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Brockenhurst College

FINANCIAL REGULATIONS

May 2024

BROCKENHURST COLLEGE

FINANCIAL REGULATIONS

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FINANCIAL CONTROL AND ACCOUNTABILITY

- 1 The Corporation has overall responsibility for financial strategy, including the safeguarding of solvency and oversight of financial regulations. These responsibilities are discharged by the Board itself, the Resources Committee and through powers delegated to the Principal as Chief Executive.
- 2 The Accountability Agreement between the Education and Skills Funding Agency (ESFA), acting as executive agency of the Department of Education, and the College lays down the framework for financial regulations.
- 3 Following the reclassification to the public sector in November 2022, Further Education colleges (and their subsidiaries) became part of central government. Whilst they continue to be self-governing charities regulated by the Secretary of State for Education, they are now subject to the framework for financial management set out in **Managing Public Money (MPM)** to which FE Colleges must have due regard. MPM responsibilities and associated detailed financial regulations have been incorporated into this document.

FINANCIAL REGULATIONS

INTRODUCTION

This document encompasses the regulations to which all Brockenhurst College (and its subsidiary's) staff must adhere in respect of the finances of the institution. It is divided into three Sections:

- 1 The Financial Memorandum which reflects the Accountability Agreement which exists between the ESFA and Brockenhurst College - this lays down the broad framework for the regulations.
- 2 The Financial Principles which underlie all aspects of finance.
- 3 The specific Financial Regulations by which all transactions are measured.

These Regulations, as a whole, are approved by the Corporation and cannot be altered without the express approval of that body. However, in the interests of practicality, Schedule C, which sets out the financial authorisation limits for College budget holders, may be updated on an ad hoc basis with approval from the Senior Leadership Team.



Brockenhurst College

SECTION 1

FINANCIAL MEMORANDUM

FINANCIAL MEMORANDUM

Purpose

- 1 This Financial Memorandum sets out the conditions upon which the Chief Executive of the Education and Skills Funding Agency (the Chief Executive) provides funding to Further Education Corporations. The Financial Memorandum is in two parts. Part 1 (this document) sets out the general conditions of funding and Part 2 sets the annual allocation and the conditions applicable to the delivery of education and training.

Definitions

- 2 For the purpose of this Financial Memorandum the following definitions apply:
 - ‘College’ means the educational institution conducted by the Board and named in part 2 of the Financial Memorandum
 - ‘Corporation’ means the Further Education Corporation established under the Further and Higher Education Act 1992 to conduct the College. References to the Corporation include the Governing Body and the College.
 - ‘Governing Body (Board)’ means the body responsible for conducting the College
 - ‘Principal’ means the chief executive or principal appointed by the Governing Body
 - ‘Funds’ means all of a College’s income and receipts from the Education and Skills Funding Agency (ESFA) and from the Office for Students (OFS), previously the Higher Education Funding Council for England (HEFCE)
 - ‘Secretary of State’ means the Secretary of State for Education
 - “MPM” means the Managing Public Money framework published by HM Treasury (HMT) which sets out requirements for the management of public resources, and to which FE Colleges must have due regard. A link to the latest guidance is here: <https://www.gov.uk/government/publications/managing-public-money>;

Statutory Framework

- 3 Under the Apprenticeships, Skills, Children and Learning Act 2009 (ASCLA) the Chief Executive secures facilities for education and training within their remit. They have the power to provide funding to organisations which deliver education and training, and the power to impose conditions in respect of funding which they provide. In exercising their functions, the Chief Executive must secure education and training of a reasonable quantity and take account of certain matters including the places where facilities are provided, the character of those facilities and the way they are equipped. They must also take account of the needs of learners and employers. The Chief Executive must also make best use of their resources.
- 4 The conditions set out in the Financial Memorandum are intended to enable the Chief Executive to carry out their statutory functions and ensure that they can fulfil their responsibilities as Accounting Officer to Parliament for ensuring that the use of Funds which they receive from the Secretary of State is consistent with their statutory remit and any conditions imposed by the Secretary of State. The financial memorandum does not over-ride the duties and powers given to the Council and to Boards by the Act.

Responsibilities of the Governing Body

- 5 The Chief Executive recognises that the Corporation is an independent body and that the Governing Body is responsible for the management of the College and for ensuring the financial viability of the Corporation.
- 6 The Governing Body is responsible for, and shall inform the Chief Executive of, any transactions that could jeopardise financial viability. The Governing Body shall demonstrate that all transactions achieve value for money for Funds.
- 7 The Governing Body is responsible for the use of Funds. To assist it to discharge this responsibility

and to provide clear accountability, the Governing Body shall appoint an accounting officer with an appropriate separation of duties between executive and non-executive roles and responsibilities. The expectation is that the accounting officer will be the chief executive officer of the College.

- 8 The Governing Body shall ensure that there is an accounting officer in place at all times. The Governing Body shall inform the Chief Executive 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, the name of the person who will discharge the accounting officer's responsibilities during the absence.

Responsibilities of the Accounting Officer

- 9 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. The accounting officer may be required to appear before the Parliamentary Public Accounts Committee on matters relating to the Corporation's use of Funds.
- 10 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 the Governing Body resolves to continue with the course of action or policy that the accounting officer considers to be in breach of the Financial Memorandum, the accounting officer shall inform in writing the Chief Executive.

Allocation of Funds

- 11 The Chief Executive will allocate Funds to the Corporation on an annual basis. An allocation will be subject to the Chief Executive being satisfied that the Corporation is financially viable and is able to deliver education and training which is of a reasonable quality and meets the needs of learners and employers, and that the Corporation has met the conditions of funding in the previous year.
- 12 The Chief Executive will determine the amount of Funds they will pay to the Corporation in any year once they have considered the activities to which the Funds will be applied, and as outlined in the Financial Memorandum Part 2 each year.
- 13 The Corporation is free to spend its funding as it sees fit, providing it fulfils the conditions of funding imposed by the Chief Executive. The Corporation shall ensure that Funds are not used for the purpose of delivering learning provision in respect of which the Corporation has already received other funding, public or otherwise, unless the Chief Executive so specifies. In the event that the Chief Executive identifies that the Corporation has used Funds in a way not specified by them, they may deduct the value of such funding from the Funds they pay to the Corporation or require it to be repaid.

Capital Transactions

- 14 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.
- 15 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 Chief Executive and predecessor bodies, the Chief Executive should be notified in writing of such transactions and reserves the right to require repayment of some, or all, of the associated grant.

Financial Transactions

- 16 The Chief Executive shall specify their requirements as to the information to be contained in the Corporation's financial statements and how they should be reported in accordance with best practice in the further education sector.
- 17 The Corporation shall provide the Chief Executive with copies of its audited financial statements within five months of the Corporation's year-end. Having charitable status, Corporations are expected to make their financial statements available to members of the public on request.
- 18 The Corporation must ensure that it has an effective policy of risk management.
- 19 The Corporation must notify the Chief Executive immediately in writing if at any time there is a risk to its solvency and viability. In order to continue to receive funding, the Chief Executive may require the Corporation to provide information to demonstrate to their satisfaction the Corporation's ability to continue to meet the needs of learners and discharge its responsibilities in relation to its solvency and safeguarding of assets.

