated by the signature of the Chair, or of another Governor authorised, either generally or specifically for that purpose, and by the signature of another Governor (excluding staff and student Governors but including the Principal/CEO).

14.6.3 A record of when the seal is used, and for what purpose, is maintained by the Head of Governance and reported to the Corporation.

14.7 Value Added Tax and Taxation

14.7.1 The Chief Finance & Operating Officer is responsible for advising the Corporation and College management in the light of guidance issued by the appropriate bodies and relevant legislation as it applies, on all taxation issues, to the College. Therefore, the Chief Finance & Operating Officer will issue instructions to departments on compliance with statutory requirements including those concerning VAT, PAYE, National Insurance, Capital Gains Tax and Corporation Tax.

14.7.2 The Chief Finance & Operating Officer is responsible for ensuring suitable arrangements are in place for maintaining the College's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

14.7.3 The Chief Finance & Operating Officer is responsible for ensuring suitable arrangements are in place for the timely completion and submission of quarterly VAT returns. The College is an eligible body under schedule 9 of the Value Added Tax Act 1994 and is treated as an exempt charity under the provision of the Further Education Act 1994.

14.7.4 The College cannot charge for the main provision of Education services to learners under 19. There is therefore no supply for VAT purposes and the education is treated as a non-business activity.

14.7.5 The Chief Finance & Operating Officer is responsible for seeking the appropriate tax advice where the knowledge is not available within the College.

14.8 Purchase of Goods by Staff

14.8.1 The College may offer staff purchase schemes from time to time whereby staff may wish to personally purchase goods that relate to their work (for example, a PC for use at home), in order to obtain educational discounts. In these circumstances, payment to the College, for the total cost plus VAT and any other charges, must be made in advance of an order being placed for the goods.

14.9 Governor Remuneration and Expenses

14.9.1 Under the Instruments and Articles of Government, no Governor is entitled to remuneration as a Governor. Governors are, however, entitled to be reimbursed for reasonable expenses incurred in connection with travel on behalf of the

College. A policy for reimbursement of Governors' expenses has been approved by the Corporation. The Corporation has approved guidance on the acceptance of gifts and hospitality by its members. See appendix 4.

14.10 **Learner Trips**

14.10.1 The College will arrange educational trips for learners in the course of their studies as required by the syllabus and if the College feels that the trip will assist the learner's academic learning. This will be set down in a detailed policy.

14.10.2 The College will comply with the learner trip policy and ensure that all risks are assessed and steps taken to minimise them.

14.11 **Whistleblowing and Fraud Response Plan**

14.11.1 The College will comply with the whistleblowing policy and whistleblowing procedure.

14.12 **Private Consultancies and Other Paid Work**

14.12.1 Unless otherwise stated in a member of staff's contract:

- outside consultancies or other paid work may not be accepted without the prior consent, in writing, of the Principal/CEO;
- applications for permission to undertake work as a purely private activity must be submitted to the Principal/CEO, and include the following information:
  - the name of the member(s) of staff concerned;
  - title of the project and a brief description of the work involved;
  - the proposed start date and duration of the work;
  - full details of any College resources required (for the calculation of the full economic cost);
  - an undertaking that the work will not interfere with the any of the normal College duties of the member(s) of staff concerned.

14.12.2 Outside consultancies or other paid work undertaken by the Principal/CEO must be approved by the Chair of the Corporation. This must be in advance and in writing.

14.13 **Gifts and Donations**

14.13.1 The Chief Finance & Operating Officer is responsible for maintaining financial records in respect of gifts (see also appendix 4), benefactions and donations made to the College and initiating claims for recovery of tax (i.e. P11D) where appropriate.

14.14 **Trust Funds**

14.14.1 The Chief Finance & Operating Officer is 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.

14.14.2 The Finance and Resources Committee is responsible for ensuring that all the College's trust funds are operated within any relevant legislation and the specific requirements for each trust.

14.15 **Intellectual Property Rights, Patents and Trademarks**

14.15.1 Certain activities within the College may give rise to ideas, designs, marks and conventions which may be patentable or registered. The Chief Finance & Operating Officer, is responsible for:

- establishing procedures to deal with any patent applications, and subsequent management of patents, accruing to the College from inventions and discoveries made by staff in the course of their employment of the College; and
- registering and maintaining any names, marks or logos the College wishes to protect as trademarks.

14.16 **Chair's Action**

14.16.1 In exceptional circumstances, the Chair can take decisions and authorise actions outside of quorate meetings of the Corporation or its sub-committees; it should not be used to bypass the documented decision making processes.

14.16.2 The exceptional circumstances when 'Chair's Action' is appropriate will usually be limited to:

- specific instances when the Corporation or its sub-committees have authorised 'Chair's Action';
- urgent matters when there is a period of time to the next Corporation meeting and prompt action needs to be taken to avoid disadvantaging the College;
- in the event of an emergency, disaster or force majeure; and
- such matters of a routine nature that would not have merited an agenda item and discussion at a Corporation meeting (for example, but not limited to the signing of routine documents on behalf of the Governors, responding to approaches made to the Corporation by external organisations, agreeing to detailed aspects of the implementation of matters already agreed by the Corporation).

14.16.3 The circumstances when 'Chair's Action' has been utilised, and the details of any decisions made, will be reported to the Governors at the following Corporation meeting by the Head of Governance.

14.17 **Special payments, including severance, compensation and ex-gratia payments**

14.17.1 Following the ONS reclassification of Colleges in November 2022 there are specific requirements for the above. These can be found in Appendix 6

14.18 **Indemnities, guarantees and letters of comfort**

14.18.1 Following the ONS reclassification of Colleges in November 2022 there are specific requirements for the above. These can be found in Appendix 7

14.19 **Novel, contentious and repercussive transactions**

14.19.1 Following the ONS reclassification of Colleges in November 2022 there are specific requirements for the above. These can be found in Appendix 8

15. IMPLEMENTATION OF THE POLICY

15.1 The **College** will ensure that:

15.1.1 All parties have access to the relevant sections within the policy

15.1.2 All parties can access appropriate advice and guidance from specialist staff.

16. MONITORING AND EVALUATION

16. 1 The Chief Finance & Operating Officer is responsible for reviewing the policy annually and making appropriate changes.

