



## **MORLEY COLLEGE LONDON**

### **Financial Regulations**

POLICY OWNER: Chief Finance Officer  
APPROVAL BY: Governing Body

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# Morley College London

## FINANCIAL REGULATIONS

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## **1. BACKGROUND**

- 1.1** The College is a Company limited by guarantee (company number 2829836) and a registered charity no. 1023523. Its structure of governance is laid down in its Articles of Association (the Articles). The College is an Institute for Adult Learning (formally a Specialist Designated Institute (SDI)) under the 1992 Further and Higher Education Act). The College's activities do not fall within the scope of Corporation Tax.
- 1.2** The Governing Body of the College has approved a Scheme of Delegation setting out the arrangements made by the Governing Body to address the key obligations set out in the Articles. The Scheme of Delegation sets out:
- the powers and decisions that cannot be delegated by the Governing Body;
  - the powers and decisions that the Governing Body has chosen to reserve to itself;
  - the responsibilities that the Governing Body has delegated to the Principal. These are essentially all executive decisions relating to the day-to-day running of the College, including:
    - preparing annual estimates of income and expenditure for consideration and approval by the Governing Body;
    - managing the College's budget and resources within the estimates approved by the Governing Body; and
    - authorising expenditure within limits set out in the Financial Regulations approved by the Governing Body; and
  - the ethical and other restrictions that the Governing Body has placed on the exercise of those responsibilities by the Principal.
- 1.3** In addition, a significant proportion of the College's income is derived from grant funding from the Education and Skills Funding Agency (ESFA). The Financial Memorandum between the ESFA and the College sets out the terms and conditions on which grant funding is made. From 2019/20 the ESFA has delegated funding to the Greater London Authority (GLA) and new terms and conditions apply for London-based learners. The Governing Body is responsible for ensuring that the conditions of grant are met. The ESFA's Financial Memorandum sets out the obligations of the Principal as the Accounting Officer for the College.
- 1.4** As part of this process the College must adhere to the ESFA's Audit Code of Practice which requires it to have sound systems of financial and management control. These Financial Regulations form part of this overall system of accountability of the Principal to the Governing Body and the ESFA.
- 1.5** The Financial Regulations apply to all College locations, including the Chelsea, North Kensington and Waterloo centres and their satellite centres.

## **2. INTRODUCTION TO THE FINANCIAL REGULATIONS**

### **2.1 SCOPE**

This document sets out the Financial Regulations of the College. It translates into practical guidance on the College's broad policies relating to financial control. It applies to the College and any subsidiary undertakings.

### **2.2 STATUS**

As described above, these Regulations are subordinate to the Memorandum and Articles of Association and to any restrictions contained within the College's financial memorandum with the ESFA and their audit code of practice.

### **2.3 STAFF COMPLIANCE**

Compliance with the Financial Regulations and all the College's systems and procedures is compulsory for all College staff. A member of staff who fails to comply with the Financial Regulations and the other systems and procedures may be subject to disciplinary action under the College's Disciplinary Procedure. Any such breach will be notified to the Governing Body normally through the Audit Committee or the Chair of the Governing Body. It is the responsibility of budget holders to ensure that their staff are made aware of the existence and content of all relevant systems and procedures including the College's Financial Regulations. The Regulations are available to all staff for reference on the College intranet.

### **2.4 ANNUAL REVIEW OF FINANCE REGULATIONS**

The Principal (together with the Senior Leadership Team) is responsible for undertaking an annual review of the Regulations and discussing any additions or changes necessary with the Audit Committee. The Governing Body will consider and approve any material changes to authority levels or substantive changes and should receive confirmation annually that a review of the Regulations has taken place, even if no changes are recommended.

### **2.5 FINANCIAL PROCEDURES**

Where necessary and appropriate, additional procedures will be issued to supplement the financial regulations and clarify how they should operate. These will normally be issued by the Chief Finance Officer following approval from the Principal.

## 2.6 DEFINITIONS

*The College* shall mean Morley College London.

*The Governing Body* shall mean the Governing Body of Morley College London or any sub-committee comprising members of the Governing Body that has delegated powers. (Members of the Governing Body are Directors of the company and Trustees of the charity)

*The Finance, Resources and Sustainability (FRS) Committee* is the Committee of the Governing Body responsible for advising the Governing Body on finance, resources and sustainability as set out in its terms of reference.

*The Principal* acts in the capacity of the Chief Executive and Accounting Officer of the College.

*The Accounting Officer* is the Principal.

*The Chief Finance Officer* is the member of the Senior Leadership Team (SLT) who reports to the Principal and is responsible on a day to day basis for the College's finances and resources as set out in the job description and in this document.

*The Budget Holder* is the person who is responsible for a budget or cost centre; this presently includes senior post holders, Heads of School/Centre and Professional Services Managers, or anyone else who is responsible for either an income or expenditure budget.

*The Student Body* is represented by the Student Council.

*The Finance Team* is the central Professional Service team responsible for overall day to day financial control and management and is presently led by two Deputy Directors of Finance under the line management of the Chief Finance Officer.

*The Education and Skills Funding Agency (ESFA)* means the funding agency of the Department for Education or any successor body. The ESFA has delegated funding for London-based learners to the Greater London Authority (GLA).



### **3. FINANCIAL CONTROL**

#### **3.1 GOVERNING BODY RESPONSIBILITIES**

As described in section 1, the Governing Body responsibilities are set out in Articles of Association and further expanded in the Scheme of Delegation. Its financial responsibilities include:

- (i) Ensuring the solvency of the College;
- (ii) Safeguarding the College's assets;
- (iii) Ensuring the effective and efficient use of resources;
- (iv) Ensuring that the funds provided by the ESFA are used in accordance with the terms and conditions specified in the College's financial memorandum with the ESFA;
- (v) Ensuring that financial control systems are in place and are working effectively;
- (vi) Ensuring that the College complies with the ESFA's audit code of practice, which now incorporates the requirements of Managing Public Money (see Annex 3);
- (vii) Approving the College's strategic plan;
- (viii) Approving annual estimates of income and expenditure and the annual financial statements; and
- (ix) Appointing the College's internal and external auditors.

#### **3.2 COMMITTEE STRUCTURE AND DUTIES**

As set out in section 3.1 above, the Governing Body has ultimate responsibility for material decisions in relation to the College's finances. It is advised on specific financial and internal control issues by its committees as set out in their terms of reference. These committees are responsible for reviewing the terms of reference on an annual basis and advising the Governing Body of any recommended changes to those terms of reference.

##### **3.2.1 Finance, Resources and Sustainability (FRS) Committee**

The responsibilities of the FRS Committee are set out in its terms of reference. The FRS Committee is responsible to the Board for providing an oversight role and for advising the Board on all financial matters, including solvency, safeguarding of assets, financial strategy and policy and performance against financial targets; estates; health and safety; environmental sustainability; and digital transformation.

##### **3.2.2 Audit Committee**

The responsibilities of the Audit Committee as set out in its terms of reference. The Audit Committee is responsible for advising the Board on the adequacy and effectiveness of the College's internal controls, all matters in relation to internal and external audits, allegations of fraud and the follow-up on reports to the Board from government agencies.

### **3.3 AUDIT REQUIREMENTS**

**3.3.1** As part of its engagement letters with the internal and external auditors, the Board agrees that auditors are authorised to:

1. Access College premises at reasonable times;
2. Access all assets, records, documents and correspondence relating to any financial and other transactions of the College;
3. Require and receive such explanations as are necessary concerning any matter under examination;
4. Require any employee of the College to account for cash, stores or any other College property under his/her control; and
5. Access records belonging to third parties, such as contractors when required.

#### **3.3.2 Fraud Procedure (internal)**

##### **Minor fraud**

All actual or suspected incidents of fraud and theft should be reported without delay to the Chief Finance Officer, who will normally be the Investigating Officer. Where the Chief Finance Officer is suspected of fraud or theft the report should be made to the Director of Governance and Company Secretary, who will be the Investigating Officer in those circumstances.

##### **Major or significant fraud (deliberate and material)**

The College is obliged to notify, through the Chief Finance Officer (CFO), the Education and Skills Funding Agency (ESFA) if fraud is deemed 'significant', where:

- the gross amount of the loss (that is before any insurance claim) is in excess of £5,000
- there is likely to be public interest because of the nature of the fraud or the people involved, especially when the fraud is committed by a governor or senior employee, regardless of the amount
- the particulars of the fraud are novel or complex
- the fraud is systematic or unusual in nature

Any allegation involving the Principal, or Chief Finance Officer will be referred directly to the Chair of the Governing Body and the Audit Committee for a decision on appropriate actions to be taken. The Governing Body will be kept informed of any such investigations in confidential session.

Any case in which the College is considered to be the victim of an external fraud will be referred to the Police for further investigation. Details of all instances of fraud will be disclosed to auditors and reported as required in the College's Regularity statement.