Audit

- 20 The Corporation shall appoint an audit committee and arrange to provide for internal and financial statements audit, including regularity audit, in accordance with the *Joint Audit Code of Practice* and any best practice guidance drawn up and published by the Agency in consultation with Colleges. Any mandatory requirements under the *Joint Audit Code of Practice* shall be a condition of funding under this Financial Memorandum.
- 21 The Corporation shall investigate and report to the Chief Executive all significant cases of internal and external fraud or suspected fraud or irregularity (as defined in the *Joint Audit Code of Practice*). The Chief Executive reserves the right to review the Corporation's fraud investigation files.

Payments to Employees on Termination of Employment

- 22 The Corporation shall only make payments to employees on the termination of their employment for the purpose of meeting contractual obligations. The Corporation shall demonstrate that payments in respect of termination are regular and secure value for money and avoid spending Funds on settlements where disciplinary action would have been more appropriate.
- 23 Where the Corporation is considering entering into an agreement to settle any employment claims brought by a senior postholder, it should take appropriate professional advice and the terms of any final agreement should be agreed by the Governing Body. All settlements shall be brought to the attention of the Corporation's financial statements auditors.

Provision of Information

- 24 The Chief Executive reserves the right to request information from the Corporation in order to exercise their responsibilities and to meet European funding requirements. On occasion, the Chief Executive will require urgent information from the Corporation, usually as a result of requests to the Chief Executive to fulfil their duty to provide information to the Secretary of State and account to Parliament.
- 25 The Corporation shall provide the Chief Executive, or agents acting on their behalf, with the information they require at the times and in the formats specified. This information shall be of sufficient quality to meet the purposes for which it has been requested.
- 26 The Chief Executive may be required to provide information in relation to the Corporation and this Financial Memorandum if requested under the Freedom of Information Act 2000. Although there is

no legal obligation to do so, the Chief Executive will usually consult with the Corporation where the information requested was provided by them.

- 27 The Corporation shall inform the Chief Executive in writing of the vacating or filling of the positions of Chair of the Governing Body, Principal and clerk.

Additional Conditions of Funding

- 28 The Chief Executive reserves the right to impose additional conditions of funding where they consider it is necessary to do so to secure the delivery of education and training of a reasonable quality by the Corporation or ensure that the resources provided by them are being used effectively and efficiently or to require the Corporation to address concerns about its financial viability.

Repayment of Funds

- 29 In the event of a breach of the Chief Executive's conditions of funding, the Chief Executive reserves the right to require the Corporation to repay all or part of the Funds provided by them.

Interpretation

- 30 Nothing in this Financial Memorandum shall require the Corporation to act in a manner which would cause it to lose its charitable status.
- 31 No failure to exercise or delay in exercising by the Chief Executive any of his rights, powers and remedies shall operate as a waiver of any of them.

Effective Date

- 32 The terms and conditions set out in this document will take immediate effect and will be reviewed on an ongoing basis.

Revised Financial Memorandum incorporated 4 July 2023.



Brockenhurst College

SECTION 2

FINANCIAL PRINCIPLES

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1 FINANCIAL PRINCIPLES

1.1 The Purpose of This Document

This document exists to provide a viable framework to:

- (i) Ensure that safe and proper arrangements are in place for the expenditure of public monies;
- (ii) Ensure that there is due accountability;
- (iii) Safeguard any member of staff from accusations of financial impropriety.

1.2 Scope of the Regulations

These regulations apply to all members of staff and willful misuse is a serious disciplinary offence. All budget holders must be conversant with them and agree to be bound by them in accepting their role of budget holder. They exist in the legal context of the College with particular reference to the Accountability Agreement of the ESFA, the Managing Public Money (MPM) framework and the Articles of Government.

1.3 Financial Principles

The purpose of financial principles is to define the respective financial responsibilities of:

- (i) The Corporation
- (ii) The Principal

and to provide the constitutional basis for the financial procedures and regulations.

2 RESPONSIBILITIES OF THE BOARD OF THE CORPORATION

2.1 The Articles of Government provide that the Corporation shall be responsible:

- (i) for the determination of the educational character and mission of the institution and oversight of its activities;
- (ii) for the effective and efficient use of resources, the solvency of the institution and the Corporation and for safeguarding their assets;
- (iii) for approving annual estimates of income and expenditure;
- (iv) for the appointment, grading, suspension, dismissal and determination of the pay and conditions of service of the holders of senior posts; and
- (v) for setting a framework for the pay and conditions of service of all other staff.

2.2 The Board of the Corporation may establish Committees to act on its behalf on matters referred to in 2.1 above.

The Audit Committee has been established in line with the requirements of the Instruments and Articles and the Financial Memorandum to advise the Board on matters relating to audit arrangements and systems of internal control. The Terms of Reference for the Audit Committee are available on the Governance section of the College's website or by contacting the Clerk to the Corporation.

Resources Committee has been established to be responsible for leading and advising the Board on all strategic matters relating to financial policy, facilities, marketing, curriculum, students' union, quality and standards, the College Mission Statement and Strategic Plan.

However, the Corporation may not delegate the following:

- (i) the determination of the educational character and mission of the institution;
- (ii) the approval of the annual estimates of income and expenditure;
- (iii) ensuring the solvency of the institution and the Corporation and the safeguarding of their assets;
- (iv) the appointment or dismissal of the Principal; and
- (v) the modifying or revoking of all Articles of Government.

In particular, it has a responsibility to approve these Principles, Procedures and Regulations and subsequent amendments thereto.

3 RESPONSIBILITIES OF THE COLLEGE PRINCIPAL

3.1 The College Principal's financial responsibilities are derived from the Instrument and Articles and the Governance Policy Manual

3.2 As Accounting Officer, the Principal is responsible for the College's application of public funds, and as such may be required to justify any of the College's financial matters to the Public Accounts Committee at the House of Commons.

The Principal in conjunction with the Senior Postholders is responsible for the following:

- Setting financial strategy and preparing long term financial plans;
- Preparing annual capital and revenue budgets for recommendation to the Board;
- Preparing the College's annual Financial Statements;
- Ensuring the timely preparation of monthly accounts, management information and monitoring and control of expenditure against budgets;
- Managing in year virement between budgets;
- Maintaining the Financial Regulations;
- Ensuring the College maintains satisfactory systems of financial control;
- Providing professional advice on all matters relating to financial policies and procedures;
- Management of the College's banking arrangements;
- Undertaking major tender exercises on the College's behalf;
- Ensuring compliance with relevant Procurement law;
- Advising and negotiating major contracts.

3.3 College managers are responsible to the Principal, through the Vice Principal, Director of Finance, for the overall financial management of their allocated budget. Managers are responsible for ensuring that the financial regulations are properly applied in their area.

4 AUDIT REQUIREMENTS

4.1 In accordance with the requirements of the Financial Memorandum, the Board appoints both External and Internal Auditors. External and Internal Auditors shall have authority to:

- access the College premises at reasonable times
- access all assets, records, documents and correspondence relating to any financial and other transactions of the College
- require and receive such explanations as are necessary concerning any matter under examination

4.2 External Auditors

The role of the external audit service is to report on the College's Financial Statements and to carry out such examination of the Statements and the underlying records and control systems as are necessary to reach an opinion on the Statements and to report on the appropriate use of funds. Its duties will be in accordance with advice set out in the Audit Code of Practice and the Auditing Practices Board's statements of auditing standards.

The appointment of external auditors is the responsibility of the Board, as advised by the Audit Committee.

4.3 Internal Auditors

The role of the internal audit service is to provide management with an objective assessment of whether systems and controls are working properly to achieve management's objectives. It is a part of a College's system of internal control because it measures and evaluates the adequacy and effectiveness of other controls so that:

- the Governing Body and Senior Management can know the extent to which they can rely on the whole system of internal control of the College
- individual managers can assure themselves that the systems and controls for which they are responsible are reliable.