17. REVIEW OF POLICY

17.1 The above policy will be reviewed by the relevant parties annually, or as required.

18. ENVIRONMENTAL IMPACT ASSESSMENT

18.1 The College is fully committed to the sustainability agenda.

18.2 All policies take into consideration, at the time of writing and approval with the Senior Leadership Team, their impact on the agenda.

18.3 Policies may not be approved or be amended if they impact significantly on our commitment to reducing our carbon footprint and our corporate social responsibility.

19. GENERAL DATA PROTECTION REGULATION (GDPR)

19.1 All policies which are approved by the Senior Leadership Team are in line with our GDPR suite of policies and procedure.

20. LIST OF APPENDICES

Annex A: Financial Responsibilities of the Corporation
Appendix 1: Internal Audit and External Audit Responsibilities
Appendix 2: Retention of Accounting Records
Appendix 3: Treasury Management
Appendix 4: Hospitality, Gifts and Fees
Appendix 5: Scheme of Delegation
Appendix 6: Special payments, including severance, compensation and ex-gratia payments
Appendix 7: Indemnities, guarantees and letters of comfort
Appendix 8: Novel, contentious and repercussive transactions
Appendix 9: Write-offs and losses
Appendix 10: Asset disposal

Financial Responsibilities of the Corporation

The financial responsibilities of the Corporation are to:

- determine the educational character and mission of the College and for oversight of its activities;
- ensure the solvency of the College and the safeguarding of the College's assets. In particular, College governing bodies must receive at least termly a report that reviews the College's financial position;
- appoint, grade, suspend, dismiss and determine the pay and conditions of service of the CEO and other nominated senior post holders;
- set a framework for pay and conditions of service of all other staff;
- ensure that the financial, planning and other management controls, including controls against fraud and theft, applied by the College are appropriate and sufficient to safeguard public funds;
- approve the appointment of financial statements auditors (external audit);
- approve the appointment and responsibilities of the internal audit service;
- secure the efficient, economical and effective management of all the College's resources and expenditure, capital assets and equipment, and staff, so that the investment of public funds in the College is not put at risk;
- ensure that appropriate financial considerations are taken into account at all stages in reaching decisions and in their execution;
- plan and conduct its financial and academic affairs so that its total income is not less than sufficient, taking one year with another, to meet its total expenditure;
- make appropriate arrangements to appoint a Clerk with the necessary expertise to fulfil the duties of the post;
- approve an annual budget before the start of each financial year;
- determine tuition fees;
- approve rules and procedures relating to staff grievances, conduct, suspension, dismissal and appeals;
- approve the students' union constitution and rules relating to the conduct of learners
- in the case of further education Corporations, act only within the powers given in sections 18 and 19 of the Act;
- ensure that the funds provided by the Education & Skills Funding Agency are used in accordance with the terms and conditions specified in the College's Financial Memorandum with the Education & Skills Funding Agency;
- ensure that the College complies with the Education & Skills Funding Agency's Audit Code of Practice;
- approve the College's strategic plan
- approve the College's risk management plan
- approve the annual financial statements
- appoint the College's bankers

INTERNAL AUDIT AND EXTERNAL AUDIT RESPONSIBILITIES

Internal Audit

The internal audit service partner is required to give an annual opinion to the Corporation, through the Audit Committee, on the overall adequacy and effectiveness of the Colleges risk management, control and governance processes, within the scope of their review.

In order to provide the required statement of assurance, the internal audit service will undertake a programme of work over a cycle authorised by the Corporation, on the advice of the Audit Committee, to achieve the following objectives:

- to review and appraise the soundness, adequacy and application of the whole system of internal control;
- to ascertain the extent to which the whole system of internal control ensures compliance with established policies and procedures;
- to ascertain the extent to which the assets and interests entrusted to, or funded by, the College are properly controlled and safeguarded from losses of all kinds;
- to ascertain that management information is reliable as a basis for the production of financial, statistical and other returns;
- to ascertain the integrity and reliability of information provided to management including that which is used in decision making; and
- to ascertain that systems of control are laid down and operate to achieve the most economic, efficient and effective use of resources.

Financial Statements Audit

The objective of the Financial Statements Auditor is to report on the truth and fairness of the income and expenditure for the year and the financial position of the College and any subsidiaries companies shown in the accounts.

Also, in line with the Companies Act 1985, the Financial Statements auditor is to form an opinion as to whether the proper accounting records have been kept, whether accounts are in agreement with those records and to state that the accounts comply with the disclosures of the Companies Act 1985 and appropriate accounting standards.

The duties of the external auditors with regard to the regularity audit and the review of the financial statements will be in accordance with the Education & Skills Funding Agency Audit Code of Practice and the Auditing Practice's Board's auditing standards. Examination of the statements and underlying records and control systems enables the external auditors to reach an opinion on whether they are 'true and fair', and whether funding has been used in accordance with the rules, limitations and objectives, for which it was provided.

Audit Requirements

External auditor and internal auditors shall have the authority to:

- access College premises at reasonable times and with reasonable notice;
- access all assets, records, documents and correspondence relating to any financial and other transactions of the College;
- require and receive explanations regarding any matter under examination;
- require any employee of the College to account for cash, stores or any other College property under his/her control; and
- access records belonging to third parties, such as contractors, when required.

Other Auditors

The College may be subject to audit or investigation by external bodies such as the Department for Education (DFE), Department for Business, Innovation and Skills (BIS), European Social Fund, National Audit Office and HM Revenue and Customs. They have the same rights of access as external and internal auditors.

RETENTION OF ACCOUNTING RECORDS

The actual period records are kept will depend on a number of factors including:

- legal and related requirements;
- contractual requirements;
- costs for storage;
- the College's own need to access the documents; and
- historical value.

Each type of document needs to be assessed separately. In the case of many types of document, it will be sufficient to keep them only for the period required by statute; others will be essential reference material in future years and the College might, therefore, decide to keep them longer than the period required by law.

The tables that follow identify the retention periods for named documents.