Full details of the College's approach to the prevention, detection and investigation of fraud are contained in the College's Anti-Fraud, Bribery and Corruption Policy. The College's response to any suspected or actual fraud is

detailed in the Fraud Response Plan – which is Annex A to the Anti-Fraud, Bribery and Corruption Policy.

### **3.4 EXTERNAL AUDIT**

#### **3.4.1 Appointment of external auditors**

External auditors will be appointed for an initial term of three years with an annual review thereafter. As part of the annual review, the Audit Committee will provide a recommendation to the Governing Body whether to re-appoint the auditors or to re-tender for external audit services.

#### **3.4.2 Role of external auditors**

The primary role of external audit is to report on the annual report and financial statements of Morley College Ltd. This involves carrying out such examination of the information given in the annual report and financial statements and inspecting the underlying records and control systems as are necessary to reach an opinion on the truth and fairness on the financial statements and also to report on the appropriate use of funds. The external auditor will also undertake such regularity assurance as is required by the terms of the College's Financial Memorandum with the Education and Skills Funding Agency. The external auditors may also provide other assurance reports, such as an annual report relating to the Teachers' Pension Scheme and a report on regularity to the ESFA.

#### **3.4.3 Duties of external auditors**

The duties of the external auditors will normally be set out in the engagement letter, which sets out the terms of reference for the audit, a timetable and the scope of the work to be undertaken as part of the annual audit. This normally refers to the ESFA's audit code of practice and the Auditing Practices Board's auditing standards.

#### **3.4.4 Timetable for the audit of the Annual Report and the Financial statements**

The Chief Finance Officer, in consultation with the external auditors, the Principal and the Audit Committee, will approve the timetable for the preparation of the annual report and financial statements.

#### **3.4.5 Review and approval of audited Annual Report and Financial Statements**

Prior to the consideration and approval by the Governing Body, the finalised Annual Report and Financial Statements will be considered by the Finance, Resources and Fundraising Committee for accuracy and by the Audit Committee for the appropriate application of the accounting policies. These Committees will also review the disclosures made in the Annual Report and the Financial Statements, taking into account the reports of both the internal and external auditors and the Statement of Corporate Governance. The Annual Report and the Financial Statements will be submitted to the Board for approval.

## **3.5 INTERNAL AUDIT**

### **3.5.1 Appointment of Internal auditors**

Internal auditors will be appointed for an initial term of up to three years with an annual review thereafter. As part of the annual review, the Audit Committee will provide a recommendation to the Governing Body whether to re-appoint the auditors or to re-tender for internal audit services.

### **3.5.2 Role of internal auditors**

Internal audit is an independent appraisal function providing a service to management and the Governing Body and is responsible to the Governing Body through the Audit Committee. The key role of internal audit is to provide assurance to the Governing Body and management that the systems of internal control (including arrangements for achieving economy, efficiency and effectiveness and managing risk) are adequate, and operate effectively.

The internal auditors submit an annual plan to the Audit Committee after consultation with the Principal and Chief Finance Officer, taking into account the information given in the College's Risk Register

### **3.5.3 Duties of internal auditors**

The formal responsibilities of the internal auditors are set out in the engagement letter reviewed and approved by the Audit Committee.

## **3.6 OTHER AUDITORS**

The College may, from time to time, be subject to audit or investigation by external bodies such as the ESFA, Office for Students, National Audit Office, European Court of Auditors, HM Revenue and Customs (HMRC). The Governing Body authorises the same rights of access as external and internal auditors.

## **3.7 FINANCIAL CONTROL RESPONSIBILITIES**

### **3.7.1 The Principal**

The Principal is the College's designated accounting officer and is responsible for the financial administration of the College's affairs.

### **3.7.2 The Chief Finance Officer**

Day to day financial administration is delegated by the Principal to the Chief Finance Officer who is responsible to the Principal for:

1. Preparing annual capital and revenue budgets and financial plans including cash flow forecasts;
2. Preparing financial statements, management information, monitoring and control of expenditure against budgets and all financial operations;
3. Preparing the College's annual report and other financial statements and any other financial reports, which the College is required to submit to other authorities;

4. Ensuring that the College maintains satisfactory risk management systems and effective systems of internal controls.
5. Providing evidenced based professional advice on all matters relating to financial policies and procedures.

### **3.7.3 Budget Holders / Other Staff**

Budget holders and other staff are responsible to the line manager responsible for day to day financial management of specific cost centres in line with financial guidelines, financial delegations and other advice issued by the Principal, in consultation with the Chief Finance Officer. The Chief Finance Officer will also supervise and approve the financial systems operating within teams and Programme Areas including the form in which accounts and financial records are kept.

Heads of School, Programme Area Managers and professional service managers are responsible for establishing and maintaining clear lines of responsibility within their School/Programme Area/Team for all financial matters relating to the budgets under their control.

## **3.8 BUDGETING**

### **3.8.1 Resource Allocation**

The annual budget for the forthcoming year is approved in advance of the start of the next financial year by the Governing Body. The draft budget is reviewed in advance of the governing body decision by the FRS Committee.

The Principal delegates to Chief Finance Officer the responsibility for allocating the overall budget to particular cost centres in line with the Governing Body's agreed strategic priorities. The budget holders are responsible for the economic, effective and efficient use of resources allocated to them.

### **3.8.2 Preliminary Budget Preparation**

The Principal delegates to the Chief Finance Officer responsibility for preparing the annual revenue budget and capital programme. This will be considered by the FRS Committee and its advice will be forwarded to the Board together with the draft budget and capital programme for approval. The budget must include projected financial statements and balance sheets for the current year and the forthcoming two years and include all liabilities.

### **3.8.3 Detailed Cost Centre Budgets**

The Principal approves the detailed cost centre budgets which comprise the whole college budget. The Chief Finance Officer must ensure that such detailed budgets are prepared and communicated to budget holders as soon as possible following the approval by the Governing Body of the whole college budget.

### **3.8.4 Budget variances**

The Principal delegates to the Chief Finance Officer responsibility for ensuring that the actual and projected results for the year are reported to the Governing

Body at each Board meeting and also for discussing the projected results and any detailed issues and remedial actions actually undertaken or proposed at the regular FRS Committee meetings.

### **3.8.5 Capital Expenditure**

The capital budget will include planned expenditure on all items that meet the definitions of capital as determined by the College's approved accounting policies.

### **3.8.6 Capital Programmes**

A capital programme is a series of linked capital projects, or single large capital project with a budget of £250k (including VAT) or above.

Capital expenditure on land, buildings, furniture and associated costs can only be considered as part of the capital programme with a budget approved by the Board. The process and criteria, governance, monitoring and reporting are set out in the Capital Programmes Project Governance procedure attached at Annex 4.

The Principal delegates to the Chief Finance Officer responsibility for providing regular statements concerning capital plans and expenditure to the Board after consultation with the FRS Committee as required.

Proposed capital projects should be supported by:

- (i) A statement which demonstrates the project's consistency with the strategic plan, accommodation and other strategies approved by the Governing Body;
- (ii) An initial budget with detailed assumptions for the project after consultation with the FRS Committee having provided to it a detailed breakdown of costs including professional fees, contingencies, VAT and, where relevant, details of funding sources;
- (iii) A risk analysis, together with a financial evaluation of the plan and also an evidenced-based assessment of the plan's impact on future College revenue and incremental costs. This plan should be accompanied by advice from the Principal, Chief Finance Officer or any other relevant external professional advice on the impact of alternative plans;
- (iv) Where required to secure grant funding, an investment appraisal in an approved format which complies with ESFA guidance on option and investment appraisal;
- (v) A demonstration of compliance with normal tendering procedures and ESFA regulations; and
- (vi) A 3 to 5 year cash flow forecast where relevant.

Following completion of a capital project, a final report with a detailed analysis should be approved and then presented by the Principal to the FRS Committee indicating actual expenditure against budget and reconciling funding

arrangements where a variance has occurred. A summary should be reported to the Governing Body.

### **3.8.7 Financial Planning**

The Principal delegates to the Chief Finance Officer the responsibility for preparing annually a rolling three-year financial plan, cash flow and balance sheet (on the basis of the statutory financial statements and consistent with the strategic plan) for consideration by the Board once it has been reviewed in detail by the FRS Committee. Once reviewed and approved by the Board these financial forecasts may be forwarded to the ESFA.

The Chief Finance Officer is also responsible for completing Financial Planning Forecasts in the format provided by ESFA for regular reporting to ESFA to the set deadlines.

## **3.9 BUDGETARY CONTROL**

The control of income and expenditure within an agreed budget is the responsibility of the designated budget holder who must ensure that day to day monitoring is undertaken effectively. Budget holders are responsible to line managers for the income and expenditure relating to the approved budget. The budget holder will be assisted in this duty by timely management information provided by the Finance Team led by the Chief Finance Officer and assisted by a Deputy Director of Finance.

Significant actual or predicted variances of more than 10% or £5,000 (whichever is the greater) from agreed budgetary allocations must be reported immediately to the Chief Finance Officer by the Budget Holder concerned and, if necessary, corrective action taken, as discussed with the Chief Finance Officer.

