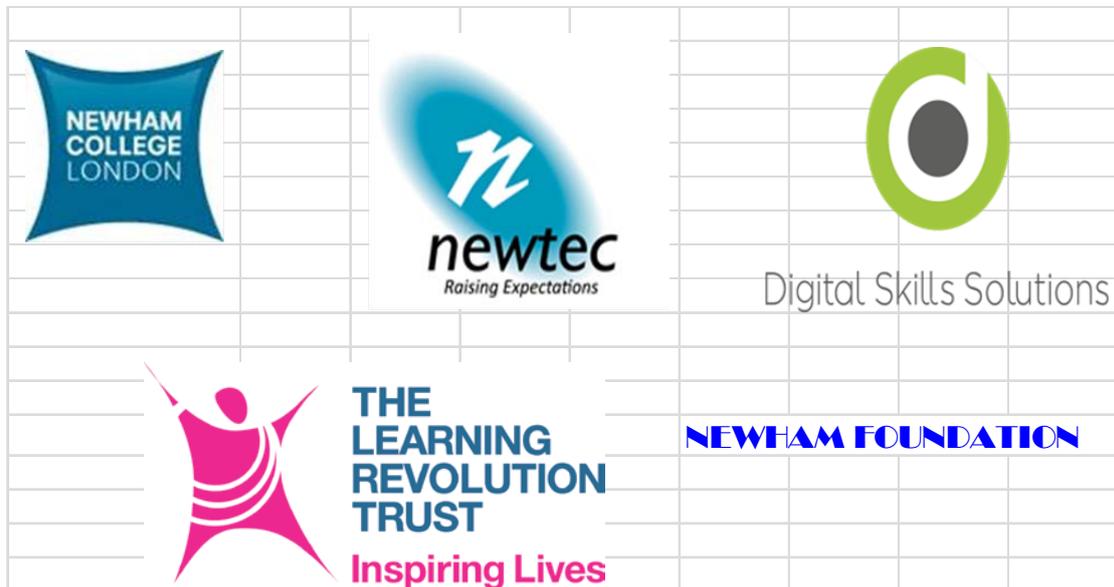


NEWHAM COLLEGE OF FURTHER EDUCATION GROUP



FINANCIAL RULES FOR BUSINESS (FRB)

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INDEX

1	INTRODUCTION AND RESPONSIBILITIES	Page 5 to 9
	Status of the Financial Rules for Business General Overview Communication of Financial Rules for Business Responsibilities Responsibilities of the Board Responsibilities of the Accounting Officer Responsibilities of the Principal and Chief Executive Responsibilities of Chief Operating Officer (COO) Audit and Risk Committee Finance and General Purposes Committee Capital Projects Committee Remuneration Committee Governor’s Expenses Application of the Corporation Seal	
2	ACCOUNTING PROCEDURES	Page 10 to 11
	General Accounting Procedures Retention of Documents Allocation of funds by ESFA	
3	CAPITAL ASSETS	Page 12 to 17
	Capital Project Appraisal Approval of Capital Projects Levels of Authorisation of Capital Expenditure Categorisation of Capital Expenditure Security and Control of Capital Depreciation Policy Disposal of College Assets Control of Consumable Stores	
4	BUDGETARY CONTROL	Page 18 to 20
	Preparation of Revenue Budgets Budget Allocations Budget Managers Routine Control	
5	PURCHASING	Page 21 to 39
	Overall Policies Requisitioning Ordering Authorisation Limits for Requisitions/Orders	

Signing of Orders
Verbal Orders
Prepaid Orders
Use of College Credit Cards
Electronic Ordering (e-Procurement)
Viability of Building Contractors and Suppliers
VAT on Orders
Tendering and Quotation Procedures
EU Public Works/supply and Services Regulations
Receipt, Custody and Acceptance of Tenders
Late Tenders
Post Tender Procedures, Amendments or Negotiation
EU Directives
Contracts which fall below EU thresholds
Signing of Contracts Leases/Hire purchase or Rental Agreements for Supplies and Services to the College
Franchise Contracts
Consultants
Business Development
Contingent Liabilities
Certification and Payment of Invoices
Payments
Petty Cash
Purchasing Practice Ethics
Competition
Legal or Binding Agreements
New Leases for Business Purposes
Safeguarding of Legal Documents
Quality Assurance and Standards
Standing Orders & Direct Debits
Disclosures of Interest
Declarations of Business Gifts/Hospitality Received
Receiving Gifts or Hospitality
Public Interest Disclosures
Confidentiality and Accuracy of Information

6 BANKING

Page 40 to 42

Setting up Bank Accounts
Signing of Cheques
Bank Reconciliation
Borrowing and Other Financing Arrangements
Investments
Cash Flow Management
Cash Security
Loans

7	TAXATION	Page 43
	General	
8	SERVICES PROVIDED BY THE COLLEGE	Page 44 to 46
	Contracts for Services	
	Funding Agencies	
	Internal Trading Services	
	Tuition Fees	
	Collection of Monies Due to the College	
	Credit Control Procedures	
9	STAFFING	Page 47 to 49
	General	
	Payroll Procedures	
	Expenses	
	Salary Pay and Benefits	
	Terminating Contracts of Employment by Agreement	
10	INTERNAL AND EXTERNAL AUDIT	Page 50 to 51
	General	
	Internal Audit	
	Financial Statements Audit	
	Other External Bodies	
	Fraud or Irregularities	
11	RISK MANAGEMENT	Page 52 to 54
	General	
12	INSURANCES	Page 55 to 56
	General	
13	OTHER MATTERS	Page 57
	Amendments to the Financial Rules	
	Emergency Powers	
	Intellectual Property, Rights and Patent	
Appendix 1	Financial Procedures and links	Page 58
Appendix 2	Policy for Investigating and Resolving Allegations of Financial Irregularity	Page 59 to 62
Appendix 3	Policy and Procedures for Public Interest Disclosures	Page 63 to 65

1 INTRODUCTION AND RESPONSIBILITIES

STATUS OF FINANCIAL RULES FOR BUSINESS

- 1.1 This document sets out the College's Financial Rules for Business. It is a mandatory policy and set of rules for financial control. The Board of Governors approves these rules, and reviews them annually.
- 1.2 Compliance with the Financial Rules for Business is compulsory for all College staff and Governors. Any member of staff failing to comply may be subject to disciplinary action. Where disciplinary action is taken due to non-compliance with the Financial Rules for Business this will be notified to both the Board of Governors and the Audit and Risk Committee.
- 1.3 These Financial Rules for Business shall be read alongside the College's Scheme of Delegation to the Principal (appendix 8), Academic Regulations (appendix 9), and the Student Records Rules (appendix 10). The combined suite of four documents shall form the basis of mandatory financial conduct and regulated processes (for all matters with financial implications) for the College.
- 1.4 Nothing in these rules shall override terms imposed by the Education and Skills Funding Agency (the College's Principal Regulator), the Department for Business (BIS), or through statute.
- 1.5 Subsidiary companies of the College are required to adopt and follow the Group's Financial Rules for Business as laid out in this document.

GENERAL OVERVIEW

- 1.6 Newham College of Further Education is incorporated as a Further Education Corporation under the Further and Higher Education Act 1992, particulars of which are obtainable on request from the Clerk to the Corporation.
- 1.7 Under the provisions of the Act, Newham College of Further Education is established as an exempt charity and as such is not liable for Corporation or Income tax on any of its charitable activities. The Board of Governors (The Board) conducts the affairs of the Corporation, in accordance with the Articles of Government and any regulations made either by BIS, the Education and Skills Funding Agency (ESFA), and/or any other public funding body as a condition of the funding that it gives to the College.
- 1.8 The Board is responsible for ensuring that funds from the ESFA and other public bodies are used in accordance with the Further and Higher Education Act 1992, the ESFA Financial Memorandum, and any other conditions which the ESFA may from time to time prescribe. The Board of Governors governs the College under its Articles of Government, and it is through this authority that these rules are made.

COMMUNICATION OF FINANCIAL RULES FOR BUSINESS

- 1.9 These Regulations are available on the College's intranet. All budget managers should refer to these Financial Rules. It is the responsibility of the Principal and Chief Executive, together with designated senior post holders, to ensure that all staff are made aware of the existence and content of the Financial Rules for Business, and that appropriate training is provided.

RESPONSIBILITIES

- 1.10 These Financial Rules for Business (Rules) form part of the regulatory mechanism by which the College's affairs are managed. The Board may delegate certain specific powers or duties to its committees or to the Principal and Chief Executive of the College (the Principal). This will be set out in the Schedule of Delegation (attached at Appendix 8). The Board of Governors may not delegate any specific financial responsibilities placed upon it by the Articles of Government. The Principal may not delegate the responsibility to be the Chief Accounting Officer for the Corporation. In particular, responsibility for the day-to-day financial management and control of the College is delegated to the Principal.
- 1.11 The Board is responsible for overseeing the College's financial strategy and through the Principal, will ensure that these Financial Rules are applied. The day-to-day management of financial affairs is the responsibility of the Principal. Whilst he/she may delegate certain roles and tasks to other senior staff, and particularly to COO, he/she may not delegate the final responsibility for oversight of these matters.
- 1.12 The Board of Governors shall keep true records of the Corporation's income and expenditure in accordance with the provisions of the Further and Higher Education Act 1992 and shall provide the ESFA with true accounts at such times and in such form as the ESFA may direct. The Principal shall prepare annual estimates of income and expenditure, together with two-year financial forecasts for the consideration and approval of the Board of Governors.
- 1.13 The Principal will provide annual audited accounts of the College for scrutiny by the Audit and Risk Committee and the final approval of the Board of Governors. Regular financial and business performance reports will be made to each meeting of the Board and also to the Executive Board.
- 1.14 The Rules for Business cover all of the financial affairs of the College. They also apply to any subsidiary unless approved otherwise by the Board. Currently, Newham Training and Education Centre (NEWTEC), is the only subsidiary approved to use its own Financial Rules of Business. However, all subsidiary companies (i.e. those accounted for within the Corporation's group accounts) are expected to maintain systems of financial accounting, control and conduct that are consistent with the framework set by these Rules for Business.

RESPONSIBILITIES OF THE BOARD

- 1.15 The respective responsibilities of the Board and the Principal are set out in the College's Articles of Government and the ESFA Financial Memorandum Part 1 (Annex B). Within this framework, the Board will require the Principal to take personal responsibility, which may not be delegated, for the proper and effective operation of controls and for giving effect to the Board's policies for securing the efficient, economical and effective management of all the College's resources, income and expenditure. The Principal shall be responsible for ensuring that any payments from the ESFA are used only for the purposes for which they are given, and in accordance with the provisions of the ESFA Financial Memorandum or such other terms as may be attached. The Principal and the Clerk to the Governors shall have responsibility for advising the Board if at any time, any action or policy under consideration by the Board is incompatible with the terms of the ESFA Financial Memorandum, or these Financial Rules for Business.

- 1.16 The Governing Body of the College has responsibilities for ensuring that the College's funds are used only in accordance with the College's powers as set out in the Further and Higher Education Act 1992 and the College's own statutory duties and other obligations.
- 1.17 The Governing Body is responsible for ensuring the solvency of the College and shall inform the Chief Executive of the ESFA of any transactions that could jeopardise financial viability. The Governing Body is responsible for achieving value for money in all transactions involving Public Funds.
- 1.18 The Governing Body shall appoint an accounting officer with an appropriate separation of duties between executive and non-executive roles and responsibilities. It is a requirement of these rules that the accounting officer will be the Principal of the College. The Governing Body shall inform the Chief Executive of the ESFA in writing of the name and position of the accounting officer and if the accounting officer is absent from the College for an extended period as determined by the College, the name of the person who will discharge the accounting officer's role.
- 1.19 The College shall inform the Chief Executive of the ESFA in writing of the vacating or filling of the positions of Chair of the Governing Body, the Principal and the Clerk to the Corporation.

Responsibilities of the Accounting Officer

- 1.20 The Governing Body shall require the accounting officer to take personal responsibility, which shall not be delegated, to assure them that there is compliance with the Financial Memorandum and all other terms and conditions of funding.
- 1.21 The accounting officer shall be responsible for advising the Governing Body in writing if at any time, in his or her opinion, any action or policy under consideration by the Governing Body is incompatible with the Financial Memorandum. If not otherwise notified, the Clerk to the Corporation shall notify the Governing Body if at any time, in his or her opinion, any action or policy under consideration by the Governing Body is incompatible with the Financial Memorandum. If the accounting officer has evidence that the Governing Body is acting in breach of the Financial Memorandum or any other terms and conditions of funding the accounting officer shall inform the Chief Executive of the ESFA in writing.

RESPONSIBILITIES OF THE PRINCIPAL AND CHIEF EXECUTIVE

- 1.22 Within this framework, the Board requires the Principal to take personal responsibility, which may not be delegated, for ensuring the proper and effective operation of the financial planning and management controls, and giving effect to the Board's policies for securing the efficient, economical and effective management of all the College's income, assets and expenditure.
- 1.23 The Principal may be required to appear before Parliament's Public Accounts Committee, alongside the accounting officer of the ESFA, on matters relating to the financial administration and control of the College or its use of public funds.

RESPONSIBILITIES OF COO

- 1.24 The approved structure of the College includes a Deputy Principal with responsibility for financial matters (this is referred to throughout as the 'COO'). COO is responsible to the Principal for:

- Ensuring the proper and effective operation of the financial, planning and management controls, and strategy,
- Determining all accounting systems and records,
- Preparing a statement of accounts annually,
- The completion of the final accounts, return of income and expenditure to ESFA and any other financial returns required by the Agency or other bodies. This will include accounting and statutory records and financial information used in the general management of the College.
- Producing Financial Reports for each Board meeting and additionally, monthly Management Accounts will be produced for Board Members, the Principal, the Executive and other budget holders.

AUDIT AND RISK COMMITTEE

- 1.25 This Committee is established by the Board under the terms of paragraph 6.1 of the Articles of Government and FEFC Circular 99/48 annex B, paragraph 11. The terms of reference for the Audit and Risk Committee can be obtained from the Clerk to the Corporation.

FINANCE AND GENERAL PURPOSES COMMITTEE

- 1.26 In accordance with the discretion allowed in the College's Articles of Government (Section 5) the Board has decided not to set up a Finance and Resources Committee. The full Board expressly deals with matters normally dealt with by a Finance and Resources Committee.

CAPITAL PROJECTS COMMITTEE

- 1.27 The Governing Body has established a Capital Projects Committee to consider the College's accommodation strategy and capital programme and make recommendations to the Board, including on appointments, procurement strategy, contracts, and progress. The terms of reference of the Capital Projects Committee can be obtained from the Clerk to the Corporation.

