

## 1. INTRODUCTION

- 1.1 The College is a Further Education Corporation established under the provisions of the [Further and Higher Education Act 1992](#). It is an [exempt charity](#) by virtue of the Charities Act 2011.
- 1.2 The Corporation, as laid down in the [Instrument and Articles of Government](#), is accountable for the effectiveness of its management and administration of the College.
- 1.3 Pursuant to the [college financial handbook](#), financial memorandum (conditions of funding) between funding bodies and the College and the funding body's [audit code of practice](#), the College must ensure it has sound systems of internal financial management and control and must adopt a viable financial strategy to ensure the sustainability and the solvency of the College. The financial regulations of the College form part of this overall system of accountability.
- 1.4 This document sets out the College's financial regulations (practical guidance the College's broad policies relating to financial control) which applies to the College and all its subsidiary undertakings.
- 1.5 These financial regulations are subordinate to the College's Instrument and Articles of Government and to any restrictions contained within the College's financial memorandum with the funding body and the funding body's audit code of practice.
- 1.6 The purpose of these financial regulations is to provide control over the totality of the College's resources and provide management with assurances that the resources are being properly applied for the achievement of the College's strategic plan and business objectives and include:
- financial viability;
  - achieving value for money;
  - fulfilling its responsibility for the provision of effective financial controls over the use of public funds;
  - ensuring that the College complies with all legislation relating to financial control;
  - safeguarding the tangible assets of the College; and
  - ensuring compliance with the Corporate Risk Register.
- 1.7 Compliance with the financial regulations is compulsory for all staff connected with the College. A member of staff who fails to comply with the financial regulations may be subject to disciplinary action under the College's disciplinary policy. The Corporation will be notified of any such breach through the Audit and Risk Management Committee. It is the responsibility of heads of department to ensure that their staff are made aware of the existence and content of the College's financial regulations.
- 1.8 The Finance Committee is responsible for maintaining a continuous review of the financial regulations, through the Chief Financial Officer, and for advising the Corporation of any additions or changes necessary.

- 1.9 In exceptional circumstances the Finance Committee may authorise a departure from the detailed provisions herein, such departure to be reported to the Corporation at the earliest opportunity.

## **2. CORPORATION GOVERNANCE**

### **2.1 The Corporation**

2.1.1 The Corporation is responsible for the management and administration of the College and its companies. Its financial responsibilities are to:

- ensure the solvency of the College and its companies and the safeguarding of the College and its companies' assets;
- appoint, grade, suspend, dismiss and determine the pay and conditions of service of the CEO and other senior post-holders;
- set a framework for pay and conditions of service of all other staff;
- ensure that the financial, planning and other management controls, including controls against fraud and theft, applied by the College and its companies are appropriate and sufficient to safeguard public funds;
- approve the appointment of external auditors, and an internal audit service if required. The [Post-16 Audit Code of Practice](#) states the "audit committee must ensure that there is a policy for regular retendering of the external audit service";
- secure the efficient, economical and effective management of all the College and its companies' resources and expenditure, capital assets and equipment, and staff, so that the investment of public funds in the College and its companies is not put at risk;
- ensure that appropriate financial considerations are taken into account at all stages in reaching decisions and in their execution;
- plan and conduct its financial and academic affairs in line with the College Strategic Plan; ○ approve an annual budget before the start of each financial year; in line with the College's overall financial strategy and strategic plan;
- determine tuition fees, including Apprenticeship fees; ○ ensure that the College and its companies comply with the funding body's audit code of practice;
- approve the College's strategic plan;
- approve the annual financial statements; and
  - approve the risk management strategy.

### **2.2 Committee Structure**

2.2.1 The Corporation has ultimate responsibility for the College's finances, but delegates specific powers and processes to its Committees. The College's scheme of delegation and Committee terms of reference specify the delegated powers granted to each Committee within the [Committee structure](#):

- Apprenticeships and Higher Education Educational Excellence Committee
- Audit and Risk Management Committee
- Finance Committee
- Nominations and Governance Committee
- Post-16 Educational Excellence Committee
- Remuneration Committee

- Resources Committee

## 2.3 Accounting Officer/Chief Executive Officer (CEO)

- 2.3.1 The CEO is the designated Accounting Officer and is responsible for ensuring the financial administration of the College affairs are in accordance with the financial memorandum (conditions of funding) with all funding bodies. As Accounting officer, the CEO may be required to justify College financial matters to the House of Commons' Public Accounts Committee.
- 2.3.2 Pursuant to the College's Instruments and Articles of Government, the CEO has responsibility for "*the effective and efficient use of resources, the solvency of the Institution and the Corporation and safeguarding its assets*" and "*approving and monitoring annual budgets of income and expenditure*".
- 2.3.3 The CEO shall demonstrate their oversight of financial matters by signing the balance sheet and the statement of corporate governance within the annual financial statements, and the CEO's statement of the two-year financial forecasts submitted to the funding body.

## 2.4 Chief Financial Officer (CFO)

- 2.4.1 Day-to-day financial administration is controlled by the CFO, who is responsible to the CEO for:
- preparing annual capital and revenue budgets and financial plans, based on the College's strategic plan;
  - preparing accounts, management information, monitoring and control of expenditure against budgets and all financial operations;
  - preparing the College and its companies' annual accounts and other financial statements and accounts which the College and its companies are required to submit to other authorities;
  - ensuring that the College and its companies maintain satisfactory financial systems and records;
  - providing professional advice on all matters relating to financial policies and procedures;
  - day-to-day liaison with internal and external auditors in order to achieve efficient processes. [Appendix A](#) shows, for the main areas in which advice is sought, details of the key contacts within the Finance Department.

## 2.5 Other Senior Staff with Financial Responsibility

- 2.5.1 The Senior Executive Team (SET) and their senior staff (including 'Assistant Principals', 'Directors' and 'Heads' of) are ultimately responsible to the CEO for financial management for the areas or activities they control, including compliance with all relevant systems and procedures. They are advised by the CFO, Group Director of Finance and Operations (GDFO) and Group Head of Finance (GHF) in executing their financial duties. The CFO will also supervise and approve the financial systems operating within their departments, including the form in which accounts and financial records are kept. 'Assistant Principals', 'Directors' and 'Heads' of are responsible for establishing and maintaining clear lines of

responsibility within their department for all financial matters. Where resources are devolved to budget holders, they are accountable to their SET member for their own budget.

2.5.2 Assistant Principals', 'Directors' and 'Heads' of shall provide the CFO with such information as may be required to enable:

- compilation of the College's financial statements;
- compilation of the College's annual budgets;
- implementation of financial planning; and
- implementation of audit and financial reviews, projects and value for money studies.

2.5.3 All members of staff should be aware and have a general responsibility for the security of the College's property for avoiding loss and for due economy in the use of resources. They should ensure that they are aware of the College's financial authority limits and the values of purchases for which quotations and tenders are required ([see 3.9.4](#)). They shall make available any relevant records or information to the CFO or their authorised representative in connection with the implementation of the College's financial policies, these financial regulations and the system of financial control. They shall provide the CFO with such financial and other information as they may deem necessary, from time to time, to carry out the requirements of the Corporation. They shall immediately notify the CFO whenever any matter arises which involves, or is thought to involve, irregularities concerning, inter alia, cash or property of the College. The CFO shall take such steps as they consider necessary by way of investigation and report.

## 2.6 Risk Management

2.6.1 The College acknowledges the risks inherent in its business and is committed to managing those risks that pose a significant threat to the achievement of its business objectives and financial health. Detailed guidance on the level of risk considered to be acceptable/unacceptable by the College will be set out in a separate risk management policy.

2.6.2 The Corporation has overall responsibility for ensuring there is a risk management policy and a common approach to the management of risk throughout the College through the development, implementation and embedment within the organisation of a formal, structured risk management process.

2.6.3 In line with this policy, the Corporation requires that the risk management plan and supporting procedures include:

- the adoption of common terminology in relation to the definition of risk and risk management;
- the establishment of College-wide criteria for the measurement of risk, linking the threats to their potential impact and the likelihood of their occurrence together with a sensitivity analysis;
- a decision on the level of risk to be accepted, together with tolerance levels expressed in terms of measurable outcomes;
- a decision on the level of risk to be covered by insurance;

- detailed regular review at department or support function level to identify significant risks associated with the achievement of key objectives and other relevant areas;
- development of risk management and contingency plans for all significant risks, to include a designated 'risk owner' who will be responsible and accountable for managing the risk in question;
- regular reporting to the Corporation of all risks above established tolerance levels; and
- an annual review of the implementation of risk management arrangements. The policy and procedures must be capable of independent verification.

2.6.4 The Senior Executive Team (SET) and their senior staff (including 'Assistant Principals', 'Directors' and 'Heads' of) must ensure that any agreements negotiated within their departments with external bodies cover any legal liabilities to which the College may be exposed. The advice of the CFO should be sought to ensure that this is the case.

### 2.7 Whistleblowing

2.7.1 Whistleblowing in the context of the Public Interest Disclosure Act is the disclosure by an employee (or other party) about malpractice in the workplace. A whistleblower can blow the whistle about crime, civil offences (including negligence, breach of contract, etc), miscarriage of justice, danger to health and safety or the environment, and the cover-up of any of these. It does not matter whether or not the information is confidential and the whistleblowing can extend to malpractice occurring in the UK and any other country or territory.

2.7.2 The full procedure for whistleblowing is set out in the [College's whistleblowing policy](#).

### 2.8 Code of Conduct

2.8.1 The College is committed to the highest standards of openness, integrity and accountability. They seek to conduct their affairs in a responsible manner, having regard to the [Seven Principles of Public Life](#) (formerly known as the Nolan Principles), which members of staff at all levels are expected to observe.

2.8.2 Additionally, members of the Corporation, senior staff members and/or those involved in procurement are required to disclose interests in the College's register of interests, which is maintained by the Governance Professional (Clerk to the Corporation). Individuals are responsible for ensuring that entries in the register relating to them, are kept up to date regularly and promptly, as prescribed in the financial procedures.

2.8.3 In particular, no person shall be a signatory to a College contract where they also have an interest in the activities of the other party.

### 2.9 Receiving gifts or hospitality

2.9.1 It is an offence under the Bribery Act 2012 for members of staff to accept corruptly any gift or consideration as an inducement or reward for doing, or refraining from doing, anything in an official capacity or showing favour or disfavour to any person in an official capacity. The guiding principles to be followed by all Governors and members of staff must be:

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

Thus, Governors and members of staff should not accept any gifts, rewards or hospitality (or have them given to members of their families) from any organisation or individual with whom they have contact in the course of their work that would cause them to reach a position whereby they might be, or might be deemed by others to have been, influenced in making a business decision as a consequence of accepting such hospitality. The frequency and scale of hospitality accepted should not be significantly greater than the College would be likely to provide in return. When it is not easy to decide between what is and what is not acceptable in terms of gifts or hospitality, the offer should be declined or advice sought from the CFO.

2.9.2 A register will be maintained by the Finance department for gifts and hospitality received in excess of £50. Individuals are responsible for disclosing gifts and hospitality received promptly and accurately to the Finance department.