Purchase Invoices and Supplier Documentation

Document	Retention Period	Reasons for Retention Period
Payment cash book or record of cheque payments	6 years	Companies Act/Charities Act
Purchase Ledger	6 years	Companies Act/Charities Act
Invoice – revenue	6 years	Companies Act/Charities Act
Invoice – capital item	10 years	Companies Act/Charities Act and commercial considerations
Invoice – Subcontractor Training All subcontractor documents regarding Learner participation, both manual and electronic documents, must be submitted to the college, at the completion of the contract, in order that they can be retained correctly.	See Note 1	ESF Policy Directive
Successful quotations for capital expenditure	3 years	Commercial and Audit considerations
Petty cash records	7 years	Companies Act, Charities Act and VAT.

Income/Monies received

Document	Retention Period	Reasons for Retention Period
Bank paying in counterfoils	6 years	Statute of Limitations
Bank statements	6 years	Statute of Limitations
Receipts cash book	10 years	Companies Act, Charities Act and Commercial
ESF/ERDF Grants including Education & Skills Funding Agency match ESF in respect of all adult programmes ESF Match	Until 31/12/2022	EC rules require full project records to be retained for 6 years after the final payment of grant. Such final payment may be up to 3 years, following the end of an ESF Programme of Activity. See Note 1
Sales Ledger	10 years	Statute of Limitations

Document	Retention Period	Reasons for Retention Period
Remittance advices	6 years	Statute of Limitations
Bank reconciliations	6 years	Statute of Limitations
Deeds of covenant	12 years	Statute of Limitations
Correspondence re donations	3 years	Audit and Commercial

Payroll Documentation

Document	Retention Period	Reasons for Retention Period
Income tax records re employees	6 years	Taxes Management Act
Notice to employer of tax code	6 years	Taxes Management Act
Certificate of pay and tax deducted	6 years	Taxes Management Act
Notice of tax code change	6 years	Taxes Management Act
Annual return of taxable pay and tax deducted	6 years	Taxes Management Act
Records of pension deductions (including superannuation)	6 years	Pensions Act 1995
Clock cards	2 years	Audit
Copy pay slips	2 years	Commercial and Audit
Payroll and payroll control account	7 years	Statute of Limitations and Taxes Management Act.

Employee/personnel records

Document	Retention Period	Reasons for Retention Period
Medical records – medical records cards, medical examinations and health questionnaires	30 years after employment ceases	Commercial
Accident reports	Indefinite	Commercial
Details of medical schemes	Indefinite	Commercial
Organisation charts	Indefinite	Commercial
Staff personnel records	7 years after employment ceases	Statute of Limitations
Salary registers	6 years	Taxes Management Act
Expense accounts/records	7 years	Statute of Limitations/Taxes Management Act
Overtime records/authorisation	3 years	Commercial/audit
Claims for redundancy & long service award	7 years after employment ceases	Statute of Limitations

Title Deeds Etc.

Document	Retention Period	Reasons for Retention Period
Leases	}	}
Conveyances	}	}
Land certificates	}	
Planning permission and Searches etc.	}12 years after }interest in }property }ceases	}Commercial and Statute of }Limitations
Grants for easement	}	}
Building control permission	}	}

Statutory records

Document	Retention Period	Reasons for Retention Period
Details re current pensioners	10 years after benefit ceases	Commercial
Changes of payment	6 years	Statute of Limitations
Payroll control account	7 years	Statute of Limitations and Taxes Management Act.
All trust deeds and rules	Indefinite	Companies Act, Commercial and Pensions Act 1985
Trustee minute book	Indefinite	Companies Act, Commercial and Pensions Act 1985
Annual accounts	Indefinite	Companies Act, Commercial and Pensions Act 1985
Investment and Insurance Policy records	Indefinite	Companies Act, Commercial and Pensions Act 1985
Actuarial reports	Indefinite	Companies Act, Commercial and Pensions Act 1985
Contribution records	Indefinite	Companies Act, Commercial and Pensions Act 1985
Group health policies	12 years after final cessation of benefit	Statute of Limitation
Group personal accident policies	12 years after final cessation of benefit	Statute of Limitation

Other documents

Document	Retention Period	Reasons for Retention Period
Investment certificates	Indefinite	Companies Act, Charities Act, commercial
Investment ledger	Indefinite	Companies Act, Charities Act, commercial
Fixed assets register	Indefinite	Companies Act, Charities Act, commercial

Document	Retention Period	Reasons for Retention Period
Agreements: • With suppliers • Leases • Rental and HP • Licensing agreements • Indemnities and guarantees • Loan agreements • Other contracts and agreements	Under seal – 12 years after expiry Other – 6 years after expiry	Commercial/Audit

Note 1: *Where any documents are required to support a claim for ESF funding, the retention period will be extended to three years after the European Commission has made the final payment for the programme. Prior to the destruction of any records; it is the responsibility of the Manager who "owns" the documents to confirm:*

(i) whether they are required to support an ESF funding claim and
(ii) the actual retention date for that ESF funding programme.

Information regarding retention periods for ESF programmes can be obtained on-line.

TREASURY MANAGEMENT

COVENTRY COLLEGE	**Issue Date:** March 2023 **Review Cycle (Years):** Annually **Next Review Date:** February 2024 **Person Responsible:** CFOO

TREASURY MANAGEMENT POLICY

APPROVAL/CONSULTATION REQUIREMENTS

WHO BY	REQ?	DATE	WHO BY	REQ?	DATE
SLT	Y ☒	27-02-23	Corporation	Y ☐	
Health-Safety Comm.	Y ☐		Finance-Resources Comm.	Y ☒	Mar 2024
Trades Union	Y ☐		Audit Comm.	Y ☐	
Education-Standards Comm.	Y ☐		Remuneration Comm.	Y ☐	

POLICY LOCATION: **Internal** ☒ **(Sharepoint)** **External** ☐ **(Specify options)**

Related Documents:	• Financial Regulations • Managing Public Money

1. **AIM AND SCOPE OF THE POLICY**

This policy is intended to cover the Treasury Management activities of the College. The policy applies to:

- Corporation (including the Audit and Finance & Resources Committees)
- SLT
- Finance Team (typically the Head of Finance)

2. **Approved Activities of the Treasury Function**

The College has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) definition of treasury management activities:

'The management of the Group's Cashflows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with these risks'.

The Corporation approves the College borrowing and investment strategy, including all loan agreements.

The Chief Finance & Operating officer is responsible for the implementation of loan agreements, including drawdown of finance, arranging fixed charges, compliance with covenants and for the investment of cash balances within the parameters set out by this Policy.