REMUNERATION COMMITTEE

- 1.28 This Committee is established by the Board under the terms of paragraph 4.1 of the Articles of Government and is responsible for determining the pay and benefits applicable to designated senior post holders. The Terms of Reference for this committee can be obtained from the Clerk to the Corporation.

GOVERNORS' EXPENSES

- 1.29 Claims for expenses of up to £20 per meeting necessarily incurred by Governors in attending Board and Committee meetings shall be paid as evidenced by vouchers subject to upper limits determined by the Board. Eligible expenses will include

public transport and childcare for the duration of the meeting. Private car mileage will be reimbursed at the current Inland Revenue rate (45p per mile as at August 2017). These shall be authorised by the Clerk to the Board

APPLICATION OF THE CORPORATION SEAL

- 1.30 The signatures of the Chair and Vice Chair of the Corporation or in the absence of the Chair or Vice Chair, the signature of any other member will authenticate the application of the Corporation seal. The Clerk will keep the seal to the Corporation in a secure place, and day-to-day operation of the register of use of the College Seal will be the responsibility of the Director of Finance under the direction of the Clerk. The Clerk will maintain a register of its use. The Clerk will take legal advice from time to time as necessary concerning when the seal is to be used. The College seal may only be used where these financial rules and procedures have been complied with in full.

2 ACCOUNTING PROCEDURES

GENERAL

- 2.1 The Board, in compliance with the ESFA Financial Memorandum, legislation and accounting policies for ESFA institutions, will plan and conduct the affairs of the College so that the total income is sufficient to meet the total expenditure and additionally create a financial surplus. The Board may create financial reserves and make provisions, as it deems appropriate. Where for any reason this is not possible, the Governing Body shall require a financial recovery plan in order to bring the College back into compliance with this requirement.
- 2.2 The College pursues a financial strategy that seeks to achieve and maintain financial health of category of at least “Good” and wherever possible “Outstanding”, as defined by the Ofsted. Such colleges would have sufficiently robust finances to implement their strategic plan and to deal with the circumstances most likely to occur during the planning period. Where the assessment of financial health is below this the Principal shall present a plan to the board that aims to improve financial health as a matter of priority and as soon as possible.
- 2.3 The College is required to notify the ESFA in writing if at any time there is a significant deterioration in its financial position and to put in place a recovery plan or a risk reduction plan.
- 2.4 The Board is responsible for ensuring that accounting records are prepared on historical cost basis;
- Proper and prudent estimates have being made;
 - Accounting policies have being consistently applied;
 - Accounting standards, SORPS and best practice is maintained;
 - Adequate control has been put in place to reduce the risk of error and/or defalcation.

ACCOUNTING PROCEDURES

- 2.5 The College’s financial systems incorporate procedures in line with good accounting practice and must be adhered to by all staff with financial responsibilities and by Budget Managers. These are referred to in Appendix 2 of these Financial Rules. The Principal, COO, and Director of Finance will be responsible for ensuring that the College’s Financial Procedures are complied with. In any instances where these rules and the financial procedures are not complied with, a written report must be made to the Principal without delay.

RETENTION OF DOCUMENTS

- 2.6 The Chief Operating Officer (COO) will make arrangements to retain prime financial documents for a period of seven years to comply with legal requirements. Prime financial documents consist of official orders, paid invoices, accounts raised, bank statements, payroll information, copies of receipts, paid cheques, part time lecturer and other employment contracts.

Student records are also prime financial documents for this purpose and will therefore be maintained for a period of seven years. Such student records are deemed to include: learning agreements, funding documents, registers of attendance, and assessment records

ALLOCATION OF FUNDS BY ESFA

- 2.7 The amount of public funds to be paid to the College in any year shall be decided by the ESFA and other statutory agencies.
- 2.8 The payment of funds will, under section 65(3) of the Further and Higher Education Act 1992, be subject to such terms and conditions as the ESFA may impose and in accordance with the ESFA Financial Memorandum Part 1.
- 2.9 Recurrent funds are intended to meet annual running costs. Capital funds are intended to meet expenditure on land and buildings, new construction and extensions or alterations to buildings; and the purchase of other fixed assets such as, furniture, equipment, plant and vehicles. Capital expenditure excludes the routine maintenance of buildings and other assets.
- 2.10 Capital as defined in the ESFA financial memorandum, broadly relates to items that have a lifespan of more than one year and exceed £1k per order (including vat). Personal computers and related peripherals are no longer deemed to be recurrent expenditure and are written off over five years.
- 2.11 The Corporation shall properly manage and develop its property with regard to good practice guidance in the further education sector and ensure that it maintains premises which are properly equipped in order to deliver the education and training for which it is funded by the Chief Executive of the ESFA.
- 2.12 Where the Corporation proposes to dispose of, lease or rent land and/or buildings which have been acquired, developed and/or refurbished or modernised with the help of capital grants from the ESFA and predecessor bodies, the Chief Executive of the ESFA should be notified in writing of such transactions, and reserves the right to require repayment of some, or all, of the associated grant.
- 2.13 The College shall be free to use recurrent funds for capital purposes at its discretion. However it shall not use capital funds for recurrent purposes. The College shall endeavour to use any funds earmarked by the ESFA, whether for recurrent or capital, for any purpose for which they were specifically earmarked. Capital grants received will be separately identified in the Financial Books of Account.
- 2.14 No official funding return may be made to a public funding body without the prior written authorisation of and sign off by the Principal & Chief Executive.
- 2.15 No changes with financial implications to be made to the course file without the prior written authorisation of either the Principal or COO.

3 CAPITAL ASSETS

CAPITAL PROJECTS APPRAISAL

- 3.1 COO will undertake a full appraisal of all capital projects prior to approving any expenditure. Such appraisals shall be submitted to the Executive Board where total project costs exceed £50K (including VAT). Where the total project costs exceed £300k (including VAT) the appraisal must be submitted for consideration and approval to the Capital and Resources Committee of the Governing Body. All capital project appraisals must set out any revenue implications of the proposed capital investment, and how these will be funded.
- 3.2 The Director of Finance will monitor all projects and expenditure will be reported to the Executive (monthly) and at each meeting of the Board. In preparing the revenue budget, COO will take account of the revenue implications of approved capital expenditure (for example any new or increased maintenance running costs resulting from a project as well as the cash flow for the year).

APPROVAL OF CAPITAL PROJECTS

- 3.3 Having taken and considered the advice of the Principal, the Capital and Resources committee will recommend an annually updated capital programme to the Board, as part of the overall budgeting and strategic planning process. Periodic updates and reports on progress will be given at Board meetings through the routine Financial Report. Board approval must be given to the overall programme before commencement of projects and to any subsequent amendments. Updates to the Board will be by project and in a consistent format.

The Board will consider:

- All appraised capital projects where the total project cost is in excess of £300k
 - The implications of the accommodation strategy
 - The capital programme
 - Post-implementation review of all capital projects costing in excess of £300K.
- 3.4 The Principal has delegated powers to authorise projects where the total capital expenditure on a project does not exceed £300k. However, all such capital projects (including single items of expenditure) of more than £50k will be appraised by COO in order to determine whether the project or item is necessary and contributes to the college's strategic and operational plans. This appraisal shall be considered by Executive Board, and the decision recorded by the clerk.
- 3.5 Approval to variations on project costs is delegated to the Principal if the budget scheme costs are within plus or minus 20% of the costs approved at the scheme design and appraisal stage of the Capital Project approval procedures. Otherwise the project will again require approval, at the relevant level, which will necessitate a revised scheme proposal or design and appraisal document.
- 3.6 For property leases, the above limits and approval procedures (including appraisal requirements) shall apply to the aggregate lease value (derived by multiplying the annual lease rental by the lease period). No lease may be signed without first having arranged for a professional survey of the premises to ascertain any liabilities, and an assurance that any adaptations or improvements can be contained within the capital funds approved for the project. Any proposal to lease premises should take account of: the availability of surplus accommodation within the College estate; and the likelihood that the College may no longer require the leased space in the medium-

term. In all cases, where the term of a lease extends beyond 3 years, the appraisal and approval should be undertaken at the Capital Projects Committee, and, if required by the financial limits, the full Governing Body.

- 3.7 All of the above financial limits include VAT. In addition, no project may be artificially sub-divided into separate projects in order to avoid the appropriate level of financial authority.

LEVELS OF AUTHORISATION OF CAPITAL EXPENDITURE

- 3.8 Authorisation of capital expenditure (including property leases and revenue expenditure contracts) will be as follows:

INCLUDING VAT

Up to £300k	With the prior approval of the Principal
£300k +	With the prior approval of the Board of Governors unless the Chair of the Board agrees to this requirement being waived in instances where urgent action is required. In this case, the action is to be reported to the next meeting of the Board.

- 3.9 Vice Principals and directors may authorise and purchase capital items up to £10k per order, as long as the item(s) are included within the approved capital programme. However, all such purchases must be made in compliance with the procurement regulations (see paragraph 5 below). Arrangements to lease furniture and equipment must first be approved by COO. No member of staff may approve capital works that alter or add to the College's buildings without the prior approval of COO.
- 3.10 COO, in conjunction with the Principal, shall prepare an annual capital budget and rolling capital programme comprising:
- Revised estimates of expenditure and funding of current projects;
 - Estimates, by project/programme, of expenditure and funding sources for the subsequent financial year plus forecasts for a minimum of two further financial years.
- 3.11 The programme shall show the total cost of each project, and the estimated expenditure in each year of the project. Inclusion within this programme does not give authority to proceed with individual items of capital expenditure, which remain subject to the appraisal requirements and approval limits set out above, and the availability of funds.
- 3.12 If expenditure is likely to exceed or exceeds that approved by the Board then the Director of Finance must report this to COO, the Principal and the Clerk to the Corporation so that action can be taken to minimise potential risks to the College.

CATEGORISATION OF CAPITAL EXPENDITURE

3.13 Fixed assets are categorised as follows:

Land and Buildings	Buildings, wiring, radiators, plumbing (etc.) excluding boilers, lifts and shorter life item plants
Computer Equipment	Hard/software, electronic equipment, servers etc.
Fixtures, Furniture and Equipment	Copiers, furniture, lifts, boilers, other machinery and moveable items excluding computers and electronic items
Motor Vehicles	Cars, vans, trucks and trailers

Buildings and Related Capital Expenditure

3.14 This is expenditure [including applicable VAT] on new additions or major renovations of buildings. Related professional fees such as Architects, Surveyors, Interior Design etc., will also be capitalised and treated as part of the overall capital cost. The expenditure must generally be expected to enhance the value of the asset concerned.

3.15 ONGOING DECORATIONS, REPAIRS AND ESSENTIAL MAINTENANCE WILL BE TREATED AS REVENUE, AS WILL REPLACEMENT OF BLINDS AND SUNDRY ITEMS OF FIXTURES AND FITTINGS WHERE THE REPLACEMENT IS DUE TO NATURAL WEAR AND TEAR OVER A PERIOD OF TIME.

3.16 The following will be used as limits for treating expenditure as Capital:

Land and Buildings	Over £1,000 each (incl. VAT per transaction)
Computer equipment incl. Initial Software	Over £1,000 each (incl. VAT)
Fixtures, Furniture and Equipment	Over £1,000 each (incl. VAT)
Motor Vehicles	All Purchases

NB:

3.16.1 Some discretion has to be used in assessing whether or not an item is Capital. For example, a single chair costing £100 would not be capitalised but a bulk purchase of say 25 individual chairs at £100 each to equip a modernised classroom would be capitalised.

3.16.2 Replacement software for Computers would be written off to revenue but the initial software supplied with a new Computer would be capitalised providing the total cost exceeded £500.

SECURITY AND CONTROL OF CAPITAL

3.17 The Board, through the Principal, shall be accountable for maintaining proper security of all buildings, furniture, equipment, plant, stores and other assets of the College.

3.18 COO shall take steps to ensure that:

- The physical security of all buildings and assets belonging to the College or leased to the College;
- The maintenance of up to date plans of all buildings used by the College;
- Information is held of the current replacement values of all buildings the College owns and needs to insure;

- Capital expenditure stays within Board approved limits and take appropriate action when forecast indicates that expenditure exceeds Board approved limit.
- 3.19 The prime objective of an inventory or Asset Register is to identify, locate, control and safeguard items which are moveable and therefore at risk. In entering items on inventories regard must be to their durability, portability, current value and attractiveness. All items with a current value as shown above and a life of more than 12 months should be included. Where computer items are moved, a record of their current location will be maintained on the IT Support Desk's computer-based asset management system. The Director of Finance shall ensure that the applicable moveable Fixed Asset inventory maintained by Finance is checked at least annually, and shall report any irregularities detailing items missing, obsolete or surplus to requirements to COO without delay. Items may only be deleted from the inventory with the agreement of COO. It is a breach of these Financial Rules to purchase items using College funds and not arrange for their proper registration on the Asset Register
- 3.20 It is the responsibility of all staff to safeguard the assets under their use or control. All staff should ensure that any changes in status of assets (equipment) in their charge are notified to the Director of Finance to ensure that the inventory list can be updated, i.e. if it has been relocated; disposed of; stolen; upgraded with additional equipment.
- 3.21 College property should not be removed other than in accordance with the ordinary course of the College's business or used otherwise than for the College's purposes. Any College property removed from the premises must have the prior written permission of the relevant Budget Manager. All moveable property of the College shall as far as practicable be marked as belonging to the College. Any College property found to be missing from its usual location without written authority of the Budget Manager shall be treated as theft and be reported to the Police.
- 3.22 Property shall not be purchased for the sole use of third parties, or for use on premises other than those owned or used directly by the College.

DEPRECIATION POLICY

- 3.23 COO shall provide for depreciation on all tangible assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Assets	Depreciation over:
Buildings (life per valuation)	Useful life 15-50 years
Building improvements	Useful life 10-30 years
Fixtures, Furniture and equipment	7 years
Motor vehicles	5 years
Computer and electronic equipment	5 years

DISPOSAL OF COLLEGE ASSETS

Disposal of Land and Buildings

- 3.24 The Board shall keep their holdings of land and buildings under review with the objective of rationalising and disposing of those assets, which are no longer needed. Any disposal shall require the approval of the Board where the sale of an item has an estimated value expected to exceed £50,000. Disposal of assets with an estimated value of less than £50,000 shall be subject to the approval as follows:

COO	All sales up to £5,000
Principal	All sales up to £50,000

- 3.25 All disposals shall be made at the appropriate market value and be properly recorded in the asset register, viz. the reason for disposal, to whom the item was sold, and the price received for the item.
- 3.26 The College would normally expect to apply the proceeds of asset sales to investment in other capital assets, subject to the College's overall financial position.
- 3.27 All disposal documents shall be authorised by the Principal or COO and notified to the Director of Finance for adjustment to fixed asset records.
- 3.28 Disposal of operational furniture, equipment, motor vehicles, computers, plant or other items must be carried out in the best interests of the College. No item may be disposed of without the explicit written approval of COO. Disposal of surplus or redundant furniture and equipment shall follow procedures below.
- 3.29 Items, which are surplus to operational requirements, must first be offered to all divisions/sections of the College. To facilitate this, surplus items must first be notified to Estates and Facilities, who shall periodically circulate information to all Budget Managers. No item may be disposed of without the explicit written approval of COO. Surplus items with no financial value may then be offered to Newham schools, charities and community groups. Items of equipment/furniture for scrap must be approved by COO.
- 3.30 If surplus items are not required then, disposal having been approved by COO, Estates and Facilities:
- (A) Will donate low value items with an individual written down value of £100 or lower to schools or charitable organisations located in Newham; or
 - (B) Where there is significant value in the item and it is economic to do so, advertise their availability for sale to staff or to companies by way of public announcement. In the case of valuable items this will normally require disposal by tender to the highest tendered. Market value will be a consideration in fixing the minimum acceptable bid.