The internal audit service is appointed by the Board subject to satisfactory review by the Audit Committee and recommendation to the Governing Body. Remuneration shall be fixed by the Governing Body on the advice of the Audit Committee. A new competition for the selection of the internal audit service may be held as required.

The College internal audit service should report to the Finance Director any serious weaknesses, significant frauds, major accounting and other control breakdowns.

The internal audit service may liaise with the external auditor to enhance the level of service it provides to the management of the College.



SECTION 3

FINANCIAL REGULATIONS

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1 GENERAL PRINCIPLES

These Financial Procedures provide the scheme of administration and accounting to staff of the College, by which the College Principal discharges their responsibilities, as defined in the Financial Principles and the Financial Responsibilities. They apply to all employees of the College, both full and part-time, permanent and temporary. **Failure to comply with these regulations will be regarded as a serious breach of discipline.**

The College Principal will make available training to be undertaken by staff in financial matters where necessary, to enable them to fulfil their responsibilities defined in these procedures.

Where necessary for the effective implementation of these procedures, manuals of guidance will be issued to assist staff.

All suspected instances of fraud or financial irregularity are to be brought to the attention of the College Principal and the Audit Committee as soon as possible.

The Vice Principal, Director of Finance is responsible to the College Principal for the efficient and effective operation of the Financial Responsibilities, Principles and Regulations of the College, including the organisation of staff training and manuals of guidance.

All assets and income of the College held by an employee shall be clearly identified in the accounts and records of the College.

Documentation relating to the financial affairs of the College is not to be destroyed without the permission of the Principal and Chair of the Resources Committee.

All income that results from work, goods or services provided by employees of the College in the course of their duty, is income belonging in whole to the College.

The College will provide Internal and External Auditors with access to College books and records as required.

2 MANAGING PUBLIC MONEY (MPM)

Following the reclassification by the Office for National Statistics (ONS) on 29 November 2022, Further Education colleges (and their subsidiaries) have become a part of central government. This means they are subject to the framework set out in Managing Public Money (MPM) published by HM Treasury (HMT) which sets out requirements for the management of public resources.

The College must have due regard for the current MPM framework, a link to which is available : <https://www.gov.uk/government/publications/managing-public-money>. Should there be any conflict or confusion between the principles set out in these financial regulations or the MPM Framework, the MPM framework takes precedent.

The ESFA has published “bite-size guides” on the key areas to aid colleges in their transition to adopting the MPM framework which cover:

1. Special payments;
2. Novel, contentious and repercussive transactions;
3. Indemnities, letters of comfort and guarantees;
4. Write-Offs;
5. Senior pay controls and
6. Asset disposals.

Under the MPM framework approval for specific transactions from the Department for Education (DfE) is required, and the College should be aware that in some cases DfE will need to liaise with HM Treasury to secure approval and should therefore allow sufficient time for these necessary processes.

A summary of each bite-size guide is set out below:

2.1 Special Payments

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

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

Severance payments

Special severance payments are paid to employees, contractors and others outside of normal statutory or contractual requirements, when leaving employment in public service, whether they resign, are dismissed or reach an agreed termination of contract. Special severance must not be treated as a soft option, e.g. to avoid management action, disciplinary processes, unwelcome publicity or reputational damage.

What to consider before making a special severance payment

Colleges must take the following steps:

Consider whether a special severance payment is appropriate in this case

A severance payment may not always be the right approach: for example, severance payments should not be made to staff with poor performance, and DfE and HM Treasury are unlikely to approve such payments.

Take and document legal/HR advice

Appraise any course of action with the associated costs and the likelihood of winning. If there is a good chance of the college winning the case, the College will also need to demonstrate why this route was not taken and instead, a payment was made to the employee. The College should balance the legal and management costs against the level of pay-out.

Clearly document the management and approval process

This must take account of the college's own internal processes and employment law.

Consider the appropriate level of payment

Following any legal advice, can a change from the settlement value be justified? A severance payment is made from the public purse and therefore value for money must be demonstrated.

Ensure the College can support any non-financial considerations with evidence

For example, that learner performance has been affected by a lack of continuity of tuition due to absence or teaching by temporary staff.

Confidentiality clauses

Colleges **must** ensure that the use of confidentiality clauses associated with staff severance payments do not prevent an individual's right to make disclosures in the public interest (whistleblowing) under the Public Interest Disclosure Act 1998. Such payments, specifically non-contractual elements, are always under scrutiny. The National Audit Office published a report on confidentiality clauses and severance payments in June 2013 and the Public Accounts Committee followed this up shortly afterwards.

DfE approval process

Colleges have delegated authority to make special severance payments up to certain limits. Beyond these limits, they must be referred to DfE for approval in advance. DfE approval is required for special staff severance payments where any of the following scenarios arise individually or collectively:

the proposed special staff severance payment is for £50,000 or more (gross, before income tax or other deductions)

the proposed special staff severance payment is equivalent to 3 months' salary or more (gross, before income tax or other deductions)

an exit package which includes a special staff severance payment is at, or above, £100,000

the employee earns over £150,000.

Additionally, irrespective of the amount of money involved any proposed payments linked to a non-disclosure agreement will require DfE approval. In turn DfE may need to consult HMT.

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

Where prior approval is not required by DfE, you still **must** be able to show you applied the same level of scrutiny to the case. DfE expects colleges to have a business case, which, at least, addresses the matters set out in paragraph 12 above, for any special payments and to provide this to DfE in a timely manner, if requested.

Compensation payments

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

Colleges have delegated authority to approve individual compensation payments, provided any non-statutory/non-contractual element is under £50,000. Where the college is considering a non-statutory/non-contractual payment of £50,000 or more, DfE's prior approval must be obtained using the [ESFA contact form](#)

(https://form.education.gov.uk/service/Education_and_Skills_Funding_Agency_ESFA_enquiry_form)

Where prior approval is not required by DfE, you still must be able to show you applied the same level of scrutiny to the case. DfE expects colleges to have a business case, which, at least, addresses the matters set out in paragraph 12 above, for any compensation payments and to provide this to DfE in a timely manner if required or requested.

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

Ex-gratia payments and other types of special payment

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

Ex gratia payments are transactions going beyond statutory or contractual cover, or administrative rules. Annex 4.13 of Managing Public Money provides examples, including payments to meet hardship caused by official failure or delay, and to avoid legal action due to official inadequacy.

Extra-contractual payments are those which, though not legally due under contract, appear to place an obligation on a public sector organisation which the courts might uphold. Typically, these arise from the organisation's action or inaction in relation to a contract. Payments may be extra-contractual, even where there is some doubt about the organisation's liability to pay, e.g. where the contract provides for arbitration, but a settlement is reached without it. (A payment made as a result of an arbitration award is contractual.)

Extra-statutory and extra-regulatory payments are within the broad intention of the statute or regulation, respectively, but go beyond a strict interpretation of its terms.

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

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

2.2 Novel, contentious and repercussive transactions

The concept of a novel, contentious or repercussive transaction may be new to college staff, and

it would not be practical to set out an exhaustive list of examples.

Novel transactions are those of which the college has no experience or are outside its range of normal business.

Contentious transactions are those that might cause criticism of the college by Parliament, the public or the media.

Repercussive transactions are those that may have wider financial implications for the sector or which appear to create a precedent.