3. **Formulation of Treasury Management Policy**

In drafting this policy, the College is seeking to adhere to the four principal drivers of policy:

- compliance with statute, regulation and best practice

- security of financial assets
- provision of adequate liquidity to meet financial obligations
- effectiveness and efficiency in the use of financial resources

The combination of these principles is weighted towards minimising risk, preserving asset values and liquidity levels while minimising costs within these parameters.

4. Approved Methods of Raising Capital Finance

Following the 2022 ONS reclassification of Colleges overdrafts are expected to be phased out by August 2024, existing debt is paid until maturity and that new debt is approved by the DfE / Treasury.

Funds received from fixed asset disposal need to follow the guidance within Appendix 10. In the case of land and buildings (whether freehold or leasehold), the proceeds of disposal must be used for capital reinvestment in further fixed 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 (see Appendix 10 [Asset disposal])

5. Investment and deposits

The College will invest surplus funds with UK based banks and building societies. Deposits will range from overnight to those with notice.

6. Use of External Intermediaries

The College does not use brokers or fund managers since the majority of its cash deposits are relatively straightforward and short term.

7. Internal Delegation of Authority

This will be in accordance with the College's Financial Regulations but will include:

Activity	***Endorsement/Approval***
New Loans	The Corporation
Finance Leases	The Corporation
Charging of Properties	The Corporation
College Treasury Policy	The Corporation

8. Liquidity Policy

The College will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives. This is determined as having £1m cash readily available (i.e. within bank current and deposit accounts) at all times. Cash balances are invested in bank / building society accounts to maximise income for the College subject to prudential management of risk.

9. Risk Management

The Treasury Management Policy and Annual Financial Strategy is to be consistent with the College Risk Management Policy and Strategy. The key types of risk associated with this policy are outlined at Appendix 3.a

10. Banking Services

The College currently makes use of the banking facilities provided by Barclays Bank. The College may, from time to time, re-tender for the provision of day to day banking services.

11. Covenants

The adherence to covenants will be subject to a separate review by the Corporation.

Definitions

Liquidity Risk

The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional, unbudgeted costs, and that the College's business/service objectives will be thereby compromised.

Interest rate risk

The risk that fluctuations in the level of interest rates create an unexpected or unbudgeted burden on the College's finances, against which the College has failed to protect itself adequately.

Inflation risk

The risk that prevailing levels of inflation create an unexpected or unbudgeted burden on the College's finances, against which the College has failed to protect itself adequately
.

Credit and Counterparty risks

The risk of failure by a third party to meet its contractual obligations to the College under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness and the resulting detrimental effect on the College's capital or current (revenue) resources.

Refinancing risk

The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the College for those refinancing, both capital and current (revenue) and/or that the terms are inconsistent with prevailing market conditions at the time.

Legal and regulatory risk

The risk that the College itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the College suffers losses accordingly.

Fraud, error and corruption, and contingency management risk

The risk that the College fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealing, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

Market risk

The risk that, through adverse market fluctuations in the value of the principal sums the College invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

HOSPITALITY, GIFTS AND FEES

Policy

It is the College's policy that Corporation members and staff to whom any gift, payment or offer of hospitality is made should refuse to accept such gift, payment or hospitality, unless:

a) hospitality is offered by a government or other public sector body or by a not-for-profit or non-governmental organisation and the value of hospitality does not exceed £60, or £200 collectively;
b) hospitality is offered by a private sector organisation and the value of hospitality does not exceed £25 per person, or £100 collectively
c) refreshments are offered in the course of working visits to other organisations;
d) the gift is trivial in nature, for example pens, small stationery items, calendars and valued under £20, or £80 collectively;
e) the gift is made to the College as a body (e.g. a bottle of wine from a contractor, gifts made by visiting overseas delegations) – which in such cases would then be offered to others in the College as part of, for example, a "raffle"; and
f) the payment is from a University or other organisation for a lecture, conference appearance or other similar work undertaken in the capacity of a member of the Colleges Corporation/staff.

This Policy is based on:

- the need to protect the reputation of the College from business relationships which might compromise its position;
- protecting Corporation members and staff from allegations of dishonesty or fraud; and
- compliance with the requirements of Prevention of Corruption legislation.

In order to protect the Colleges reputation, failure to comply with this policy may result in disciplinary action being taken against the member of staff concerned in line with the Colleges Disciplinary Policy.

Members of staff should not accept any gifts, rewards or hospitality (or have them given to members of their families) from any organisation or individual with whom they have contact in the course of their work that would cause them to reach a position whereby they might be, or might be deemed by others to have been, influenced in making a business decision as a consequence of accepting such hospitality. The frequency and scale of hospitality accepted should not be significantly greater than the College would be likely to provide in return.

When it is not easy to decide between what is and what is not acceptable in terms of gifts or hospitality, the offer should be declined.

If offered gifts or hospitality, for the avoidance of doubt, advice should be sought from either the Head of Governance or the Chief Finance & Operating Officer, particularly if there is any chance that, at a later date, the ethics of receiving the gift/hospitality may be questioned.

For the protection of those involved, the Head of Governance will maintain a register of gifts and hospitality. Members of staff offered gifts or hospitality which would appear to be excessive (and in particular where any gift is offered with a value of more than £20 per person, or £80 collectively, or hospitality with a value of more than £25, or £100 collectively) are obliged to notify the Head of Governance promptly, regardless of whether the offer was accepted.