The Director of Finance shall arrange appropriate accounting transfers where items are transacted as above to reflect the replacement value of the items.

- 3.31 On disposal, the Director of Finance shall ensure that the relevant item(s) is/are removed from all equipment inventories.
- 3.32 For any mechanical or electrical equipment, whether donated or sold, an indemnity form must be signed by the recipient to indemnify the College against future

operational condition or potential misuse. The text of the indemnity form may be obtained from the Director of Finance.

- 3.33 All disposals over £1,000 must have the prior approval of COO, and notified to the Director of Finance for adjustment of the Fixed Asset Records. All proceeds must be paid into the College bank account within 2 working days.

CONTROL OF CONSUMABLE STORES

- 3.34 Budget Managers shall be responsible for the security of all consumable stores used by their departments.
- 3.35 Stores held shall not be in excess of reasonable requirements (not exceeding three months usage) and the Budget Manager/and or Director shall periodically review all existing stocks with a view to reducing the number of slow-moving items. A record of all inventories should be made including the receipt of stock, stock held and stock issued or written off. Regular checks (at least annually) shall be made to ensure accuracy, effective use of funds and for the prevention of over commitment. As a general rule, no more than 3 months usage of consumable stocks should be maintained.
- 3.36 A list of all consumable inventory items should be made annually to the Director of Finance.

4 BUDGETARY CONTROL

PREPARATION AND APPROVAL OF REVENUE BUDGETS

- 4.1 The Financial Year is from 1 August to 31 July.
- 4.2 The Principal is responsible for submitting annual estimates of income and expenditure for consideration by and approval of the Board, and will be advised on all control and budget matters by COO.
- 4.3 COO will:
- Specify the format, timetable and price base for the preparation of the capital and the revenue budgets;
 - Prepare in conjunction with the Principal, a capital budget for major projects, minor works and furniture and equipment
 - A revenue budget to be approved by the Board before the commencement of the Financial Year.

The Board's approval will form the authority to incur expenditure.

The annual estimates of income and expenditure submitted for Board approval must always include the following:

- A written description (i.e. not just figures) setting out the key operational assumptions underpinning the estimates. Where these assumptions are not yet secured by the College at the start of the year, this must be made clear.
 - Where external bodies are responsible for achieving key income assumptions on behalf of the College, this must be made explicit in the report.
 - A comprehensive set of stress tests of both income and expenditure assumptions.
 - A comprehensive risk assessment.
 - An outline contingency plan demonstrating how failure in terms of key assumptions will be dealt with in terms of financial management.
 - Any capital investment assumptions.
 - Any significant increase or decrease in the number of staff employed.
- 4.4 COO will undertake a full appraisal of proposed revenue income and expenditure and, having reported to the Principal and Executive Board, report to the Governing Body on any new business development with a revenue cost in excess of £300K per annum. Such an appraisal must be carried out and Governing Body approval given before such a project commences. This requirement does not apply to growth in any revenue allocations from the main funding agencies, viz. the ESFA or HEFCE.

BUDGET ALLOCATIONS

- 4.5 Budgets will be drawn up to reflect an expenditure profile that will support the approved operational units of the College (as determined from time to time by the Principal) in achieving their planned objectives.

- 4.6 The budget allocations made at the commencement of the financial year shall be within the overall budget approved by the Board of Governors. Overspends will not be permitted unless expressly approved in advance by the Principal or COO.
- 4.7 The designated Budget Managers should plan the overall spending of budget allocations such as to ensure that any unexpected variations in expenditure or income are contained within their budget allocation.
- 4.8 Budgets will be allocated to budget holders within the College on a phased monthly basis. Where forecast income assumptions are not being met, relevant expenditure budgets, including those for staffing, will be revised accordingly.

BUDGET MANAGERS

- 4.9 Authorised Budget Managers and Deputy Budget Managers, approved by Vice Principals and COO, as appropriate, shall be appointed for each spending area to which any budget is allocated. A register of all Budget Managers is to be maintained by the Director of Finance with appropriate specimen signatures.

ROUTINE CONTROL

[INCLUDING VARIATIONS IN BUDGET AND TRANSFER BETWEEN BUDGETS]

- 4.10 The Principal is ultimately responsible for the management of the budget and resources within the estimates approved annually by the Board.
- 4.11 Budget allocations will be within the overall budget approved by the Board and will reflect an expenditure profile that will support the College in achieving its planned objectives. Under normal circumstances, actual spending should not deviate substantially from agreed budgets. Budget Managers will plan the spending of budget allocations, taking account of possible variations in expenditure or income. They are responsible for controlling actual expenditure within budget. Where income is forecast to fall below that budgeted for the area concerned, budget managers must plan appropriate reductions to spending, and agree these with COO.
- 4.12 Monitoring reports of both income and expenditure against target shall be produced on a monthly basis and circulated to budget holders, who shall also be informed of the position of their budget.
- 4.13 Once the overall annual Budget for pay and non-pay expenditure has been agreed, transfers within these budgets will be allowed provided they are authorised in all cases by COO, subject to the following:
- 1 Such transfers can be made within pay or within non-pay but not between pay and non-pay unless approved in writing (e.g. through a recorded minute) by the Principal. If a transfer exceeds £50,000, it should first be examined by the Director of Finance to ensure that it is in accordance with the business rules and financial interests of the College before being presented to the Principal for approval.
 - 2 Any transfer must be notified to the Director of Finance who will action the matter in the financial records.
 - 3 Any transfer between pay budgets, or from non-pay to pay, must not involve the creation of a new post and the financial effect must not go beyond the current financial year, unless prior approval has been granted through the relevant Establishment Control procedures

- 4 In the case of new or the filling of vacant posts, the Establishment Control Procedures and Procedures for the Appointment of Consultants both constitute part of the Financial Procedures and must be adhered to in full in all cases.
- 4.14 Within the Revenue Budget, there may be a contingency provision to cover the estimated costs of pay awards and other price increases. Where the cost of a pay award exceeds such contingency provision, the Board's approval will be required in respect of the excess cost. The Principal will approve other increases in costs within the overall contingency provision.
- 4.15 The Board, through the Principal, may incur expenditure in the Financial Year but must not exceed the net amount approved within the net revenue budget. Budget Managers are held responsible for ensuring that actual expenditure is controlled within the budget levels allocated.
- 4.16 Decisions on staff appointments, contracts, leasing and other long-term agreements (beyond the Financial Year) will take account of the financial implications in the current and subsequent years.
- 4.17 The content of the Course File directly affects both expenditure (viz. staffing costs) and the rate at which income is earned. Therefore, only a COO may request a change to the Course File, once it has been approved by the Principal. Such requests must be made in writing. The senior manager in-charge of the Course File will assess the financial implications with COO. Any significant financial implications (i.e. those which would most likely affect the College's budgeted position) must be reported to and approved by the Principal's Executive Board.
- 4.18 Any deviations from budget throughout the course of the financial year in excess of £100k must be detailed and submitted on a schedule to the monthly Executive Board for review and approval. This schedule shall also be reported to each meeting of the Governing Body.
- 4.19 The approved budget may contain a contingency fund. This will be approved for genuine unforeseen contingencies only. It may not be used as a development fund. Any contingency fund will be under the sole authority of the Principal, whose written approval will be required for its use. No member of staff may assume use of the contingency to fund unforeseen budget variations, until the Principal has given their written authority. All uses of the contingency fund, which should be avoided if possible, will be reported to the Executive and Corporation Boards.

5 PURCHASING

OVERALL POLICY

- 5.1 The Governing Body requires that the practices adopted by the College shall represent good practice and obtain good value for money, shall be in compliance with UK legislation and European Union Directives, and that high levels of propriety are observed in dealings with commercial organisations.
- 5.2 In placing requisitions, Budget Managers must:
- Ensure that there is sufficient budget provision available for the purchase;
 - The appropriate signing authority is obtained.
- 5.3 Any breach of these purchasing rules is an extremely serious matter that in normal circumstances would be investigated under the Disciplinary Policy. Therefore, budget managers at all levels should ensure that they do not take any actions of any kind that could be construed as evading the full and proper application of these rules.

REQUISITIONING

- 5.4 All purchases shall be the subject of requisitions and official electronic orders. The only exceptions are for supplies of Building utilities (Electricity, Gas, Water, Telephones, Rates), Examination Fees, Subscriptions and Travel, and any order under £50 including VAT. Purchases will be made in accordance with the College's Conditions of Purchase. No personal items shall be purchased through College contractors using the College name or procedures.
- 5.5 Before initiating a requisition, the Budget Manager must ensure that sufficient funds (inclusive of VAT) are available in the relevant budget allocation. The electronic requisition must be complete in all respects:
- Detailed description of item(s) must be stated.
 - The price and quantity of each individual item must be stated.
 - The required delivery date and location must be inserted. The terms of payment must be stated. [The College payment terms stipulated on College purchase orders are net monthly account - payment by the end of the Calendar month following the date of supplier invoice.]
 - The correct budget expenditure codes must always be stated.

ORDERING

General

- 5.6 Where the values are in excess of £10,000, for an individual order invitations to either tender or provide a competitive quotation must be sought by the originator (see also paragraphs 5.37 onwards - procedures for Tenders/Quotations). These should be attached to the purchase requisition and forwarded to the appropriate authorised signatory for approval prior to an order being raised. If orders are a "call-off" from an order previously subject to the competitive quotation rule, then reference should be made to the previous order and a copy of the order appended.

- 5.7 Notification of acceptance of a tender or quotation will only be made by means of a written order and this will be issued by the Purchasing Officer. An appropriate letter of intent may be issued, in certain circumstances, by the Principal or COO.
- 5.8 Under no circumstances may prices and terms offered by a supplier be disclosed to their competitors.

AUTHORISATION LIMITS FOR REQUISITIONS

- 5.9 No order is to be placed unless the requisition and supporting authorisation documents bear the appropriate signatures as detailed below:

Authorised Officers	Requisition	Authorisation document: – for purchases:
Budget Managers and in their absence Deputy Budget Managers	All requisitions up to £5,000	Up to £5,000
Vice Principal	All requisitions up to £10,000	Up to £10,000
COO / Director of Finance		Up to £75,000
Principal		Up to £300,000
Chair of the Board (or Vice Chair)		Greater than £300,000
<i>A lesser spending amount may be set to a budget manager; the £5k authorising for a manager is on approval by COO and or Director of Finance.</i>		

SIGNING OF ORDERS (Electronic)

- 5.10 The following are authorised to sign orders having ensured appropriately signed requisitions and supporting documents as specified above:

Purchasing Officer	Up to £1,000
Finance Manager / Senior Management Accountant	Up to £10,000
Director of Finance or COO	Unlimited

- 5.11 All purchases over £300,000 (approved by the Chair) will be reported to the Board at the next meeting and a register should be maintained.
- 5.12 All purchases over £10,000 will be listed in the monthly Finance report.
- 5.13 All orders must state that the supplier invoice is to be sent in the first instance to the Finance Directorate's Payments Section.
- 5.14 All requisitions for the relevant budget must be signed by an authorised signatory.
- 5.15 Where appropriate, the placing of orders must be in compliance with current legislation. This will include compliance with EC directives (see section 5.59 for further details).
- 5.16 The College may refuse to accept liability where the above procedures have not been followed. If in bypassing these procedures the order has been placed without

the necessary prior approval, payment may be the responsibility of the individual who took the action, and the matter may be investigated under the College's Disciplinary Policy.

VERBAL ORDERS

- 5.17 Verbal orders are only permitted in certain circumstances, (1) orders not exceeding £50 including VAT and (2) in previously authorised circumstances as approved by COO.
- 5.18 In deciding on such circumstances, regard will be had to financial control, value for money, legal responsibilities, urgent health, security and safety matters, mitigation of potential losses, maintenance of essential services and securing the proper functioning of College activities. A register of such approved circumstances, for orders exceeding £50 including VAT, is to be maintained by the Director of Finance. Notwithstanding such authorisation, budget managers shall record such orders on purchase requisitions as soon as practical, marked clearly 'verbal order', copies of which shall be authorised by the Executive Directors and passed to the Payments Supervisor pending receipt of the invoice.
- 5.19 If unauthorised verbal orders are made, then the College may institute disciplinary procedures against the individual responsible.

PRE-PAID ORDERS

- 5.20 Pre-payment of orders should be resisted. The maximum payment where this cannot be avoided is £100, otherwise a pro forma invoice must be obtained from the supplier and a requisition / official order made out in the usual way.

USE OF COLLEGE CREDIT CARDS

- 5.21 Credit cards can only be issued on the authority of the Principal and will be restricted to a maximum limit of £3,000 per month and £500 per transaction. Actual limits on individual cases will be agreed by COO and or the Director of Finance.
- 5.22 All expenditure incurred on College credit cards must be supported by invoices/receipts. Unavoidable expenses of a personal/private nature charged to the College credit card in error must be kept to a minimum and these costs, having been accounted for in writing, must reimbursed to the College promptly by the individual.
- 5.23 Line managers are required to review the cardholder statements for each of their members of staff on a quarterly basis or if requested to do so by the Director of Finance. Once reviewed the cardholder statement should be signed by the line manager to demonstrate that the checks have been completed. Confirmation of the completion of these checks should also be included within the audits of the cardholder statements.
- 5.24 Deliberate use of a College purchasing card for personal expenditure will be treated as a breach of these Financial Rules for Business and will lead to disciplinary action.