Budget Holders are responsible for the day to day management of delegated expenditure and for maintaining expenditure within allocations. Where budgets are provided to support a given volume of activity (e.g. delivery) expenditure should be reduced in accordance with reduced activity.

The Chief Finance Officer is responsible for providing a detailed analysis of actual financial performance against budgeted amounts, which are reported in summary to the Governing Body together with any advice from the FRS Committee.

## **3.10 VIREMENT**

Any proposal for re-allocation of income or expenditure between delegated budget heads must be properly authorised by the Chief Finance Officer who will arrange for the necessary adjustments to be made to all financial records and financial statements. Where the amounts in relation to re-allocation of costs exceed £50,000, this will be brought to the attention of the Board together with relevant analysis and advice from the FRS Committee.

Re-allocation of income or expenditure across individual income or expense line but within the control of a single budget holder may be agreed with the Deputy

Director of Finance/CFO. Virements within revenue budgets may be requested by Budget Holders who may request the transfer of sums between any main heads of expenditure within their budgets, subject to the following exceptions:

- (a) Virement shall not be permitted between staffing and other heads of expenditure; and
- (b) Virement shall not be permitted from capital to revenue budget, but may be permitted from revenue to capital. Virements are not permitted between cash and non-cash expenditure items (e.g. depreciation).

### **3.11 TREATMENT OF YEAR END BALANCES**

At year-end, budget holders will not normally be permitted to carry forward a balance on any unutilised budget amounts to the following year. All purchase orders raised at the end of the financial year must reflect normal procurement practice in terms of when the goods are needed and volume of order. If the timing or volume of the order cannot be justified, it will be rejected.

### **3.12 ACCOUNTING POLICIES**

These are set out in the notes to the College's Financial Statements and as such are agreed each year by the Governing Body.

### **3.13 ACCOUNTING RETURNS**

The Principal delegates to the Chief Finance Officer responsibility for compiling, reviewing and submitting all required financial returns and other periodic financial reports to the ESFA (or its successor body) and other interested third parties as required.

The Director of Governance, who is also the Company Secretary, is responsible for organising the signing and distribution of the approved audited financial statements to Companies House, the Charity Commission and other agencies as required.

### **3.14 ACCOUNTING RECORDS**

The Principal delegates to the Chief Finance Officer the responsibility for the retention of financial documents and all relevant supporting documentation. These should be kept in a form acceptable to the relevant authorities.

The College is presently required by law to retain relevant financial documents for six years. These include:

- (i) Official orders;
- (ii) Paid invoices;
- (iii) Accounts raised;
- (iv) Bank statements;
- (v) Copies of receipts;
- (vi) Part-time hourly-paid lecturer contracts; and



- (vii) Complete record of transactions for each year from the computerised accounting system.

Additionally, for auditing and other purposes, other financial documents should be retained in accordance with the relevant statutory or auditing requirements.

## **4. INCOME AND BANKING**

### **4.1 GENERAL**

The Principal delegates to the Chief Finance Officer responsibility for ensuring that appropriate systems, controls and procedures are in operation at all times to enable the College to receive all income to which it is entitled. All formats for receipts, invoices, tickets or other official documents in use must have the approval of the Chief Finance Officer.

Levels of charges for contract research, services rendered, goods supplied and rents and lettings are determined by procedures approved by the Principal together with the SLT and taking into account any advice provided by the FRS Committee. These procedures are subject to review at least every three years by the SLT.

The Principal delegates to the Chief Finance Officer responsibility for:

- (i) The prompt collection, security and banking of all income received.
- (ii) Ensuring that all grants notified by the ESFA and other bodies are received and appropriately recorded in the College's books and financial records.
- (iii) Ensuring that all claims for funds, including research grants and contracts, are made by the due date.

### **4.2 APPOINTMENT OF BANKERS**

The Governing Body is responsible for the appointment of the College's bankers on the recommendation of the Principal and taking into account any advice provided by the FRS Committee. The Principal should consider every five years whether it is appropriate to undertake a re-tendering process and make recommendations accordingly to the FRS Committee.

### **4.3 BANKING ARRANGEMENTS**

The Principal delegates to the Chief Finance Officer the responsibility for managing the College's day-to-day banking activities and in particular keeping the banks informed of all relevant and significant events and overseeing the delivery by the bankers of agreed service levels. All blank cheques shall be ordered on the authority of the Chief Finance Officer who shall make proper arrangements for their safe custody.

The Principal has the delegated authority of the Governing Body to open or close a bank account, after consulting with the Governing Body. The Principal may in turn delegate the finalisation of the documentation relating to the opening or

closing of a particular bank account to the Chief Finance Officer. All bank accounts must be held in the name of the College or one of its subsidiary companies, as appropriate.

Any cheques drawn and bank transfers on behalf of the College must be signed in accordance with the authority levels approved by the Governing Body. All BACS listings must be signed (including digitally) by two authorised persons. Only authorised persons will be set up for authorising payments on the on-line banking platforms. Details of authorised persons and signing limits approved by the Governing Body are shown in Annex 1.

The Principal delegates to the Chief Finance Officer responsibility for ensuring that all bank accounts are subject to regular reconciliation and that any large or unusual unreconciled items are fully investigated on a timely basis.

#### **4.4 CASH RECEIPTS**

All monies received within teams from whatever source must be recorded and supported with appropriate documentation. All cash amounts received together with the supporting documentation must be recorded and notified to the cashier in the Finance Team on a daily basis and held securely. The cashier will make arrangements to collect cash balances on a regular basis.

The Finance Team will issue a receipt to the team depositing the cash. Custody of all cash holdings must comply with the requirements of the College's insurers.

All money must be banked as promptly as possible (at least weekly and more often if required).

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

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

Staff should not keep College cash except in approved accounts.

#### **4.5 THE COLLECTION OF DEBTS**

The Principal delegates to the Chief Finance Officer responsibility for ensuring that:

- (i) Debtors invoices are raised promptly in respect of income, other than student tuition fee income (see below), due to the College;
- (ii) Debts are raised only on official College invoices;
- (iii) Swift and effective action is taken to collect overdue debts in accordance with the College's formal procedures (detailed in the financial procedures); and
- (iv) Outstanding debts are monitored, and reports are prepared for managers.

The Principal delegates to the Chief Finance Officer the responsibility for implementing credit arrangements and indicating the period in which different types of invoice must be paid.

Requests to write-off debts in excess of £10,000 must be referred in writing in the first instance to the Chief Finance Officer for submission to the Principal together with any advice from the FRS Committee for consideration. Debts below this level may be written off with the permission of the Principal, supported by positive advice from the Chief Finance Officer. All bad debt write-offs should be reported annually in summary form to the Governing Body together with advice from the FRS Committee.

Following the reclassification of colleges to the public sector DfE consent is required for:

- Any individual write-off that exceeds £45,000 or 1% of annual income (whichever is smaller).
- Cumulative write-offs within the academic year which exceed £250,000 or 5% of annual income (whichever is smaller).

Further details are available in [Annex 3](#).

#### **4.6 STUDENT FEES**

The procedures for collecting tuition and other fees must be approved by the Principal in consultation with the Chief Finance Officer who has delegated responsibility from the Principal for ensuring that all student fees due to the College are received.

Any student who has not paid an outstanding amount for fees or any other item owing to the College shall be prevented from re-enrolling at the College and from using any of the College's facilities until the debt is settled.

#### **4.7 SUB-CONTRACTING OF EDUCATION PROVISION**

All sub-contract agreements must satisfy the requirements of the original funding body, represent value to the College and must not compromise the College's reputation. All contract agreements must be reported to Governors and signed by the Principal or Chief Finance Officer.

#### **4.8 GIFTS, BENEFACTIONS AND DONATIONS**

The Principal delegates to the Chief Finance Officer responsibility for maintaining financial records in respect of gifts, benefactions and donations made to the College and initiating claims for recovery of tax where appropriate. Gifts exceeding £500 must be reported to the Principal and a summary of the income and the application of the amounts reported to the FRS Committee. Any material amounts should be advised to the Board.

#### **4.8 SECURITY OF DOCUMENTS**

The Governing Body delegates to the Director of Governance responsibility for the safekeeping of all official and legal documents relating to the College.

Signed copies of deeds, leases, agreements and contracts must, therefore, be forwarded to the Director of Governance on behalf of the Governing Body. All such documents shall be held in an appropriately secure, fireproof location and copies held at a separate location.

#### **4.9 STOCKS AND STORES**

Budget holders are responsible for establishing adequate arrangements for the custody and control of stocks and stores within their team. The systems used for stores accounting in a team must have the approval of the Chief Finance Officer.

Budget holders are responsible for ensuring that regular inspections and stock checks are carried out. Stocks and stores of a hazardous nature should be subject to appropriate safety and security checks.

Those budget holders who retain stocks at the year-end must ensure that the stock-taking procedures in place have the approval of the Chief Finance Officer and that instructions to appropriate staff within their team are issued in accordance with advice contained in the College's detailed financial procedures.