SCHEME OF DELEGATION

Expenditure

Procurement Limits	Requirement
Up to £5,000 incl VAT	Where practicable / appropriate, a minimum of 1 written quotation from a suitable supplier.
£5,000.01 - £25,000 incl VAT	Minimum of 3 written quotations from suitable suppliers (unless fee waiver – see 8.1.7.2).
£25,000.01 - £75,000 incl VAT	Minimum of 6 written quotations from suitable suppliers (unless fee waiver – see 8.1.7.2).
£75,000.01 - £138,760 incl VAT	Competitive Tendering Process (unless fee waiver – see 8.1.7.2).
Over £138,760 incl VAT	Competitive tendering process
Over £300,000 incl VAT	Competitive tendering process and Corporation approval

Sign Off Limits	PO requisition Sign off Requirement
Up to £5k incl VAT	The Budget Holder and the Finance Office Manager
£5000.01 - £25,000 incl VAT	The Budget Holder and the Head of Finance
£25,000.01 - £100,000 incl VAT	The Budget Holder and the Chief Finance & Operating Officer
£100,000.01 - £300,000 incl VAT	The Budget Holder, the Chief Finance & Operating Officer and the CEO
>£300,000 incl VAT	The Budget Holder, the Chief Finance & Operating Officer, the CEO and either the Chair or Vice-Chair of the Corporation

Asset disposal (also see Appendix 10)

Amount	Authorised by:
Up to £1,000	Budget Holder
£1,000.01-£25,000	Chief Finance & Operating Officer
£25,000.01-£100,000	Principal/CEO
>£100,000.	Finance and Resources Committee

Debt Write Off (also see Appendix 9)

Value of write off	Authorised by:
Up to £1,000	Head of Finance
£1,000.01 - £10,000	Chief Finance & Operating Officer
£10,000.01 to c. £45,000* (and £250,000 cumulatively p.a.)	Principal/CEO

* DfE consent to a write-off will be required if:

- the write-off exceeds 1% of annual income [*for Coventry College, c. £240,000*] or **£45k** individually (whichever is smaller), or
- the write-off takes the college's cumulative total write-offs for the academic year beyond 5% [*for Coventry College, c. £1,200,000]* of its annual income or **£250k** (whichever is the smaller).

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.

See Appendix 9 for further guidance on write-offs and losses

Special payments, including severance, compensation and ex-gratia payments

Purpose

1: This document is to help colleges understand:

- what special payments are
- what they must consider before making such payments
- when and how to seek approval from the Department for Education (DfE) for special payments when required.

2: It is one of a series of guides issued by the Education and Skills Funding Agency (ESFA) following the decision of the Office for National Statistics (ONS) in November 2022 to classify the English further education (FE) college sector as central government.

Status

3: This guide explains requirements for colleges and their subsidiaries, which arise from their status as central government bodies, as well as providing guidance in respect of those requirements. The overall requirements for all central government bodies are set out in HM Treasury's Managing Public Money (MPM). This publication seeks to explain those requirements in the context of the FE college sector.

4: The requirements set out in this guide will remain in force until such time as it is withdrawn or superseded.

Who is this publication for?

5: This guide is primarily for use by:

- college finance directors and accounting officers, and
- college governors as charity trustees.

6: Colleges include further education colleges, sixth for colleges and designated institutions under the Further and Higher Education Act 1992. This guide also covers their subsidiaries (i.e. references to "colleges" in this guide should be taken to mean "colleges and subsidiaries").

7: College internal and external auditors may also find it helpful in planning their work.

Background

8: When ONS determined that English FE colleges were to be classified to the central government sector, this decision meant that colleges would be required to follow the overall financial control framework for all central government bodies, HM Treasury's Managing Public Money. MPM provides a framework of financial oversight, whereby the majority of financial decision-making is delegated to operational leadership in government bodies. However, there are certain classes of transactions where additional controls apply. Special payments are one of these.

Special payments

9: 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**

10: Such payments need to be justified in the public interest against key public sector principles, set out in Chapter 1, Box 1,1 of Managing Public Money.

Severance payments

11: 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. You can read more in section A4.13A of HM Treasury's Managing Public Money and in the linked Guidance on Public Sector Exit Payments: Use of Special Severance Payments.

What to consider before making a special severance payment

12: You must take the following steps:

- **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 payout.

- **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. Such payments, specifically non-contractual elements, are always under scrutiny. The National Audit Office published a report on confidentiality clauses and severance payments in June 2013 and the Public Accounts Committee followed this up shortly afterwards.

DfE approval process

13: Colleges have delegated authority to make special severance payments up to certain limits. Beyond these limits, they must be referred to DfE for approval in advance. DfE approval is required 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) Page 4 of 6
- 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.

14: Examples of approval levels are set out in the annex to this guide.

15: Additionally, irrespective of the amount of money involved any proposed payments linked to a non-disclosure agreement will require DfE approval.

16: In turn DfE may need to consult HMT.

17: Colleges should use the DfE college approvals form to request permission for any transactions beyond their delegated limits. The proposed payment must not be entered into until the college has received documented permission from DfE.

18: Where prior approval is not required by DfE, you still **must** be able to show you 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 in paragraph 12 above, for any special payments and to provide this to DfE in a timely manner, if requested.

Compensation payments

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

20: Colleges have 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 using the ESFA contact form.

21: Where prior approval is not required by DfE, you still must be able to show you 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 in paragraph 12 above, for any compensation payments and to provide this to DfE in a timely manner if required or requested.

22: Colleges should consider whether cases reveal concerns about the effectiveness of internal control systems and take steps to correct failings.

Ex-gratia payments and other types of special payment

23: 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. Annex 4.13 of Managing Public Money provides examples, including 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.

24: These transactions must always be referred to DfE for prior approval. The referral should include a business case, which, at least, addresses the matters set out in paragraph 12 above.

25: If colleges are in doubt about a proposed transaction, and/or the transaction may be considered to be novel/contentious/repercussive, they should seek DfE advice.

Annex: examples of approval thresholds for special severance payments
DfE approval required for non-statutory/non-contractual severance payment?

	Member of staff earns up to £150K	**Member of staff earns over £150K**
Non-statutory/non-contractual severance payment of £50k or more	Yes	Yes
Non-statutory/non-contractual severance payment equivalent to at least 3 month's salary	Yes	Yes
Non-statutory/non-contractual severance payment is greater than £0 but under £50k, and/or is under 3 months' salary and:		
a. Total severance payment (sum total of statutory/contractual and non-statutory/non-contractual elements) is under £100k	No	Yes
b. Total severance payment (sum total of statutory/contractual and non-statutory/non-contractual elements) is £100k or more	Yes	Yes

Note: If the total severance payment comprises both statutory/contractual and non-statutory/non-contractual elements, it is the non-statutory/contractual element that the college must seek approval for, although details of the whole payment must be declared to DfE so the full context of the request is known.

Appendix 7

Indemnities, guarantees and letters of comfort

Purpose

1: This document is to help colleges understand:

- the concepts of indemnities, guarantees and letters of comfort
- when and how to seek approval from the Department for Education (DfE) for them.