- 5.25 Purchases over £1,000, are subject to the purchasing rules specified above. Receipts and justification for any purchase made on credit card must be attached to the credit card statement. All vouchers, receipts etc. must be attached to the monthly credit card statement together with a statement, signed by the cardholder, detailing the type of expenditure, its purpose, and identifying any personal costs to be reimbursed. A personal cheque, reimbursing the College for any unavoidable personal expenditure, should be forwarded to the Finance Manager. Monthly credit card statement and attachments must be passed to the Director of Finance promptly.
- 5.26 The level of all individual credit card activities will be reported to both the Executive Board and Governing Body through the financial report submitted to each meeting.
- 5.27 The Principal's credit card expenditure statement must be approved in the same manner as in 5.23 above in writing by the Chair of Governors.
- 5.28 College credit cards must not be used for the purchase of fuel (there are separate arrangements for the claiming of mileage where prior approval has been given to the use of a private vehicle for College duties).
- 5.29 In normal circumstances, credit cards should not be used to purchase equipment of a capital nature. Where such equipment is purchased in exceptional circumstances using a College credit card, the holder of the card is responsible for ensuring that the item(s) are properly recorded on the Asset Register.
- 5.30 Any user not conforming to these credit card use conditions may be subject to disciplinary procedures.
- 5.31 Internal reviews (audits) on cardholders will be carried out once a year to ensure all expenditure is on behalf of the College and complies with the purchasing FR.

ELECTRONIC ORDERING (e-PROCUREMENT)

- 5.32 All on-line e-procurement arrangements require the written approval of COO. Any such arrangements shall be based on the procurement rules contained within this document. Any amendments to the rules necessary in setting up e-procurement arrangements shall be approved by COO, and be reported to the next available meeting of the Audit & Risk Committee and to the Governing Body.
- 5.33 Budget managers may only make purchases from the internet where this represents good value for money, with appropriate goods return and refund guarantees. All payments for supplies, made through the normal ordering process or through approved Internet processes, must be made using the normal financial processes.

VIABILITY OF BUILDING CONTRACTORS AND SUPPLIERS

- 5.34 The viability, of building contractors and suppliers is to be independently verified by Estates and Facilities. In the case of building contracts, a performance bond for contracts in excess of £50,000 must be requested.
- 5.35 All contracts and orders in excess of £300,000 shall be subject to the prior approval of the Governing Body.

VAT ON ORDERS

- 5.36 The College is not able to reclaim VAT on taxable supplies and therefore all values quoted in these rules are VAT inclusive. Managers incurring costs on the College's behalf must be aware that the cost to the College of orders placed is the total invoiced value including VAT. All budget allocations include the payment of VAT (where applicable).

TENDERING AND QUOTATION PROCEDURES

- 5.37 All Group staff have a duty to secure best value from procurement. Different tender processes apply according to the value of the procurement, as set out in 5.51, and members of SMT must ensure that their teams are made aware of the Group's procurement strategy and that the arrangements are understood.
- 5.38 Irrespective of the form of tender, it is essential that all staff with procurement responsibilities are familiar with HM Treasury's 7-point guide to ensuring regularity and propriety:
- do not bend or break the rules
 - put in place and follow clear procedures
 - if approval is needed, get it first
 - do not allow a conflict of interest to affect, or appear to affect, decisions
 - do not use public money for private benefit
 - be even handed
 - record the reasons for decisions
- 5.39 For low value, commodity purchases, staff are expected to use suppliers approved either by the Group or through purchasing consortium framework agreements, where quality and price have already been subject to a competitive procurement process. The Accounts Payable Team can advise of the existence of such framework agreements on request.
- 5.40 For higher value purchases, the purchase of all goods and services will be the subject either of a public tender or competitive quotation, as indicated in 5.51. No order for the purchase of goods and services may be broken down into smaller, less costly elements to facilitate the evasion of the Group's Financial Rules for Business.
- 5.41 The Group has access to a wide range of Framework Agreements where a defined number of pre-qualified suppliers have already confirmed pricing and conditions of service through an EU compliant competitive process. Call off contracts awarded under these Framework Agreements can be made following a "mini competition" involving all suppliers on the Framework, or in some limited circumstances, based on a sole supplier appointment. Where a sole supplier appointment is considered, this must first be discussed with the Director of Finance.

- 5.42 All Group staff have a duty to comply with EU directives where the cumulative value of actual or anticipated aggregate Group spend on a specific commodity/service type over the shorter of the envisaged contract term, or 4 years, exceeds the thresholds set out in 5.51. The main points covered by both the Group's and EU tendering regulations are:
- i. competitive tendering procedure to:
 - ii. ensure fairness of competition
 - iii. ensure that companies invited to tender are financially and technically able to meet the Group's requirements
 - iv. indicate the terms of the contract
 - v. outline the appropriate British and / or international standards to be complied with
 - vi. quotation procedure, which indicate:
 - vii. the minimum number of firms that should be expected to provide quotations
 - viii. the terms by which the contractors will be paid
 - ix. the national requirements concerning good practice that should be followed
 - x. submission of tenders (e.g. time, date, etc.)
 - xi. receipt and safe custody of tenders and records
 - xii. admissibility and acceptance of tenders
 - xiii. acceptance of tenders / quotations
 - xiv. justification of acceptance of tenders not at the lowest price
- 5.43 The Chief Operating Officer is responsible for ensuring that the Group complies with its legal obligations concerning European procurement legislation. EU procurement regulations apply to written contracts for all forms of procurement or hire (whether or not hire purchase). The current threshold values are set out in 5.51. A breach of these regulations is actionable by a supplier or potential supplier.
- 5.44 The Chief Operating Officer is responsible for overseeing the Group's competitive quotations and tendering process. The Board shall ensure through the Director of Finance that invitations to tender are sent to a sufficient number of firms/individuals to provide fair and adequate competition as appropriate, having regard to their capacity to supply the goods or materials or to undertake the services or works required.
- 5.45 Unless agreed otherwise, Group staff have the delegated authority to conduct tender processes in accordance with the thresholds set out in 5.51. An audit trail of all procurement activity must be maintained to evidence compliance with these Financial Rules for Business and (where applicable) EU procurement law. As a minimum, this audit trail should include the following:
- The Accounts Payable Team must be advised of all competitive quotations and tendering activities, before any supplier is contacted, and will advise on the form and content of the request for quotation or invitation to tender, including the implications of the EU procurement legislation.
 - The Finance Manager can approve e-tendering arrangements, provided IT systems are in place to ensure that e-tenders are securely held prior to tender

- opening and late tenders are not allowed. The GPS website may provide acceptable facilities for e-tenders.
- Invitations to tender, or to apply for permission to tender, must be accompanied by comprehensive and clearly written specifications.
 - All invitations to tender must refer to a unique tender reference number issued by the Accounts Payable Team.
 - Copies of all invitations to tender, tender responses, tender evaluations and appointment justifications must be lodged with the Accounts Payable Team.
- 5.46 Post-tender negotiations (i.e. after receipt of formal tenders but before signing of contracts) with a view to improving price, delivery or other terms can be entered into provided it would not put other tenderers at a disadvantage. The ability to conduct post tender negotiations may be restricted under certain forms of EU procurement law (e.g. Competitive Dialogue) so advice from the Head of Finance should be sought.
- 5.47 The Principal, Chief Operating and Director of Finance may collectively agree to dispense with the process of obtaining competitive tenders and/or quotations where the work relates to appraisal of or actual repair work, the exact nature and extent of which cannot be determined without exploratory work first being undertaken. However, as soon as the nature and extent of the repair work can be determined, the Group's normal regulations and procedures relating to competitive tenders and quotations will operate.
- 5.48 The Group's regulations and procedures for obtaining competitive tenders and/or quotations may be set aside only with the prior written approval of the Principal, Chief Operating Officer and Director of Finance without reference to the Chair of the Board where:
- i. the supply is proposed under special arrangements negotiated by the Group in which event the said special arrangements must be complied with
 - ii. the timescale genuinely precludes competitive tendering. Failure to plan the work properly is not a justification for single tender
 - iii. specialist expertise is required and is available from only one source
 - iv. the task is essential to complete the project, arises as a consequence of a recently completed assignment and engaging different consultants for the new task would be inappropriate
 - v. there is a clear benefit to be gained from maintaining continuity with an earlier project. However in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering
- 5.49 The limited application of the single supplier tender rules should not be used to avoid competition or for administrative convenience or to award further work to a supplier originally appointed through a competitive procedure.
- 5.50 Where it is decided that competitive tendering is not applicable and should be waived by virtue of ii. to v. above the fact of the waiver and the reasons should be documented and reported by the Director of Finance.
- 5.51 **Limits for Quotations and Tenders:**

	PROCUREMENT LIMITS	
ACTION	ORDER VALUE (Exclusive of VAT)	ORDER VALUE (Inclusive of VAT)
Establish Best Price through Normal Enquiry Methods	<= £4,167	<= £5,000
Obtain a Minimum of Two Quotations	<= £16,667	<= £20,000
Obtain a Minimum of Three Quotations	<= £41,667	<= £50,000
Follow Framework Mini-Competition or Tendering Procedures	> £41,667	> £50,000
Follow EU Procurement Directives	<p>Group Wide Spend on Supplies and/or Services, by Commodity Type, over EU limit [The limit is set annually in legislation and may change - For 2018 the limit is £181,302 over the shorter of contract life or 4 years.]</p> <p>For up-to-date limits please refer to www.ojec.com/Thresholds.aspx</p>	<p>Group Wide Spend on Supplies and/or Services, by Commodity Type, over EU limit [The limit is set annually in legislation and may change - For 2018 the limit is £217,562 over the shorter of contract life or 4 years.]</p> <p>For up-to-date limits please refer to www.ojec.com/Thresholds.aspx</p>
Follow EU Procurement Directives	<p>Contracts for New Building Works over EU limit [The limit is set annually in legislation and may change - For 2018 the limit £4,551,413 over the contract life.]</p> <p>For up-to-date limits please refer to www.ojec.com/Thresholds.aspx</p> <p>Procurement Policy Note – Ne Thresholds 2018 - PPN 04/17 December 2017</p>	<p>Contracts for New Building Works over EU limit [The limit is set annually in legislation and may change - For 2018 £5,461,696 over the contract life.]</p> <p>For up-to-date limits please refer to www.ojec.com/Thresholds.aspx</p>

EU Public Works/Supply and Services Regulations

5.52 Any order for the award of services or works contract fulfilling the criteria as stated within EU regulations for public tenders should be subject to the rules laid out in the EU regulations. (See 'EC directives' section 5.59). These take precedence over the College's Financial Rules for Business.

Receipt, Custody and Acceptance of Tenders

5.53 This section applies to public tenders in excess of £50,000.

5.54 The COO can approve e-tendering arrangements in accordance with the provisions of 5.32, provided IT systems are in place to ensure that e-tenders are securely held prior to tender opening and late tenders are not allowed.

5.55 Where bids are required in writing, offers shall be contained in a plain envelope bearing no mark to identify the tenderer which has been securely sealed and bears the word "Tender" or "Quotation" followed by the product to which it refers. All envelopes are to be delivered to and kept in safe custody by the Clerk to the Corporation until the appointed time for opening. Tenders are to be opened and details recorded at one time by the Clerk to the Corporation in a 'tender' register, in the presence of the Budget Manager and a representative of the Director of Finance (normally the Senior Management Accountant). All nominated staff present shall sign and date the 'tender' register once all tenders have been opened and recorded.

5.56 If tenders are for contracts with a value greater than £300,000 the Clerk to the Corporation will inform the Corporation Board Chair once all tenders have been recorded in the 'tender' register.

5.57 Unless the task of tender opening and evaluation has been delegated to contracted professional advisers by the Principal and COO the advisers, in such cases, should submit a formal report within 4 hours of the values of all tenders received. Tenders received after tenders have been opened shall be not considered.

5.58 A tender received after the time fixed for receipt but before other tenders have been opened may be considered provided there is evidence that it was posted or despatched early enough to be received in due time by the normal course of post or despatch. Any tenders rejected for late delivery shall be immediately returned to the sender and no details of such tender shall be recorded or disclosed.

5.59 If an error in a tender is discovered, the tenderer shall be given the opportunity of confirming or withdrawing the offer. The formal acceptance of the tender will be in accordance with authorisation limits for requisitions (see below).

5.60 The Budget Manager may dispense with public tenders and competitive quotations if the Budget Manager obtains evidence and written approval of COO or Director of Finance to the negotiation of a single tender on the grounds that:

- The product is proprietary and sold only at fixed prices;
- The product is obtainable from one source only;
- The product consists of repairs or work to an existing proprietary product;
- Other specified special circumstances pertain that no reasonable alternative product is available.

- 5.61 Where it is proposed that, other than the lowest quotation should be accepted, then the Director of Finance must make the recommendation and a report detailing the reasons for the recommendation must be sent to COO. The approval of COO is required in all such cases. Such proposals for quotations in excess of £50k will be approved in accordance with the authorisation limits detailed in section 'Authorisation Limits for Orders'.
- 5.62 Where orders are for the supply to more than one Resource Centre the value of the purchase for the purpose of these regulations shall be deemed as being the total value of the combined purchase requirement.

Late Tenders

- 5.63 Any invitation to suppliers to tender or provide quotations should carry a closing time and date for offers which is applicable to all those invited. Offers received after the stipulated date should be rejected, unless there are overriding circumstances when appropriate advice should be sought concerning the manner in which the matter should be reviewed. The Director of Finance or Senior Management Accountant is able to assist with such difficulties.

Post Tender Procedures, Amendment or Negotiation

- 5.64 No amendment to a tender or competitive quotation shall be permitted unless the amendment improves the terms of the tender.
- 5.64.1 Subsequent negotiation in respect of a tender or competitive quotation may be allowed providing the negotiation is to the benefit of the College and such negotiations have been authorised by the Principal COO, or Director of Finance.
- 5.64.2 All tender documentation, including supplier lists; evaluation criteria and outcomes; evidence of Executive approval, and signed contract will be submitted to Finance before a Purchase Order is issued.
- 5.64.3 Prior to bidding, and again on appointment, tenderers will be advised in writing that no payment will be authorised without both a signed contract and a valid Purchase Order. This will help ensure that contracts are formally signed before any work is undertaken or committed.

EC Directives

- 5.65 Orders for supplies of services may be subject to the provisions of EC Directives 88/295 or 92/50 if the annual values exceed 209,000 ECU's (equivalent to approximately £164,176 in 2014) for services recurring expenditure.] With regards to works contract the threshold is 5,225,000 ECU approximately £4,104,394 in 2014. The above limits will be updated from time to time. The directives including provision for such public contracts are to be advertised in the official journal of the EC and prohibit discrimination by country of origin. This is a complex subject and reference should be made always to the Director of Estates and Facilities before orders exceeding the above limits are entered into contractually on behalf of the College. Authorisation limits detailed in section 'Authorisation Limits for Orders' apply.

Contracts which fall below EU thresholds

- 5.66 Where contracts fall below EU thresholds an adequate level of advertising of the contract must be made in order to ensure that the general EU principles of equal treatment and transparency are respected. In such cases LDA procurement rules must be followed; the thresholds below must be observed by ERDF projects.