### **2.10 Private Consultancies and Other Paid Work**

2.10.1 Unless otherwise stated in the contract for permanent staff:

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

## **3. FINANCIAL MANAGEMENT AND CONTROL**

## 3.1 Financial Planning

- 3.1.1 The CFO is responsible for preparing annually a rolling three-year financial plan for approval by the Corporation on the recommendation of the Finance Committee and for preparing financial forecasts for submission to the funding body. Financial plans should be consistent with the Strategic Plans approved by the Corporation.
- 3.1.2 **Budget objectives:** The Corporation will, from time to time, set budget objectives for the College and its companies. These will help the CFO in preparing more detailed financial plans for the College.
- 3.1.3 **Resource allocation:** Resources are allocated annually by the Corporation on the recommendation of the Finance Committee, and on the basis of the above objectives. The Senior Executive Team and Budget Holders are responsible for the economic, effective and efficient use of resources allocated to them.
- 3.1.4 **Budget preparation and allocation:** The CFO is responsible for preparing an annual revenue and capital budget which is suitably detailed to support effective resource allocation and includes annual cash flow forecasts and a projected year-end balance sheet, for consideration by the Finance Committee and approved by the Corporation. Throughout the year, the CFO is responsible for appropriately revising forecasts and projected year-end balance sheet information for consideration by the Finance Committee and reporting to the Corporation.
- 3.1.5 **Capital Expenditure Budget:** Includes all capital expenditure on:
- purchase of land and/or buildings;
  - site works, erection, alteration and improvement of buildings;
  - professional fees associated with capital expenditure on land/buildings/site works/erection/alteration and improvement of buildings;
  - purchase and/or installation of equipment, furniture and fixtures costing £5,000 or above
  - Staff costs directly attributable to capital projects
  - Capital projects must be included within, and capital expenditure must not be incurred outside of, the approved capital expenditure budget. The use of capital expenditure is subject to the scrutiny of the Finance Committee.
- 3.1.6 **Agile Capital Expenditure Budget approval:** To create the agility to respond to new capital/grant funded project opportunities which were not foreknown and therefore were not incorporated into the approved capital expenditure budget.
- 3.1.7 **Post-Project Evaluation:** Following completion of significant capital projects in excess of £250,000, a post-project evaluation or final report should be submitted to the Finance Committee including actual expenditure against budget and reconciling funding arrangements where a variance has occurred as well as other issues affecting completion of the project. Post- project evaluations may also need to be sent to the relevant funding body, as laid down in funding body guidelines.

- 3.1.8 **Overseas activity:** In planning and undertaking overseas activity, the College and its companies must have due regard to the relevant guidelines issued by the funding body.
- 3.1.9 **Other major developments:** Any new aspect of business, or proposed establishment of a company or joint venture, which will require an initial investment in buildings, equipment or resources of over £100,000 or ongoing annual net revenue expenditure of over £100,000 (over the life of the project), should be submitted to the Finance Committee for recommendation to and approval by the Corporation. The CFO will establish protocols ([see Appendix F](#)) for these major developments to enable them to be considered for approval by the Corporation, setting out the information required for each proposed development as well as the financial criteria that they are required to meet. It is recommended to use the Agile Project Approval form.

## 3.2 Financial Controls

- 3.2.1 **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 their Senior Executive Team member for the income and expenditure appropriate to their budget. Significant departures from agreed budgetary targets must be reported immediately to the CFO / GDFO / GHF by the Senior Executive Team member concerned and corrective action taken as necessary.
- 3.2.2 **Financial information:** Monthly College management accounts will be provided comparing actual income and expenditure to the original budget and from month three and onwards a new forecast of the projected outturn at the year-end for all budget heads will be included. Budget Holders are assisted in their duties by management information provided by the Finance team. The types of management information available to the different levels of management will equate to their requirements and demands. The CFO is responsible for supplying budgetary reports on all aspects of the College to the Finance Committee on a basis determined by the Finance Committee but subject to any [specific requirements of the funding body](#). We will also report against covenants where appropriate.
- 3.2.3 **Expenditure not included in Approved Budget:** must be approved and may include:
- Bids for capital or grant funding (relating to an element of match funding within capital or revenue expenditure);
  - Bids for revenue funding (relating to costs associated with providing an additional or extended level of service within the current and/or subsequent years);
  - Unbudgeted staffing costs (especially where the additional staffing costs adversely impact the staffing percentage costs approved in the budget); and
  - Non-pay costs

The approval for these items shall be as below:

- Bids for capital or grant funding:



- Submission of capital bids with a match funding element in excess of £1m must be approved by the Finance Committee or (if an urgent decision) the Chair of the Finance Committee, using the Agile Project Approval .
- The form should demonstrate how the bid aligns to the College's overall strategy and/or property strategy and the bid should be included in the College's bid register (in a format determined by the CFO) and reported to the Finance Committee;
- If the capital bid is successful, the match funding element of the bid must be considered and approved with due regard to:
  - The level of the Colleges reserve funds;
  - Existing capital commitments; and
  - Any other capital bids awaiting decisions.
  - For capital bids with a match funding element of up to £500,000 - by the Finance Committee or (if an urgent decision) the Chair of the Finance Committee upon consultation with, and agreement from, a majority of the Finance Committee members.
  - For capital bids with a match funding element in excess of £500,000 - by the Corporation or (if an urgent decision) the Chair of the Corporation upon consultation with, and agreement from, a majority of the Corporation members.
  - The CFO is responsible for regularly reporting on the progress of, and any revised or more accurate information relating to, successful and in progress bids to the Finance Committee.
- Bids for revenue funding:
  - The CEO or CFO may approve revenue bids that have a neutral or positive effect on the contribution to reserves position.
  - If the revenue bid will have a detrimental effect on the contribution to reserves position
  - and is expected to adversely affect year end contribution by more than £10,000, it must be approved by the Finance Committee or (if urgent decision) the Chair the Finance Committee; and be reported to the next Finance Committee.
- Non-pay costs:
  - It is accepted by the Finance Committee that overspends against certain budget headings can be balanced by extra income or savings against other non-pay budget headings; and such variances are reported via the rolling forecast of the Income and Expenditure reported to each Finance Committee meeting. However, if the CEO knowingly incurs non-pay expenditure that will adversely affect the year end outturn; this should be reported to the Finance Committee and if it is greater than £10,000 then the CEO will seek the prior permission of the Chair or Vice Chair of the Corporation and the agreement of the Chair or Vice Chair of the Finance Committee. Such approval must be reported to the next meeting of the Finance Committee.
- Fully Funded Capital Expenditure:
  - The CEO may authorise expenditure not included in the approved budget up to the value of £2,500,000 where that non-pay capital expenditure is funded by additional guaranteed income that was also not included in the approved budget and aligns to the College's overall strategy and/or property strategy, with the agreement of the Chair of Corporation or Finance Committee. Any such authorised expenditure

and its matched guaranteed income must be reported to the Finance Committee at its next meeting\*.

*\*This will not apply to funding received from the ESFA as part of the College's core activities or amounts below £100,000 which can be approved by the CEO provided they are funded.*

- The Finance Committee may authorise expenditure not included in the approved budget from £2,500,000 and £5,000,000 where this is fully matched by unbudgeted income.
- The Corporation Board may authorise expenditure fully funded capital expenditure above £5,000,000.
- Unfunded or Partially Match Funded Expenditure:
  - The CEO may authorise unfunded capital expenditure of up to £500,000 on projects where the unbudgeted match funding required is up to £500,000 with the agreement of the Chair of Corporation or Chair of Finance Committee.
  - The Finance Committee or (if an urgent decision) the Chair of the Finance Committee upon consultation with, and agreement from, a majority of the Finance Committee members may authorise unbudgeted capital expenditure from £250,000 and £500,000.
  - The Corporation or (if an urgent decision) the Chair of the Corporation upon consultation with, and agreement from, a majority of the Corporation members may authorise unbudgeted capital expenditure above £1,000,000 upon the recommendation of the Finance Committee.

3.2.4 **Changes to the approved budget:** Only in exceptional circumstances will changes to the approved budget be considered. These must be approved by the Finance Committee and recommended to the Corporation, unless they fall within the delegated approval arrangements.

3.2.5 **Virement:** Budgets may be vired (reallocated between nominal codes in the same or similar categories) at the approval of the CFO. If the value of the amount vired is over £50,000 the virement must be reported to the Finance Committee. Virement between staffing and non-pay codes will not normally be permitted from one nominal code to another.

3.2.6 **Treatment of Year-End Balances:** At the year-end, Budget Holders do not have the authority to carry forward a budget balance to the following year unless the Finance Committee has approved a specific scheme for carrying forward all or part of unspent amounts which complies with accounting standards. Specific capital budgets may be carried forward with the approval of the CFO and reported to the Finance Committee.

### 3.3 Accounting Arrangements

3.3.1 **Financial year:** The Colleges financial year will run from 1 August until 31 July the following year.

3.3.2 **Basis of accounting:** The consolidated financial statements are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards.

- 3.3.3 **Format of the financial statements:** The financial statements are prepared in accordance with the Statement of Recommended Practice *Accounting for Further and Higher Education*, subject to any specific requirements of the funding body, and in accordance with applicable accounting standards and following the guidance published by the Education and Skills Funding Agency (ESFA) in consultation with the College's external auditors.
- 3.3.4 **Capitalisation and depreciation:** New land and buildings will be recorded in the balance sheet at actual build or acquisition cost, except where they are received as gifts, where they will be recorded at depreciated replacement value. Buildings will be depreciated in equal instalments over their estimated remaining useful life. Freehold land will not be depreciated.
- Expenditure incurred on repair, refurbishment or extension of existing buildings will not be capitalised unless it “**provides incremental future benefits**” (FRS 102 paragraph 17.6), that is, it improves the earning capacity or extends the life of the non-current asset.
- Expenditure incurred on the acquisition of assets other than land and buildings will be recorded in the balance sheet where the acquisition cost per item is £1,000 or more. Capitalised assets other than freehold land, will be depreciated over a period of years commencing in the year of acquisition, as stated in the College depreciation policy.
- 3.3.5 **3.3.5 Accounting records:** The CFO is responsible for the retention of financial documents. These should be kept in a form that is acceptable to the relevant authorities. The College is required by law to retain prime documents for six years from the end of the College financial year that they relate to. These include:
- official purchase orders;
  - paid invoices;
  - accounts raised;
  - bank statements;
  - copies of receipts;
  - paid cheques; and
  - payroll records.
- The CFO will make appropriate arrangements for the retention of electronic records and members of staff should ensure that retention arrangements comply with any specific requirements of funding organisations. Additionally, for auditing and other purposes, other financial documents should be retained for three years or as determined by the funder.
- 3.3.6 **Information to Budget Holders:** The Finance team will provide up-to-date budget reports to Senior Executive Team (SET) members and as required. The Finance team will provide appropriate training for Budget Holders.
- 3.3.7 **Public Access:** Pursuant to the Charities Acts of 1993 and 2006, the Corporation is required to supply any person with a copy of the College's most recent financial statements within two months of a request. The Act enables the Corporation to levy a reasonable fee and this will be charged at the discretion of the CFO. The College will also allow members of the public to inspect the statement of accounts during normal working hours and make a copy available on the [College's website](#).

- 3.3.8 **Taxation:** The CFO is responsible for advising on all relevant taxation issues to the College; and senior staff are responsible for providing all relevant taxation information to the CFO.

### 3.4 Audit requirements

- 3.4.1 External Auditors and Internal Auditors shall have authority to:

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

The CFO is responsible for drawing up a timetable for final accounts purposes and will advise staff and the External Auditors accordingly.

- 3.4.2 **External audit:** The appointment of external auditors for the main financial statements of the College is the responsibility of the Corporation. The Corporation will be advised by the Audit and Risk Management Committee. The primary role of the external audit is to report on the College's financial statements and to carry out such examination of the statements and underlying records and control systems as are necessary to reach their opinion on the statements. Their duties will be in accordance with advice set out in the funding body's audit code of practice and the Auditing Practices Board's statements of auditing standards. In addition, the funding body will appoint the auditors to carry out an external regularity audit of the College. The primary role of this audit is to give assurance to the funding body that the College's income and expenditure has been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. From time to time the Audit and Risk Management Committee may also appoint External Auditors to carry out additional auditing work e.g. funding audits. The [Post-16 Audit Code of Practice](#) states the "audit committee must ensure that there is a policy for regular retendering of the external audit service" and "Corporations *should* ensure that the external audit contract is put out to tender at least every 5 years".