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

Consideration

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

DfE approval process

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

2.3 Indemnities, letters of comfort and guarantees

Whilst MPM explains that public sector organisations may take on liabilities by providing indemnities, writing a letter or statement of comfort, and issuing specific guarantees, such contingent liabilities mean that future expenditure may arise if certain conditions are met, or certain events happen. For this reason, DfE approval may be required in certain cases.

Indemnities

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

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

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

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

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

Letters of comfort

MPM explains that letters of comfort, however vague, give rise to moral and sometimes legal

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

Guarantees

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

DfE approval process

Colleges have delegated authority to enter into indemnities, letters of comfort and guarantees up to certain individual and cumulative limits. Indemnities arising in the normal course of business do not require DfE approval. This is likely to address the majority of commercial contracts entered into by colleges. Colleges should follow their normal internal approval procedures.

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

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

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

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

2.4 Write-Offs and losses

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

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

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

What to consider before making a write-off

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

The circumstances - the nature of the case, the amount involved and the circumstances in which it arose.

Reasons – the rationale for the proposed write-off, including any legal advice.

Cost effectiveness - of further action. Colleges should take decisions about their tactics in seeking recovery in particular cases on the strength of cost benefit analysis of the options. Decisions not to pursue recovery should be exceptional and taken only after careful appraisal of the relevant facts, taking into account the legal position. The option of abating future payments to the recipient should always be considered.

Good/bad faith – in the case of an overpayment, whether the recipient accepted the money in good or bad faith, consistency of approach and timing: Where recipients have acted in good faith, e.g. genuinely believing that the payment was right, they may be able to use this as a defence, though good faith alone is not a sufficient defence to not result in recovery of public funds.

Where recipients of overpayments have acted in bad faith, recovery of the full amount overpaid should always be sought. Recipients may be inferred to have acted in bad faith, if they have willfully suppressed material facts or otherwise failed to give timely, accurate and complete information.

Other cases, e.g. those involving recipients' carelessness, may require judgement and some cases may involve such obvious error, e.g. where an amount stated is very different from that paid, that no recipient could reasonably claim to have acted in good faith. If an overpayment involved bad faith on the part of the recipient, you should automatically consider the possibility of fraud in addition to recovery action, taking legal advice, where appropriate.

Consistency - the need to deal equitably with overpayments to a group of people in similar circumstances, and/or to adjust to individuals' relevant personal circumstances.

Timing – the length of time since the overpayment in question was made.

Fraud (suspected or proven) - If there is evidence of fraudulent intent, legal and/or disciplinary action should be considered, taking legal advice where appropriate. A criminal conviction in such a case will not eliminate the public debt which had resulted, and so recovery of the debt should also be pursued by any available means.

Internal controls - whether the investigation has shown any defects in the college's systems of control and, if so, what action will be taken.

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

Colleges should maintain an up-to-date record of losses, which includes:

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

DfE approval process

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

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

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

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

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

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

In turn DfE may need to consult HMT.

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

2.5 Senior pay controls

When ONS decided that English colleges were to be classified to the central government sector this meant that colleges would be subject to senior pay controls for remuneration meeting or exceeding the thresholds as set out in the HMT guidance:

<https://www.gov.uk/government/publications/senior-civil-service-pay-and-reward>;

For senior pay approvals, colleges will be required to submit a single form for each clearance request. The application will be subject to approval from DfE and HMT.

What to consider before making an application for senior pay approval

You should refer to the HMT guidance which sets out the principles of senior pay controls and the requirements for application. Failure to complete an application thoroughly is likely to result in delays to approval or possible rejection. The HMT application form requires the College to provide justification for the proposed remuneration. The DfE's college benchmarking tool may help inform the application. Information about principals' remuneration by college is provided on the Total population tab from columns NG to NN. Applications should consider factors such as region and provider type/size when assessing whether the proposed remuneration is consistent with that of other providers.

The Principal and senior post-holder recruitment section of the governance guide may also be of use. It provides information about good practice when recruiting senior appointments.

Key dates for the DfE approval process

To ensure quality of recruitment and appropriate remuneration, the principles set out in the HMT guidance should be applied with immediate effect.

From 1 May 2023, remuneration for appointments newly advertised at or above £150,000 or performance related pay above £17,500 (paragraphs 2.3 to 2.5 of the HMT guidance) must have already been approved. This requirement applies equally to new roles and to new appointments to existing roles previously paying at or above the HMT threshold.

For existing staff whose remuneration meets or exceeds the threshold approval is required for pay awards above 9% (subject to paragraphs 2.6 to 2.11 of the HMT guidance) effective from 1 May 2023. For remuneration below the threshold approval is required where a pay award of over 9% takes it to or above the threshold (subject to the same paragraphs in the HMT guidance) effective from 1 May 2023.

Timeframe for clearance decisions

For planning purposes, colleges should allow a minimum of two months for clearance decisions.

2.6 Asset disposals.

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

- the proposed disposal not being novel, contentious or repercussive, and
- maintaining the principles of regularity, propriety and value for money.

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

Moveable fixed assets

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

whether the asset or assets concerned may have been acquired with the assistance of a grant or donation from a third party, including (but not limited to) DfE and whether the conditions of any such grant or donation set terms relating to the disposal or the use of proceeds of disposal.

whether there are plans in place to ensure that:

- investment in moveable fixed assets is sufficient to ensure the ongoing ability of the college to deliver appropriate provision for learners is not depleted, and
- moveable fixed assets can be replaced and/or upgraded when they reach the end of their economic life, if required.

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

Land and buildings

The college should have an estates strategy that underpins the long-term sustainability of the operation. However, it is recognised that over time elements of the estate may become redundant and/or it may make business sense to disinvest in certain elements of the estate and thereby unlock

funds to invest in more relevant capital provision. For that reason, in the case of land and buildings (whether freehold or leasehold), the proceeds of disposal must be used for

- capital reinvestment in further fixed assets and/or to:
- repay loans, to DfE and to banks
- repay any overpayments of ESFA/DfE grants, or satisfy grant conditions where a repayment to ESFA/DfE is due (for example overage)
- exceptionally, provide working capital for colleges to avoid the risk of insolvency (see para below)

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

Novel, contentious and repercussive disposals

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

Disposals and proceeds

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

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

DfE approval process

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

Colleges should use the DfE college approvals form to request permission for any transactions beyond the permissions outlined above. Where approval is not required by DfE, the College still must be able to show they applied the proper scrutiny to the case. Relevant decisions must be documented and their benefits outlined in a business case. This must be provided to DfE in a timely manner, if requested.

3 PLANNING AND BUDGETING

3.1 Long Term Financial Planning

Each year, the Vice Principal, Director of Finance will prepare a three-year financial plan (being the current year, and following 2 years). The three-year plan is reviewed and recommended for

approval by the Resources Committee in the summer term. The three-year plan must be approved by the Board before its submission to the Education and Skills Funding Agency by 31 July each year.

3.2 Annual Budgets

The Vice Principal, Director of Finance is responsible for the preparation of a detailed annual budget. The annual budget is reviewed and recommended for approval by the Resources Committee in the summer term. The annual budget must be approved by the Board prior to the start of the financial year and submitted to the Education and Skills Funding Agency by 31 July each year.

It is the responsibility of the Vice Principal, Director of Finance to ensure that there is an effective, transparent and equitable method of allocating budgets across departments.

Budget Holders are responsible for the economic, effective and efficient use of resources allocated to them.

3.3 Budgetary Control

The College operates a system of delegated budgets and all Budget Holders are responsible for budget management and control within their designated department. They are responsible for:

- controlling expenditure,
- achieving agreed income targets,
- monitoring their area's financial performance and explaining variances.