National ESIF Procurement Requirements

Value of contract	Minimum Procedure	Advertising Required
£0 - £2,499	Direct award	None
£2,500 - £24,999	3 written quotes or prices sought from relevant suppliers of goods, works and services	None
£25,000 – Relevant Public Contracts Regulations threshold	Formal tender process in line with the Interpretative Communication and the relevant guidance set out https://www.gov.uk/government/publications/european-structural-and-investment-funds-procurement-documents	1) Advertised on Contracts Finder, and 2) the opportunity is advertised on the ESIF grant recipient's website for a reasonable time period

- 5.67 A minimum of three months should be allowed for completion of such procedures. Reference should be made to their detailed requirements.

SIGNING OF CONTRACTS, LEASES/HIRE PURCHASE OR RENTAL AGREEMENTS FOR SUPPLIES AND SERVICES TO THE COLLEGE

- 5.68 Such agreements must only be signed by the Principal, COO, or the Director of Finance (in accordance with financial limits set elsewhere in these rules up to a level of £300,000).
- 5.69 The Governing Body must be notified of any contract in excess of £300k, and the agreement must be signed by both the Principal and the Chair.
- 5.70 In the case of leases/hire purchase agreements, careful attention to value for money and the alternative of outright purchase must take place. Leases or hire purchase agreements should only be entered into if in the view of the College, that method of finance represents the best value for money.
- 5.71 Any contract / agreement presented for signature should include the official proforma explaining the contract and certifying compliance with above rules.

FRANCHISE CONTRACTS

- 5.72 The estimated contract payment values for the sub-contracting of teaching and learning or other learning or employment outputs will be presented annually to the Board for approval.
- 5.73 The value of 'retention' (the funds retained from the income earned by the College for its corporate management of the franchise contract) shall be determined and reviewed annually and published by the College. This may be expressed as a range in order to reflect different types of provision. This range shall apply to all franchise contracts.
- 5.74 Franchise contracts for the sub-contracting of teaching and learning or other outputs may be awarded to Group subsidiary companies on the basis of a value for money test. Where sector benchmarking shows that an equivalent quality and quantity of provision can be obtained significantly cheaper in the open market, then the contract should be put out to tender (see below).
- 5.75 Opportunities for franchise contracts outside of the College Group shall be advertised on Contract Finder if the value exceeds £25,000 (not required below this value), and should be administered, considered and awarded on the same basis as the procurement regulations set out above.

CONSULTANTS

- 5.76 Consultants (individual self-employed contractors, partnerships or companies) may be used, subject to prior approval being granted, to carry out work for the College. This must first be authorised using the College's EC5 procedure. Once the need for a consultant has been approved by the Principal (and the cost approved as being within budget), a specification must be advertised on Contract Finder setting out the type of work, volume and other details as required. Only those individuals and companies registered on Contract Finder may be considered for being awarded this work. In selecting a consultant, the relevant manager must pay due regard to their qualifications, experience, competence, and value for money. A manager may not select a consultant with whom they have a family or other close personal relationship. Once selected to undertake the assignment, the consultant must complete the Consultants Register of Interests Pro Forma, which will be held by the Clerk to the Corporation. The identities and broad nature of the work undertaken by consultants will be published on the College Intranet, and will be reported to the Executive and Corporation Boards.
- 5.77 Consultants must arrange for their own professional indemnity insurance at their own costs.
- 5.78 Consultants employed by the College must provide a valid Unique Tax Reference (UTR) to the purchase ledger department in order to receive payment.

BUSINESS DEVELOPMENT

- 5.79 The College may from time to time determine to establish a new business development, which may be an internally managed programme, or involve founding a new subsidiary within the College Group. If an internally managed and new development is proposed requiring revenue investment in excess of £300K (incl. of VAT) per annum, a business case, as outlined below, must be presented to the Governing Body for its prior approval. This shall not apply to internal reorganisations or restructuring. It will only apply to new activities.
- 5.80 For business developments with a revenue implication below £300K per annum, the Principal is required to appraise and approve such proposals at Executive Board level. Any approved developments shall be reported to the Governing Body via the monthly financial report.
- 5.81 If the new activity is to be located in a new subsidiary or other external investment, such a business case must be presented and approved by the Governing Body, whatever the level of revenue cost.
- 5.82 The business case shall be formulated taking into account all, or selected, of these elements:
- a) the rationale for the investment,
 - b) the full value of the investment (both revenue and capital),
 - c) the expected period of return on the investment, together with appropriate stress tests and risk assessments,
 - d) the expected outcomes to be achieved from the investment in terms of match to the College Mission and Development Plan,
 - e) the indicators of performance to be applied to the development,
 - f) the management arrangements for the proposed development,
 - g) the proposed constitution of any new entity to be established, such as a subsidiary, if relevant,
 - h) the legal advice, if appropriate, underpinning the establishment of any new entity,
 - i) the risk attached to the development, with mitigating actions to be applied,
 - j) the termination opportunity to exit the venture, and consequences,
 - k) the due diligence applied to the plan.

CONTINGENT LIABILITIES

- 5.83 The College shall not give any guarantees, letters of comfort, or indemnities incurring contingent liabilities other than in the normal course of commercial business dealings.

CERTIFICATION AND PAYMENT OF INVOICES

Verification of Receipt of Goods and Services

- 5.84 All deliveries of goods and services to the main campuses are made via the Site Supervisors who will raise a goods receipt note, attach the note to the goods and pass to Budget Manager.
- 5.85 On receipt of goods and services the Budget Manager shall check to ensure deliveries conform to the agreed specifications contained in the order. Discrepancies in any order to be notified immediately by the Budget Manager to the supplier and the Payments Supervisor within 24 hours of delivery. All deliveries of goods and services shall be taken into stock and held securely for the benefit of the College by the responsible person.

CERTIFICATION OF INVOICES

- 5.86 Budget Managers must request Purchase invoices to be sent or emailed direct to the Payments section (purchasledger@newham.ac.uk) who are responsible for the logging and monitoring of supplier invoices. If invoices are routed in the first instance to Budget Manager, inevitably some could be mislaid, or delay will occur in their scanning or processing leading to delayed payment and the under-recording of liabilities.
- 5.87 Budget Managers shall be responsible for the electronic authorisation of invoices for payment and the return to the Finance Directorate within two working days following examination and verification by his/her nominee of an invoice relating to goods or services ordered by the Faculty or Department. In the absence of the Budget Manager, the Finance Directorate payment section are to be advised of the designated deputy responsible for the electronic authorisation of invoices for payment. It is the duty of all employees of the College to ensure, as far as they are able, that all payments made are reasonable, are legally due, and represent good value for money. A record to be maintained by the Director of Finance of the designated signatories.
- 5.88 Certification relating to major building works contract invoices must be accompanied by a professionally qualified consultant certificate or an authorised senior officer's certificate of completion
- 5.89 Electronic authorisation of the invoice indicates that the Budget Manager confirms that:
- The goods have been received, examined and approved as to the quantity and quality or that the work has been done satisfactorily and that the orders have been complied with; The relevant expenditure has been properly incurred and is within the relevant estimate provision made in the budget and is in accordance with the Financial Rules for Business. That any variation in value between the estimated order and invoice price is acceptable to the Budget Manager, providing that the actual invoice value does not exceed the budget managers signing authority. In such an instance the invoice is to be referred to the next higher authority.
 - The prices, and the allocation of expenditure to the budget head are correct and that appropriate deductions and calculations have been made for trade discounts, other allowances, credits and tax;
 - An invoice for the provision of the same goods and services has not been previously certified for payment;

- The invoice is a proper liability of the College;
- Where appropriate, entries have been made in inventories or store records;
- That an invoice has been verified against the purchase order;
- Supplier payments are made in time to take advantage of discounts. The terms for payment by the College will normally be the end of the month following date of supplier invoice.

5.90 Following the 31 July each year and up to the final date to be notified by COO, Budget Managers shall determine all outstanding expenditure relating to goods and services provided in the previous financial year which were not invoiced at the year-end by completing appropriate forms. Goods and services are chargeable to the accounts of the financial year in which they are received or incurred.

PAYMENTS

5.91 Apart from payments made from petty cash imprest accounts, payments of all amounts due from the College (including salaries, wages and other payments related to employees) shall be made by COO or under arrangements approved and controlled by him/her. Payments will be made in accordance with the College's Conditions of Purchase [generally the calendar month end following the month of supplier's invoice]. Payments in advance to any supplier are not permitted unless with the express authority of COO or the Director of Finance.

5.92 All expense claims relating to training and course attendance can only be reimbursed after authorisation by the Director of HR & Legal Services or the Training Manager, who will satisfy themselves that the course has being authorised by the appropriate officer and a course evaluation report has being received by Human Resources.

5.93 Payments before the usual payment dates stipulated in the Conditions of Purchase (as above) will only be made on the authority of the Director of Finance.

PETTY CASH

5.94 Imprest accounts (petty cash) may be set up and maintained only with the express permission of the Director of Finance. Any unauthorised accounts will not be reimbursed by the College. Imprest accounts, while being the responsibility of the member of staff to whom they are entrusted, shall be managed and controlled under the direction of the Director of Finance. The Director of Finance will conduct periodic checks and ensure accounts are regularly reconciled. Regular reimbursement of expenditure to restore the value of the imprest accounts will only take place when appropriate returns, supported by vouchers, have been made to the Director of Finance. Claims against imprest accounts will not be made for individual claims exceeding £30 unless sanctioned by the Director of Finance.

PURCHASING PRACTICE ETHICS

5.95 Those persons with delegated authority to manage funds on behalf of the College shall comply in all respects with the appropriate regulations concerning the purchase of goods and services and in particular:

- Shall not use their delegated powers or office for personal gain and shall maintain an unimpeachable standard of integrity in all their business relationships, both inside and outside the organisation for which they have delegated responsibility, or within which they are employed.

- Shall avoid any dealings with individuals or organisations where there is a family or other close personal relationship, or where the employee has a business or other financial interest.
 - Shall foster the highest possible standards of competence in respect of purchasing matters amongst those for whom they are responsible, including the need to seek professional advice where appropriate.
 - Shall reject any business practice that might reasonably be deemed improper or illegal.
 - The use of cash cheques should be avoided and expenditure should preferentially be made against a College procurement card. Cash cheques, if unavoidable, are only to be issued to a limit of £300 on the authorisation of members of the Executive (excluding the Clerk to the Corporation) against a pre-submitted detail of requirement, including the estimated amounts involved, date of the event or item of spend to be incurred. Full vouchers, must be submitted by the payee within two weeks of the expected spend date, or a report should be made to the line manager. Aggregation of amounts across more than one cheque or member of staff for one single item is forbidden.
- 5.96 In applying these instructions, the Principal and others to whom authority is delegated should follow the guidance set out within the Financial Rules with regard to DISCLOSURES OF INTEREST.

COMPETITION

- 5.97 Whilst bearing in mind the advantages to the College of maintaining a continuing relationship with a supplier, any arrangement that might, in the long term, prevent the effective operation of fair competition and the securing of value for money, must be avoided. All purchase ledger staff must observe the rules set out in relation to competitive tendering and quotations procedures (see Section 5.31 – 5.52) to ensure that the College obtains best value for money.

LEGAL OR BINDING AGREEMENTS [LEASES, RENTALS OR HIRE PURCHASE AGREEMENTS, ETC

- 5.98 In all cases where legal or binding agreements or contracts are required in the execution of a purchase agreement, advice concerning the extent of the commitment must be sought from COO. Budget Managers are advised that many agreements contain hidden commitments in respect of forward pricing, notice of termination etc. Of particular concern are those agreements relating to office equipment, photocopiers, vending or hygiene machines, which are often difficult to terminate before the full lease term has expired, contain expensive usage charges, etc.
- 5.99 All leases, hire purchase agreements, or other binding legal agreements must be authorised and signed on behalf of the College by the Principal, COO or Director of Finance, and, where appropriate to the level of spend, the Chair of Governors.
- 5.100 The College shall not give any guarantees, letters of comfort, or indemnities incurring contingent liabilities other than in the normal course of commercial business dealings.
- 5.101 Permission for a third party to use the College's premises (for other than the provision of contracted services) must be governed by a signed Licence to Occupy

agreement. Any such proposal, even where there is no rent, must be made to COO, who will arrange for it to be considered by the Principal. If the Principal supports the proposal, a written report presenting the proposal will be made to the Governing Body, whose decision on the matter shall be final.

- 5.102 Any contract for the purchase or leasing of the provision of goods or services (including property) that is longer than the current financial year must take account of:
- the possibility that the College may of financial necessity need to end or reduce the contract prematurely; and
 - the College may need to vary the contract in terms of both its value and specification if the business needs of the College require it.

Where the lease or contract cannot be agreed to contain provisions to meet this type of flexibility then consideration must be given to securing an alternative supplier, or making alternative arrangements.

NEW LEASES FOR BUSINESS PURPOSES

- 5.103 New leases for business purposes entered into by a subsidiary company that forms part of the Newham College London Group must adhere to the following approval process in order to protect the overall interests of the Group:

Step 1: The Executive Director – Estates & Operations must approve the building fit for purpose and write a comprehensive report clearly stating the rationale for the approval. This must be communicated to the relevant parties within a mutually agreed timeline.

Step 2: The CEO and /or managing director of the subsidiary must submit a business plan and seek approval from its Board of Trustees

Step 3: The approved business plan must be submitted to the Principal & CEO of Newham College London for final approval

In the event that the parties are in dispute over the decision made the Chair of Governors of the parent company will mediate and have the final say.

SAFEGUARDING OF LEGAL DOCUMENTS

- 5.104 Signed copies of property deeds, leases, agreements and contracts must, be forwarded to the Clerk of the Corporation for safekeeping. All such documents shall be held in an appropriately secure, fireproof location.

QUALITY ASSURANCE & STANDARDS

- 5.105 Budget Managers must ensure that appropriate standards set down for products and services, e.g., British Standards, College Quality standards, etc. are observed in the production of goods or the provision of services for which purchase arrangements are made. Care should be exercised in ensuring that Conditions of Contract comply with appropriate legislation and Health and Safety rules, and that

the contractors demonstrate compliance with the College's values. Where services are subcontracted Budget Managers should ensure that the same standard is maintained in their monitoring of this contract. Where appropriate, the Principal or the Board of Governors may impose specific standards on the performance of a contract, and these should be stated in writing in the agreement with the contractor.

STANDING ORDER & DIRECT DEBITS

- 5.106 Standing orders and direct debits must be approved by the Director of Finance. Direct debits should only be set up in order to pay utility bills and business rates. Exemptions to this rule must be approved by the Director of Finance. All direct debits and standing orders are to be reviewed annually by the senior management accountant.