- 3.4.3 **Internal audit:** The Internal Auditor is appointed by the Corporation on the recommendation of the Audit and Risk Management Committee. The College's financial memorandum (conditions of funding) with the funding body requires that it has an effective internal audit function and their duties and responsibilities must be in accordance with advice set out in the sector audit code of practice. The main responsibility of internal audit is to provide the Corporation, the CEO and senior management with assurances on the adequacy of the internal control system. The Audit Code of Practice requires the Audit Committee to assess and provide the Corporation with an opinion on the adequacy and effectiveness of the College's audit arrangements, framework of governance, risk management and control, and processes for the effective and efficient use of resources, the solvency of the institution and the safeguarding of its assets. The internal audit service is independent in its planning and operation but has direct access to the Corporation, CEO and Chair of the Audit and Risk Management Committee. The formal responsibilities of Internal Audit are detailed at

[Appendix B](#). The internal auditor will also comply with the relevant and requisite auditing guidelines expected for Further Education colleges.

- 3.4.5 **Fraud and corruption:** All incidents of theft and damage should be reported immediately to the CFO (unless the case of fraud or corruption is suspected to involve the CFO in which case it should be reported to the CEO) who shall immediately invoke the fraud response plan (see [Appendix D](#)) and notify the CEO and the Chair of the Audit and Risk Management Committee of the suspected irregularity and take steps they consider necessary to investigate and report. If a criminal offence is suspected of having been committed, the CEO or CFO shall inform the police. The CEO will also report any significant cases of fraud or irregularity to the funding body, in accordance with the requirements in the audit code of practice. The Audit and Risk Management Committee shall commission investigation of the suspected irregularity, by the Internal Auditors or others as appropriate, who shall carry out an investigation and prepare a report for the Audit and Risk Management Committee on the suspected irregularity which will include advice on preventative measures. If the suspected fraud is thought to involve the CFO and/or the CEO, the member of staff shall notify the Chair of the Audit and Risk Management Committee directly of their concerns regarding irregularities.
- 3.4.6 **Value for money:** It is a requirement of the financial memorandum (conditions of funding) that the Corporation is responsible for delivering value for money from public funds. It should keep under review its arrangements for managing all the resources under its control, taking into account guidance on good practice issued from time to time by the funding body, the National Audit Office, the Public Accounts Committee or other relevant bodies. Internal Audit is to have regard to value for money in its programme of work. This will be used to enable the Audit Committee to refer to value for money in its annual report.
- 3.4.7 **Other auditors:** The College may, from time to time, be subject to audit or investigation by external bodies such as the funding body, National Audit Office, European Court of Auditors, and the HM Revenue and Customs. They have the same rights of access as External and Internal Auditors.

### 3.5 Banking Arrangements

- 3.5.1 **Appointment of Bankers and Other Professional Advisers:** The Corporation is responsible for the appointment of the College's bankers and other professional financial advisers (such as investment managers) on the recommendation of the Finance Committee for a period up to 10 years; after which the service shall be subject to competitive tendering.
- 3.5.2 **Banking arrangements:** The College's bank accounts (and those of its subsidiary companies) may only be opened or closed by the CFO. The CFO is responsible for ensuring that all bank accounts are subject to regular reconciliation and that large or unusual items are investigated as appropriate; and for liaising with the College's bankers in relation to bank accounts, associated arrangements and operations.

- 3.5.3 **Cheques:** The CFO is responsible for ensuring cheques are signed in accordance with the bank mandate and for the arrangements for their safe custody. Cheques drawn on behalf of the College, must be authorised in the form approved by the Finance Committee.
- 3.5.4 **Automated Transfers:** Automated Transfers (such as BACS, CHAPS or Faster Payments) must be authorised in the form approved by the Finance Committee.
- 3.5.5 **Treasury Management Policy** is updated and maintained by the CFO. The CFO will report to, and at a frequency determined by, the Finance Committee on the activities of the treasury management operation and on the CFO's use of powers delegated to them (see [Appendix E](#)).

### 3.6 Income

- 3.6.1 The CFO is responsible for ensuring:
- appropriate procedures are in operation to enable the College to receive all income to which it is entitled;
  - all receipt forms, invoices, tickets or other official financial documents in use and electronic collection systems must have the prior approval of the CFO;
  - levels of charges for contract research, services rendered, goods supplied and rents and lettings;
  - the prompt collection, security and banking of all income received;
  - ensuring that all grants notified by the funding body and other bodies are received and appropriately recorded in the College's accounts; and
  - ensuring that all claims for funds, including research grants and contracts, are made by the due date.
- 3.6.2 **Grant income agreements:** The CFO has delegated authority to sign the grant income agreements on behalf of the college. Where two signatures are required the CEO will countersign. All grant income agreements, whether received on a government electronic portal or issued as a deed requiring seal, will be treated in the same way with the same delegated authority to CFO and CEO.
- 3.6.3 It is the responsibility of all College staff to ensure that the Finance Department is made aware of debtors as shown below and to provide timely and accurate information to the Finance Department. It is the responsibility of the Finance Department to invoice debtors and collect income due to the College.
- 3.6.4 **Receipt of Cash, Cheques and Other Negotiable Instruments:** All monies received within departments from whatever source must be recorded by the department on a daily basis together with the form in which they were received, for example cash, cheques and other negotiable instruments. All monies received must be paid to the cashier at least weekly, and in accordance with a timetable prescribed by the CFO and set out in financial procedures. The custody and transit of all monies received must comply with the requirements of the College's insurers. All sums received must be paid in and accounted for in full, and must not be used to meet miscellaneous departmental expenses or be paid

into the departmental petty cash float. Personal or other cheques must not be cashed out of money received on behalf of the College.

- 3.6.5 **Receipts by Credit or Debit Card including online transactions:** the College may only receive payments by debit or credit card including online transactions using procedures approved by the CFO.
- 3.6.6 **Collection of Debts:** The CFO should ensure that:
- o where debtors invoices are required, they are raised promptly on official invoices, in respect of all income due to the College;
  - o invoices are prepared with care, recorded in the ledger, show the correct amount due and are credited to the appropriate income account;
  - o any credits granted are valid, properly authorised and completely recorded;
  - o VAT is correctly charged where appropriate, and accounted for;
  - o monies received are posted to the correct debtors account;
  - o swift and effective action is taken in collecting overdue debts, in accordance with the protocols noted in the financial procedures; and
  - o outstanding debts are monitored and reports prepared for management.
- Only the CFO / GDFO or the Group Head of Finance can vary approved credit arrangements. The College has standard payment terms which should be adhered to.
- 3.6.7 **Bad debts:** On the due date for payment one written reminder and/or telephone chase to the debtor. If the debt remains unpaid 30 days thereafter, the Finance Department may pass the papers to the Debt Collection Agency for appropriate action to be taken. The College has the right to ask any student to leave the course if the debt remains unpaid.
- 3.6.8 **Writing off debts:** Debts may only be written off in accordance with [DfE guidance](#). In addition must be authorised in writing as shown below:
- o up to £10,000 – authorised by the CFO;
  - o from £10,001 to £15,000 – authorised by the CEO; and
  - o over £15,000 – authorised and reported to the Finance Committee.
- The regulations relating to debt write-offs do not apply to fee waivers which may be granted for bursary or other reasons.
- 3.6.9 **Student Fees:** The CFO is responsible for the College's tuition collection fee procedures and for ensuring that all student fees due to the College are received. Any student who has not paid an account 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 unless appropriate arrangements have been made.
- 3.6.10 **Student Loans:** The College will accept loans paid via the Student Loan Company and will maintain appropriate records to support all transactions involving student loans.
- 3.6.11 **Emergency/Hardship Loans:** The College's scheme for emergency / hardship loans must be approved by the Corporation; and must include the maximum assistance that can be given in any individual case. Under no circumstances should payments be made, other than in accordance with the approved scheme. The CFO is responsible for ensuring the adequacy of the systems in place for:

- approving loans in accordance with the scheme;
- paying loans that have been approved; and
- recovering loans that have not been paid.

### 3.7 Other Income Generating Activity

3.7.1 **Short courses and services rendered:** In this context, a short course is any course which does not form part of the award-bearing teaching load of the department. Any staff wishing to run a short course must have the permission of the Executive Director for Business Development (or equivalent). The course organiser will be responsible to the Executive Director for Business Development (or equivalent) for day-to-day management of the course. The term 'services rendered' includes testing and analysis of materials, components, processes and other laboratory services or the use of existing facilities in order to gain additional information.

3.7.2 **Off-site collaborative provision (franchising):** Any contract or arrangement whereby the College provides education to students away from College premises, or with the assistance of persons other than the College's own staff or with independent contractors (partner organisations), must be subject to the following procedure. There shall be a contract, supported by a business case, signed by the CEO and/or CFO and on behalf of any partner organisation that shall comply at least with the funding body model contract (as amended from time to time) in place before any provision is made. Contracts for significant changes in franchising activity shall be approved in advance by the Finance Committee. The impact of the contract(s) shall be subject to continuing scrutiny by the Finance Committee. The format for regular reports shall be as stated in funding body guidance. They shall consider the risk factors associated with the proposed partnership and agree an appropriate entry in the College's financial forecast. Where the partnership would represent a significant departure from the College's strategic plan, the Corporation shall approve the departure, and the CEO shall seek the views of and inform the funding body.

3.7.3 **European Union (EU) and Other Matched Funding:** Any such project requires the approval of the CEO prior to any commitment being entered into. Such approval shall be dependent upon the relevant head of department being able to demonstrate that eligible matching funds are available and that the project is financially viable by the application of the College's costing and pricing policy. Any reference herein to EU regulations should be construed as referring to the continuation of existing EU funding regulations where such funding continues to be provided or to alternative regulations in force at that time. If the College sub-contracts such work to external providers, the relevant head of department shall ensure that:

- this is on the basis of a written contract which allows for full audit access to detailed records and is in a form approved by the funding body;
- appropriate monitoring procedures are in place to ensure that the outputs are achieved and the provision is of suitable quality; and
- payments are only made against detailed invoices.

3.7.4 **Profitability and Recovery of Overheads:** All other income-generating activities must be self-financing or surplus-generating unless it is intended that a new course is to be



launched as a loss leader. If that is the case, the reason for it must be specified and agreed by the Senior Executive Team member and the CFO, all courses must cover their direct cost of teaching and materials. Other income-generating activities organised by members of staff must be costed and agreed with the CFO before any commitments are made. Provision must be made for charging both direct and indirect costs in accordance with the College's costing and pricing policy, in particular for the recovery of overheads.

3.7.5 **Deficits:** Any unplanned deficits incurred on other income-generating activities will be charged to departmental funds.

3.7.6 **Additional Payments to Staff:** Any proposal that involves additional payments to members of staff should be supported by a schedule of names and values and must be approved by the Senior Executive Team member, CFO and CPO.

### 3.8 Intellectual Property Rights and Patents

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

3.8.2 **Patents:** The Finance Committee is responsible for establishing procedures to deal with any patents accruing to the College and its companies from inventions and discoveries made by staff in the course of their research.

3.8.3 **Intellectual property rights:** In the event of the College deciding to become involved in the commercial exploitation of inventions and research, the matter should then proceed in accordance with the intellectual property procedures issued by the College and contained in the College detailed financial procedures.