### **5. RESEARCH GRANTS AND CONTRACTS**

#### **5.1 PRIVATE CONSULTANCIES AND OTHER PAID WORK**

Unless otherwise stated in a member of staff's contract, for full-time members of staff:

- (i) External consultancies or other paid work may not be accepted without the written consent of the Principal;
- (ii) Applications for permission to undertake work as a purely private activity must be submitted to the Principal and include the following information:
  - (a) The name of the member(s) of staff concerned;
  - (b) Title of the project and a brief description of the work involved;
  - (c) The proposed start date and duration of the work;
  - (d) Full details of any College resources required (for the calculation of the full economic cost); and
  - (e) An undertaking that the work will not interfere with the teaching and/or normal College duties of the member(s) of staff concerned.

The above shall not apply to hourly paid or fractional teaching or support staff who undertake other contracts provided that there are no conflicts of interest, and on the basis that this work does not take place on the College premises or use College equipment or time, and that it does not interfere with or undermine in any way College work. Where a conflict of interest may be likely to arise the member of staff must first discuss the circumstances with their line manager.

## **5.2 INTELLECTUAL PROPERTY RIGHTS AND PATENTS**

### **5.2.1 General**

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

### **5.2.2 Patents**

The Principal delegates to the Chief Finance Officer the responsibility for establishing procedures to deal with any patents accruing to the College from inventions and discoveries made by staff in the course of their research. The Governing Body should be updated on all relevant patents and the FRS Committee's advice on the appropriateness of the approved procedures in place. The Audit Committee should also be kept up to date on all patents and on any material risks.

### **5.2.3 Intellectual Property Rights**

In the event of the College deciding to become involved in the commercial exploitation of inventions and research the Principal will undertake a detailed risk assessment and advise the Governing Body of these risks and all relevant other matters arising. Following consultation with the Governing Body together with advice from the FRS Committee, the Principal will issue guidelines prior to any significant commitments being made. (Significant is defined as more than £50,000 per annum likely potential income or potential expenditure or liability. For amounts below £50,000 standard College financial regulations will apply.)

## **6. EXPENDITURE**

### **6.1 GENERAL**

The Principal delegates to the Chief Finance Officer the responsibility for making payment to suppliers of goods and services to the College.

### **6.2 NOVEL, CONTENTIOUS AND REPERCUSSIVE TRANSACTIONS**

There is no delegation from the Department of Education for the college to enter into any transaction that may be considered novel, contentious or repercussive. In all cases such potential transactions should be referred to the Department for Education for consent.

### **6.3 INDEMNITIES, GUARANTEES AND LETTERS OF COMFORT**

For indemnities beyond the normal course of business, and guarantees and letters of comfort in excess of:

- 1% of annual income or £45,000 (whichever is smaller) individually; and
- 5% of annual income for cumulative such contingent liabilities (subject to a cumulative ceiling for the academic year of £250,000).

Consent must be sought in advance from the Department for Education.

## **6.4 EX GRATIA OR EXTRA CONTRACTUAL PAYMENTS**

All ex-gratia, extra-contractual, extra-statutory or extra-regulatory payments require prior consent from the Department for Education following approval by the Board.

## **6.5 COMPENSATION PAYMENTS**

Individual payments where the non-statutory/non-contractual element is £50,000 or more require prior consent from the Department for Education following approval by the Board.

## **6.6 AUTHORITIES**

### **6.6.1 Authority of Budget Holders**

Budget holders are responsible for approving purchases within their curriculum area or team. Purchasing authority may be delegated to named individuals within the team on the recommendation of the budget holder to the Chief Finance Officer who will be responsible for approving the recommendation.

### **6.6.2 Register of authorised signatures**

The Principal delegates to the Chief Finance Officer the responsibility for maintaining a register of authorised signatories. Any changes to the authorised signatories must be approved by the Chief Finance Officer as set out in 6.2.1 above on a timely basis.

### **6.6.3 Budget holders limitations**

Budget holders are not authorised to commit the College to expenditure where there are insufficient funds to meet the purchase cost or where there is no budget allocation for such expenditure. Budget holders must raise a purchase order request for all goods or services, using the College's electronic ordering system, which must be sent to the Finance team. The Finance team will check availability of overall College funds before releasing orders. This will not be dependent on whether or not the individual budget holder has funds available in his/her particular budget. Staff may also use purchasing cards issued by the College to purchase goods within their agreed limits and restrictions.

### **6.6.4 Approval of invoices for payment**

Invoices should be approved for payment and signed (or digitally approved) by the budget holder or authorised member of staff confirming that the goods or services have been received and that the amount is correct and within budget.

### **6.6.5 Counter signature requirement for orders over £500<sup>1</sup>**

Authority for incurring expenditure on a single item shall be obtained as follows (provided such expenditure is within the approved budget):

Revenue expenditure (within budget):

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<sup>1</sup> Limits were agreed by the Governing Body on 27 March 2017, re-approved July 2019

Expenditure <b>up to £500</b> – prior approval of the budget holder
For expenditure of <b>£500 or greater but less than £1,000</b> the additional prior approval of the budget holder’s line manager.
For expenditure of <b>£1,000 or greater but less than £5,000</b> the additional prior approval of: the Chief Finance Officer or; the Principal If the proposed purchase will take expenditure beyond the relevant budget the prior approval of the Chief Finance Officer shall be required.
Expenditure of <b>£5,000 or greater but less than £10,000</b> shall require the additional prior approval of the Chief Finance Officer AND: the Principal
Expenditure of <b>£10,000 or greater but less than £100,000</b> shall require the additional prior approval of the Chief Finance Officer AND the Principal and be reported to the FRS Committee.
<b>Expenditure £100,000 or greater</b> shall require the additional prior approval of the Board following advice from the FRS Committee

If the revenue expenditure is part of an ongoing commitment (for example a contractual arrangement to purchase goods or services over a period of time) then approval is required for the total spend over that period.

### 6.6.6 Capital Expenditure and Contracts

(i) Part of the approved budget:

The same limits apply for capital expenditure as for revenue expenditure except the Principal’s limit is raised to £250,000 where the expenditure is part of a previously approved budget.

(ii) Not part of the approved budget:

If not part of the approved budget the Principal may approve up to £100,000 following advice from the FRS Committee. Sums in excess of £100,000 must be approved by the Board on the recommendation of the FRS Committee.

### 6.6.7 Hospitality

Team budgets must not normally be used to fund hospitality whether it be internal or external hospitality. Any budget holder wishing to use their budget for such purposes must obtain the prior approval of their line manager (Principal, or Chief Finance Officer as appropriate) providing a clear rationale for the need and an indication of the maximum cost envisaged.

For any such expenditure, a list of participants must be provided. Where all participants are College employees, then any expenditure will be treated as a

taxable benefit for each employee attending and will be processed as such through the College's normal PAYE processes. Certain limited exceptions may apply, but should be discussed and agreed with the CFO prior to the expense being incurred.

### **6.6.8 Employment claims and settlements**

The Principal may approve individual employment settlements, to include all non-contractual elements of any settlement, of up to a maximum of three times the gross monthly salary of the employee concerned or £20,000 (whichever is the greater). Where a number of employees may be involved in the same case, the Principal may approve non-contractual settlements within those limits up to a value of £100,000 in aggregate. Settlements in excess of those limits must have the prior approval of the Governing Body.

Following the reclassification of colleges to the public sector for severance arrangements where:

- Individual payments where the non-statutory/non-contractual element is greater than the lower of £50,000 or 3 month's salary
- The total Exit package including the severance payment is £100,000 or greater in total, and
- The employee earns over £150,000

Advance approval from the Department for Education is required. Further details are available in Annex 3.

## **6.7 PETTY CASH**

Single items of purchase costing less than £20 should be paid for by purchasing card or by bank transfer, petty cash should only be used by exception. All purchases must be supported by receipts or vouchers.

The Chief Finance Officer may make available to teams such cash advances as are considered necessary for the disbursement of petty cash expenses.

Team petty cash holdings must be operated according to an "imprest" arrangement whereby requisitions made to the Chief Finance Officer for reimbursement to retain a working balance must be supported by appropriate receipts or vouchers representing the total amount expended. Standard College petty cash forms are supplied by the Chief Finance Officer and must be used for recording all transactions

Budget holders are personally responsible for the safekeeping of any petty cash float made available to teams. Team petty cash boxes must be kept locked in a secure place in compliance with the requirements of the College's insurers and will be subject to periodic checks by the budget holders or another person nominated by him or her.

At the end of the financial year all petty cash floats must be counted by and reconciled by a member of the Finance team who will complete a certificate of



the balance held to be countersigned by the budget holder and their line manager.

## **6.8 PURCHASE ORDERS**

The ordering of goods and services shall be in accordance with the College's financial regulations. These may be clarified in guidance documents provided by the Finance Team to ensure best value for money is achieved.