2: It is one of a series of guides issued by the Education and Skills Funding Agency (ESFA) following the decision of the Office for National Statistics (ONS) in November 2022 to classify the English further education (FE) college sector to central government.

Status

3: This document explains requirements for colleges and their subsidiaries, which arise from their status as central government bodies, as well as providing guidance in respect of those requirements. The overall requirements for all central government bodies are set out in HM Treasury's Managing Public Money (MPM). This publication seeks to explain those requirements in the context of the FE college sector.

4: The requirements set out in this publication will remain in force until such time as it is withdrawn or superseded.

Who is this publication for?

5: This guide is primarily for use by:

- college finance directors and accounting officers, and
- college governors as charity trustees

6: Colleges include further education colleges, sixth for colleges and designated institutions under the Further and Higher Education Act 1992. This guidance also covers their subsidiaries (i.e. references to "colleges" in this guide should be taken to mean "colleges and subsidiaries").

7: College internal and external auditors may also find it helpful in planning their work.

Background

8: When ONS determined that English colleges were to be classified to the central government sector, this meant that colleges would be required to follow the overall financial control framework for all central government bodies, Managing Public Money. MPM provides a flexible framework of financial oversight, whereby the majority of financial decision-making is delegated to operational leadership in organisations. However, there are certain classes of transaction where additional controls apply. This includes indemnities, guarantees and letters of comfort.

9: Whilst MPM explains that public sector organisations may take on liabilities by:

- providing indemnities
- writing a letter or statement of comfort, and
- issuing specific guarantees

Such contingent liabilities mean that future expenditure may arise if certain conditions are met, or certain events happen. For this reason, DfE approval may be required in certain cases.

Indemnities

10: An indemnity is a contractual agreement of one party (indemnifier) to accept the risk of damage or loss suffered by another party and to compensate the other party (indemnity holder), due to the actions of the indemnifier or any other party. Indemnities are included in agreements usually to offer protection to one party in agreeing to the contract, if one party cannot fulfil their contractual obligations.

11: Indemnities are usually found within contractual agreements that organisations sign on a routine basis; they arise in the normal course of business – for example unavoidable liabilities occurring in the purchase or supply of goods and services in the discharge of the organisation's business.

12: In a college setting, some examples of what these contracts may look like include:

- 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 college's 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 a college

13: Colleges should assess contracts that contain indemnities and understand whether they are within the normal course of business. They may need to obtain their own independent legal advice before entering into them. The college should also maintain a contract register, including known indemnity clauses with the necessary assessments. Governors should provide the appropriate oversight and challenge to the college to ensure the appropriate assessments and records management are maintained.

Letters of comfort

14: MPM explains that letters of comfort, however vague, give rise to moral and sometimes legal obligations. They should therefore be treated in the same way as any other proposal, which may give / gives rise to a liability. Great care should be taken with proposals to offer general statements of awareness of a third party's position, or oral statements with equivalent effect. Creditors could easily take these to mean more than intended and threats of legal action could result.

Guarantees

15: A guarantee is another type of contingent liability. Typically, it is a commitment provided by a guarantor to take responsibility for the debt or performance obligations of another party in the case of that party defaulting on its obligations.

16: You can read more about indemnities, letters of comfort and guarantees in annex 5.4 of Managing Public Money.

DfE approval process

17: Colleges have delegated authority to enter into indemnities, letters of comfort and guarantees up to certain individual and cumulative limits.

18: Indemnities arising in the normal course of business do not require DfE approval. This is likely to address the majority of commercial contracts entered into by colleges. Colleges should follow their normal internal approval procedures.

19: DfE consent is required for indemnities not arising in the normal course of business, for letters of comfort and for guarantees where:

- the case exceeds 1% of annual income or £45k individually (whichever is smaller); or
- the case takes the college's cumulative total of such contingent liabilities for the academic year beyond 5% of annual income or £250k (whichever is the smaller).

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

21: Examples of approval levels are set out in the annex to this guide.

22: Colleges should use the DfE college approvals form to request permission for any item beyond their delegated limits. The proposed transaction must not be entered into until the college has received documented permission from DfE.

Annex: examples of approval thresholds for indemnities not arising in the normal course of business[footnote 1], for letters of comfort and for guarantees

Illustrative standing data

		Approval required as in excess of individual limit?	Approval required as in excess of annual limit?
College's annual income	£1,000,000	-	-
1% of annual income	£10,000	-	-
5% of annual income	£50,000	-	-
Cumulative value of college's write-offs in financial year to date (before scenarios below)	£35,000	-	-

Illustrative scenarios

Example	Amount	Approval required as in excess of individual limit?	Approval required as in excess of annual limit?
Case 1: Value of proposed indemnity, letter of comfort or guarantee	£1,000	**No.** Individual item doesn't exceed £45k or 1% of income	**No.** Individual item doesn't take cumulative total beyond £250k or 5% of income
Case 2: Value	£10,000	**No.** Individual item doesn't exceed £45k or 1% of income	**No.** Individual item doesn't take cumulative total beyond £250k or 5% of income
Case 3: Value	£15,000	**Yes.** Individual item is under £45k but exceeds 1% of income	**No.** Individual item doesn't take cumulative total beyond £250k or 5% of income
#Case 4: Value	£40,000	**Yes.** Individual item is under £45k but exceeds 1% of income	**Yes.** Individual item doesn't take cumulative total beyond £250k but does take them beyond 5% of income

1. Indemnities arising in the normal course of business do not require DfE approval.

Appendix 8

Novel, contentious and repercussive transactions

Purpose

1: The purpose of this publication is to help colleges:
*understand the concept of novel, contentious and repercussive (NCR) transactions * ensure that when situations arise when a college is considering entering into a financial transaction that is novel, contentious or repercussive that the proper factors are considered and consents obtained.

2: The guidance is one of a series of "bite size" guides issued by the Education and Skills Funding Agency (ESFA) following the decision of the Office for National Statistics (ONS) in November 2022 to classify the English further education (FE) college sector to central government for the purposes of national accounts.