### 3.9 Expenditure

3.9.1 The CFO is responsible for making payments to suppliers of goods and services to the College; and for:

- ensuring that the College's purchasing policy is known and observed by all involved in purchasing for the College;
- advising on matters of College purchasing policy and practice;
- advising and assisting departments where required on specific departmental purchases;
- developing appropriate standing supply arrangements on behalf of the College to assist budget holders in meeting their value for money obligations;
- vetting all orders before they leave the College;
- drafting and negotiating all large-scale purchase contracts (in excess of £5,000) undertaken by the College, in collaboration with the responsible department; and
- ensuring that the College complies with the UK's regulations on public purchasing policy following the departure from the EU and the end of the transition period on 31 December 2020. The Find a Tender Service (FTS) replaces OJEU.

- 3.9.2 **Procurement:** The College requires all budget holders, irrespective of the source of funds, to obtain supplies, equipment and services at the lowest possible cost consistent with quality, delivery requirements and sustainability, and in accordance with sound business practice. Factors to be considered in determining lowest cost are noted in the financial procedures.
- 3.9.3 **Purchase Orders:** The ordering of goods and services shall be in accordance with the College's detailed financial procedures/purchasing policies. Official College orders must be placed for the purchase of all goods or services, except those made using purchasing cards, company credit cards, cheque requisitions or petty cash. In exceptional circumstances, urgent orders may be given orally, but must be confirmed by an official purchase order endorsed 'confirmation order only' not later than the following working day. When transferring goods or services between departments, an interdepartmental transfer form must be used. It is the responsibility of the CFO through the College's purchasing officer to ensure that all purchase orders refer to the [College's conditions of contract](#).
- 3.9.4 **Tenders and Quotations:** Budget Holders, the Senior Executive Team and their senior staff (including 'Assistant Principals', 'Directors' and 'Heads' of) must comply with the College's tendering procedures contained in the College's code of tendering practice, which are applicable as follows:
- from £5,000 to £10,000 exc. VAT – the Budget Holder shall be required to obtain at least two quotations, with written evidence thereof;
  - from £10,000 to £25,000 exc. VAT – the Budget Holder shall be required to obtain at least three quotations, with written evidence thereof;
  - from £25,000 to £50,000 exc. VAT – the purchasing officer shall arrange for at least three written quotations to be obtained and evidence retained;
  - over £50,000 exc. VAT – all items will require three competitive tenders.
- The requirement to obtain the relevant number of quotations for goods and services may be waived in the following exceptional circumstances:
- The work or supply is urgent and there are justifiable reasons why procurement could not have been foreseen and for avoiding any delay;
  - The work or supply is additional to on-going work and the contractor or supplier is on site and/or already commissioned to undertake related work or supply
  - Price testing with one other contractor would be a minimum in these circumstances; or
  - There are a limited number of suppliers or contractors (sometimes only a sole supplier) able to undertake the work or supply;
  - Where using someone else would affect a warranty or be to the College's disadvantage. In all cases above the Authority to Vary Form (see [Appendix C](#)) must be completed and filed with the order; and prior permission of the following individuals must be obtained:
    - from £5,001 to £10,000 exc. VAT the approval of the Group Head of Finance / GDFO;
    - from £10,001 to £100,000 exc. VAT the CFO or CEO;
    - from £100,001 to £500,000 exc. VAT the Chair of Finance Committee or Chair of Corporation;
    - from £500,001 and £1m exc. VAT the Finance Committee or (if an urgent decision) Chair of the Finance Committee; and

- over £1m exc. VAT the Corporation Board or (if an urgent decision) Chair of the Corporation.

If requests for tender are acknowledged but not responded to, these will be included as quotations for the purposes of compliance with these regulations. With the exception of expenditure covered by an approved Authority to Vary Form (see [Appendix C](#)), only partnership arrangements for the supply of goods or services specifically approved by the Finance Committee or the Corporation will fall outside these arrangements for tenders and quotations. The College's [procurement procedure](#) describes the tendering practices and may be subject to special rules imposed by funding bodies.

- The CEO or CFO may approve non-discretionary contracts; and discretionary contracts up to £100,000 exc. VAT. For discretionary contracts from £100,000 and £1m exc. VAT the Finance Committee shall approve the contracts; unless expenditure incurred by this contract is matched by grant income and/or approved expenditure and the contract is required to progress speedily to meet external funding deadlines in which case only the approval of the Chair of the Finance Committee is required. For discretionary contracts over £1m exc. VAT the Corporation shall approve the contract; unless expenditure incurred by this contract is matched by grant income and/or approved expenditure and the contract is required to progress speedily to meet external funding deadlines in which case only the approval of the Chair of the Corporation is required.

### 3.9.5 **Post-tender Negotiations (i.e. after receipt of formal tenders but before signing of contracts):** Can be entered into with a view to improving price, delivery or other tender terms, provided:

- it would not put other tenderers at a disadvantage; and
- it would not affect their confidence and trust in the College's tendering process.

In each case, a statement of justification should be approved by the CFO prior to the event, showing:

- background to the procurement;
- reasons for proposing post-tender negotiations; and
- demonstration of the improved value for money.

All post-tender negotiations should be reported to the Finance Committee.

### 3.9.6 **Monitoring Contracts:** Building contracts and contracts for the maintenance, improvement or replacement of buildings, building components, assets or equipment are the responsibility of the Resources Committee subject to approval of the Finance Committee. Consultants may be appointed, subject to tendering and other procedures where appropriate, if deemed appropriate. Discretionary contracts will be monitored as below:

- under £100,000 exc. VAT – adverse variations of £10,000 or 50% of the contract value (whichever is lesser) must be approved by the CEO if the variations are not funded; or from £100,000 to £250,000 exc. VAT – the Finance Committee will be provided with a brief progress report at each meeting in the format specified. Unfunded variations of £20,000 or 10% of the contract value (whichever is lesser) must be approved by the Finance Committee of (if an urgent decision is required) the Chair of the Finance Committee. This will not apply to non-building related agency grants;
- from £250,000 to £1m exc. VAT – the Finance Committee will be provided with a full progress report at each meeting in the format specified. Unfunded variations of £20,000

or 5% of the contract value (whichever is lesser) must be approved by the Finance Committee or (if an urgent decision is required) the Chair of the Finance Committee. This will not apply to non-building related agency grants; and over £1m exc. VAT (or where a funding body is wholly or partly funding the works) – the Finance Committee will specify the contract monitoring arrangements which must at a minimum meet the requirements of the funding body.

The CFO is responsible for providing regular statements concerning all capital expenditure to the Finance Committee for monitoring purposes and for ensuring that the requisite prior approval is sought and obtained in the circumstances described above.

- 3.9.7 **Receipt of Goods:** All goods shall be received at designated receipt and distribution points. They shall be checked for quantity and/or weight and inspected for quality and specification and entered onto an appropriate goods received document on the day of receipt. A delivery note shall be obtained from the supplier at the time of delivery and signed by the person receiving the goods. If goods are deemed to be unsatisfactory, the record shall be marked accordingly, and the supplier shall be notified immediately so that they can be collected for return as soon as possible. Where goods are short on delivery, the supplier shall be notified immediately. All persons receiving goods on behalf of the College must be independent of those who negotiated prices and terms and placed the official order.
- 3.9.8 **Payment of Invoices:** The procedures for making all payments shall be in a form specified by the CFO. The CFO is responsible for deciding the most appropriate method of payment for categories of invoice. Payments to UK suppliers will normally be made by computer cheques or bank transfer twice a month. In exceptional circumstances the CFO will arrange for immediate payment by cheque or bank transfer for urgent payments. Budget Holders, the Senior Executive Team and their senior staff (including 'Assistant Principals', 'Directors' and 'Heads' of) are responsible for ensuring that expenditure within their departments does not exceed funds available. Suppliers should be instructed by the budget holder to submit invoices for goods or services to the Finance Department. Invoices will be approved for payment in a form specified by the CFO. Care must be taken by the Budget Holder to ensure that discounts receivable are obtained. Payments will only be approved by the bank signatory against invoices that have been certified for payment by the appropriate Budget Holder using the supplier invoice authorisation system. Payments will only be approved by the CFO against invoices that can be matched to an approved order on the purchase order system. Certification of an invoice will ensure that:
- the goods have been received, examined and approved with regard to quality and quantity, or that services rendered or work done is satisfactory;
  - where appropriate, it is matched to the order;
  - invoice details (quantity, price discount) are correct;
  - the invoice is arithmetically correct;
  - the invoice has not previously been passed for payment;
  - where appropriate, an entry has been made on a stores record or departmental inventory; and
  - 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.

- 3.9.9 **College Debit/Credit Cards:** Where appropriate, the CEO or CFO may approve the issuing of College credit cards for the payment of valid business expenses only, to senior staff. Misuse of such cards shall be grounds for disciplinary action. The CFO is responsible for setting in place a system to monitor the use of College credit cards and account for expenses charged through them. The Finance Department also holds a card, for use for purchases that can only be made using a card, e.g. telephone or internet purchases. Staff requesting payment by card should follow the standard financial procedures (or the CFO / GDFO / GHF should sign the card statement), but requesting payment by card rather than cheque. The transaction will be made by Finance Department staff, who will maintain all documentation for reconciliation with the statement.
- 3.9.10 **Petty Cash:** Cash should not be given to staff by the College. Exceptionally, items of less than £50 may be purchased by staff who will then be reimbursed through the expense claim form or internet payment form. However, such purchases must be authorised in advance by the Budget Holder and any claim for reimbursement must comply with the instructions set out in the College Financial Procedures. The petty cash float will be reconciled weekly to cash drawn from the bank and petty cash vouchers, which will be received by the Group Head of Finance or Treasury Team on a monthly basis.
- 3.9.11 **Other Payments:** Payments for maintenance and other items to students on behalf of sponsoring organisations shall be made on the authority of the CFO, supported by detailed claims approved by the Senior Executive Team (SET) and their senior staff (including 'Assistant Principals', 'Directors' and 'Heads' of). Individual payments under 'outward collaborative provision' contracts shall be authorised by the CFO. This authority shall be on the basis that the payment represents a bona fide element of the contract which has been approved under a scheme set out by the Finance Committee.
- 3.9.12 **Late Payment Rules:** The Late Payment of Debts (Interest) Act 1998 was introduced to give small businesses the right to charge interest on late payments from large organisations and public authorities. Key points are:
- small businesses can charge interest on overdue invoices;
  - the rate of interest is currently 8% per annum above the official daily rate of the Bank of England; o the Act also applies to overseas organisations; and o the College can be sued for non-payment.
- In view of the penalties in this Act, the Corporation requires that invoices must be passed for payment as soon as they are received.
- 3.9.13 **Prompt Payment Code:** The College observes the principles of the code to show our commitment to paying suppliers within clearly defined terms, and to ensuring there are proper processes for dealing with issues that may arise.
- 3.9.14 **Project Advances:** The CFO and the relevant Budget Holder may jointly approve cash advances for projects carried out away from the College where cash expenditure may be unavoidable. Other forms of payment will be expected to be used wherever possible, such as an official purchase order and subsequent payment or a College credit card. Receipts or paid invoices will be retained for all sums expended in this way. Upon completion of the project to which the advance relates, within one month a final account must be prepared

to demonstrate how the advance was disbursed and any unspent balance repaid. Under no circumstances will a second advance be approved when the final accounting for an earlier advance to a project or individual is outstanding.

- 3.9.15 **Giving Hospitality:** Staff entertaining guests from outside bodies at lunch time should normally use the College's catering facilities. Where this is not the case, reasons must be stated when submitting a claim for reimbursement.