All purchase orders must be raised using the College's electronic Purchase Order Processing System. Once approved (electronically) the Purchase Order will be sent automatically to the supplier. All orders should be raised in accordance with budget limitations (6.6.3).

## **6.9 BEST VALUE FOR MONEY - QUOTATIONS & TENDERING**

Budget holders must always seek to obtain best value for money when placing purchase orders. The College's limits when quotations or tenders must be obtained are:

### **6.9.1 Orders for single items over £500 and up to £5,000**

- (i) Single quotation or tender; wherever feasible new suppliers of goods or services should be tested against other suppliers and verbal quotations obtained and evidenced by noting details on the purchase requisition and /or attaching copies.
- (ii) Existing suppliers should be periodically tested for price and quality against alternative suppliers and these tests should be evidenced in a similar way.
- (iii) The Finance team may request that any order be market tested prior to placing the order.

### **6.9.2 Orders over £5,000 and up to £20,000**

- (i) At least 3 competitive quotations or written tenders must be obtained.
- (ii) Any exceptions to this rule must be approved by the Chief Finance Officer or the Principal. The circumstances should be noted and a rationale demonstrating value for money attached to the file copy of the order.

### **6.9.3 Annual spend on service or individual orders over £20,000 and up to £100,000**

- (i) At least 3 competitive written quotations or tenders must be obtained unless it is impracticable or impossible (e.g. single supplier) in which case approval from the Principal or the Chief Finance Officer must be obtained using the Single Source Justification Form.

- (ii) The tender giving the best overall value should normally be accepted and reasons for not accepting the cheapest should be recorded.

#### **6.9.4 Annual spend on service or individual orders over £100,000**

- (i) At least 3 competitive tenders must be obtained unless it is impracticable or impossible (e.g. single supplier) in which case approval from the Principal (who may wish to consult the Chair of the Governing Body or the Chair of the FRS Committee for advice). The circumstances should be noted and a rationale demonstrating value for money given.
- (ii) It will be normal practice for sealed tenders to be requested
- (iii) Sealed tenders should be opened in the presence of the Director of Governance or nominated deputy.
- (iv) Post tender negotiations will be permitted unless specifically excluded in the tender documents
- (v) The tender giving the best overall value should be accepted. If this is not also the cheapest a clear justification should be recorded.
- (vi) Expenditure must not be broken down into smaller parts in order to circumvent these requirements. Care must be taken to avoid these thresholds being exceeded through extensions of contracts.
- (vii) The College will observe the tendering procedures set out in the Public Contract Regulations for any procurements that exceed the relevant thresholds.

#### **6.9.5 Supplier compliance**

The Finance Team shall conduct adequate due diligence on prospective and new suppliers/business partners prior to committing to new contractual relationships. The due diligence process shall be carried to exercise reasonable care and identify any risks. The due diligence process must be documented and maintained on the College records for audit purposes.

The due diligence process includes completed supplier forms, online searches, companies house reports, and trade references. This list is non- exhaustive.

Best procurement practice should be considered for all purchases, using purchasing consortia frameworks and ensuring all tenders are run according to best practice guidelines and adhere to purchasing legislation.

### **6.10 BUILDING CONTRACTS**

Decisions on signing building contracts are the responsibility of the Governing Body which delegates to the Principal the execution and operation of the

contract. The Principal may delegate the day-to-day administration of the contracts to the Chief Finance Officer

Proposals will normally be initiated by the Chief Finance Officer in respect of planned replacements, general improvement schemes, space planning or in response to requests from teams.

Consultants may be appointed if the project, as determined by the Governing Body (on the advice of the FRS Committee), is too large or too specialised for the adequate supervision by the College's own resources. Appointments shall be subject to tendering and other procedures where appropriate.

Proposals shall be presented in the form of costings or investment appraisals as recommended by the Governing Body or the FRS Committee if this is delegated by the Governing Body. Investment appraisals should comply with appropriate ESFA guidance.

Following consideration by the FRS Committee and approval by the Governing Body, submissions should be forwarded to the ESFA where appropriate. If required, agreement must be secured from the ESFA and ESFA procedural rules followed. ESFA guidance on best practice should be followed even when ESFA approval is not required.

All contracts will attempt to ensure best value for money.

## **6.11 PROCUREMENT REGULATIONS**

The Principal delegates to the Chief Finance Officer the responsibility for ensuring that the College complies with its legal obligations in respect of procurement legislation.

## **6.12 PAYMENT OF INVOICES**

The procedures for making payments shall be in a form specified by the Chief Finance Officer.

The Chief Finance Officer is responsible for deciding the most appropriate method of payment for categories of invoice. Payments to UK suppliers will normally be made through BACS. Faster payments (direct bank to bank) will be used if the payment is urgent. Payment by credit card will be considered only where absolutely necessary.

Suppliers should be instructed by the budget holder to submit invoices for goods or services direct to the Finance Team, preferably by email to [invoices@morleycollege.ac.uk](mailto:invoices@morleycollege.ac.uk). Invoices should not be addressed to individuals. Budget holders are responsible for ensuring that expenditure within their team does not exceed funds available.

Payments will only be authorised by the Chief Finance Officer against invoices which have been matched to an approved Purchase Orders and where the budget holder has confirmed that the goods or services have been received. The Chief Finance Officer will only authorise payment on the basis that the budget holder has checked that:

- (i) The goods have been received, examined and approved with regard to quality and quantity, or that services rendered or work done is satisfactory;

and that the Finance Team has:

- (ii) matched the invoice to the order;
- (iii) checked that the invoice is arithmetically correct;
- (iv) checked that the invoice has not previously been passed for payment;
- (v) ensured that an appropriate cost centre is quoted. This must be one of the cost centre codes included in the budget holder's areas of responsibility and must correspond with the types of goods or service described on the invoice.

All invoices which received by staff other than members of the Finance Team must be passed to the Finance Team immediately so that they can be logged in the Purchase Ledger. Care must be taken by the budget holder to ensure that discounts receivable are obtained.

### **6.13 CREDIT CARDS**

It is acknowledged that many purchases (e.g. where the item can only be acquired on-line) can only be made through use of a credit card. To that end the College holds corporate credit cards also known as purchasing cards. Such cards will have credit limits and transaction limits which will be approved by the Chief Finance Officer

Use of College credit cards is restricted to senior employees and to agreed authority limits. Cards must be retained by users solely for the purpose of making approved purchases, must be kept on their person at all times and returned to the Finance Team if so required.

Cards must not be loaned to another person, nor should they be used for personal or private purchases. Cards shall be used for the payment of valid business expenses only, and the misuse of such cards shall be grounds for disciplinary action.

On completing a credit card purchase, budget holders must ensure the purchase is logged on the template specified by the Finance Team and that supporting documentation is returned to the Finance Team together with the log. Finance will then review the documentation to ensure all purchases are supported with relevant documents and ensure the template/log is signed or electronically approved by the budget holder and their line manager. The Finance Team will also analyse all expenditure to ensure best value for money is being considered with all purchases.

## **7. SALARIES AND WAGES**

### **7.1 GENERAL**

The Principal delegates to the Chief Finance Officer responsibility for all payments of salaries and wages to staff including payments for overtime or services rendered. All time sheets and other pay documents, including those relating to fees payable to external examiners, visiting lecturers or researchers, will be in a form prescribed or approved by the Chief Finance Officer.

All College staff will be appointed in accordance with the Pay Policy Framework approved by the Governing Body and on appropriate conditions of service. All letters of appointment must be issued with the approval of the SLT. Budget holders will be responsible for keeping the Chief Finance Officer informed through the College's established Human Resources procedures of all matters relating to personnel for payroll purposes.

In particular these include:

- (i) Appointments, resignations, dismissals, supervisions, secondments and transfers;
- (ii) Absences from duty for sickness or other reason, apart from approved leave;
- (iii) Changes in remuneration other than normal increments and pay awards; and
- (iv) Information necessary to maintain records of service for superannuation, income tax, national insurance etc.

All casual and part-time employees will be included on the payroll. In line with current employment legislation for off-payroll workers (known as IR35), any payments to individuals for services provided will normally be through payroll. No undertakings should be given to individuals that they may be remunerated in any other way than through payroll.

The Chief Finance Officer shall be responsible for keeping all records relating to payroll including those of a statutory nature.

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

### **7.2 PENSION ARRANGEMENTS**

The Governing Body is responsible for making decisions in relation to appropriate pension arrangements for employees and delegates the execution of those decisions to the Principal.

The Principal delegates to the Chief Finance Officer responsibility for the day to day pension arrangements including:

- (i) Paying of contributions to various authorised pension schemes;
- (ii) Preparing the annual return to various pension schemes; and
- (iii) Monitoring the administration of the various pension schemes.

### 7.3 TRAVEL, EXPENSES AND GIFTS

All claims for payment of travelling and incidental expenses shall be documented on an expense form approved by the relevant budget holder and supported by receipts.

All international travel must be approved in advance by the Principal, or in the case of international travel by the Principal, by the Chair of the Board of Governors.