The Vice Principal, Director of Finance will ensure that Budget Holders have appropriate support and information to enable them to fulfil the above responsibilities.

Budget Holders may delegate financial authority but remain accountable.

Budgets are allocated to each area on an annual basis, but may be subject to revision in the light of the College's overall financial position.

3.4 Capital Expenditure

Capital items of expenditure are those with both an accounting lifespan longer than one year, and a VAT inclusive cost exceeding **LIMIT 3 of SCHEDULE A**. All capital items are depreciated over their expected useful life as disclosed in **LIMIT 16 of SCHEDULE A**.

Funding designated as capital by the ESFA may only be used for capital expenditure.

Any individual bid for a sum in excess of **LIMIT 4 of SCHEDULE A** must be submitted by the College Principal to the Standards and Finance Committee for approval.

3.5 Management Accounts and Information

Monthly management accounts will be prepared within fifteen working days for the College by the Finance Department in conjunction with the Vice Principal, Director of Finance for presentation to the Senior Leadership Team. Detailed departmental information will then be distributed to budget holders.

The monthly management accounts will be distributed to the Corporation members each month.

4 ACCOUNTS AND FINANCIAL STATEMENTS

The Vice Principal, Director of Finance is responsible for the integrity of all accounting transactions and for producing annual Financial Statements.

4.1 Accounting Transactions

Appropriate arrangements must be in place for:

- the recording and execution of all financial transactions;
- payment of all properly authorised accounts in accordance with the agreed arrangements;
- claiming all grants ensuring that such claims are capable of verification and audit;
- keeping proper accounts and accounting records in accordance with the provisions of the Financial Memorandum.

4.2 Financial Statements

Audited Financial Statements must be produced for each financial year that:

- reflect the format and content in accordance with the relevant Accounting Standards and Statement of Recommended Practice (SORP);
- are signed by the Principal and by the Chair of Governors;
- are submitted to the ESFA in line with their requirements;
- are made publicly available.

5 FRAUD, CORRUPTION AND ETHICS

5.1 Strategy

Governors and Senior Managers are responsible for maintaining a culture that is honest and open and that has a zero tolerance to fraud, corruption and unethical behaviour. All staff are expected to act honestly and with integrity at all times, to obey the law and to safeguard the public resources for which they are responsible.

The Vice Principal, Director of Finance is responsible for maintaining and implementing the College's strategy in this area and for ensuring that appropriate training and briefing is delivered to Board members, Managers and staff.

5.2 Public Interest Disclosure (Whistleblowing)

The Vice Principal, Director of Finance is responsible for maintaining the Public Interest Disclosure (Whistleblowing) Procedures.

5.3 Gifts, Gratuities and Hospitality

No Board member or member of staff, either by their own actions or via a third party, should:

- give, promise to give, or offer, a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given,
- give, promise to give, or offer, a payment, gift or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure,
- accept payment from a third party that they know or suspect is offered with the expectation that it will obtain a business advantage for them,
- accept a gift or hospitality from a third party if they know or suspect that it is offered or provided with an expectation that a business advantage will be provided by the College in return,
- threaten or retaliate against a colleague or third party who has refused to commit a bribery or other unethical offence, or who has raised concerns under the Public Interest Disclosure (Whistleblowing) Procedures,
- engage in any activity that might lead to a breach of the Anti-Fraud, Corruption, Bribery and Unethical Behaviour Strategy or the Financial Regulations.

Where gifts, gratuities or hospitality are acceptable:

- all offers and acceptances by members of staff must be agreed by the relevant Assistant Principal or Principal, instances valued at over £50 must be reported to the Vice Principal, Director of Finance.
- all offers and acceptances by Board members must be agreed with the Chair of the Board, and reported to the Clerk to the Corporation.

The Vice Principal, Director of Finance is responsible for maintaining registers for gifts, gratuities and hospitality received, valued at over £50 and for reporting this register to the Board.

Any goods received by the College as gifts must be dealt with by the Vice Principal, Director of Finance who will satisfy himself/herself of any taxation and revenue expenditure implications. Where future revenue expenditure in connection with this item is likely to be in excess of **LIMIT 6 of SCHEDULE A** (including VAT), the approval of the College Principal must be sought before the gift may be accepted.

It is the responsibility of all members of staff and governors to act in accordance with the College's Anti-Bribery Guidelines.

5.4 Conflicts of Interest

The Clerk to the Corporation is responsible for maintaining a Register of Interests for all Board Members and senior staff and for giving advice in this area to Board members.

All staff must ensure that they report any potential conflict of interest to the Vice Principal, Director of Finance at the earliest opportunity. The Vice Principal, Director of Finance is responsible for giving advice and guidance to staff and for making decisions on matters that are referred from staff.

6 RISK MANAGEMENT

The Vice Principal, Director of Finance is responsible to the Board for developing a Risk Management strategy and procedures in order to identify and assess the risks facing the College and to take steps to mitigate these risks as appropriate. The Director is responsible for making regular reports to the Board on current risks and mitigating actions.

The FARM will act as the College's Risk Management Group and may appoint other members of staff to join the Group as appropriate.

The Vice Principal, Director of Finance is responsible for making regular reports to the Audit Committee and Corporation on current risks and mitigating actions.

The Vice Principal, Director of Finance is responsible for maintaining the College risk register.

7 INCOME, BANKING AND TREASURY

7.1 General

Responsibility for approving levels of tuition fee charges and concessions and charges for other services and lettings is approved by the Corporation in the summer term each year.

The Vice Principal, Director of Finance is responsible for:

- Ensuring that appropriate procedures are in operation to enable the College to receive all income to which it is entitled;
- Ensuring the prompt collection, security and banking of all income received;
- Ensuring that all grants notified by the ESFA and other bodies are received and appropriately recorded in the College's accounts;
- Ensuring that all claims for funds are made by the due date.

7.2 Borrowing and Overdrafts

All borrowing must be approved by the Board. Such proposals must follow the relevant Managing Public Money instructions on borrowing.

The Vice Principal, Director of Finance may, with the approval of the Principal, establish overdraft facilities if they are compliant with the MPM framework. Such facilities must be reported to the Board within the cycle of termly Board reporting and may not be exceeded without the approval of the Board.

7.3 Appointment of Bankers

The Vice Principal, Director of Finance is responsible for the appointment of the College's bankers. The appointment is not for a specified period however consideration shall be given to review the performance of the bankers and to consider a competitive tendering service, having due regard to the requirements of Managing Public Money framework and relevant UK Procurement law.

7.4 Bank Accounts

Bank accounts may only be established on the authority of the Principal and all bank accounts must be in the name of the College or one of its subsidiaries, if applicable. No member of staff may operate a bank account on the College's behalf except those set up via the finance department in line with the Financial Regulations. Occasionally it may be necessary to establish a separate bank account for a specific grant or project. This will be arranged by the Finance Director upon the approval of the Principal.

Banking mandates must be established to support all bank accounts in line with the limits set out in **SCHEDULE B**. Banking mandates and all subsequent changes must be authorised by the College Principal.

The Head of Finance is responsible to the Director of Finance for ensuring that all bank accounts are subject to regular reconciliation. The Head of Finance Manager will maintain up to date records

and specimen signatures of College staff authorised to sign College cheques and BACs payments together with information on the limits of their authority as determined by the Financial Regulations.

7.5 Payments

On a day to day basis, appropriately authorised members of the Finance Team are responsible for liaising with the College's bankers in relation to electronic and manual payments. Payments may only be processed to cover expenditure that has been authorised in line with the limits set out in the Financial Regulations.