### 3.10 Pay Expenditure

- 3.10.1 **Remuneration Policy:** All College staff will be appointed to the salary scales approved by the Senior Executive Team and in accordance with appropriate conditions of service. All letters of appointment must be issued by the Human Resources Department. The Corporation, on the advice of the Finance Committee, will determine what other benefits, such as cars, medical and life insurance, are to be available, the basis of their provision (contributory or not) and the staff to whom they are to be available. Salaries and other benefits for Senior Post Holders will be determined by the Corporation upon the recommendation of the Remuneration Committee.

- 3.10.2 **Appointment of Staff:** All contracts of service shall be concluded in accordance with the College's approved personnel practices and procedures and all offers of employment with the College shall be made in writing by the CPO. Budget Holders shall ensure that the CFO and the CPO are provided promptly with all information they may require in connection with the appointment, resignation or dismissal of employees.

- 3.10.3 **Salaries and Wages:** The CFO is responsible for all payments of salaries and wages to all staff including payments for overtime or services rendered. All timesheets 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 CFO.

The CPO will be responsible for keeping the CFO informed of all matters relating to personnel for payroll purposes. **In particular:**

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

The CFO is responsible for payments to non-employees and for informing the appropriate authorities of such payments. All casual and part-time employees will be included on the payroll. The CFO 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 HM Revenue & Customs regulations.

- 3.10.4 **Superannuation Schemes:** The Corporation is responsible for undertaking the role of employer in relation to appropriate pension arrangements for employees. The CFO is responsible for day- to-day superannuation matters, including:
- paying contributions to various authorised superannuation schemes;
  - preparing the annual return to various superannuation schemes.

The CPO is responsible for administering eligibility to pension arrangements and for informing the CFO when deductions should begin or cease for staff.

- 3.10.5 **Travel, Subsistence and Other Allowances:** All claims for payment of subsistence allowances, travelling and incidental expenses shall be completed in a form approved by the CFO. Claims by members of staff must be authorised by their line manager or respective Senior Executive Team member. The certification should be supported by receipts where appropriate and authorisation will ensure that:
- the journeys were authorised;
  - the expenses were properly and necessarily incurred;
  - the allowances are properly payable by the College; and
  - consideration has been given to value for money in choosing the mode of transport.
- Arrangements for travel by the CEO are approved by the Chair of Corporation. Arrangements for travel by members of the Corporation, including the Chair of Corporation, are approved by the Governance Professional.
- 3.10.6 **Overseas Travel:** All arrangements for overseas business travel must be approved by the CEO or SET member in advance of committing the College to those arrangements or confirmation of any travel bookings. Arrangements for overseas travel by the CEO or members of the Corporation shall be approved by the Chair of Corporation. Arrangements for travel by the Chair of Governors shall be approved by the Governance Professional. If spouses, partners or other persons unconnected with the College intend to participate in a trip, this must be clearly identified in the approval request. The College must receive reimbursement for the expected costs it may be asked to cover for those persons in advance of confirming travel bookings.
- 3.10.7 **Expenses for members of the Corporation:** Claims for reimbursement of expenses incurred, with supporting documentary evidence by members of the Corporation will be authorised by the Governance Professional.
- 3.10.8 **Severance and Other Non-Recurring Payments:** Severance payments shall only be made in accordance with [relevant legislation](#) and under a scheme approved by the Corporation through the Finance Committee. Professional advice should be obtained where necessary. All such payments shall be authorised by the CEO and calculations checked by the CPO and CFO. Any individual amounts that do not fall within the parameters above or are in excess of £25,000 shall be reported to the Finance Committee. In exceptional circumstances this approval may be given by the Chair of the Finance Committee in consultation with the CEO, to be reported to the next meeting of the relevant committee. Amounts paid should be declared in the financial statements. The Educational Excellence, Finance and Resources Committees should be notified at the earliest opportunity of an industrial tribunal in order that preparations and budget provision may be made as necessary. All determinations of tribunals must be similarly notified.

### 3.11 Assets

- 3.11.1 **Land and Buildings:** The purchase, lease or rent of land or buildings can only be undertaken with authority from the Finance and Resources Committees provided that there is no detrimental effect to the overall College budget. For all other instances the approval of the Corporation will be required or (if urgent approval is required) the Chair of Corporation or the Chairs of the Finance and Resources Committees may approve the transaction, with the details being reported to the next Finance and Resources Committee meetings. In all cases where funding body or other Government funding is involved, funding body requirements will be adhered to.
- 3.11.2 **Fixed Asset Register:** The CFO is responsible for maintaining the College's register of land, buildings, fixed plant and machinery. Staff are required to provide the CFO with any information they may need to maintain the register.
- 3.11.3 **Inventories:** A central inventory will be maintained for all plant, equipment, furniture and stores with an original value in excess of £1,000; in a format prescribed by the CFO. The inventory must include items donated or held on trust and will also include items with a value less than £1,000 if they are highly portable and potential targets of theft. The inventory must be checked at least annually. When transferring equipment, etc between departments, a transfer record must be kept and the inventories amended accordingly.
- 3.11.4 **Asset Replacement and Preventative Maintenance:** The CFO will be responsible for creating and maintaining a plan which provides for any routine planned maintenance of assets and equipment and their replacement at the end of their useful lifecycle. This will include making budgetary provision at the appropriate times in the cycle.
- 3.11.5 **Stocks and Stores:** Budget Holders are responsible for establishing adequate arrangements for the custody and control of stocks and stores within their departments. The systems used for stores accounting in departments must have the approval of the CFO. 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 security checks and statutory requirements. Those Budget Holders whose stocks require valuation in the balance sheet must ensure that the stocktaking procedures in place have the approval of the CFO and that instructions to appropriate staff within their departments are issued in accordance with advice contained in the College's detailed financial procedures.
- 3.11.6 **Safeguarding Assets:** Budget Holders are responsible for the care, custody and security of the buildings, stock, stores, furniture, cash, etc under their control. They will consult the CFO in any case where security is thought to be defective or where it is considered that special security arrangements may be needed. Assets owned by the College shall, so far as is practical, be effectively marked to identify them as College property.
- 3.11.7 **Personal Use:** Assets owned or leased by the College shall not be subject to personal use without proper authorisation.



3.11.8 **Asset Disposal:** Assets may only be disposed of in accordance with [DfE guidance](#). In addition, staff must complete a fixed asset disposal form to advise the CFO in writing of any College assets which they wish to sell or otherwise dispose of. If satisfactory evidence is given that the asset is of no further use to the College, arrangements for sale/disposal may be made in line with current College procedures and health and safety legislation.

### 3.12 Funds Held on Trust

3.12.1 **Gifts, Benefactions and Donations:** The CFO is responsible for maintaining financial records in respect of gifts, benefactions and donations made to the College and initiating claims for recovery of tax where appropriate.

3.12.2 **Student Welfare and Access Funds:** The CFO will prescribe the format for recording the use of student welfare funds. Records of access funds will be maintained according to funding body requirements.

3.12.3 **Trust Funds:** The CFO is responsible for maintaining a record of the requirements for any trust fund and for advising the Finance Committee on the control and investment of fund balances. The Finance Committee is responsible for ensuring that any of the College's trust funds are operated within any relevant legislation and the specific requirements for each trust. They will also be responsible for investment of fund balances.

3.12.4 **Voluntary Funds:** The CFO shall be informed of any fund that is not an official fund of the College which is controlled wholly or in part by a member of staff in relation to their function in the College. The accounts of any such fund shall be audited by an independent external person and shall be submitted with a certificate of audit to the appropriate body. The CFO shall be entitled to verify that this has been done.

### 3.13 Other

3.13.1 **Insurance:** The CFO is responsible for the College's insurance arrangements, including the provision of advice on the types of cover available. As part of the overall risk management strategy, all risks will have been considered and those most effectively dealt with by insurance cover will have been identified. This is likely to include important potential liabilities and provide sufficient cover to meet any potential risk to all assets. The CFO is responsible for effecting insurance cover and for obtaining quotes, negotiating claims and maintaining the necessary records. The CFO will keep a register of all insurances effected by the College and the property and risks covered and will also deal with the College's insurers and advisers about specific insurance problems. Staff must:

- ensure that any agreements negotiated with external bodies cover any legal liabilities to which the College may be exposed;
- give prompt notification to the CFO of any potential new risks and additional property and equipment that may require insurance and of any alterations affecting existing risks; and
- must advise the CFO immediately of any event that may give rise to an insurance claim. The CFO will notify the College's insurers and, if appropriate, prepare a claim for transmission to the insurers.

The CFO is responsible for keeping suitable records of plant which is subject to inspection by an insurance company and for ensuring that inspection is carried out in the periods prescribed. All staff using their own vehicles on behalf of the College shall maintain appropriate insurance cover for business use.

- 3.16.2 **Companies and Joint Ventures:** In certain circumstances it may be advantageous to the College to establish a company or a joint venture to undertake services on behalf of the College. Any member of staff considering the use of a company or a joint venture should first seek the advice of the CFO, who should have due regard to guidance issued by the funding body. The process involved in forming a company or a joint venture and arrangements for monitoring and reporting on the activities of these undertakings are documented in the College's financial procedures. It is the responsibility of the Corporation to establish the shareholding arrangements and the appointment of directors of companies wholly or partly owned by the College. These and other arrangements will be set out in a memorandum of understanding. The directors of companies where the College is the majority shareholder must submit, via the Finance Committee, an annual report to the Corporation. They will also submit business plans or budgets as requested to enable the committee to assess the risk to the College. The College's internal and external auditors shall also be appointed to such companies. Where the College is the majority shareholder in a company, the funding body requires that the company's financial year must be consistent with that of the College.
- 3.16.3 **Security:** Keys to safes or other similar containers are to be carried on the person of those responsible at all times. The loss of such keys must be reported to the CFO immediately. The CFO shall be responsible for maintaining proper security and privacy of information held on the College's computer network. Appropriate levels of security will be provided, such as passwords for networked PCs together with restricted physical access for network servers. Information relating to individuals held on computer will be subject to the provisions of the Data Protection Act 2018. A data protection officer shall be nominated to ensure compliance with the Act and the safety of documents. This is the nominated Data Protection Lead for the College. The CFO as Company Secretary is responsible for the safekeeping of official and legal documents relating to the College. Signed copies of deeds, leases, agreements and contracts must, therefore, be forwarded to either officer. All such documents shall be held in an appropriately secure, fireproof location and copies held at a separate location.
- 3.16.4 **Students' Union (Arm's Length):** The College does not operate a Student Union but instead supports a student council which has no financial responsibility.
- 3.16.5 **Use of the College's Seal:** Where a deed or document requires the College's seal, it must be sealed by the Governance Professional or CFO and authenticated by the Chair, Vice Chair or other designated Governor. The Corporate Seal of the Corporation shall be kept in a safe place secured by a lock in the custody of the Governance Professional or CFO.
- 3.16.6 **Provision of Indemnities:** Any member of staff asked to give an indemnity, for whatever purpose, should consult the CFO before any such indemnity is given.

## 3.17 Cybercrime

- 3.14.1 The college will take steps, following the [DfE guidance](#), to be aware of the risk of fraud, theft and irregularity, and address it by putting in place proportionate controls.