Claims by members of staff must be approved by their line manager (or in the case of the Principal, by the Director of Governance) for claims up to £500 and by the Governing Body Chair otherwise. Persons responsible for approving expense claims must ensure that travel arrangements were properly authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the College.

The College will not reimburse the cost of first class travel where a cheaper alternative is available and will reimburse the cost of travel by taxi only where this has received prior agreement from the member of staff's line manager for a specific reason (e.g. transporting bulky or heavy equipment, lack of an alternative, etc). Overnight accommodation must be at a reasonable cost. Subsistence will only be reimbursed with prior agreement and up to a pre-determined limit. All reimbursement of expenses will be on the basis of actual expenditure incurred.

Acceptance of gifts and hospitality is governed by the following:

- Staff must avoid any conflict between their official duty and their private interest and conduct themselves to ensure that there is no suspicion of any such conflict.
- Staff must not give the impression (to any member of the public, to any organisation with whom they conduct business 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.
- Members of staff should not usually accept any gifts, or hospitality (or allow them to be given to their immediate family/partner members) exceeding a value of £50 from any organisation or individual with whom they have contact in the course of their work.
- Where it is not considered possible to decline the acceptance of a gift or hospitality in excess of £50, these should be reported to the Chief Finance Officer, and recorded on the register of Gifts and Hospitality
- When it is not easy to decide between what is and what is not acceptable in terms of gifts or hospitality, the offer should be declined or advice sought from the Chief Finance Officer.
- The treatment of any gifts or offer of hospitality in excess of £50 will be determined by the Chief Finance Officer and recorded on the Register of Gifts and Hospitality. Potential treatments include retention by the

recipient, donation to College competition prizes, donation to charity, or equivalent.

For the protection of those involved, the Director of Governance will maintain a register of gifts and hospitality received where the value is in excess of £50. Members of staff in receipt of such gifts or hospitality are obliged to notify the Chief Finance Officer promptly.

Under the Bribery Act 2010, it is illegal to offer, promise, give, request, agree, receive or accept bribes.

## **8. ASSETS**

### **8.1 LAND, BUILDINGS, FIXED PLANT AND EQUIPMENT**

The purchase, lease or rent of land or buildings or fixed plant must be approved by the Governing Body and, where funded from grants in accordance with the requirements of the body awarding the grant.

The Principal delegates to the Chief Finance Officer responsibility for ensuring the records of all the College's land, buildings, fixed plant and equipment are complete and up to date.

### **8.2 INVENTORIES**

In addition to the asset register, budget holders are responsible for maintaining inventories for all stores in their team with a value in excess of £500.

The inventory must include items donated or held on trust.

Inventories must be checked at least annually and retained in the form prescribed by the Chief Finance Officer.

### **8.3 ASSET DISPOSAL**

Disposal of equipment and furniture must be in accordance with procedures agreed by the Principal who normally may be advised by the FRS Committee.

Disposal of land and buildings must only take place with the authorisation of the Governing Body. External funding agencies may also need to approve specific disposals when grants and other agency funding was used to finance the original asset purchase, or in accordance with the requirements of Managing Public Money.

### **8.4 ASSET CAPITALISATION POLICY**

#### **8.4.1 Capitalisation limit**

Assets with a useful life expectancy of more than one year and costing more than £3,000 or more should be capitalised.

#### **8.4.2 Groups of Assets**

Where individual assets costing less than £3,000 are purchased as part of a project costing more than £3,000, they may be grouped together and capitalised as in 8.4.1 above with the approval of the Chief Finance Officer.

### **8.5 DEPRECIATION POLICY**

#### **8.5.1 General**

The Governing Body approves the accounting policies for the depreciation of capitalised assets, which are set out in the notes to the annual financial statements.

#### **8.5.2 Accounting Treatment**

Depreciation will normally be charged on an annual basis, a full year's charge being made in the year of purchase or from the following year if not coming into use until after the year of purchase has closed.

### **8.6 TREASURY MANAGEMENT (Investments and Borrowings)**

#### **8.6.1 Investment policy**

The Governing Body is responsible for approving an investment treasury management policy statement, based on current best practice as recommended by the FRS Committee; and setting out a strategy and policies for cash management, long term investments and borrowings.

#### **8.6.2 Monitoring Investments**

The FRS Committee will monitor the way in which the investment policy is implemented and the Principal's review of such policies.

#### **8.6.3 Implementation of investment policy**

The Principal is responsible for all executive decisions concerning borrowing, investment or financing (within policy parameters approved by the Governing Body). The day-to-day management of these executive decisions and the reporting system is delegated by the Principal to the Chief Finance Officer. All borrowing shall be undertaken in the name of the College and shall conform to any relevant ESFA requirements. The Chief Finance Officer and the finance team are required to act in accordance with the College's treasury management policy approved by the Governing Body.

#### **8.6.4 Investment returns reporting**

The Chief Finance Officer will report to the Principal in each financial year on the activities of the treasury management operation and on the exercise of treasury management powers delegated to the Principal. This report will be forwarded to the FRS Committee.

#### **8.6.5 Loans, overdrafts and finance agreements**

Any new borrowing or change in existing borrowing arrangements must be approved by the Governing Body and reflect best value for money for the



College. Options to borrow should be considered alongside options to reduce investments and consider the short term and long-term costs of these decisions.

Following the reclassification of colleges to the public sector all requests for new borrowing or the variation of the terms (e.g repayment profile, fixed vs variable, provision of security) of an existing loan required advance approval from the Department for Education. Further details are available in Annex 3.

## **9. OTHER**

### **9.1 SUBSIDIARY COMPANIES**

In certain circumstances it may be advantageous to the College to establish a subsidiary company to undertake services on its behalf.

#### **9.1.1 Governing Body approval**

The Governing Body is responsible for approving the establishment of subsidiary companies and the procedure to be followed in order to do so.

#### **9.1.2 ESFA consultation and approval**

The ESFA should also be consulted and if necessary approval sought prior to the College establishing any subsidiary company.

#### **9.1.3 Required processes and procedures**

The detailed process involved in forming a subsidiary company and arrangements for monitoring and reporting on the activities of subsidiary undertakings must be agreed with the Governing Body.

#### **9.1.4 Governing Body responsibilities**

It is the responsibility of the Governing Body to establish the shareholding arrangements, appoint directors and monitor the activities of all subsidiary companies.

#### **9.1.5 Directors of subsidiary companies**

The directors of companies where the College is the majority shareholder must submit an annual report to the Governing Body, which will be reviewed in the first instance by the FRS Committee.

### **9.2 RISK MANAGEMENT**

#### **9.2.1 Risk management strategy**

The Principal delegates to the Chief Finance Officer responsibility for coordinating the recording and management of risks and also for developing a risk management strategy in order to identify the risks facing the College and the action required to mitigate these risks. The strategy should include cover for important potential occurrences such as disasters or acts of terrorism and be sufficient to meet any potential risk to all assets.

### **9.2.2 Approval of risk management policy**

The risk management policy will be considered and approved by the Governing Body on a regular basis, following a review of the policy by the Audit Committee. The Governing Body will also review the risk register regularly and will monitor progress on the mitigation of risks.

### **9.2.3 Legal awareness / limitation of exposure / new risks**

Budget holders must ensure that any agreements negotiated within their team with external bodies cover any legal liabilities to which the College may be exposed. Advice from the Chief Finance Officer should be sought to ensure that this is the case. Budget holders must give prompt notification to the Chief Finance Officer of any potential new risks and additional property and equipment, which may require insurance and any alterations affecting existing risks.

### **9.2.4 Bribery**

The College has a zero-tolerance for bribery and corruption and seeks to comply in full with the Bribery Act 2010. The College aims to limit its exposure to bribery by:

- Setting out a clear anti-bribery statement, which is proportionate to the risks that the College is exposed to;
- Embedding awareness and understanding of the College's Anti-fraud, corruption and bribery policy amongst all staff, "associated persons" (any person performing services for or on behalf of the College), and external persons/organisations with whom the College has commercial relations;
- Training staff as appropriate so that they can recognise and avoid the use of bribery by themselves and others;
- Encouraging staff to be vigilant and to report any suspicion of bribery, providing them with suitable channels of communication (see Whistleblowing Policy) and ensuring sensitive information is treated appropriately;
- Rigorously investigating instances of alleged bribery in accordance with the College disciplinary procedure; and assisting the Police and other appropriate authorities in any resultant prosecution;
- Taking firm and vigorous action against any individual(s) involved in bribery.

A more detailed policy statement is found in Annex 2.

The College has assessed the risk of a member of its Senior Leadership Team committing an offence for which it would be liable under the Bribery Act 2010. It considers that its controls over expenditure, accounting and commercial contracts are proportionate to that risk.

### **9.2.5 Insurance Cover**

The Principal delegates to the Chief Finance Officer the responsibility for day to day management of the College's insurance arrangements including obtaining appropriate and cost effective insurance cover. The provision of the College's insurance cover should be reviewed at least every five years through a re-tendering process.