DISCLOSURES OF INTEREST

- 5.107 Any personal interest, which may impinge or might reasonably be perceived by others to impinge on his/her impartiality in any matter relevant to his or her duties in respect of the purchase of goods or services, should be declared on the College's Register of Interests.
- 5.108 A register of declarations of interests for Governors', senior managers' and any other post holder with financial management responsibilities is held by the Clerk to the Corporation and shall be continually updated. This register shall be subject to review annually and reminders issued to all governors and senior managers to declare all potential conflicts of interest.
- 5.109 A record shall also be maintained of personal interests declared during Board meetings for items appearing on the agenda. This shall be subject to regular review by the Clerk to the Corporation.

DECLARATIONS OF BUSINESS GIFTS/HOSPITALITY RECEIVED

- 5.110 Business gifts other than items of very small intrinsic value such as business diaries or calendars must not be accepted. Any unsolicited gifts will become the property of the College and must be declared to the relevant Director, who will then arrange for the item to be utilised appropriately by the College.

RECEIVING GIFTS OR HOSPITALITY

- 5.111 Hospitality should not be accepted other than as a normal courtesy of a business relationship. However, the essential ingredient in dealing with such offers is openness on behalf of the recipient.
- 5.112 Any offer made or provision of hospitality (beyond normal sustenance provided at a work place) should be reported to both the relevant line manager and the Director of HR and Legal Services. If the offer of hospitality is accepted, such occurrences must be recorded as an official record by the Director of HR & Legal Services.

5.113 Members of staff should not allow gifts, rewards or hospitality to be given to their immediate family/partner members from any organisation or individual with whom they have contact in the course of their work.

5.114 The recipient should not allow him or herself to reach a position whereby he or she might be or might be deemed by others to have been influenced in the making of a business decision as a consequence of accepting such hospitality.

5.115 Hospitality valued in excess of:

£25	Must have the prior approval of the Director.
£50	Must have the prior approval of the Deputy Principal.
£250	Must have the prior approval of the Principal and Chief Executive.

5.116 Where hospitality is accepted below these values a diary note should be maintained, by the recipient. In all matters of doubt, advice should be sought from the Director of HR and Legal Services. More detailed procedures are contained within the agreed Business Conduct (Gifts and Gratuities) policy for all College staff issued by the Human Resources Directorate and should be referred to by all staff. Any area of doubt should be referred to the Director of HR & Legal Services for a ruling.

5.117 A register of hospitality received by members of the Governing Body and senior staff will be maintained by the Clerk to the Corporation, who will notify the Director of HR & Legal Services of hospitality received by Board members and senior managers. This record shall be set up as a template on the College's intranet with restricted access to allow senior staff to continually update the register. This record shall be subject to regular review by the Clerk to the Corporation. The Director of HR & Legal Services shall ensure that staff, are reminded on a monthly basis to disclose all hospitality received in excess of £50.

PUBLIC INTEREST DISCLOSURES

5.118 Under the Public Interest Disclosure Act 1993 - the Corporation is required to provide protection to workers who make disclosures of information that is in the Public interest. A copy of the College's Policy and Procedures for Public Disclosure is attached as Appendix 6.

CONFIDENTIALITY AND ACCURACY OF INFORMATION

5.119 All financial and commercial records relating to the College are confidential and must not be disclosed to any one unauthorised to access them.

5.120 All staff must ensure that all confidential information is kept secure and access to it controlled in accordance with the Data Protection Act.

6 BANKING

SETTING UP BANK ACCOUNTS

- 6.1 COO shall be responsible for making all banking arrangements, including the setting up and closing of accounts. The signatories to the bank accounts shall be:
- The Principal
 - The Chief Operating Officer

 - The Deputy Principal, Curriculum & Quality
 - The Director of Finance

 - Director (if not sufficient signatures available)
- 6.2 No additional bank accounts shall be set up outside of these arrangements without the express approval of COO. Any such approvals must be reported to both the Executive Board and the Governing Body.
- 6.3 All transactions and instructions to the bank to transfer funds between bank accounts in excess of £2,000 per occurrence are to be signed by two authorised signatories to the bank account as above with the exception of automatic daily bank account transfers (which take place to maximise overnight monies on deposit) which shall be nominated by the Director of Finance or Senior Management Accountant.
- 6.4 The College shall review its banking arrangement every four years and to review documentation of authorised signatories at least annually.

SIGNING OF CHEQUES

- 6.5 All cheques or negotiable instruments [such as BACS, CHAPS, telegraphic transfers, etc.], drawn on the College's bank accounts, to be signed by COO or other authorised signatory. Cheques or negotiable instruments in excess of £2,000 are required to have two signatures. Standing orders or direct debits exceeding £2,000 p.a. also require 2 signatures. In the case of pre-signed cheques over £2,000 each the second signature must be other than the Principal. In the case of cheques exceeding £15,000 each, two live signatures are required. In the case of cheques or negotiable instruments in excess of £250,000 two members of the Principalship must sign. In the case of transactions above the Principal's expenditure threshold, the Clerk to the Corporation is required to sign that appropriate authority of the Chair has been obtained.
- 6.6 Pre-signed cheques without a second signatory are valid up to £2,000 each. The Director of Finance must ensure that there are strict security arrangements in force for the safeguard and custody of pre-signed cheques.

BANK RECONCILIATIONS

- 6.7 The Director of Finance shall ensure that prompt monthly reconciliation of the bank statements provided by the bank to the College with the College's own Cash Book records take place by the Finance Department.

BORROWING AND OTHER FINANCING ARRANGEMENTS

- 6.8 The prior consent of the Governing Body is required for all borrowing which meets one or more of the following criteria:
- is secured on College assets;
 - is of more than £300K
 - is for a term of more than 3 years
 - is secured on terms that are less favourable than would normally be available from the College's bankers.
- 6.9 COO shall be responsible for short term borrowing at competitive rates to cover day-to-day cash shortfalls.
- 6.10 Contracts for borrowing on a lease or hire purchase agreement may be entered into for equipment provided in the view of the Director of Finance or COO that method of finance represents the best value for money.

INVESTMENTS

- 6.11 The Board shall annually consider and approve an investment strategy. COO shall be responsible for the investment of surplus cash funds in accordance with this strategy.
- 6.12 COO shall report at least annually on the investment of such funds.
- 6.13 The Board shall determine any investment for a period in excess of one year.

CASH FLOW AND TREASURY MANAGEMENT

- 6.14 For any long term borrowing requirements COO shall ensure that the College receives competitive quotes from a minimum of three recognised Financial Institutions. Any long-term borrowing shall be subject to the approval of the Board and all documents to put agreements into effect to be signed by the Chair of the Board (or the Vice Chair) and the Principal.
- 6.15 The Director of Finance shall be responsible for the preparation of the College's monthly cash flow projections and for the day-to-day management of the bank account balances. This information will form the basis for decisions on the investment of surplus cash funds.
- 6.16 The Board shall review the treasury management strategy at least annually and from time to time as identified by COO.

CASH SECURITY

- 6.17 Within the income offices, small cash balances are accumulated as a result of fee payment. These balances will be maintained in a secure area and weekly banking will take place using external security personnel.
- 6.18 Any deficiencies in cash or any circumstances indicating irregularities shall be notified by the Director of Finance to COO without delay. If necessary, External or Internal Audit will be consulted particularly where it is suspected that the irregularity may be due to Fraud.

- 6.19 Personal cheques will not be cashed out of monies held on behalf of the College, which will include funds held in the Income Offices, and Petty Cash float holders.

LOANS

- 6.20 College funds shall not normally be lent to either organisations or individuals.
- 6.21 Exceptionally, small loans may be advanced to staff, on formal written application, for travel season ticket, vehicle purchase in connection with official work duties, and for bicycle purchase. Such schemes are to be the subject of published criteria available potentially to all staff who meet the criteria. Where such loans are approved appropriate arrangements must be made to secure full repayment, viz. by agreed deductions from wages.
- 6.22 Exceptionally, very small loans may be made to students in severe difficulty or distress (for example, to enable them to get home or obtain a meal).
- 6.23 Where management recommends a loan to another entity as being in the interests of the College, a full and detailed business case should be presented to the Governing Body. This should include reference to the rationale for the loan, the terms, the interest rate to be applied, any security to be taken, and options in the event of default. The agreement for the loan should be drawn up with legal advice.
- 6.24 In no circumstances should a request for a loan be entertained to any entity in which a governor or a member of staff has a family or other relationship or investment interest.

7 TAXATION

GENERAL

- 7.1 The College is an exempt charity under the terms of the Further and Higher Education Act 1992 and as such is not liable for Corporation or Income Tax on any of its charitable activities. The College is registered for Value Added Tax and operates in accordance with an agreement based upon guidelines contained within the 'Higher Education Concordat' as approved by and agreed by H M Revenue and Customs. The College is unable to recover input tax on the majority of its purchases, education and research being exempt activities under current VAT legislation. Certain concessions are contained in the concordat that recognises the special circumstances of further and higher education and minimise the complexities of administration.
- 7.2 COO shall make proper arrangements for the prompt payment of taxes due together with appropriate tax returns within the due dates, ensuring that the College does not incur penalties for the incorrect treatment of VAT and other taxes.
- 7.3 COO will ensure prompt reimbursement, where applicable, of reclaimable VAT taxes suffered e.g., because of Partial Exemption calculations.

8 SERVICES PROVIDED BY THE COLLEGE

CONTRACTS FOR SERVICES

- 8.1 Education and training contracts consistent with the College's mission are to be agreed and signed by the Executive:

COO	Contracts up to £150,000
Principal	Any Contracts > £150,000
Subsidiary Managing Director	All Contracts

- 8.2 All contracts in excess of £300,000 will be notified to the Governing Body.
- 8.3 In relation to new bids where the value exceeds 1.5% of turn-over the Chair of Audit and Risk Committee and the Chair of the Governing body will be notified of the intention to submit a bid. This will allow the opportunity for both chairs to call it in for review.
- 8.4 The above limits do not apply to OfS and ESF bids.

8.4.1 Services to be provided without any public funding subsidy (Commercial Income).

In normal circumstances, such services should make a profit for the College. Advice on the pricing of such services must be sought from the Director of Finance. Covering marginal costs only will in normal circumstances not be authorised as commercial activity. All contracts for delivery of these services must include a requirement that the contractor must pay a minimum of 50% of estimated contract value up front. The final account will be adjusted against actual performance and if contract is terminated early it must specify in the contract the ability to recover actual costs incurred to date.

- 8.5 VAT may be levied on some charges according to legal requirements. Guidance should be sought from the Director of Finance. The College will apply the provisions regarding Education, Research and Vocational Training contained within the VAT (Education) order 1994 in assessing whether or not VAT is applicable. Copies of all contracts must be passed to the Director of Finance.

FUNDING AGENCIES

- 8.6 Authorisation and signing of recurrent (annual) Contracts with ESFA, HEFCE for the provision of teaching and learning is delegated to the Principal and Chief Executive. Depending on their nature, one-off contracts with public funding bodies may require a business case to be approved by the Board of Governors.
- 8.7 All staff have a duty, within the guidelines laid down by the public funding agencies, to legitimately maximise claims (both direct claims made by the College and through franchise arrangements) for the provision of these services. There is also a specific duty on all staff not to falsify college information or claims to the funding agencies, or to contribute in any way to falsification or dishonesty.

INTERNAL TRADING SERVICES

- 8.8 The College operates several internal trading services, e.g: Photocopying; Materials; Printing, etc. At each month end, budgets will be recharged according to the amounts calculated by the appropriate officers, who will enter the amounts against the pre-printed account codes for action by the Finance Department.

COMMERCIAL ACTIVITIES**TUITION FEES**

- 8.9 Credit terms shall be as specified below for the collection of monies due to Newham College of Further Education and subsidiary companies for which invoices have been raised.

Local Education Authorities	Payable at the end of the first week of February
Self Payers	30 days (from date of invoice)
Employer	30 days (from date of invoice)
Other charges raised for services (Including other LEA charges)	30 days (from date of invoice)

- 8.10 Individual students will be expected to pay tuition fees in full where the cost of the course does not exceed £50. For course fees in excess of this sum, credit terms will be permitted in accordance with annual rules as published, particularly regarding the payment by instalment arrangements. The Examinations Co-ordinator, in liaison with the Executive Directors, has the authority to waive fees in special circumstances, or to cancel a fee levied in error.

COLLECTION OF MONIES DUE TO THE COLLEGE

- 8.11 The collection of all monies due to the College shall be in accordance with arrangements made by COO.
- 8.12 The Board shall determine annually, a framework for setting charges for tuition payable to the College.
- 8.13 The Principal, in consultation with COO shall determine such fees within that framework. The setting of other charges will be delegated to COO in conjunction with Budget Managers and in accordance with the approved budget policy. The setting of fees in respect of courses of Further Education will have due regard to regulations made by the Secretary of State within powers conferred by the Education Acts 1944-1992. Policy on fees for areas such as commercial and external training to be formulated periodically, by the College Executive Board.
- 8.14 The Director of Finance shall ensure that all income is collected promptly, in full and securely safeguarded; that it is properly recorded by a receipt or other means and banked intact to an official accounts as soon as possible. Payees of cheques to be individually listed on paying-in slips by the Income Office.
- 8.15 The Director of Finance shall be responsible for an efficient and effective debtor control and collections service using, where appropriate, external debt collection services.
- 8.16 The Director of Finance shall determine the credit terms for all customers; for all new customers, credit arrangements should be subject to approval, after credit checks, but prior to services being performed. Credit limits shall be set and monthly statements/overdue letters/litigation proceedings carried out promptly.

- 8.17 Budget Managers shall notify the Director of Finance promptly of all sums due to the College, arising out of services rendered by the Faculty or Department, by means of a completed sales invoice request form. Charges should be made only where consistent with the College's policy on charging and within statutory limitations. This particularly applies to student fees.
- 8.18 Budget Managers shall notify the Director of Finance promptly of any credit to be passed arising out of tuition fee billing or out of services rendered by the Faculty or Department, by means of a completed credit note request form. All credit note requests are to be authorised by the relevant Faculty/Departmental Director and counter signed by the Director of Finance.
- 8.19 The financial framework for charges for training courses, full cost courses, research, consultancy and training activities shall be determined by the Board of Directors of any constituent company of the College, if these activities are controlled by the Company.

CREDIT CONTROL PROCEDURES

- 8.20 All debtors will be sent statements immediately following enrolment information being available.
- 8.21 After a further 4 weeks lists of students who have not paid will be sent by credit control to the Campus Offices for follow-up by personal contact via the course tutors with the students concerned.
- 8.22 An overdue follow-up letter will be sent by credit control after a further 2 weeks has elapsed.
- 8.23 After a further one-week, student debts will be referred to debt collectors for collection.
- 8.24 For commercial and other training debts, procedures are similar to student debts with the exception that individual overdue debtors will be dealt with by the Director of Finance in liaison with the Executive Directors concerned.
- 8.25 Final legal action in respect of outstanding debts may only be initiated by the Director of Finance after consultation with COO.
- 8.26 In the case of a successful Court Action, the Debtor will be fully liable in law for statutory interest charges and any legal or debt recovery costs.
- 8.27 A debt may only be written off after all reasonable steps have been taken to recover the debt, and only with the prior approval of the relevant officer as follows:

Up to £5,000	Finance Manager / Senior Management Accountant
Up to £25,000	Director of Finance
Up to £50,000	COO
Up to £100,000	Principal
Over £100,000	Governing Body

- 8.28 Written off debts shall be formally recorded and the record retained for seven years.
- 8.29 All stocks of debtor invoice requisitions, receipts and other acknowledgements for income received, to be securely safeguarded by the Director of Finance.