## 4 **APPENDICES**

[Appendix A – Key Contacts in Finance Department](#)

[Appendix B – Internal Audit Responsibilities](#)

[Appendix C – Authority to Vary Regulations Form – Template](#)

[Appendix D – Fraud Response Plan](#)

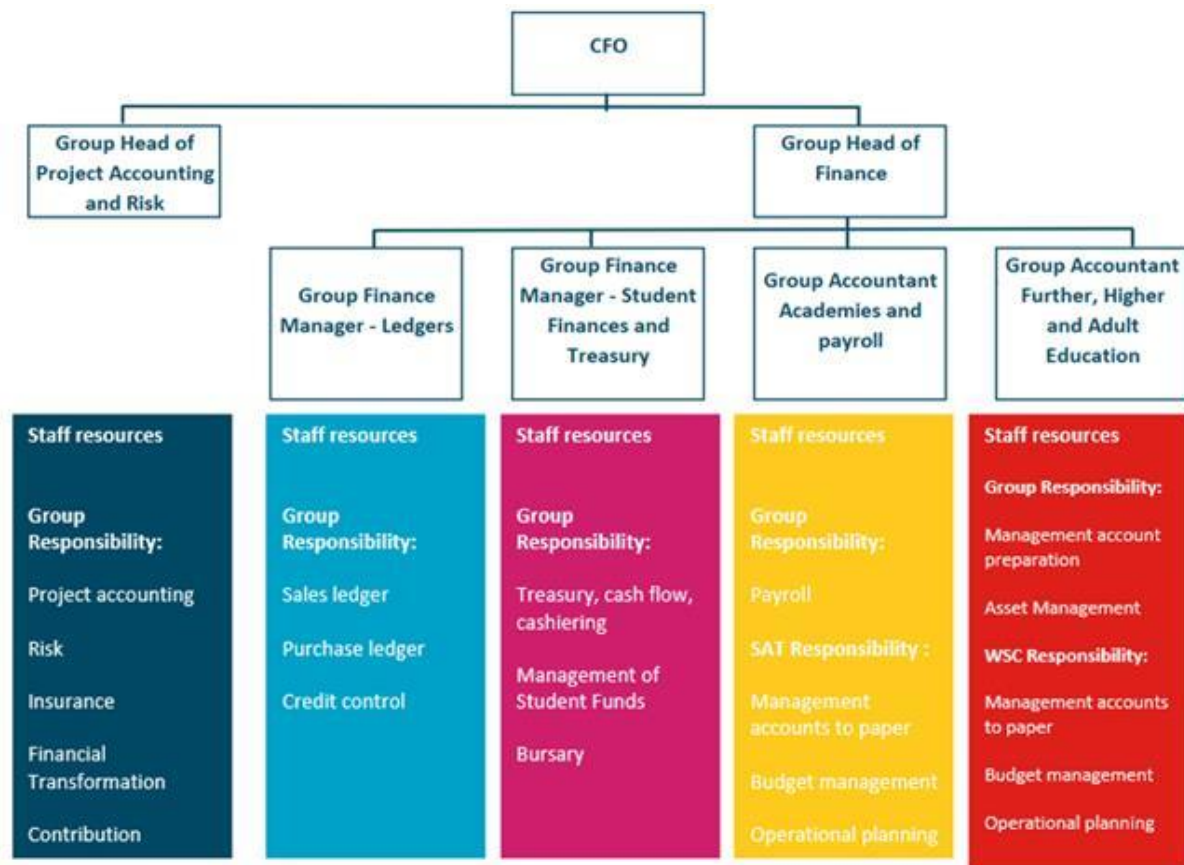
[Appendix E – Treasury Management Policy](#)

[Appendix F – Summary of Protocols for Proposed Major Developments](#)

[Appendix G – Procurement Policy](#)

## APPENDIX A

### Key Contacts in the Finance Department



## APPENDIX B

### Internal Audit Responsibilities

The ESFA established a Sector Audit Code of Practice in March 2017 - [The Post 16 Audit Code of Practice](#). Under the Education Act 2011, college corporations have a responsibility for the effective and efficient use of resources, the solvency of the institution, and the safeguarding of their assets.

In addition to the ACPO, the ESFA also publish a good practice guide on [“The scope of work of audit committees and internal auditors in college corporations”](#).

The appointment of an internal audit service to carry out the evaluation ‘of internal financial and other controls(s)’ is neither mandatory under the Articles of Government, nor under the Financial Memorandum. Positive opinions from an internal audit service may provide a college corporation with a degree of assurance that it had systems in place to meet its continuing statutory obligations. It is for each college corporation, on the advice of its audit committee, to determine itself how best to fulfil its obligations to secure the proper, economic, efficient and effective use of resources and to safeguard the college’s assets.

The College’s financial memorandum with the funding body requires that it has an effective internal audit function and their duties and responsibilities must be in accordance with advice set out in the funding body’s audit code of practice. The main responsibility of internal audit is to provide the Corporation, the CEO and senior management with assurances on the adequacy of the internal control system.

The internal audit service remains independent in its planning and operation but has direct access to the Corporation, CEO and Chair of the Audit and Risk Management Committee. The internal auditor will also comply with the Financial Reporting Council’s auditing guideline Guidance for Internal Auditors.

## APPENDIX C

### Authority to Vary Financial Regulations

The supply of goods or services detailed on this form have been authorised by the Chief Financial Officer to be obtained from the supplier below. This form is only to be used where it is not possible to obtain the required number of quotes as detailed in the financial regulations.

**To be completed by the individual requesting authority to vary financial regulations.**

By submitting this form I am confirming that in accordance with the Bribery Act 2012, due diligence has been undertaken in support of this application and that to the best of my knowledge, no breach of the Act has or will be undertaken by contracting with the supplier named above; namely that neither party has engaged in any activity, practice or conduct which would constitute an act of accepting or offering a bribe or bribing a foreign official. I shall promptly report to the College any offer or request for any undue financial or other advantage of any kind in connection with the performance of this agreement.

**Submitted by:**

**Cost centre and account code:**

**Financial Regulations variation being authorised** (Please select)

- Requirement to source two competitive quotes (£5-10K exc. VAT)
- Requirement to obtain three written quotes (£10-25K exc. VAT)
- Requirement to obtain quotes via tender exercise (Over £50k exc. VAT)

**Reason for Variation** (Please select)

- Specialist services
- Emergency work
- Approved supplier
- Other / Project (please detail in box below)

The why are we doing it box
-----------------------------

**Details of goods or services to be purchased.**

For each item you are purchasing you must provide narrative explaining the requirement to vary from financial regulations. Unless there was an urgent safeguarding issue time constraints is unlikely to be considered as a valid request to vary.

<p><b>Supplier:</b></p> <p><b>Item or service:</b></p> <p><b>Net cost: £</b></p> <p><b>VAT: £0</b></p> <p><b>Gross cost: £</b></p> <p><b>Justification for variation:</b></p> <p>The why can't we get 3 quotes, include detail</p>
--

# FINANCIAL REGULATIONS



*(Please duplicate the above required information if there is more than one supplier involved in your proposal)*

Dept. Head ..... Date .....

GDFO (Group Dir Finance & Ops)..... Date .....

CFO (Chief Financial Officer) .....Date

.....

CEO (emergency only) ..... Date .....

**Please note: No commitment should be made with the supplier until you have a fully approved order number.**

You will be required to attach a signed copy of this document to your order(s) at WSC and your requisitions / PO request at EEGT.

## APPENDIX D

### Fraud Response Plan

This plan seeks to define authority levels, responsibilities for action and reporting lines in the event of a suspected fraud or irregularity.

#### Initiating Action

All actual or suspected incidents should be reported without delay to the CFO, who will convene within 24 hours a meeting of the '*fraud group*' (comprising of the CPO, CFO and senior representative of the Internal Auditors) to decide on the action to be taken. This will normally be an investigation, led by Internal Auditors or others as appropriate, and the time to conduct the special investigation may use switch internal audit resources from planned audits.

#### Prevention of Further Loss

Where initial investigation provides reasonable grounds for suspecting a member(s) of staff of fraud, the *fraud group* will decide how to prevent further loss. This may require the suspension, with or without pay, of the suspects. It may be necessary to plan the timing of suspension to prevent the suspects from destroying or removing evidence that may be needed to support disciplinary or criminal action.

In these circumstances, the suspect(s) should be approached unannounced. They should be supervised at all times before leaving the College's premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to the College. Any security passes and keys to premises, offices and furniture should be returned. Advice should be obtained on the best means of denying access to the College while suspects remain suspended (for example, by changing locks, removing ID passes and informing security staff not to admit the individuals to any part of the premises). Similarly, access permissions to the College's computer systems should be withdrawn without delay.

Internal Audit shall consider whether it is necessary to investigate systems, other than that which has given rise to suspicion, through which the suspect may have had opportunities to misappropriate the College's assets.

#### Establishing and Securing Evidence

A major objective in any fraud investigation will be the punishment of the perpetrators, to act as a deterrent to other personnel. The College will follow disciplinary procedures against any member(s) of staff who has committed fraud. The College will normally pursue the prosecution of any such individual. Internal audit will:

- maintain familiarity with the College's disciplinary procedures, to ensure that evidence requirements will be met during any fraud investigation
- establish and maintain contact with the police where appropriate
- establish whether there is a need for audit staff to be trained in the evidence rules for interviews under the Police and Criminal Evidence Act
- ensure that staff involved in fraud investigations are familiar with and follow rules on the admissibility of documentary and other evidence in criminal proceedings.



## Notifying the Education & Skills Funding Agency (ESFA)

The circumstances in which the College would have been required to inform the ESFA about actual or suspected frauds are detailed in the Sector Audit Code of Practice and in contracts with the funding body. The CEO is responsible for informing the ESFA of any such incidents.

## Recovery of Losses

Recovering losses is a major objective of any fraud investigation. Internal audit shall ensure that in all fraud investigations, the amount of any loss will be quantified. Repayment of losses should be sought in all cases. Where the loss is substantial, legal advice should be obtained without delay about the need to freeze the suspect's assets through the court, pending conclusion of the investigation. Legal advice should also be obtained about prospects for recovering losses through the civil court, where the perpetrator refuses repayment. The College would normally expect to recover costs in addition to losses.

## References for Employees Disciplined or Prosecuted for Fraud

The staff handbook includes a requirement that any request for a reference for a member of staff who has been disciplined or prosecuted for fraud shall be referred to the CPO. The CPO shall prepare any answer to a request for a reference having regard to employment law.

## Reporting to Governors

Any incident matching the criteria in the Sector Audit Code of Practice shall be reported without delay by the Principal to the Chairs of both the Corporation and the Audit and Risk Management Committee. Any variation from the approved fraud response plan, together with reasons for the variation, shall be reported promptly to the Chairs of both the Corporation and the Audit and Risk Management Committee.

On completion of a special investigation, a written report shall be submitted to the Audit and Risk Management Committee containing:

- o a description of the incident, including the value of any loss, the people involved, and the means of perpetrating the fraud
- o the measures taken to prevent a recurrence
- o any action needed to strengthen future responses to fraud, with a follow-up report on whether or not the actions have been taken.

This report will normally be prepared by internal audit.

## Reporting Lines

The project group shall provide a confidential report to the Chair of Governors, the Chair of the Audit and Risk Management Committee, the CEO and the external audit partner at least monthly, unless the report recipients request a lesser frequency. The scope of the report shall include:

- o quantification of losses
- o progress with recovery action
- o progress with disciplinary action
- o progress with criminal action
- o estimate of resources required to conclude the investigation
- o actions taken to prevent and detect similar incidents.

### Responsibility for Investigation

All special investigations shall normally be led by internal audit. Special investigations shall not be undertaken by management, although management should co-operate with requests for assistance from internal audit.

Some special investigations may require the use of technical expertise which internal audit does not possess. In these circumstances, the project group may approve the appointment of external specialists to lead or contribute to the special investigation.

### Review of Fraud Response Plan

This plan will be reviewed for fitness of purpose at least annually or after each use. Any need for change will be reported to the Audit and Risk Management Committee for approval.