7.6 Cash Receipts

On a day to day basis the Vice Principal, Director of Finance is responsible for ensuring the safe collection, storage and banking of all cash received. The Vice Principal, Director of Finance is responsible for maintaining a Cash Handling Policy covering all aspects of cash receipts including the College's commercial outlets. All staff handling cash must adhere to the Cash Handling Policy.

All monies received from whatever source must be passed directly to the Finance Department. Receipts must be issued and must only be on College stationery including College receipt books.

No deductions may be made from any cash collected on behalf of the College prior to paying into the Finance Department. Personal or other cheques must not be cashed out of money received on behalf of the College.

7.7 Card Receipts

Payments received by credit or debit card will be processed in accordance with the card carrier procedures and the College bankers' procedures.

Payment instalments made by credit or debit card for tuition fees or transport costs cannot exceed four payments for a single transaction.

The College can provide Direct Debit payment facilities for tuition fees or transport costs. The number of instalments cannot exceed four payments for a single transaction. All financial data is processed and handled in accordance with the Data Protection Act 2018.

7.8 Collection of Debts

Invoices, refunds and credit notes should be issued only in accordance with the College Debt Management Policy, and all debts will be recovered in accordance with this Policy.

Before agreeing to accept new customers on a credit basis, Budget holders should request the Finance department to take up credit references before any work is undertaken, if the price for that work exceeds **LIMIT 10 of SCHEDULE A**.

The Vice Principal, Director of Finance is authorised to write off any individual debt due to the College up to £500.

The College Principal is authorised to write off any individual debt due to the College up to **LIMIT 2 of SCHEDULE A**, once the procedures within the College Debt Policy have been adhered to. Irrecoverable debts in excess of this limit shall be referred by the College Principal to the Resources Committee.

7.9 Investments

The Vice Principal, Director of Finance is responsible for investing surplus funds in accordance with the College's Treasury Management Policy. Surplus College funds will be invested in a low risk treasury product (e.g. notice account or treasury deposit) in line with the Treasury Management Policy.

The performance of any investments will be reported annually to the Resources Committee.

8 EXPENDITURE

8.1 General

Payment to suppliers will be made through the Finance Department on behalf of the College in accordance with payment schedules as agreed with suppliers and to limit the College incurring financial penalties.

8.2 Authorised Signatories

Budget holders are responsible for expenditure within their departments. Purchasing authority may be delegated to named individuals (Authorised Signatories) within the department.

A register of Budget Holders and Authorised Signatories with their purchasing limit is maintained by the Finance Department. Any changes to the authorities to sign are not valid until they are notified to the Finance Department.

Budget Holders are responsible for ensuring a specimen signature is provided for those members of staff authorised to place orders and certify invoices for payment.

Budget Holders and Authorised Signatories are responsible for nominating an alternative signatory to cover in the event of absence.

8.3 Procurement

'Best value' principles of comparison, challenge, consultation and competition shall be applied in securing resources and services.

Orders must be placed via the College's purchase order process with the exception of:

- Items of a recurring nature, e.g. rates, gas, electricity, water, telephones
- Items purchased using a College procurement card
- Items purchased from petty cash – see **LIMIT 14 of SCHEDULE A**
- Items purchased through an existing contract or agreement e.g. legal fees. Where this is the case the form of contract or agreement must be approved by a Senior Manager.

Staff must not:

- enter into any commitment of more than 12 months' duration
- agree to any instalments of other payment plans, including leasing arrangements, without the prior approval of the Vice Principal, Director of Finance.

Staff should complete a Requisition on Business World (BW). The Requisition should be approved by both the Budget Holder and the Vice Principal before a Purchase Order number is produced.

The Budget Holder is responsible for managing their budgets and therefore must ensure there are sufficient funds in the relevant budget to not result in an overspend.

8.4 Procurement Limits

It is the responsibility of the Budget Holder / Authorised Signatory to follow the relevant procedures where estimated cumulative expenditure is:

Below £10,000 (including VAT) – quotations / tenders are not required; Above £10,000 (including VAT) – three quotations must be obtained;

Above £100,000 (including VAT) – competitive tendering must be applied and Finance and Standards Committee approval required and OJEU guidelines to be followed where appropriate.

If, for whatever reason, it is not possible to obtain at least three quotations as above, then the matter should be reported to the Principal who will decide what action to take. Prior approval of the Principal must be obtained in order to dispense with the requirement to obtain quotations.

8.5 Financial Approval Limits

All expenditure must be approved by the relevant Budget Holder / Authorised Signatory in line with section 8.4 above. However, where large one-off items are being purchased or where leases or contracts with a large annual value are being agreed, even where these fall within the allocated budget, an additional level of authority is required as follows:

Expenditure above £50,000 (including VAT) must be approved by the Principal;

Expenditure above £150,000 (including VAT) must be approved by the Resources Committee;

Planned capital expenditure on IT and non-IT equipment should be approved annually by the Board as part of the budget approval process and does not require any further authorisation even where individual orders exceed the £50,000 and £150,000 limits set out above. However, procurement guidelines should be followed and goods will need to be tendered if their total cost exceeds EU

Procurement Regulations.

8.6 Contracts

Any contract likely to cost in excess of **LIMIT 12 of SCHEDULE A** will be subject to full competitive tendering which will be undertaken by the budget holder in accordance with the College's Financial Regulations. Prior approval must be sought from the Resources Committee for all contracts, goods and services above **LIMIT 4 of SCHEDULE A**. All contracts with the College should be signed by the Vice Principal, Director of Finance or the Principal. All contracts above **LIMIT 17 of SCHEDULE A** should be signed by the Principal.

8.7 Stock Control

Budget Holders are responsible for establishing adequate arrangements for the safekeeping and control of stock within their departments. Budget Holders may delegate the day to day management of stock to an Authorised Signatory, however Budget Holders remain accountable for stock management in their area, including carrying out regular inspections and stock checks and ensuring that any stock losses are reflected in their accounts.

The Finance Manager is responsible for periodic review of stock management systems and Budget Holders must implement any changes recommended by the Head of Finance.

8.8 Land and Buildings

The Principal is responsible for:

- ensuring that a full record to be kept of all the College's property holdings;
- ensuring the safe custody of title deeds;
- undertaking a regular review of property holdings with the objective of rationalising and disposing of those which are no longer needed;
- ensuring that all land and property transactions comply with the Procurement Limits and Financial Approval Limits;
- maintaining a long term Property Strategy;
- ensuring that all property proposals are presented to the Board are properly appraised and costed, including full risk analysis;
- ensuring that independent professional advice and input is obtained where necessary expertise is not available within the College;
- ensuring that all contracts are in accordance with the College's Financial Regulations;
- ensuring that the Board receive full and timely information relating to all property transactions.

9 EMPLOYMENT MATTERS

9.1 General

The payment of all salaries, wages, gratuities, compensation and other emoluments should be authorised by the College Principal and Vice Principal, Director of Finance. In the absence of the Vice Principal, Director of Finance authorisation from either of the other Assistant Principals is acceptable. In the absence of the Principal, authorisation from either of the other Assistant Principals is allowable, provided that the Principal has given prior written authorisation.

9.2 Salaries and Wages

The Payroll Department is responsible for the application of these procedures and for making payments for salaries, wages etc. to all staff.

The Payroll Department is responsible for keeping all records relating to payroll including those of a statutory nature in accordance with the provisions of the Data Protection Act 1998.

The Human Resources Department is responsible for keeping all HR records including contractual details.