9 STAFFING

GENERAL

- 9.1 The College shall employ only staff (either full-time, part-time or hourly paid), for whom financial provision has been made in the budget approved by the Board of Governors. Detailed procedures regarding appointment of permanent staff are contained within the Human Resources Policies and Procedures Manual. These Human Resources policies and procedures form part of these Financial Rules for Business.
- 9.2 Within the Revenue Budget, there may be a provision to cover the estimated costs of pay awards and other price increases. Where the cost of a pay award exceeds the provision, the Board's approval will be required in respect of the excess cost. COO will approve other increases in costs within the overall budget.
- 9.3 Decisions on staff appointments must take account of the financial implications in both the current and subsequent years.
- 9.4 The College may also employ temporary staff and casual staff, where budget provision is available to meet the cost (on a casual basis using an approved provider or other mechanism).
- 9.5 Employed and agency staff may only be engaged on the basis of an approved EC1 or EC6. Engaging staff without such approval represents a serious breach of both Financial Rules for Business and Human Resources policy and procedure.
- 9.6 EC5 is the relevant procedure for approving the engagement of a consultant. This is covered by paragraph 5.59 in these rules.

PAYROLL PROCEDURES

- 9.7 The payroll procedures shall be under the control of the Director of HR & Legal Services who will arrange for the payment of salaries to all employees of the College.
- 9.8 Agency staff shall only be commissioned and appointed by the Directorate of Human Resources, and not by any other directorate, either directly or indirectly. Such agencies shall only be those validated and authorised by the Directorate of Human Resources, which shall liaise closely with the finance department on the accounting and process of re-charge to directorates accordingly.
- 9.9 The EC6 procedure governs the use of short-term staffing needs. In the event that staff members do not comply with terms of the EC6 process then disciplinary action may be taken against the individual as indicated in the standard HR policies and procedures.
- 9.10 All salaries, fees and other remuneration due to staff and other individuals, whether under a formal contract of employment or not, shall be paid by the Payroll Section through the payroll system using BACS payment facilities unless otherwise authorised by the Director of Finance and/or The Director of HR & Legal Services. This is to allow the Director of Finance to ensure that appropriate legislation regarding income tax, national insurance, pensions, sickness benefit, etc is complied with.
- 9.11 The College shall not make payments in advance of salary earned or pay in lieu of notice other than in exceptional circumstances on the recommendation of the Director of HR & Legal Services and with the agreement of the Principal.

- 9.12 All managers should ensure that any changes affecting pay are notified to the Director of HR & Legal Services and Payroll section at the earliest opportunity.
- 9.13 The Director of HR & Legal Services shall be informed of all benefits in kind received by employees such as accommodation, use of telephones, use of vehicles, etc. and any other information concerning employees.
- 9.14 Budget Managers shall certify all-time records or other pay documents. An approved list of officers authorised to sign such records shall be maintained by the Director of Finance.

EXPENSES

- 9.15 Claims for expenses incurred by staff and Governors in carrying out official business must be made in writing and must be supported by receipts and an explanation of the business reason for the expense. Such claims must be approved by the appropriate line / Budget Manager. In the case of the Governors, the 'line manager' is the Clerk to the Corporation; in the case of the Principal, the 'line manager' is the Chair of the Board.
- 9.16 Expenditure on staff training and development (including attendance at courses, conferences, away days, etc.) is ineligible unless a report is produced on the activity. Out of pocket expenses for fees, travel or substance in connection with staff training and development (including attendance at courses, conferences, away-days, etc.) may not be reimbursed unless a report on the activity has been received by the Director of HR & Legal Services.
- 9.17 College funds may only be used to purchase gifts for presentation to staff or to external parties with the advance consent in writing of the Principal.
- 9.18 Alcohol may not normally be provided at College functions, whether for staff or external guests, or for presentation as a gift to staff or external guests. For exceptional circumstances, written advance consent must be obtained from the Principal.
- 9.19 Refreshments and internal hospitality shall only be authorised in writing by a Vice Principal or more senior member of staff. Hospitality, (including meals, refreshments and accommodation) for staff development or training events outside the College premises can only be approved by the Director of HR & Legal Services or the Principal.

Travel and Accommodation Expenses

- 9.20 Staff/Governors must ensure that costs incurred on travel and accommodation are reasonable and unlikely to lead to accusation of lavish provision. The College will meet hotel costs (including that relating to room hire), meals and other direct business related costs (e.g., fax, photocopying) necessarily incurred in carrying out official College business. Other costs, for example, for bar drinks, private telephone calls, newspapers and other incidentals must be borne by the individual and are non-reimbursable by the College.
- 9.21 Reimbursement of the costs of UK travel will be at the lower of mileage rates (at the College approved rates) or public transport. All claims for travel in the UK must be

authorised by the line/budget manger.

- 9.22 Compliance with the loans and allowances policy ('Q' Drive HR policies) is mandatory. Limits may not be exceeded without the prior written authority of the line manager.
- 9.23 Overseas travel and accommodation must have the prior authorisation of the Principal. In the case of the Principal, overseas travel and overnight accommodation, the prior approval of the Chair of the Board must be obtained. All overseas travel must be reported in a timely and routine manner to the Executive Board and Board of Governors.
- 9.24 Unless authorised by the Principal, all travel should be undertaken by standard or economy class service. In the case of the Principal, the Chair shall authorise the appropriate grade of travel.

SALARY PAY AND BENEFITS

- 9.25 The Remuneration Committee shall determine the salary grading, and pay matters and benefits of designated senior post holders.
- 9.26 The Principal, within a framework approved by the Board, shall determine the salary grading and other pay matters of all other staff. The terms and conditions of employment of all full-time and part-time staff shall be determined by the Principal

TERMINATING CONTRACTS OF EMPLOYMENT BY AGREEMENT

- 9.27 Responsibility for employment of staff is specified in the Instrument and Articles of Government, where the Board have responsibility for employment of the Principal and senior managers, and the Principal has responsibility for employment of other staff. Any negotiations for or consideration of termination of employment involving a payment to the employee concerned are delegated to the Director of HR & Legal Services who will consult the Principal as necessary, except where the post holder is a designated senior post holder (see paragraph below). In reaching a settlement agreement, the College must pay due regard to: the value for money of the cost of the settlement; the viability of resolving the issue successfully in another manner; the contractual rights of the employee; any considerations set out in the Financial Memorandum with the SFA.
- 9.28 Any proposed Settlement Agreement with a designated senior post holder must at minimum be considered first by the Chair of Governors and the Principal (except where it is the Principal's post under consideration). The decision on this may be made either by the Governing Body, or in an emergency by the Chair of Governors. The same considerations (as above) must be made. Any decision made by the Chair and the Principal must be reported to the Governing Body.
- 9.29 All settlement agreements must be reported in an anonymised manner to the Governing Body in the routine HR report, and be summarised in the annual HR report. Where possible, the annual total cost of Settlement Agreements should be benchmarked against sector information.

10 INTERNAL AND EXTERNAL AUDITS

GENERAL

- 10.1 The Board of Governors shall ensure that the College has a sound system of internal control. It shall also appoint an Audit and Risk Committee and secure an internal audit service for the College.
- 10.2 Financial Statements auditors shall be appointed and other work conducted in accordance with any requirements of SFA.
- 10.3 The terms of reference for the Audit and Risk Committee are as stated in paragraphs 1.20 –1.21.
- 10.4 The College shall have regard to any requirements the ESFA may have from time to time concerning the Audit and Risk Committee, internal and financial statements audit.

INTERNAL AUDIT

- 10.5 COO is required to maintain a continuous and comprehensive internal audit of all financial records, operations and systems of the College and shall advise as necessary on financial arrangements.
- 10.6 The role of internal audit is as an independent function within the College, for the review of activities as a service to all levels of management, and ultimately for the Governing Body. It is a managerial control that examines, evaluates and reports upon the adequacy and effectiveness of internal control and the efficient use of resources within the College. Governors, the Principal and other employees shall provide to those engaged in internal audit functions whatever information, explanations and access required to enable the audit to be done.
- 10.7 The Director of Finance shall be notified of any possible financial irregularity in cash, stores or other property of the College. In the event of possible fraud or corruption the Director of Finance shall inform immediately the Principal and refer the matter for investigation under the College's approved policies and procedures.
- 10.8 The Internal Auditor has the right of access to the Principal and the Chair of the Audit and Risk Committee, and shall report to the Audit and Risk Committee of the Board of Governors.

FINANCIAL STATEMENTS AUDIT

- 10.9 The annual accounts of the College are subject to an annual financial statement audit. The financial statement auditors are, appointed by the Board on receipt of advice from the Audit and Risk Committee.
- 10.10 The Financial Statements Auditor has the right of access direct to the Principal and the Chair of the Audit and Risk Committee and the Board but would normally report through the Audit and Risk Committee. The Financial Statements Auditor is entitled to attend, and to be heard at any general meeting of the full Governing Body.

OTHER EXTERNAL BODIES

- 10.11 Some other external bodies, including the ESFA Audit Service, the National Audit Office, The European Commission, etc. have rights of access to records in connection with financial matters. HM Customs and Excise officers have powers of inspection in connection with the administration of VAT. HM Revenue and Customs officers have powers in connection with the deduction of Income Tax and National Insurance.

FRAUD OR IRREGULARITIES

- 10.12 Upon suspicion of fraud, the Principal and Chair of Governors must be notified immediately. The Principal will determine in consultation with the Chair of Governors what type of investigation shall be instigated and by whom.
- 10.13 Please refer to Appendix 2 for the College policy on Investigating and Resolving Allegations of Financial Irregularity

11 RISK MANAGEMENT

RISK MANAGEMENT

- 11.1 The College maintains a risk policy, statement and schedule of risks that are annually reviewed under the lead responsibility of COO.
- 11.2 Responsibilities within risk management are assigned to the Board of Governors and to the Audit and Risk Committee, as well as to College officers. These are as follows:

A. BOARD OF GOVERNORS

The Board of Governors has a fundamental role to play in the management of risk. Its role is to:

- Set the tone and influence the culture of risk management within NCFE.
- Determine whether NCFE is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue.
- Determine what types of risk are acceptable and which are not.
- Determine the appropriate risk appetite or level of exposure for NCFE.
- Approve major decisions affecting NCFE's risk profile or exposure.
- Monitor the management of significant risks to reduce the likelihood of unidentified problems.
- Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
- Review annually NCFE's approach to risk and risk management and approve changes or improvements to key elements of its processes and procedures.

B. AUDIT AND RISK COMMITTEE

In respect of risk management, the Audit and Risk Committee is to:

- Advise the Board and the Chief Executive on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes. This advice is primarily to be formed through a consideration of the work of the College's Internal Audit Service (IAS), its financial statements auditor and the ESFA's funding auditor.
- Report to the Board on any emerging risk issues.
- Report annually to the Board and the accounting officer on the effectiveness of the College's risk management processes.
- The Audit and Risk Committee has the right of access to obtain all the information it considers necessary from members of the staff and governors, and to consult the IAS, financial statements auditor and funding auditor directly.

C. THE EXECUTIVE BOARD

The key role of the Executive Board is to:

- Analyse the external environment pertaining to education, identifying and evaluating significant risks for consideration by the Board of Governors.

- Identify and evaluate the significant internal risks faced by NCFE for consideration by the Board of Governors.
- Implement policies on risk management and internal control.
- Develop risk management plans.
- Provide adequate information in a timely manner to the Board of Governors and its committees on the status of risks and controls.
- Undertake an annual review of the effectiveness of the system of internal control and provide a report to the Audit and Risk Committee and the Board of Governors.

11.3 Plans.

- The development of plans and procedures for each area of risk is the responsibility of the Directors and the Executive Board. The plan is cascaded down the whole organisation.
- Plans are reviewed at least annually and measured on likelihood of occurrence and impact to the business.
- Each plan is subject to monitoring by the Executive Board.
- Directors are required to comply with the more detailed instructions contained within the Risk Management Strategy

11.4 Management

- Directors must ensure that any agreements negotiated within their departments with external bodies cover any liabilities to which the institution may be exposed. The Director of Finance and the Director of HR and Legal Services advice should be sought to ensure that this is the case.
- Directors must give prompt notification to the Director of Finance of any potential new risks and additional property and equipment, which may require insurance and any alterations affecting existing risk.

11.5 Monitoring

- It is the responsibility of the staff through the leadership of their directors to monitor the identified and emerging risk in their sections and report measures taken to tackle them.
- Internal quality assurance procedures are an integrated aspect of risk management control.
- The IAS Programme is an important element of the internal control process. Apart from its normal programme of work, internal audit is responsible for aspects of the annual review of the effectiveness of the internal control system within the organisation.
- External audit provides feedback to the Audit and Risk Committee on the operation of the internal controls reviewed as part of the annual audit.

11.6 Annual Review

- Risk Management is the subject of annual review under the lead of COO.

- The Board of Governors is responsible for reviewing the effectiveness of internal controls of the College based on information provided by the Executive and advice from the Audit and Risk Committee. COO will prepare an annual report on risk management for the Board.

12 INSURANCE

12.1 COO shall put into effect such insurances as are from time to time considered necessary, having explored and concluded the level of deductibles, to cover risks to which the College is exposed, and shall negotiate and recover claims. Such insurances shall include the following:

- (a) Employer's Liability
- (b) Public Liability
- (c) Buildings and Contents (including money)
- (d) Governors' Liability
- (e) Business Interruption
- (f) Fidelity Guarantee
- (g) Engineering and plant (including fragmentation)
- (h) Computers
- (i) Professional Indemnity
- (j) Legal expenses
- (k) Group personal accident and travel (personal accident only, for 1 day trips within the UK)
- (l) Personal accident
- (m) Motor vehicle
- (n) Libel and slander
- (o) Hirer's Liability
- (p) Life Assurance for Senior Officers' loans.

12.2 Budget Managers shall give prompt notification to the Director of Finance of all circumstances involving risks, the occurrence of which could result in the College incurring a substantial liability, details of properties, vehicles, equipment and other assets, additions and alterations affecting existing insurances. Budget Managers shall consult with the Director of Finance with regard to the terms of any indemnity that the College is required to give.