## APPENDIX E

### Treasury Management Policy

#### Introduction

This policy is intended to cover the Treasury Management activities of the College and any wholly owned subsidiary companies.

#### Approved Activities of the Treasury Function

The College defines treasury management activities as follows:

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

The Finance Committee approves the College borrowing and investment strategy, including all new loan agreements. All new loan agreements will follow [ESFA guidance](#).

The CFO is responsible for the implementation of loan agreements, including drawdown of finance, documentation, arranging fixed charges and compliance with covenants.

The CFO is responsible for the investment of cash balances within the parameters set out by this policy.

#### Formulation of Treasury Management Strategy

The College seeks to adhere to the four principal conditions of policy:

- Compliance with statute, regulation and best practice;
- Security of financial assets;
- Provision of adequate liquidity to meet financial obligations;
- Effectiveness and efficiency in the use of financial resources.

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

#### Approved Sources of Finance

The College will look to established banks and building societies active in the education funding.

In addition, the College may consider sources of lease finance for small funding requirements (e.g., IT and other equipment replacement upgrade programmes).

#### Deposits with Approved Financial Counterparties

Building and other capital project requirements will generally mean that the level of surplus cash will fluctuate particularly during building construction periods and the summer period (when accommodation remodelling and IT and other equipment procurement is usually undertaken).

Deposits will usually be placed with the College's bank on a basis appropriate to the College's expected cash flow requirements. Where a deposit is placed with an institution other than the

College's bank it must have a positive credit rating from one of Fitch, Moody, Standard & Poor or Dunn & Bradstreet's credit rating service.

The College will have regard to the principles stated in the report by the Treasury and Civil Service Committee of the House of Commons on the BCCI closure, wherein it was stated that: 'In balancing risk against return, public sector organisations should be more concerned to avoid risks than to maximise returns'.

### Types of Financial Instruments

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

Apart from the approved types of finance outlined above, the College may, when deemed prudent, use interest rate swaps, interest rate collars, interest rate caps and interest rate floors to mitigate the impact of potential interest rate fluctuations (interest hedging).

Wherever possible such instruments will be entered into using the College's current lenders and will be embedded within existing loan agreements.

### Use of External Intermediaries

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

The College may use appropriate financial advice if the use of a Financial Instrument is contemplated.

### Internal Delegation of Authority

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

<i>Activity</i>	<i>Endorsement/Approval</i>
New loans	Finance Committee & ESFA
Finance Leases (over £100,000)	Finance Committee
Charging of Properties	Finance Committee & ESFA (if required)
College Treasury Policy	Finance Committee
Use of overdraft facility	Finance Committee

### Liquidity Policy

The College will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives. Adequate cash resources is defined as cash or short term investments available to meet foreseeable needs in any period of 30 consecutive days. This is in line with the College's fourth financial objective which is "Cash will be maintained to ensure sufficient cash balances to meet the expenditure needs of the business".

Surplus cash balances will be invested on the money market to maximise income for the College.

The CFO will be responsible for the regular reporting of debtors and creditors to the Finance Committee.

A debt collection agency may be used for individual debtors in accordance with procedures agreed by the CFO.

Creditors will be settled in accordance with College payment terms, except where the amounts are in dispute or individual payment terms have been agreed between the College and the creditor.

### Risk Management

The Treasury Management Policy will be consistent with the College Risk Management Policy and Strategy and Risk Appetite Statement.

### Key Performance Indicators

The College will seek to minimise its borrowing costs and maximise its income from surplus funds subject to the other constraints imposed by this policy. The College will budget for the following annually:

- o Borrowing costs
- o Interest on surplus funds

### Policy Review and Reporting

The Treasury Management Policy will be reviewed annually, usually at the same time as the Financial Regulations. This is due to be reviewed in line with the Managing Public Money Policy is ratified.

In addition, the following Treasury activities will be reported to the Finance Committee, including:

- o Rolling cash flow report — monthly as part of the KPI report
- o Debt Summary report — monthly as part of the balance sheet
- o Performance against budget for borrowing costs and interest on surplus funds — included monthly in the Income and Expenditure report and in more detail within the annual Treasury and Loan activity report

This information will supplement the borrowing ratios included within the ESFA Financial Performance Indicators.

### Banking Services

The College currently makes use of the banking facilities provided by Lloyds Bank Plc. The College will carry out a 'Best Value' review of banking services at least every ten years. Criteria for selection and qualification of banking services will be determined by the Finance Committee.

## APPENDIX F

### Summary of Protocols for Proposed Major Developments

The proposal should be supported by a business plan for three years which sets out:

- a demonstration of the proposal's consistency with the strategic plans approved by the Corporation and with the College's powers under current legislation;
- details of the market need and the assumptions (based on reference data) of the level of business available;
- details of the business and what product or service will be delivered;
- an outline plan for promoting the business to the identified market and achieving planned levels of business;
- details of the staff required to deliver, promote and manage the business, together with any re-skilling or recruitment issues;
- details of any premises and other resources required;
- a financial evaluation of the proposal together with its impact on revenue and surplus, plus advice on the impact of possible alternative plans and sensitivity analyses in respect of key assumptions;
- contingency plans for managing adverse sensitivities;
- consideration of taxation and other legislative or regulatory issues; and
- a three-year financial forecast for the proposal including a monthly cash flow forecast and details of the impact on the College cash flow forecast for the financial years in question.

## APPENDIX G

### Procurement Policy

#### 1 Public Procurement Regulation

- 1.1 Procurement principles and procedures are designed to ensure public authorities purchase services and goods and commission works on an objective basis, thereby providing assurance of best value.
- 1.2 Best value is the optimum balance between quality, price and social value outcomes and impacts.
- 1.3 As a public authority (because the majority of WSC's funding is public money), WSC is subject to the UK Public Contracts Regulations 2015 ("PCRs"), which are derived from European Union ("EU") law. (The legislation refers to "Contracting Authorities").
- 1.4 As a public authority, WSC is subject to the Public Services (Social Value) Act 2012, which requires WSC to consider:
- (a) how what is proposed to be procured, in a specific procurement, might be drafted to improve the economic, social and environmental well-being of the WSC's area;
  - (b) whether to undertake any consultation in relation to (a); and
  - (c) how, generally, in conducting the process of procurement (generally), the WSC might secure such improvement, indicating the need for a Social Value Policy (see Paragraph 9).
- 1.5 Regulation (especially by the Education and Skills Funding Agency ("ESFA")), or specific grant-funding, or contractual, conditions, may impose additional obligations relevant to procurements.
- 1.6 The PCRs are to be superseded by post-Brexit UK legislation in 2022 or 2023. This new legislation will retain the framework, principles and core provisions of the current legislation, with some changes. The emphases in the proposals are: simplification, flexibility and transparency (see Paragraph 12). The UK Government published a new Procurement Bill in May 2022. This is likely to replace the PCGs in 2022, or 2023, which will require revision of this Policy.
- 1.7 A transitional change, from 31 December 2020, was the replacement of the obligation to publish invitation to tender and related notices in the Official Journal of the European Union, in relation to contracts with a total value over specified thresholds. Such notices must now be published on the UK's "Find a Tender Service" website.

#### 2 Procurement Principles and Procedures

- 2.1 WSC must comply with general procurement principles in all procurements. These are:

treating providers equally and without discrimination and acting in a transparent and proportionate manner (PCR 18) (“General Procurement Principles”).

2.2 Below the prescribed contract value thresholds, there are no prescriptive requirements about how to comply with those principles, allowing WSC a reasonable discretion, in relation to procedure (see Paragraph 5 below).

2.3 Above the thresholds there is prescription determining the procedures and timescales for procurements (“PCR Prescriptive Provisions”).

2.4 From 1 January 2022, the applicable threshold for services and goods is a total contract value of £213,477 (subject to 2.5). For separated small lot contracts (linked to other lots) the threshold is £70,778. For works it is £5,336,937. These thresholds are inclusive of VAT and subject to review.

2.5 There is a “Light Touch Regime”, with no prescription up to £663,540 and minimal prescription, about public notice, above that level. This applies to specified “Social and other Specific Services” (PCR Schedule 3). These include: administrative, educational, cultural, community, health and legal services.

2.6 UK Public policy recognises the risk of smaller suppliers, including social enterprises and charities, being disadvantaged by the procurement of large contracts and encourages public authorities to consider the value in procuring smaller contracts and breaking large service requirements into a number of separate lots that may be separately procured.

2.7 Professional advice should be considered in relation to the procedure for above threshold procurements, especially where WSC’s needs are potentially complex and in relation to WSC’s adoption of particular approaches to below threshold and Light Touch Regime procurements. In the event of any doubt the Chief Executive should be consulted.

### **3 Collaborative supply within the Eastern Education Group**

3.1 Possible best value procurements from Eastern Education Group Trust (“EEGT”), through the Eastern Education Collaboration Agreement need to be considered in that unique and/or quasi-in house (i.e. non-competitive market) context, which allows for the application of direct “Negotiated Procedure” procurement principles (see Paragraph 6).

3.2 Any possible, distinct market supply by EEGT, outside the Eastern Education Group Collaboration Agreement, would be subject to the application of standard fair competition procurement principles.

### **4 Joint Procurement within the Eastern Education Group**

4.1 The Eastern Education Group Collaboration Agreement provides opportunities for best value supplies to be secured through the efficiencies, cost-savings and increased resources available through joint procurement by WSC and EEGT, as the Eastern Education Group.



## 5 WSC procedures for below threshold and Light Touch Regime procurements

- 5.1 Commentaries and guidance on procurement can tend to equate proper procurement procedure with a formal competitive tender process. However, for relatively simple and low value contracts and contracts for particular types of service, a tender process will/may be impractical and/or disproportionate and counterproductive in terms of truly securing best value.
- 5.2 This is recognised through the PCRs being non-prescriptive for below threshold and Light Touch Regime procurements.
- 5.3 This allows WSC's Board to set internal guidance, consistent with:
- (a) the general procurement principles (see Paragraph 2.1) and
  - (b) the requirement to publish a notice of an above threshold Light Touch Regime opportunity on the Find a Tender Service website (see Paragraph 2.5).

WSC personnel shall follow such internal guidance and focussing exclusively on best value, shall in all cases apply objective, reasonable, and proportionate approaches to procurements. These may:

- (a) set standard and/or particular processes, which may, to some extent, follow the outline of a tender process;
- (b) recognise cases where direct purchasing and negotiated procedure principles are appropriate; or
- (c) recognise cases where a full, formal, competitive tender process is appropriate.

5.5 Typical processes, which may be set, may include publication of the opportunity on WSC's website and/or requesting three price and service level quotations.

5.6 Long-term supply relationships may be established, with reasonable consideration of the desirability for periodic review and market-testing.

## 6 Negotiated Procedure without prior publication of any notice (PCR 32)

6.1 The Negotiated Procedure, without prior publication of any notice, is a possible formal procurement procedure and the Negotiated Procedure principles may be applied to any procurement.

6.2 This means direct purchasing from a supplier, on reasonable terms and conditions, is permitted, in circumstances where:

- (a) the supply can only be obtained from a particular supplier, because the service is unique, or otherwise not subject to competition, or includes exclusive rights, for example intellectual property rights;
- (b) unforeseen urgency does not allow the time for a competitive procedure;
- (c) for goods, to maintain necessary technical continuity and compatibility;
- (d) to the winner of a prior design contest;

- (e) the supply repeats new services, or works, within the contemplated scope of an original project.
- 6.3 A question about the uniqueness of a supply may be resolved by a market-testing public notice inviting any alternative capable and interested parties to declare themselves. If none do, within 15 days, the Negotiated Procedure may be applied. In procurement language this is a “Voluntary Ex-Parte Transparency Notice”.
- 6.4 A question about the uniqueness of a supply may be resolved by a Prior Information Notice, requesting expressions of interest, to which only one supplier responds.
- 6.5 The Eastern Colleges Group constitutes a unique, mutual, collaborative relationship between WSC and EEGT, which is likely to underpin the uniquely beneficial inter-group preferential and inter-connected supplies. However, such an assessment cannot be assumed, or pre-judged.