Day to day management also includes negotiating claims and maintaining the necessary records (for example a register of all insurances effected by the College and the property and risks covered) and ensuring that all the College's insurers and advisers are kept fully up to date on a timely basis of developments and possible claims. The Chief Finance Officer may delegate to the Director of Estates and Facilities responsibility for keeping suitable records of plant that may be subject to inspection by an insurance company and for ensuring that inspection is carried out in the periods prescribed.

### **9.2.6 Insurance Claims – notification**

Budget holders must advise the Chief Finance Officer immediately, of any event, which may give rise to an insurance claim. The Chief Finance Officer will on behalf of the Principal notify the College's insurers and, if appropriate, prepare a claim in conjunction with the budget holders for transmission to the insurers.

## **9.3 TAXATION**

### **9.3.1 Liability to pay tax ( Corporation, VAT, PAYE and NI)**

The Principal delegates to the Chief Finance Officer responsibility for advising budget holders on any relevant guidance issued by the appropriate bodies and relevant legislation as it applies, on all taxation issues, to the College. The Chief Finance Officer will issue instructions to budget holders on compliance with statutory requirements including those concerning VAT, PAYE, national insurance, corporation tax and import duty if necessary.

### **9.3.2 Tax records and payments**

The Principal delegates to the Chief Finance Officer responsibility for maintaining the College's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate

## **9.4 SECURITY**

### **9.4.1 Collective responsibility for security**

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

#### **9.4.2 Care of keys**

Keys to safes or other similar containers are to be carried with the person responsible at all times. The loss of such keys must be reported to the Chief Finance Officer immediately. The loss of other keys must be reported to the Director of Estates and Facilities.

#### **9.4.3 Security of data / personal data security**

The Principal delegates to the Chief Planning and Data Officer the responsibility for security of data. The Chief Planning and Data Officer is responsible for ensuring the maintenance of proper security and privacy of all information held by the College in accordance with the College's Data Protection Policy.

#### **9.4.4 Computer Access**

Computer access will be restricted to authorised persons by the use of passwords and other types of security control available. All authorised users must agree to abide by the College's acceptable use policy.

#### **9.4.5 Data Protection**

Personal data relating to individuals is subject to the provisions of the General Data Protection Regulation 2016 (the GDPR) and the Data Protection Act 2018. A Data Protection Officer shall be nominated by the Board to ensure compliance.

### **9.5 NEW COURSES AND SERVICES RENDERED**

#### **9.5.1 New Courses**

Proposals for new courses should form part of the annual curriculum planning process and must have approval as detailed in the Curriculum Planning Framework. Proposals must include an academic justification and a financial plan demonstrating the viability of the course. The academic justification should demonstrate coherence with the College's overall operational plan. The financial plan must show all anticipated income, direct and indirect cost and must be approved by the Chief Finance Officer. The course organiser will be responsible to the Head of Curriculum or Head of School for day to day management of the course.

#### **9.5.2 Other income generating activities**

The term 'services rendered' includes the use of existing facilities and resources in order to gain additional revenue. The costing and pricing of such services should be agreed with the Chief Finance Officer.

### **9.6 CODE OF CONDUCT FOR STAFF**

The College expects that staff at all levels will observe the College's code of conduct. This reflects the three fundamental principles of openness, integrity and accountability, and covers:

- (i) Probity and propriety;

- (ii) Selflessness, objectivity and honesty; and
- (iii) Relationships.

## **9.7 GOVERNORS**

Governors are bound by the terms of the College's Articles of Association. Article 5 sets out the conditions that must be met for a Governor to be able to receive remuneration or other benefits.

Additionally, members of the Governing Body are required to disclose interests to the Director of Governance who will include details in the College's register of interests of members of the Governing Body.

Governors may receive compensation for travel and other out-of-pocket expenses subject to claims being duly authorised by the Director of Governance. Such claims should normally be accompanied by receipts or other evidence of the expense incurred.

## **9.8 HOSPITALITY**

Staff entertaining guests from outside bodies should seek the prior approval of their line manager.

## **9.9 STUDENT BODY**

The student body is a constituent part of the College and as such is responsible to the Governing Body. Subject to the constraints imposed by the ESFA, the Governing Body shall determine the level of grant to be paid annually to the student body.

The student body is responsible for maintaining its own bank account and financial records and preparing its own annual accounts. At year-end, the student body's financial statements will be examined by the Chief Finance Officer who will, if necessary, address any concerns with reference to the procedures above. The College's internal auditor shall have access to records, assets and personnel within the student body in the same way as other areas of the College.

## **9.10 TRUST FUNDS**

The Principal delegates to the Chief Finance Officer the responsibility for maintaining a record of the requirements for any trust fund awarded and for advising the FRS Committee on the control and investment of fund balances.

The FRS Committee will oversee the operation of all the College's trust funds within any relevant legislation and the specific requirements for each trust.

## **ANNEX 1: Bank Mandate**

### **1. Signing limits**

1. A minimum of two signatures are required for all cheques
2. There are 3 grades of signatories as follows:
  - “A” - unlimited
  - “B” - up to £10,000
  - “C” - up to £1,000

Cheques up to £1,000 need two signatures from list A, B or C.

Cheques from £1,000 to £10,000 need two signatures from list A or B.

Cheques over £10,000 need two signatures from list A.

### **2. Adding, deleting signatories or changing their individual grade**

Individuals can be added to or removed from the list of cheque signatories on the signature of any two of:

**The Chair of the Governing Body**

**The Chair of the Finance, Resources and Sustainability Committee**

**The Principal**

**The Director of Governance and Company Secretary**

Major alterations to the bank mandate or opening accounts with a new bank require a Governing Body minute.

### 3. Cheque signatories

The following table is updated as at June 2024:

<b>Name</b>	<b>Position</b>	<b>Authority to add or amend signatory list</b>	<b>Signing Limit</b>	<b>Grade</b>
Leisha Fullick	Chair of Governing Body	Yes	Unlimited	A
Nic Durston	Chair of FRS Committee	Yes	Unlimited	A
Andrew Gower	Principal	Yes	Unlimited	A
Georgia Cocks	Director of Governance and Company Secretary	Yes	Unlimited	A
Ralph Moran	Chief Finance Officer	No	Unlimited	A
Jon Cole	Chief Planning and Data Officer	No	Unlimited	A
Alison McNamara	Chief People Officer	No	Unlimited	A
Vusa Nkomo	Head of Student Services	No	Limit £10,000	B

#### **NOTE:**

**This is a statement of best practice and does not form an explicit part of the mandate to the bank**

## **ANNEX 2:           Anti-Bribery Statement**

The College has a zero-tolerance for bribery and corruption and seeks to comply in full with the provisions of the Bribery Act 2010.

This policy applies to all employees and anyone acting for, or on behalf of, the College (“associated persons”), including governors, other volunteers, temporary workers, consultants and contractors.

All employees and associated persons are responsible for maintaining the highest standards of business conduct and are expected to behave honestly and with integrity. Any breach of this policy will constitute a serious disciplinary offence, which may lead to dismissal and may become a criminal matter for the individual.

The College prohibits employees and associated persons from offering, giving, soliciting or accepting any bribe. The bribe might include cash, a gift or other inducement, to or from any person or organisation, wherever they are situated, and irrespective of whether or not they are a public official/body or private person or company, by any individual governor, employee, agent or other person or body acting on the College's behalf. The bribe might be made in order to:

- Gain any commercial, contractual or regulatory advantage for the College in a way which is unethical;
- Gain any personal advantage, pecuniary, or otherwise, for the individual or anyone connected with the individual.

This policy is not intended to prohibit appropriate corporate entertainment and/or hospitality undertaken in connection with the College’s business activities, provided the activity is customary under the circumstances, is proportionate, and is properly recorded/disclosed to the College in accordance with its procedures.

Employees and associated persons are requested to remain vigilant in preventing, detecting and reporting bribery. Employees and associated persons are expected to report any concerns regarding any suspected bribery in accordance with the College’s fraud reporting procedures.



### **ANNEX 3: Managing Public Money Guidance and Delegated Limits.**

On 29 November 2022, the Office for National Statistics (ONS) announced that Further Education colleges, sixth-form colleges and designated institutions in England ('colleges') were reclassified to the central government sector. This means that colleges and their subsidiary companies must now meet the requirements in HM Treasury's document, 'Managing Public Money' ("MPM"), and other related obligations, as set out in the "Dear Accounting Officer" letter of 29 November 2022 and subsequent ESFA reclassification bite size guides.

Colleges and college groups must ensure that their internal controls cover this expanded regularity framework, and that they have updated their existing policies, procedures and scheme of delegation in light of the new requirements.