9.3 Pension

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

9.4 Travel and Subsistence

All claims for payment of travelling and subsistence allowances must be submitted on the appropriate form by the members of staff and certified by the appropriate Line Manager / Budget Holder. Claims by the College Principal will be submitted for checking and approval by the Chair of the Corporation. Claims by members of the Corporation should be submitted to the Clerk to the Corporation for checking prior to approval by the Chair of the Corporation. Members of the Corporation are also allowed travelling expenses, subsistence and conference fees where appropriate. Expense claims should be made via the Clerk who will maintain a record of all expenses for Audit and other purposes. All claims will be authorised by the Clerk to the Corporation or Chair of the Corporation, and in the case of the Chair of the Corporation, by the Clerk or the Vice Chair of the Corporation.

All claims must be signed personally by the member of staff making the claim. Reimbursement for items not subject to standard rates laid down by the College will only be payable if they are:

- backed by original vouchers/receipts;
- incurred wholly in the course of duty; and
- considered reasonable by the appropriate Manager of Curriculum/Centre/Service or other Senior Manager authorising the payment.

Claims must be made as soon as possible after the event has taken place and any claim relating to a period more than 3 months prior to the date of submission for reimbursement will be payable only at the discretion of the Principal. Claims relating to the closed financial year must be submitted within one month of the close (i.e. by 31st August).

Advance payments may be made to staff to cover expenses to be incurred when travelling on College business. In the case of foreign travel, the advance may be made in foreign. Such advances will only be made up to **LIMIT 8 of SCHEDULE A** in value. In the case of a College organised trip for students an advance for expenses can be made from the respective trip account up to **LIMIT 15 of SCHEDULE A** with approval of the Curriculum Manager. Advances above this level must be authorised by the College Principal.

All foreign travel made by College staff and Corporation members with the exception of organised trips for College students must be reported and that approval be sought in advance by the Finance and Standards Committee (such as through the annual College budget) or where not practicable by the Chair of the Corporation. Under such circumstances, the Chair's action will be reported formally to the Corporation. An annual limit of £50,000 for expenditure on foreign travel to be authorised by the Principal – the expenditure year to coincide with the financial year. All reportable foreign travel must be accompanied by a summary statement of estimated and actual costs. A retrospective overseas travel report must be made to the Resources Committee on an annual basis.

9.5 Relocation Expenses

The scheme applies to the appointment of all staff in the College on a discretionary basis. This discretion will be exercised by the Principal.

It provides for reimbursement of certain expenses incurred directly by the employee concerned in house removals providing that the reason for moving is to take up an appointment with the College, the move means the member of staff will live appreciably nearer to the College and the removal takes place within 12 months of taking up the appointment.

Relocation expenses where approved will be as follows:

- Senior Postholders (to be determined by the Remuneration Committee) up to £5,000
- Managerial posts up to £3,500
- Other staff up to £3,000.

Separation expenses may be given when a newly appointed member of staff is either living in temporary accommodation and still incurring expenditure on their old home, or are travelling daily from the old home and therefore incurring extra travel costs. The provision is for:

- £100 per week (£20 per day) up to a maximum of £500;
- Second class return rail fare to the old home on two occasions per month and at each public holiday period.

9.6 Undertaking

All staff who claim relocation assistance will be required to sign a Form of Undertaking. The Undertaking will be that the member of staff accepts that in the event of resigning within 2 years of the appointment all payments made by the College will be repaid on the following basis:

Within 1 year of appointment - 100% of sums paid
After 1 year but within 18 months - 50% of sums paid
After 18 months but within 2 years - 25% of sums paid

The same undertaking will apply to staff who are dismissed for misconduct during the 2-year period.

10 ASSETS

10.1 Land and Buildings

Matters relating to land and buildings are covered in section 8.8 above.

10.2 Fixed Assets and Inventory

College Managers are responsible for ensuring that the College's record of assets and inventory accurately reflects the assets utilised within their Department or areas of responsibility. This responsibility includes periodic physical checking and taking action to write-off and dispose of obsolete equipment.

College Managers are responsible for ensuring that reasonable steps are taken to safeguard all property located in their area from theft, loss and improper use.

Inventories must include items donated or held on trust and leased assets.

10.3 Disposal of Equipment

Assets surplus to the College's requirements can be disposed of. Disposal will normally be by the best method to serve the interests of the College e.g. sealed bids, use of e-Bay.

Disposal of an asset that has not been fully written off requires an 'Asset Disposal' form to be completed by the Budget Holder and authorisation of the Principal.

The disposal of an item with a net book value above **LIMIT 13 of SCHEDULE A** requires the approval of the Resources Committee.

10.4 Leasing Arrangements

Members of staff may not enter into any leasing or long-term maintenance agreement on behalf of the College without the prior authorisation of the Vice Principal, Director of Finance. Financial Approval Limits as defined in section 7.4 will apply.

11 OTHER

11.1 Insurance

The Vice Principal, Director of Finance is responsible for assessing the need and then arranging for all necessary insurance cover in the light of the assessment.

The cover carried by the College will be reviewed by the Vice Principal, Director of Finance at regular intervals in order to assess its adequacy or otherwise.

The Vice Principal, Director of Finance should be notified immediately by College Managers of any potential new risks, additional property or equipment which may require additional insurance cover or any event which may give rise to an insurance claim.

The Vice Principal, Director of Finance will keep a record of all insurances affected by the College and the property and risks covered.

11.2 Taxation

The Vice Principal, Director of Finance is the Board's nominated representative for taxation purposes. The Finance Department will act on behalf of the College for the maintenance of the College's tax records, tax payments, receiving tax credits and submitting tax returns by their due date.

11.3 Security

The Vice Principal, Director of Finance is responsible for overall security matters within the College.

Each Budget Holder / Department Manager is responsible for implementing security procedures for all buildings, furniture, equipment, stores etc. under their direct control. The Estates Manager will issue guidelines outlining how best these responsibilities can be discharged.

Up to date inventories will be kept by the Finance Department and each Department to cover all items of equipment and plant in excess of **LIMIT 11 of SCHEDULE A**. Security markings must be used where appropriate.

Keys to safes or other similar containers are to be carried by the person responsible at all times. The loss of such keys must be reported to the Vice Principal, Director of Finance.

11.4 Data Protection and Freedom of Information

The Vice Principal, Director of Finance is responsible for maintenance of a Data Protection Policy and Freedom of Information Publication Scheme in accordance with the Data Protection Act 2018 and the Freedom of Information Act 2000. The Vice Principal, Director of Finance will act as the College's nominated Data Protection Officer and is responsible for the registration of all appropriate information systems in accordance with the requirements of the Data Protection Act 2018.

Access to computer areas is restricted to authorised persons only via the use of passwords and in accordance with the Code of Conduct for information technology.

11.5 Students' Union

The Principal is responsible for ensuring that a Students' Union is established and supported as a constituent part of the College in accordance with its policy.

The Principal is responsible for:

- ensuring that the Students' Union Constitution is regularly reviewed and approved by the Board;

- has an annual budget that is adequate for its purposes;
- receives appropriate support to run its affairs;
- ensuring that the Students' Union fulfils its obligations regarding the running of its financial affairs, including producing audited annual accounts.

The Students' Union is responsible for:

- maintaining its own bank account and financial records and preparing its own annual accounts;
- ensuring that the annual accounts are audited within six months of the year-end;
- submitting a copy of its audited accounts to the Principal.