### **7 Frameworks Agreements and Dynamic Purchasing Systems**

- 7.1 Efficient supplies may be facilitated by establishing a procurement framework (of up to 4 years duration) for multiple particular supplies, where one, or more, qualifying suppliers are pre-selected through a general, initial procurement and selected for particular supplies under the conditions of the framework (PCR 33). (For a type of contract to which PCR Prescriptive Provisions apply, such a framework must be limited to a duration of 4 years).
- 7.2 Efficient supplies may be facilitated by establishing an electronic, dynamic purchasing system, for commonly required supplies, where one, or more, qualifying suppliers, are admitted to the system and selected for particular supplies under the conditions of the system (PCR34)
- 7.3 Frameworks and Dynamic Purchasing arrangements may be established with as a supplier and/or jointly with SAT as a co-purchaser.

### **8 Reserved Contracts**

- 8.1 Participation in procurements may be restricted to suppliers whose main aim is the social and professional integration of disabled or disadvantaged persons, provided at least 30% of their employees are within those categories (PCR20).
- 8.2 Participation in procurements of particular services may be restricted to non-profit distributing suppliers with a public service purpose and, which are non-profit distributing, with organisational structures facilitating the participation of employees, users, or stakeholders. Such services include administrative education services; pre-school education services; higher education services; E-learning services; staff training services; training facilities; tutorial services; cultural services; sporting services; and services provided by social membership and youth associations (PCR20). (For a

contract to which PCR Prescriptive Provisions apply, such a reserved contract must be limited to a duration of 3 years).

### 9 Social Value specification and considerations

9.1 Specifications for contracts may specify Social Value inherent, integral requirements, where the service is of a public service nature and/or Social Value imperatives, where the service requires purpose-focus and/or a commitment to quality and/or direct knowledge of and engagement with learners and other community stakeholders and/or non-extractive pricing, which may be assessed by requirements for open book information on service pricing and cost.

9.2 Specifications for contracts may specify added Social Value elements, providing social and/or environmental incidental benefits in the delivery of the contract, for example through the employment, or participation, of individuals with social needs and/or through apprenticeship, or other training arrangements and/or the provision of work experience and/or to support the local community and/or otherwise to promote social or environmental benefits, including through promoting labour standards, directly and through supply chains.

### 10 Outline of a Competitive Tender Process

10.1 Tendering is the formal process of selecting the best bidder from the whole marketplace of potential providers or services, through a competitive process, by advertising your requirements in an “Invitation to Tender” (“ITT”), seeking offers known as “Tenders”, or “Bids”, to deliver those requirements and evaluating these impartially, using scoring criteria that are specified in advance and applied equally to all tenderers.

10.2 The outline steps typically involved in a full Tender process are:

- Consultation with stakeholders and potential suppliers (without conferring any advantage to any supplier) on service needs.
- Drafting a “Specification” describing and detailing the service requirements.
- Drafting a “Contract”, setting out the standard and specific terms and conditions for the delivery of the service.
- Drafting the “Rules” of the procurement, including: the timescale; transparent evaluation criteria and a formal, transparent basis for their assessment in the selection of the “Most Economically Advantageous Tender”, i.e. the best value tender; as appropriate an opportunity for Bidders to raise qualifying questions; as appropriate an opportunity for Bidders to propose improvements to the Contract terms and conditions.
- Draft the ITT, incorporating the Specification, the draft Contract and the Rules.
- Publish notice of the ITT, making it accessible to potential Bidders. In a contract to which PCR Prescriptive Provisions apply, the publication must be on the Find a Tender Service website. Otherwise, it needs to be a reasonable public notice, in the particular context.
- Respond to any formal clarifying questions and proposed Contract improvements, making the answers available to all Bidders.
- Receive and evaluate the Tenders, in accordance with the Rules.

- Award the Contract; notify the successful and the unsuccessful Bidders, with reasonable information on the objective basis of selection.
- Leave a short period for possible challenge responses (where the prescriptive PCR provisions apply this should be at least 10 day).
- Formalise the Contract (without any change to terms and conditions which, if known previously, might have influenced the offers in the losing tenders).
- Where the PCR Prescriptive Provisions apply comply with requirements for the public notification of the Contract award.

10.3 This outline is reflected, in the PCR Prescriptive Provisions (with more detail and variations,) and may be adopted, in whole, or part, as the means of ensuring other procurements comply with the General Procurement Principles (Paragraph 2.1 above).

### 11 Alternative Competitive Tender Procedures

11.1 **Open Procedure (PCR 27):** This is the basic procedure, which involves the ITT being issued to the whole applicable market, inviting a Tender from any eligible Bidder.

11.2 **Restricted Procedure (PCR 28):** This is a two-stage procedure, under which potential Bidders are first invited to indicate an expression of interest and demonstrate compliance with pre-qualification criteria and Tenders are invited from pre-qualified Bidders.

11.3 **Competitive Procedure with Negotiation (PCR 29):** This adds interaction between the public authority and Bidders, through the invitation of initial Tenders, which may then be negotiated in parallel, leading to the submission of competitive final tenders taking account of the negotiation process. Public authorities must ensure equal treatment is assured within the negotiation process.

11.4 **Competitive Dialogue Procedure (PCR 30):** This similarly adds an interactive process, but at an earlier stage, allowing Bidder input, by parallel dialogue, into the full Specification, against which final Tenders are submitted. Again, equal treatment must be assured.

11.5 **Innovation Partnership (PCR 31):** This is a process allowing for the establishment of partnership rather than service provision. Bidders may be invited to design, or co- design and then deliver a service. So initial selection will be based on a capability for innovation and collaboration.

### 12 Proposed New Procedures under UK Legislation

12.1 The proposals for the new UK Procurement Legislation, which will supersede the PCR, include proposals for the current prescribed procurement procedures to be replaced by only three:

- (a) an “Open Procedure”, like the current version);
- (b) a “Competitive Flexible Procedure” (that will allow for other procedures with flexible requirements); and (c) a “Limited Procedure” to cover urgent requirements.

12.2 Following consultation, the proposals have changed so a “Light Touch Regime” will be retained.

### 13 Potential Conflict of Interest

13.1 Any proposed contract with SAT, needs to be considered with reference to the Eastern Education Collaboration Agreement, as a potential conflict of interest and should be referred immediately to the WSC CEO, who shall consider whether the matter should be referred to the WSC Board.

13.2 Any proposed contract with an individual connected with WSC (“WSC Individual”), or with any family member, or individual close associate of such an individual (“Connected Individual”), or with any organisation with which any WSC Individual, or Connected Individual, is connected, raises a potential conflict of interest, or loyalty, which must be considered and if appropriate managed in accordance with WSC’s Conflict of Interest Policy. Any such situation of potential conflict should be referred immediately to the WSC CEO, who shall consider whether the matter should be referred to the WSC Board.

### 14 Implementation of WSC’s Public Procurement Policy

#### 14.1 General Practical Considerations

In relation to any WSC procurement the following must be considered:

- (a) how Social Value might apply;
- (b) whether a consultation should be undertaken to inform the Specification, including the Social Value elements;
- (c) whether the supply might be properly considered to be a part of the unique supply arrangements within the Eastern Colleges Group, allowing the Negotiated Procedure without prior publication of any notice;
- (d) whether potential conflict of interest, or loyalty, management procedures are applicable, because a potential supplier, or any individual connected with a potential supplier, are connected, or also connected, with WSC (see Sub- paragraphs 13.5 and 13.6 below);
- (e) whether the potential contract value means PCR Prescriptive Provisions would/could apply;
- (f) whether, if that is the case, the same supplies might preferably be secured through separate smaller contracts;
- (g) if the PCR Prescriptive Provisions apply, what formal procedure should be followed.
- (h) if the PCR Prescriptive Provisions do not apply, what procedure should be followed to comply with the General Procurement Principles;
- (i) the degree of complexity in relation to the proposed procurement and whether consultation with, or referral to, a procurement manager, or senior management team member, or the WSC CEO, is required.

#### 14.2 Record keeping and Purchase Orders

- (a) In relation to all procurement process judgements and substantive assessments appropriate and proportionate written reports should be produced setting out the considerations taken into account and the rationale for the decision.
- (b) Particular attention should be applied to the reporting of considerations and rationale in relation to assessments of quality and Social Value, and how and why they may indicate a proper decision which does not involve a contract award to the Bidder offering the lowest price.
- (c) Internal purchase requisition, approval and purchase order request procedures should be followed.

### 14.3 Invitation to Tender and Specification preparation:

Preparing for an ITT and drafting the Specification should include considering:

- (a) the appropriate procedure and applicable formal obligations in relation to the tender process, including in relation to formal notice and consent obligations;
- (b) pre-procurement consultation and market survey information;
- (c) the background to WSC's requirements;
- (d) the purpose and scope of the intended contract;
- (e) WSC's specific requirements in relation to the contract (which may be ranked as mandatory, desirable and additional);
- (f) indicators of a supplier's technical capability and practical commitment, including qualifications, experience; financial standing; applicable standards; delivery personnel, resources and processes; third party references;
- (g) any need for WSC to support delivery of the Contract;
- (h) communication and issue resolution processes under the Contract;
- (i) formal terms and conditions of the Contract;
- (j) the form of a required Tender;
- (k) provision for clarification questions and if applicable dialogue within the tender process;
- (l) the timescale for the tender process and deadlines for submission;
- (m) the technical process for submission (to WSC's website, by email, by post, or other).

### 14.4 Assessment criteria

- (a) WSC should use reasonable endeavours to secure a best value contract. In procurement language the test is "most economically advantageous tender". The UK reform in 2022/3 is likely to replace this with "most advantageous tender".
- (b) In practice this means assessing the optimum balance of quality, price and social value. In a simple purchase of goods, price is likely to be the strongest factor. In more complex service contracts professional judgment will be required to weigh the value of quality and social value factors.
- (c) The assessment process and as far as applicable the basis of selection and the weighting of factors should be transparent.

### 14.5 Assessment process

- (a) Each stage of the process of assessing tenders should be undertaken and formally recorded by (at least) two individuals (with no actual, potential, or possibly apparent conflict of interest, or loyalty) on behalf of WSC.
- (b) Assessment should commence after the submission deadline has passed and be conducted in accordance with the timescale included in the ITT.
- (c) All submitted tenders should be recorded.
- (d) Eligibility should be assessed and any ineligible tenders disqualified and the reasons recorded.
- (e) Assessment should be independently undertaken by at least two individuals on behalf of WSC, with professional skill and diligence, with a clear reasonable basis for reconciling the results and the detail of formal assessments shall be recorded.

### 14.6 Levels of formality

Subject to contrary Board instructions, for internal management purposes, the following levels of formality should apply:

- (a) where a total contract value may exceed £100,000, the procurement should not proceed without the financial consent of the Finance Committee. Otherwise financial thresholds of responsibility for executive roles within WSC shall be followed;
- (b) where only General Procurement Principles, or the Light Touch Regime apply, the assessment may be undertaken by two of: the budget holder, the academy finance manager; a member the senior leadership team, or the CFO;
- (c) where PCR Prescriptive Provisions apply the assessment should be undertaken by CFO, CEO and/or two members other members of the senior leadership team.