In several places in this document, reference is made to ESFA's bite size guides, published on Gov.UK. As of April 2023, ESFA had produced and published six bite size guides to aid colleges/college groups in their transition to meeting MPM requirements and other obligations arising from reclassification. These bite size guides cover:

- Senior pay controls for colleges
- College requirements for write-offs and losses
- College requirements for special payments, including severance, compensation and ex-gratia payments
- College requirements for indemnities, guarantees and letters of comfort
- College requirements for novel, contentious and repercussive transactions
- College requirements for asset disposals

The table below sets out the financial transaction delegations applicable for each transaction type. In all cases approval should be sought from the Board following recommendation from the Finance, Resources and Sustainability Committee, before approaching the DfE for approval where it is anticipated that these delegated limits will be exceeded.

Managing Public Money -College Delegation Levels for Financial Transactions

The table below provides a summary of the delegated authority levels applicable to College's as set by the DfE. Please refer to the Dear Accounting Officer letter and the bite-size guides for further details.

TYPE OF TRANSACTION	COLLEGE DELEGATED AUTHORITY	DFE APPROVAL REQUIRED
Additional usage of existing overdraft, revolving credit facilities (RCFs) or drawdowns of existing term loans.	No delegated authority.	Consent must be sought from DfE.
Amendments to existing private sector borrowing	Colleges can agree amendments which are not within the scope of Managing Public Money (MPM). Examples include but are not limited to: a) providing periodic standard written representations to lenders b) changes to financial and non-financial covenants c) changes to standard clauses following underlying legislation changes.	Consent must be sought from DfE for amendments which may be within scope of MPM. Examples include but are not limited to: a) changes relating to the term of a loan b) repayment profile change c) interest rate change outside of the existing agreement terms, including any move between a variable and a fixed interest rate d) providing additional security.
New private sector borrowing	No delegated authority.	Any new private sector finance arrangements require prior written consent from DfE.
Write-offs	a) Any individual write-off that is £45,000 or less, or 1% or less of annual income (whichever is smaller). b) Cumulative write-offs providing within the academic year totalling £250,000 or less, or 5% or less of annual income (whichever is smaller). Income will be the forecast total income for the current year.	a) Any individual write-off that exceeds £45,000 or 1% of annual income (whichever is smaller). b) Cumulative write-offs within the academic year which exceed £250,000 or 5% of annual income (whichever is smaller). Consent must be sought from DfE.

Indemnities, guarantees and letters of comfort (contingent liabilities)	<p>Indemnities arising in the normal course of business.</p> <p>Indemnities beyond the normal course of business, and guarantees and letters of comfort at or below: 1% of annual income or £45,000 (whichever is smaller) individually; and 5% of annual income for cumulative such contingent liabilities (subject to a cumulative ceiling for the academic year of £250,000).</p> <p>Income will be the forecast total income for the current year.</p>	<p>Indemnities beyond the normal course of business, guarantees and letters of comfort in excess of: 1% of annual income or £45,000 (whichever is smaller) individually; and 5% of annual income for cumulative such contingent liabilities (subject to a cumulative ceiling for the academic year of £250,000).</p> <p>Consent must be sought from DfE.</p>
Novel, contentious and repercussive transactions	No delegated authority.	<p>Any transactions that may be considered novel, contentious and/or repercussive must be referred to DfE for prior approval.</p> <p>Consent must be sought from DfE.</p>
Compensation payments	Individual payments where non-statutory / non-contractual element is under £50,000.	<p>Values above the college's delegated authority.</p> <p>Consent must be sought from DfE.</p>
Ex gratia, extra contractual, extra statutory or extra regulatory payments	No delegated authority.	<p>All such payments must be referred to DfE for prior approval.</p> <p>Consent must be sought from DfE.</p>
Special severance payments	<p>a) Individual payments where non-statutory / non-contractual element is under £50,000 or under 3 months' salary (gross), whichever is lower. Subject to:</p> <p>b) The Exit package including a special staff severance payment being below £100,000 in total, and</p> <p>c) employee earns under £150,000</p>	<p>a) Values above the college's delegated authority.</p> <p>b) Exit packages which include a special severance payment and are at or above £100,000</p> <p>c) the employee earns over £150,000.</p> <p>Consent must be sought from DfE.</p>

## **ANNEX 4: Capital Programmes Project Governance**

### **What is a Capital Programme**

A capital programme is a series of linked capital projects, or single large capital project with a budget of £250k (including VAT) or above, as set out in the College Financial Regulations.

Examples of Capital Programmes include major building works projects, large information technology/systems implementations.

The Capital Programme/Project will result in the creation/procurement of an asset or assets that will be capitalised.

### **Criteria for Capital Programme Approval**

Proposals for Capital Programmes will be made via a Business Case and initially considered by SLT. The Business Case should set out:

- The overall objective of the programme, including measurable success criteria;
- Detail how the Capital Programme supports the delivery of the College's Strategic Objectives and Cross Cutting Themes;
- Explanation of how the programme interacts with any existing or previous capital programmes, if applicable;
- A shortlist of delivery options to achieve the objective, including the status quo or a "do nothing" option for comparison purposes;
- The quantitative and qualitative benefits that will be delivered by the proposed Capital Programme (including an assessment of financial implications e.g. will the programme reduce or increase running costs? Annual licencing costs? Maintenance? Additional Income?);
- The proposed programme costs break down (including, internal staff resources, professional fees, contingencies, VAT, financing, etc.);
- An investment appraisal, assessing the quantitative and qualitative benefits against the estimated costs, discounted as required.;
- Potential sources of funding (e.g. College's own funds, borrowing, fundraising, capital grant bids, etc.);
- High level implementation timeline, including key project timelines (e.g. tender launch, contract award, work starts, work completes, becoming operational);
- Proposed procurement route, including the contract management approach;
- An analysis of key risks and associated mitigations, including impact on staff and students;
- Any contingency built into the plan, as well as a clear and realistic explanation of the implications should the programme go over time or budget (suggest a 20% delay and cost overrun is modelled to account for optimism bias);
- Governance, including monitoring and reporting, from any project-specific governance to be put in place right up to the Governing Body; and

- The proposed post-implementation review of the programme's success a reasonable time period following completion so that the College can reflect learning ahead of future capital programmes.

Where a Capital Programme results from the award of a specific Grant for capital funding the Business Case should set out the basis for the grant being effectively utilised within any conditions of funding.

Following review by the Senior Leadership Team, the proposed Capital Programme will be evaluated by the Principal/CEO and Chief Finance Officer, and if appropriate recommended for consideration by the Finance, Resources and Sustainability Committee.

Recommended Business Cases will be progressed/developed for consideration by the Finance, Resources and Sustainability Committee (FRS), and subject to a recommendation from FRS, for approval by the Board.

Board approval will include budget approval and will confirm any appropriate delegations for contract approvals and values specific to the programme.

### **Capital Programme Governance**

All Capital Programmes will be delivered through a controlled project management methodology.

**A Project/Programme Manager will be appointed.** For programmes in excess of £1M, it is usually expected that an external/dedicated Project Manager is appointed. Capital Programme/Project Managers will report to the CFO.

**A Project Team will be established,** which may include both College staff and external contractors, and will include a member of the Finance Team. The Project Team will meet regularly (at least monthly), and progress will be formally reported to SLT, with Termly reports to the Finance, Resources and Sustainability Committee.

**A detailed Project Plan will be developed** by the Project Team and maintained which sets out the programme scope / deliverables and the individual elements, tasks and activities, tracking interdependencies, ownership, due dates, and progress.

**A detailed Project Budget breakdown will be produced** and monitored, supported by the Finance representative.

**A Project Risk Register will be established** and updated. This risk register will be shared with the Risk Management Committee.

**Change Control Procedures will be established.** These will consider the circumstances under which a live project would require a business case review and

re-approval following significant changes to the scope of deliverables – e.g. where it was not financially viable to deliver against the original approved outcomes.

**Project Monitoring Reporting** will include:

- A report on progress against the project deliverables, whether key deliverables are on track/on time and the projected impact on the overall delivery date of the programme.
- An updated programme risk register.
- A project financial report, including budget, spend to date, variances, and forecast.
- Any material (e.g. +/- 5%) variances will be accompanied by an explanatory commentary.
- A report on contract performance and compliance (e.g. where construction contracts have been issued as part of the process).
- A summary of key decisions/approvals required by the Board with dates.

**Board Oversight** will generally be provided through termly reporting by the Project/Programme Manager to the Finance, Resources and Sustainability Committee, and then to the Board. For projects in excess of £1M a Project Board will be established with representation from the Principal/CEO and CFO and an external/independent expert panel member or governor, with direct reporting from the Project Manager. For significant projects the Board may wish to establish a separate **Programme Board** with representation from the CEO and Governors, with direct reporting from the Programme/Project Manager.

**Programme Closure and Post Implementation Review.**

A Programme Closure Report will be completed at the end of the Programme, this will detail and explain:

- Any variations from the approved Business Case in terms of deliverables and outputs.
- Any programme risks that remain live (e.g. during the defects period of construction)
- A final budget reconciliation.
- The location of any project documentation.
- A benefits realisation assessment.
- A Post Implementation Review outlining key learning points.

This report will be submitted to the Finance, Resources and Sustainability Committee for consideration and reported to the Governing Body for consideration.