11.6 Security and Sealing of Documents

The Clerk to the Corporation is responsible for the safekeeping of official and legal documents relating to the College and maintenance of a register of such documents.

The Seal of the Corporation will need to be used for a number of legal documents which as a matter of law have to be executed as Deeds, including the following:

- Transfers of land;
- Transfers of other property;
- Leases and Underleases;
- Surrenders of Leases;
- Powers of Attorney;
- Mortgages or security documents.

In addition, there may be other legal documents or contracts where, on the advice of the College's solicitors, the document should be executed under seal so that the above list is not exhaustive.

All property deeds must be signed by the Chair of the Corporation or some other member of the Corporation authorised by the Corporation to act on its behalf.

11.7 Detailed Financial and Other Procedures

Effective control of College operations is dependent upon conformity with detailed procedures which ensure compliance with Financial Regulations. These procedures will be developed and progressively refined over time in response to the outcome of the audit and other processes. The Vice Principal, Director of Finance is responsible for, in conjunction with the relevant professional services functions (notably finance, payroll and HR), for the timely publication and implementation of Control Procedures.

All members of staff will be required to follow the procedures and instructions as detailed and any failure to do so which causes the College to incur a loss, could result in disciplinary procedures against the member of staff concerned.

The Schedules to this document form part of the Regulations which require the approval of the Resources Committee on behalf of the Corporation.

11.8 Irregularities

The Vice Principal, Director of Finance is responsible to the Principal for investigating all instances of irregularity involving the College property or assets brought to his attention.

The Principal must refer all instances of fraud to the Audit Committee.

Any breaches of internal discipline with regard to Financial Regulations will be brought to the attention of the HR Manager in order that it can be dealt with in accordance with agreed procedures.

11.9 Variation of Financial Regulations

The Vice Principal, Director of Finance is responsible for maintaining and periodically revising the Financial Regulations. Revisions to the Financial Regulations will be reviewed by the Finance and Standards Committee for approval by the Corporation.

SCHEDULE A - SCHEDULE OF FINANCIAL LIMITS

1.	F.Prin. 5.1A	£500,000	Limit at which an investment appraisal is prepared for ESFA funding bids
2.	F.Prin. 5.1C F.Reg. 6.8	£ 5,000	Limit to College Principal's write-off authority.
3.	F.Reg. 2.4	£ 500	Lower limit for asset capitalisation
4.	F.Reg. 2.4	£150,000	Limit for Resources Committee approval of goods, service contracts and Capital bids.
5.	F.Reg. 2.4	£ 10,000	Cost above which 3 written quotations must be sought for supply of goods and services (other than building work).
6	F.Reg 4.3	£ 1,000	Limit above which the College Principal must authorise revenue consequences of "free" capital gifts.
7.	F.Reg 7.4 F.Reg 7.5	£173,934 Supplies and Services £4,348,350 Building Wks	European Community limit for purchase, lease or hire of goods and services above which Euro Tendering Regulations apply.
8.	F.Reg. 8.4	£ 250	Limit of advance for overseas travel (excluding College trips).
9.	F.Reg. 8.4	£ 100	Limit of advance for UK travel.
10.	F.Reg. 7.17	£ 1,000	Limit of credit for new customers without credit references.
11.	F.Reg. 10.3	£ 500	Lower limit for inclusion of items on the College's inventory.
12.	F.Reg. 7.4	£100,000	Lower limit for which tendering arrangements must be made for the supply of goods.
13.	F.Reg. 9.3	£ 20,000	Asset Value limit above which the Finance and Resources Committee must authorise disposal.
14.	F.Reg. 7.3	£ 50	Upper limit of petty cash.
15.	F.Reg. 8.4	£ 1,000	Limit of Advance for College trip expenses above which the College Principal must authorise.
16.	F.Reg 2.4		Depreciation Life of Capital Assets: Buildings – 20-50 years. Leasehold buildings – period of lease IT Equipment – Four years Non IT Equipment – Eight years Vehicles – Five years
17.	F.Reg 7.6	£ 50,000	Limit above which Principal must sign contract with College.

Note: All amounts quoted are inclusive of VAT. Amendments to Schedule A approved by Corporation July 2003

SCHEDULE B

SCHEDULE OF AUTHORISED OFFICERS AND BUDGET MANAGERS

AUTHORISED OFFICERS:

Position:	Level of Authority:	Area/Amount:
College Principal	All, other than own salary/ expenses.	As designated in Schedules A and C
Assistant Principals	All, other than own salary/ expenses provided sufficient funds are in budget (prior approval of Finance Department).	As designated in Financial Regulations.
Budget Managers	As designated in Financial Regulations.	Petty Cash.
Designated users of the Agresso Business World Finance system	As required provided sufficient funds are in budget	Purchase Orders

BANK ACCOUNTS:

College Accounts – Cheques and BACS payments:

<u>Amount</u>	<u>Signatories</u>
Up to £10,000 per Individual payment	Any one signature of College Principal, Vice Principal, Director of Finance Assistant Principals
In excess of £10,000 Per individual payment	College Principal plus one other authorised person Vice Principal, Director of Finance Assistant Principals
<u>BACs Processing:</u>	<u>Authorisers</u> Vice Principal, Director of Finance Finance Manager Management Accountant Staff are authorised to use BACS software and process payments in accordance with these Financial Regulations) MI and Funding Manager Director of Digital Innovation

SCHEDULE C

SCHEDULE OF COLLEGE AUTHORISATION LIMITS FOR PURCHASE ORDERS, INVOICES, REQUESTS FOR CHEQUES AND STAFF RELATED PAYMENTS FOR BROCKENHURST COLLEGE 2023/24

Senior Leadership Team	Title/Department	BW Limit (£)
	Principal	150,000
	Vice Principal, Director of Finance	50,000
	Assistant Principal, A-Level, Adults, HE and Student Experience	10,000
	Assistant Principal, Vocational Education, Apprenticeships & Student Wellbeing	10,000
	Assistant Principal, Learning & Quality	10,000
Heads of Curriculum	Title/Department	BW Limit (£)
	HOC Early Childhood, Health, Care & Professional Studies	2,000
	HOC Marine & Construction	2,000
	Adult Education Co-ordinator, New Milton	2,000
	HOC Functional Skills	2,000
	HOC Performing Arts & Music	2,000
	HOC Foundation Studies	2,000
	HOC A-Level Art & Photomedia	2,000
	HOC Vocational Creative Arts & Media	2,000
	HOC English & MFL	2,000
	HOC Sport	2,000
	HOC Maths	2,000
	HOC Science	2,000
	HOC Computer Science & IT	2,000
	HOC Social Science	2,000
	HOC Business	2,000
	HOC Humanities	2,000
	HOC Engineering	2,000
	HOC Enrichment	2,000
	Adult Education Co-ordinator, Lymington	2,000
	HOC Service Industries	2,000
	HOC Creative Arts & Media	2,000
	HOC Employability	2,000
	HOC Commercial, AEB & Tuition Fees	2,000
Professional Services	Title/Department	BW Limit (£)
	Learning Hub Manager	10,000
	Nursery Manager	10,000
	Travel/Hard Brock Café Manager	10,000
	Marketing Manager	10,000
	Pastoral & Welfare Manager	2,000
	Health & Safety Partner	2,000
	Admissions and Progression Manager	2,000
	Head of Employability	2,000
	Transnational Education Manager	10,000
	Director of Digital Innovation	10,000
	International Manager	10,000
	Estates Manager	10,000
	Travel Co-ordinator	2,000
	Adult Learning Manager (AEB, Full Cost, Community)	2,000