Status

3: This document explains requirements for colleges and their subsidiaries, which arise from their status as central government bodies, as well as providing guidance in respect of those requirements. The overall requirements for all central government bodies are set out in HM Treasury's Managing Public Money. This publication seeks to explain those requirements with regard to NCRs in the context of the FE college sector.

4: The requirements set out in this publication will remain in force until such time as it is withdrawn or superseded.

Who is this publication for?

5: This guidance is primarily for use by:
- college principals/accounting officers, chief executives, and finance directors
- college governors as charity trustees Colleges include further education colleges, sixth form colleges and designated institutions under the Further and Higher Education Act 1992 (as amended). The guidance also covers their subsidiaries (i.e. references to "colleges" in this guide should be taken to mean "colleges and their subsidiaries").

College internal and external auditors may find this guidance helpful in planning their work.
It is our intention to publish a College Financial Handbook (CFH) in due course. The CFH will cover matters set out in the bite size guides as well as other material.

Background

6: When ONS determined that English colleges were to be classified to the central government sector, this decision meant that colleges would be required to follow the overall financial control framework for all central government bodies, Managing Public Money (MPM). MPM provides a framework of financial oversight, whereby the majority of financial decision-making is delegated to operational leadership in organisations. However, there are certain classes of transactions where decision-making is never delegated and this includes transactions that are novel, contentious or repercussive.

7: This restriction does not mean that all such transactions are forbidden, only that the college does not have the authority to enter into them without permission from DfE. Consequently, all such transactions must always be referred to DfE for approval, and the request **must** be made before the transaction occurs. DfE may refer such requests to HM Treasury for approval, so colleges should allow sufficient time for proposals to be considered.

Definitions

8: The concept of a novel, contentious or repercussive transaction may be new to college staff, and it would not be practical to set out an exhaustive list of examples.

- 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.

9: There is no financial threshold in relation to novel, contentious or repercussive financial arrangements; all such transactions require approval, regardless of value. Further, colleges should assess these matters objectively: if a transaction could reasonably be considered to be novel, contentious or repercussive, then it must be treated as such.

Consideration

10: Given the potentially wide range of transactions that could, potentially be considered novel, contentious, or repercussive it is not possible to list the series of points that would need to be considered when assessing the permissibility of a proposed transaction. Each instance must be considered on its own merits, taking into account factors such as financial exposure, value for money, reputational risk and propriety. Colleges are therefore advised to frame their requests for approval in terms of a business case that sets out all the pros and cons, risks and opportunities. If further information is required, then DfE will approach the college concerned, but providing the fullest possible information at the outset will reduce the risk of delay.

DfE approval process

11: Colleges should use the DfE college approvals form to request permission for any transaction that is considered novel, contentious or repercussive. The proposed transaction **must not** be entered into until the college has received documented permission from DfE.

Write-offs and losses

Purpose

1: This document is to help colleges understand:

- what they must consider before writing off a debt
- when and how to seek approval from the Department for Education (DfE) for write-offs and losses

2: It is one of a series of guides issued by the Education and Skills Funding Agency (ESFA) following the decision of the Office for National Statistics (ONS) in November 2022 to classify the English further education (FE) college sector as central government.

Status

3: This guide explains the requirements for colleges and their subsidiaries, which arise from their status as central government bodies, as well as providing guidance in respect of those requirements. The overall requirements for all central government bodies are set out in HM Treasury's Managing Public Money (MPM). This guide seeks to explain those requirements in the context of the FE college sector.
4 The requirements set out in this guide will remain in force until such time as it is withdrawn or superseded.

Who is this publication for?

5: This guide is primarily for use by:

- college finance directors and accounting officers, and
- college governors as charity trustees.

6: Colleges include further education colleges, sixth form colleges and designated institutions under the Further and Higher Education Act 1992. This guidance also covers their subsidiaries (i.e. references to "colleges" in this guide should be taken to mean "colleges and their subsidiaries").

7: College internal and external auditors may also find it helpful in planning their work.

Background

8: When ONS determined that English FE colleges were to be classified to the central government sector, this decision meant that colleges would be required to follow the overall financial control framework for all central government bodies, HM Treasury's Managing Public Money. MPM provides a flexible framework of financial oversight, whereby the majority of financial decision-making is delegated to operational leadership in government bodies. However, there are certain classes of transactions where additional controls apply. Losses and write-offs fall into this category.

Write-offs and losses

9: As Parliament does not agree or approve advance provision for potential future losses when voting money or passing specific legislation, when such transactions arise, they are subject to greater scrutiny and control than other transactions.

10: Colleges 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.

11: In dealing with individual cases, colleges must always consider the soundness of their internal control systems, the efficiency with which they have been operated, and take any necessary steps to prevent any failings recurring.

12: You can read more in annex 4.10 of Managing Public Money.

What to consider before making a write-off

13: Before proposing a write-off, colleges 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. Colleges 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.

14: Controls, including approval / delegation arrangements, and procedures should be documented in the college's financial procedures manual.

15: Colleges should 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.

DfE approval process

16: Colleges have delegated authority to write-off amounts up to certain individual and cumulative limits. Beyond these limits, write-offs and losses must be referred to DfE for approval in advance. Most sums written off by colleges are likely to be relatively small. Consequently, DfE consent to a write-off will only be required if:

- the write-off exceeds 1% of annual income or £45k individually (whichever is smaller), or
- the write-off takes the college's cumulative total write-offs for the academic year beyond 5% of its annual income or £250k (whichever is the smaller).

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

18: Examples of approval levels are set out in the annex to this guide.

19: 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 (also see Appendix 8)
- might create a precedent for other colleges in similar circumstances, or
- arise because of obscure or ambiguous instructions issued centrally.

20: In turn DfE may need to consult HMT.

21: Colleges should use the DfE college approvals form to request permission for any write-off beyond their delegated limits. The proposed write-off must not be entered into until the college has received documented permission from DfE.

22: Where prior approval is not required by DfE, you still must be able to show you applied the same level of scrutiny to the case. DfE expects colleges to have a business case for any write-offs and to provide this to DfE in a timely manner if requested.