12.3 Budget Managers may be required to cover excesses on insurance claims from their Budget allocations. Uninsured losses may be met from reserves on production of a report to the Executive Director and the Director of Finance. Any loss of cash or shortfall from an imprest (petty cash) shall be notified to the Director of Finance. Budget Managers must immediately notify the Insurance Administrator, in writing, of any loss, liability or damage or any event likely to give rise to a claim. The Director of Finance shall routinely report to the Board all losses above £5,000

12.4 Thefts of College property to always be reported to the Police by the Budget Manager following consultation with the Director of Finance. Thefts should also be reported to the Faculty or Corporate Service Directors as appropriate.

12.5 The Director of Finance shall negotiate claims for compensation. Settlements of claims shall be approved as follows:

COO	Claims up to £5,000
Principal	Claims over £5,000 to £50,000
The Board of Governors	Claims in excess of £50,000

- 12.6 COO shall review the insurance strategy and all insurances annually and report thereon to the Board that adequate cover has been obtained. The report shall include risks that the College intends to bear itself.

13 OTHER MATTERS

AMENDMENTS TO THE FINANCIAL RULES

- 13.1 It is the responsibility of the Principal and COO to annually review these rules and procedures, and to propose changes to the Audit and Risk Committee in order to maintain best practice and safeguard the interests of the College.
- 13.2 Changes to rules and procedures may be proposed by the auditors or College management; and in normal circumstances should be approved by the Audit and Risk Committee and Governing Body before being implemented.
- 13.3 Where prompt changes to procedures laid down in the Financial Rules for Business are required, COO, in consultation with the Internal Auditors, the Principal, and the Chair of Governors may vary the rules until they can be presented to the Governing Body for approval. Any such changes shall not alter the delegated levels of monetary authorisation.

EMERGENCY POWERS

- 13.4 In exceptional circumstances, the Principal may make a decision to waive some specific aspect of these Rules in an emergency, having consulted, in so far as is reasonably practical, with any two of the Chair and Vice Chair(s) of the Board, Chair of the Audit and Risk Committee and the Financial Statements Auditors. The Principal will report their decision and the reasons for it (a) immediately to the Chair of Governors, and (b) to the next ordinary meeting of the Board.

INTELLECTUAL PROPERTY, RIGHTS AND PATENT

- 13.5 Any invention, development, process, plan, design, formula, specification, programme or other matter of work whatsoever, (collectively "the Inventions") made, developed or discovered by an employee, either alone or in concert, whilst employed by the College shall forthwith be disclosed to the College and, subject to section 39 of the Patent Act, shall belong to and be the absolute property of the College or such subsidiary as it may designate. This includes lecture notes and materials produced for the purpose of lecturing at the College, but excluding scholarly work and books edited and authored by the employee.
- 13.6 Further information can be found in the employee contract of employment.

FINANCIAL PROCEDURES AND LINKS

1. Staff are required to follow the procedures set down for financial matters. The current procedures are listed in the "Quality Drive" on the network, under the heading "corporate" then "ISO 9000 finance".
2. The following procedures are lodged on the Q drive:
 - New Supplier set-up
 - Credit Control
 - Management Accounts
 - Purchasing Payments
 - Sales
 - Various Finance Forms
 - Financial Rules for Business (FRB)
 - Budget Managers Handbook
3. In addition staff have access to:
 - a. Financial Rules for Business (FRB) which can be accessed via intra web main page:
 - i. Corporate Admin – College Forms – online – Finance – FRB
 - ii. Corporate Admin – Finance -FRB
 - b. Budget Managers Handbook which can be accessed via intra web main page:
 - i. Corporate Admin – Finance – Budget Managers Handbook
 - ii. Q Drive – corporate - Finance – Budget Managers Handbook
 - iii. Hard copies available from Finance

Appendix 2

POLICY FOR INVESTIGATING AND RESOLVING ALLEGATIONS OF FINANCIAL IRREGULARITY**1. INTRODUCTION AND POLICY STATEMENT**

- 1.1 The College is committed to the prevention of fraud and the promotion of an anti-fraud culture. The Governing Body of the College is responsible for ensuring the establishment and maintenance of an adequate system of internal control and for the prevention and detection of irregularities, including fraud.

In order to protect the College's financial systems, resources and assets, and the honesty and integrity of the staff, it is important to put in place a policy to minimise the risk of fraudulent or corrupt activity.

- 1.2 Financial irregularity may include, but is not limited to:

Fraud: The deliberate falsification or distortion of financial or other records, by persons internal or external to the College, carried out to conceal the misappropriation of assets or for other gain.

Corruption: The offering, giving, soliciting or acceptance of an inducement or reward which may influence a person's action.

- 1.3 The Post-16 Audit Code of Practice defines significant fraud as where one or more of the following applies:

- (a) The sums of money are in excess of £10,000.
- (b) The particulars of the fraud are novel or complex.
- (c) There is likely to be great public interest because of the nature of the fraud or the people involved.

- 1.4 Members of staff are required to act honestly and with integrity at all times. All staff are under a general obligation to ensure the proper use of finances, resources and assets. Where they have good reason to suspect any financial irregularity involving the College's finances, cash, stores, property or other assets, that suspicion should be reported, using the procedure detailed below. However, staff are reminded that an allegation of financial irregularity is serious and potentially defamatory, and may result in criminal or civil proceedings. In this context, this policy incorporates a preliminary investigation of allegations, where the principle of confidentiality will be preserved. The policy also seeks to ensure that no person making an allegation of financial irregularity is victimised as a result of making the allegation, providing such allegations have not been made recklessly or with malicious or mischievous intent.

- 1.5 The Corporation places a specific duty on all senior staff (at Executive Board level), to disclose known non-compliance with College rules, policies and procedures. It is mandatory that this is incorporated within senior staff job descriptions and the Financial Rules for Business.

2. OBJECTIVES

- 2.1 The objectives of this policy are to minimise the risk of fraud occurring within the College, and to optimise the likelihood of the early detection and investigation of fraud.
- 2.2 To achieve these objectives, emphasis is placed on measures to prevent fraud, through:
- The establishment of managerial, supervisory and operational systems which incorporate adequate and effective internal controls to minimise the incidence of fraud, to limit its impact, and to ensure early detection;
 - Raising awareness of the need for high standards of personal conduct.

3. RESPONSIBILITY FOR THE PREVENTION AND DETECTION OF FRAUD

- 3.1 The primary focus of any Anti-Fraud Policy is prevention, since minimising the risk of fraud occurring is likely to be more effective than deterrence through an investigation at a later date. Effective prevention comes from putting in place and maintaining efficient financial management, an effective accounting system, and the application of consistent accounting procedures, together with effective supervision and good management practice.
- 3.2 The Director of Finance has overall responsibility for
- The integrity of records, systems and source data;
 - The supervision and control of accounting arrangements and standards throughout the College;
 - The provision of a financial management service to govern and regulate the finances of the College.
 - Implementing suitable internal controls to safeguard the assets, finances and resources of the College.
- 3.3 Central controls include the development of sound accounting systems and budgetary control procedures, regular monitoring of financial trends, the interpretation of financial statistics, and the provision of Financial Rules for Business and other relevant advice and guidance, coupled with an effective system of internal audit and quality review that standards are maintained.
- 3.4 Internal control measures adopted at operational level will include: separation of duties to ensure that more than one member of staff is involved in processing every transaction; restricting authority to commit or spend College funds through an authorised signatories list; and the reconciling of local accounting records to the centrally produced management information.
- 3.5 In addition, the College demands high standards of personal conduct from all its employees. The College's Financial Rules for Business make reference to the conduct expected of staff, and includes, inter-alia, a Register of Business Interests and a policy for the declaration of gifts given and received.

4. RESPONSIBILITY TO REPORT A SUSPECTED FRAUD

- 4.1 Effective fraud prevention relies upon the vigilance and awareness of those staff whose work incorporates internal control features. All staff are under a duty to notify immediately to their line manager and the Director of Finance suspected financial irregularity affecting the College's assets, finances, claims for public funding or other resources. This report must then be passed on to COO and the Principal

immediately. The Principal in consultation with the Chair of Audit & Risk Committee will determine what type of investigation is to be undertaken and how.

If the Principal is under suspicion then the Chair of Audit & Risk Committee together with the Chair of the Board of Governors will determine what type of investigation is to be undertaken and how.

Subject of concern	Report concern to
Colleague	Line Manager & Director of Finance
Line Manager	Director of Service & Director of Finance
Director of Service	Director of Finance & Deputy Principal
Finance Director	Deputy Principal & Principal
Deputy Principal	Principal & Chair of Audit & risk Committee
Principal	Chair of Board & Chair of Audit & Risk Committee

4.2 It is recognised that making a complaint or allegation about a work colleague or supervisor/manager is potentially unpleasant. A member of staff should consider the following when contemplating whether to report their suspicions:

- Staff have a duty to act reasonably and without malice. Any complaint or allegation which is found to have been made in malice shall be deemed a serious disciplinary offence;
- Whilst anonymity may be preserved in the early stages of an investigation, it may eventually be necessary to reveal the identity of the member of staff making the allegation.

However, in recognition of the fact that staff may make an allegation of suspected financial irregularity in good faith, the College will ensure the individual making the allegation is protected against harassment or victimisation.

4.3 The College also recognises it has a duty of care to those under investigation, and shall safeguard their rights to a thorough, objective, fair, and expeditious investigation.

4.4 All allegations will be considered in confidence and, so far as is reasonably practicable, the preliminary or full investigation shall be conducted in accordance with the principle of confidentiality in order to protect the interests of both the initiator and the respondent. Such investigations shall normally be conducted under the terms of the College's Disciplinary Policy and Procedure.

5. FRAUD RESPONSE PLAN

5.1 The Principal having consulted the Chair of Audit & Risk Committee shall determine the type of investigation to be undertaken and by whom. The Principal will in normal circumstances either designate a senior member of staff to oversee this, or oversee it themselves, depending on the circumstances. If an initial investigation to gather the facts indicates that a formal investigation is necessary, this will in normal circumstances where it involves an allegation against a member of staff, be conducted under the terms of the HR Disciplinary Policy and Procedure. The

Principal will also report the matter to the Police, if he/she suspects criminal activity. The Principal may also choose to appoint an external investigator.

- 5.2 Relevant stakeholders such as ESFA, HEFCE internal & external audit, insurance, banks, etc. will be informed by the Principal at the appropriate time if criminal activity is suspected.

6. FAILURE TO REPORT SUSPECTED FRAUD

Any failure to report evidence of a suspected fraud will be treated as a serious matter, and could be considered as evidence of complicity in fraud.

7. PENALTY OR ENFORCEMENT ACTION

- 7.1 The following penalty or enforcement action can be taken against a person who is found to have committed fraud or, in some cases, failed to prevent it. Sanctions can include:
- Disciplinary: Human resource issues and internal disciplinary measures
 - Regulatory: Regulatory sanction against individuals
 - Civil: Civil recovery, freezing and restraint orders and damages
 - Criminal: Prosecution and associate orders such as disqualification, restraint, receivership and confiscation through the criminal courts

Appendix 3

POLICY AND PROCEDURE FOR PUBLIC INTEREST DISCLOSURES**1. PURPOSE**

The College is committed to the highest standards of openness, probity and accountability. Where an individual discovers information which shows malpractice within the organisation, then this information should be disclosed without fear of reprisal.

All employees of the College owe a duty of confidentiality to the College. This legal duty prohibits employees from disclosing confidential information concerning the College, its officers or employees or any other matter concerning the business of the College to anybody other than their employer. The only exception to this is in the very limited circumstances set out in Part IVA of the Employment Rights Act 1996.

The purpose of this policy is to ensure that staff have clear guidelines should they wish to report any matter of malpractice concerning College business (including failure to comply with a legal obligation, criminal activity, financial malpractice or impropriety or fraud, health and safety matters or any action which may cause damage to the environment), or concerning activities of College employees.

2. SCOPE

This policy applies to all permanent and temporary employees, and any contractors or consultants who have a contractual relationship with the College.

3. RAISING EMPLOYEE CONCERNS

There may be circumstances where an individual has concerns with respect to a particular aspect of College business or the activities of College employees, which they believe may affect and/or prejudice the interests of the College, the general public and/or breach any legislation.

Employees wishing to report any such concerns should do so through one of the following formal internal procedures in the first instance:

Subject of concern	Procedure
Colleague	Grievance Procedure
About a Line Manager or other Manager in direct line management	Grievance Procedure
Criminal activity, financial malpractice or impropriety or fraud, failure to comply with a legal obligation, health and safety, or matters of environmental concern	Disclosure to a relevant Manager, or Director, as stipulated in this Public Interest Disclosure Policy

If any of the above approaches proves unsuccessful then the person raising the concern should refer the matter to the Principal direct or to the Chair of the Board of Governors (or any individual Governor who may have been nominated to deal with such issues) as a matter of urgency.

Employees raising genuine concerns through any of the procedures outlined above may do so without fear of reprisal from any source, and in the knowledge that such concerns will be promptly and properly investigated. Due consideration will be given by the College to the maintenance of confidentiality where this will not hinder or frustrate any investigation. Equally, however, the person raising the concern must also have regard to maintaining confidentiality while the procedure is in operation.

Individuals should make the approaches and seek satisfactory resolution of their concerns as provided above, before raising their concerns with anyone outside of the College. Failure to do so may amount to a breach of confidentiality, which is a disciplinary matter, which will be dealt with accordingly.

Disclosure without using the procedures outlined above is only permitted in the very limited circumstances set out in Part IVA of the Employment Rights Act 1996. A summary of the relevant provisions of the Act is available from the Human Resources Directorate on request.

Due to the very limited protection given by the Act, the College strongly urges all employees to use the procedures outlined in this policy wherever possible. In addition, the College recommends that employees should not rely on the provisions of the Act without seeking independent legal advice before making any disclosure.

Individuals who fail to comply with these guidelines or make disclosures in bad faith will be subject to the College's disciplinary procedure and disciplinary action, up to and including dismissal, may be taken.

4. RESPONSIBILITY

All those persons within the scope of this policy are required to adhere to its terms.

Individual managers are responsible for ensuring that this policy is applied within their own area. Any queries on the application or interpretation of this policy should be discussed with the Human Resources Directorate prior to any action being taken.

The Human Resources Directorate has responsibility for ensuring the maintenance, regular review and updating of this policy. Revisions, amendments or alterations to the policy can only be implemented following consideration and approval by the Director of Human Resources & Legal Services.

5. RELATED PROCEDURES

Standards of Conduct (for staff and senior staff)	Disciplinary Procedures
Respect and Dignity at Work	Grievance Procedure
Bullying & Harassment Policy	Business Conduct (gifts and gratuities) Policy

6. REVIEW

This policy will be reviewed on a regular basis in accordance with legislative developments and the need for good practice by the Human Resources Directorate, in conjunction with relevant parties.

7. GENERAL

This policy is to be read cross-reference with all relevant College and service delivery policies.

Financial Rules for Business