Annex: examples of approval thresholds for write-offs
Illustrative standing data

		Approval required as in excess of individual limit?	Approval required as in excess of annual limit?
College's annual income	£1,000,000	-	-
1% of annual income	£10,000	-	-
5% of annual income	£50,000	-	-
Cumulative value of college's write-offs in financial year to date (before scenarios below)	£35,000	-	-

Illustrative scenarios

Example	Amount	Approval required as in excess of individual limit?	Approval required as in excess of annual limit?
Case 1: value of proposed write-off	£1,000	**No.** Individual write-off doesn't exceed £45K or 1% of income.	**No.** Individual write-off doesn't take cumulative write-offs beyond £250k or 5% of income.

Example	Amount	Approval required as in excess of individual limit?	Approval required as in excess of annual limit?
Case 2: value	£10,000	**No.** Individual write-off doesn't exceed £45k or 1% of income	**No.** Individual write-off doesn't take cumulative write-offs beyond £250k or 5% of income
Case 3: value	£15,000	**Yes.** Individual write-off is under £45k but exceeds 1% of income	**No** Individual write-off doesn't take cumulative write-offs beyond £250k or 5% of income
Case 4: value	£40,000	**Yes.** Individual write-off is under £45k but exceeds 1% of income	**Yes.** Individual write-off doesn't take cumulative write-offs beyond £250k but does take them beyond 5% of income

Asset disposal

Purpose

1: This document is to help colleges understand:

- the procedures that must be followed when a college intends to dispose of a fixed asset
- the restrictions regarding how the college may apply the proceeds on any such disposal
- when and how to seek approval from the Department for Education (DfE) for using the proceeds of asset disposal when required.

2: It is one of a series of guides issued by the Education and Skills Funding Agency (ESFA) following the decision of the Office for National Statistics (ONS) in November 2022 to classify the English further education (FE) college sector as central government. The outline of the financial delegations concerning colleges was set out in the "dear accounting officer" letter of 29 November 2022. **This guide introduces a modification to the rules concerning asset disposals set out in that letter and has immediate effect**.

Status

3: This guide explains requirements for colleges and their subsidiaries, which arise from their status as central government bodies, as well as providing guidance in respect of those requirements. The overall requirements for all central government bodies are set out in HM Treasury's Managing Public Money (MPM). This publication seeks to explain those requirements in the context of the FE college sector.

4: The requirements set out in this guide will remain in force until such time as it is withdrawn or superseded.

Who is this publication for?

5: This guide is primarily for use by:

- college finance directors and accounting officers, and
- college governors as charity trustees.

6: Colleges include further education colleges, sixth for colleges and designated institutions under the Further and Higher Education Act 1992. This guide also covers their subsidiaries (i.e. references to "colleges" in this guide should be taken to mean "colleges and subsidiaries").

7: College internal and external auditors may also find it helpful in planning their work.

Background

8: When ONS determined that English FE colleges were to be classified to the central government sector, this decision meant that colleges would be required to follow the overall financial control framework for all central government bodies, HM Treasury's Managing Public Money. MPM provides a framework of financial oversight, whereby the majority of financial decision-making is delegated to operational leadership in government bodies. However, there are certain classes of transactions where additional controls apply. Asset disposal is one of these.

Asset disposals

9: Colleges can dispose of fixed assets without DfE's approval. This is subject to:

- the proposed disposal not being novel, contentious or repercussive (also see Appendix 8), and
- maintaining the principles of regularity, propriety and value for money[1].

10: However, there are restrictions regarding how a college may use the proceeds of any fixed asset disposal, depending upon the type of asset.

Moveable fixed assets

11: In the case of moveable fixed assets (i.e. non land and buildings such as vehicles, IT kit, etc.) the college must consider:

- whether the asset or assets concerned may have been acquired with the assistance of a grant or donation from a third party, including (but not limited to) DfE and whether the conditions of any such grant or donation set terms relating to the disposal or the use of proceeds of disposal .
- whether there are plans in place to ensure that:
    - investment in moveable fixed assets is sufficient to ensure the ongoing ability of the college to deliver appropriate provision for learners is not depleted, and
    - moveable fixed assets can be replaced and/or upgraded when they reach the end of their economic life, if required

Subject to the above, the college may apply the proceeds of disposal (if any) at its own discretion, subject to the usual considerations as set out in paragraph 9 above.

Land and buildings

12: The college should have an estates strategy that underpins the long-term sustainability of the operation. However, it is recognised that over time certain elements of the estate may become redundant and/or it may make business sense to disinvest in certain elements of the estate and thereby unlock funds to invest in more relevant capital provision. For that reason, in the case of land and buildings (whether freehold or leasehold), the proceeds of disposal must be used for capital reinvestment in further fixed 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 (see para below)

13: If a college wishes to use the proceeds from the disposal of land and buildings for the purposes of avoiding insolvency (for example, to fund a restructuring programme) then it must first seek the approval of DfE. In accordance with the framework for college oversight: support and intervention, colleges should engage with DfE at the earliest practical opportunity to consider available options. Given that sale of land and buildings can be particularly protracted, colleges should seek permission to use the proceeds in this way in good time and well in advance of the disposal itself.

Novel, contentious and repercussive disposals (also see Appendix 8)

14: Colleges need to consider whether any particular disposal could be considered novel, contentious or repercussive. ESFA has produced separate guidance on transactions that may be considered to be novel, contentious or repercussive, which stresses that it is not practical to set out an exhaustive list of examples. In the case of asset disposals, such instances could include (but are not limited to) sale and lease-back arrangements, disposal of sites that are considered a community amenity, disposals to a related party, gifts or disposals that are below market value. The perception of the transaction may be as important as its substance, and in such cases, the college must ask DfE for permission for the disposal itself as well as for the application of the proceeds.

Disposals and proceeds

15: 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.

16: 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.

DfE approval process

17: As noted above, if colleges intend to make use of the proceeds of asset disposal for working capital to avoid insolvency, or for any other purpose beyond the permissions outlined in this guide, they must apply to DfE for approval to do so. In the case of purposes that are novel, contentious or repercussive (also see Appendix 8), DfE may need to consult HMT.

18: Colleges should use the DfE college approvals form to request permission for any transactions beyond the permissions outlined above.

19: Where approval is not required by DfE, you still must be able to show you applied the proper scrutiny to the case. Relevant decisions must be documented and their benefits outlined in a business case. This must be provided to DfE in a timely manner, if requested.

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[1] Please refer to the glossary from page 188 of Managing Public Money for an explanation of these terms