

# Financial Regulations

Updated: October 2023

Policy reference	POL-225
Policy area	Finance
Policy owner	Fiona Yardley
Policy author	Fiona Yardley
Level of consultation	Level 1
Approval level	SLT, Finance Committee & Corporation
Review date	1 <sup>st</sup> May 2023
Version approval date	5 <sup>th</sup> October 2023 (V2)
Next approval date	30 <sup>th</sup> September 2024

## Contents

Contents.....	2
1. Introduction.....	3
2. Status of the Financial Regulations .....	3
3. Financial Responsibilities .....	4
4. Strategic Planning .....	6
5. Budgeting .....	6
6. Financial Information.....	8
7. College Financial Operations .....	9
8. Major Developments.....	18
9. Treasury Management Policy .....	18
10. Insurances .....	18
11. Contracts and Agreements .....	19
12. Audit .....	19
13. Financial Procedures.....	20
14. Security and Computer Security .....	20
15. Fraud Avoidance Policy.....	20
16.     Receiving Gifts and Hospitality.....	21
17.     Taxation.....	21
18.     Learner Support Funds .....	22
19.     Student Loans and Students Union .....	22
20.     Patents and Intellectual Property Rights.....	22
21.     Money Laundering and Proceeds of Crime.....	22
22.     Bribery .....	23
23.     Whistleblowing.....	23
24.     Partnership Arrangements .....	23
25.     Other Income-Generating Activity .....	24
26.     College Seal .....	26
27.     Related Party Transactions .....	26
Appendix A – Authority Limits .....	27
1.     Budget Variations .....	27
2.     Authorisation of Contracts and Orders .....	27
3.     Leasing and Hire Purchase Commitments .....	28
4.     Disposal of Assets .....	28
5.     Contracts for the Supply of Goods or Services by the College.....	29
Appendix B – Authorised Cheque Signatories and Authorisation of Electronic Payments.....	30
Appendix C – Tendering Procedures .....	31
Appendix D – Approval Authority for the Control of Debts .....	33
Appendix E – Fixed Asset Capitalisation and Depreciation.....	34
Appendix F – Corporate Governance Documents .....	35
Appendix G – Fraud Response Plan.....	36
Appendix H – Definitions .....	40
Appendix I – Value for Money Statement.....	42

## **1. Introduction**

- 1.1 Birmingham Metropolitan (BMet) College (the College) was incorporated under the provisions of the Further and Higher Education Act 1992.
- 1.2 Its structure of governance is laid down in the instrument and articles of government. The College is accountable through its Corporation, which has ultimate responsibility for the effectiveness of its management and administration.
- 1.3 The College is an exempt charity by virtue of the Further and Higher Education Act 1992 and the Charities Act 1993 as amended by the Charities Act 2006. This means that the College has the privileges of charitable status (including exemption from Income and Corporation Tax on most of its activities) without being required to register with or submit accounts to the Charities Commission. Therefore, the College has no charity number.
- 1.4 The financial contracts between the Funding Bodies and the College set out the terms and conditions on which grant is made. The Corporation is responsible for ensuring that conditions of grant are met. As part of this process, the College must adhere to the Funding Bodies' Joint Audit Code of Practice, which requires it to have sound systems of financial and management control. These financial regulations form part of this overall system of accountability.
- 1.5 The College has a responsibility to achieve value for money. It's approach to achieving this is contained in the Value for Money Statement set out in Appendix I.

## **2. Status of the Financial Regulations**

- 2.1 This document sets out the College's financial regulations. It translates into practical guidance the College's broad policies relating to financial control and administration. It applies to the College and all its subsidiary undertakings.
- 2.2 These financial regulations are subordinate to the College's Instrument and Articles of Government and to any restrictions contained within the financial memorandum with the regulatory bodies, and the funding bodies joint audit code of practice.
- 2.3 The purpose of these financial regulations is to provide control over the totality of the College's resources and provide management with assurances that the resources are being properly applied for the achievement of the College's strategic plan and business objectives. The underlying financial objectives include:
  - financial viability
  - achieving value for money
  - fulfilling its responsibility for the provision of effective financial controls over the use of public funds
  - ensuring that the College complies with all relevant legislation
  - safeguarding the assets of the College, and ensuring its solvency
- 2.4 Compliance with the financial regulations is compulsory for all staff and Corporation Members connected with the College. A member of staff who fails to comply with the financial regulations may be subject to disciplinary action under the College's disciplinary policy. The Corporation will be notified of any material breach through the Audit Committee. It is the responsibility of the employing manager to ensure that their staff are made aware of the existence and content of the College's financial regulations.

- 2.5 The Corporation is responsible for maintaining a continuous review of the financial regulations, through the Chief Financial Officer (CFO), and for making any additions or changes necessary.
- 2.6 In exceptional circumstances, the Corporation may authorise a departure from the detailed provisions contained herein. The Audit Committee may also authorise a departure from the detailed provisions herein, such departure to be reported to the Corporation at the earliest opportunity.
- 2.7 The College's detailed financial procedures set out precisely how these regulations will be implemented and are contained in separate policy documents, which are available to all staff.
- 2.8 These Regulations are additional to United Kingdom legislation, orders and directives.
- 2.9 The financial regulations are an integral part of the College's risk management framework. Other important documents include the Financial Memorandum, the Audit Code of Practice, and the College Risk Management Policy.

### **3. Financial Responsibilities**

- 3.1 The Corporation is responsible for the overall financial management of the College. It may, however, delegate such powers as it considers appropriate to an authorised sub-committee set up within the terms of the Instruments and Articles of Government, or to the Principal.

The Corporations financial responsibilities are to:

- ensure the solvency of the College and the safeguarding of the College's assets
- appoint, grade, suspend, dismiss and determine the pay and conditions of service of the Principal and other senior post-holders
- set a framework for pay and conditions of service of all other staff
- ensure that the financial, planning and other management controls, including controls against fraud and theft, applied by the College are appropriate and sufficient to safeguard public funds
- approve the appointment of external auditors and an internal audit service
- secure the efficient, economical and effective management of all the College's resources and expenditure, capital assets and equipment, and staff, so that the investment of public funds in the College is not put at risk
- ensure that appropriate financial considerations are taken into account at all stages in reaching decisions and in their execution
- plan and conduct its financial and academic affairs so that its total income is not less than sufficient, taking one year with another, to meet its total expenditure
- approve an annual budget before the start of each financial year

- determine tuition fees
  - ensure that the College complies with the funding body's joint audit code of practice
  - approve the College's financial plan, strategic plan and financial statements.
- 3.2 The Terms of Reference for the Corporation and sub committees define respective financial responsibilities.
- 3.3 The Principal is the College's designated Accounting officer and is responsible for ensuring the financial administration of the College's affairs in accordance with the Financial Memorandum. As the designated Accounting officer, the Principal may be required to justify any of the College's financial matters to the Public Accounts Committee at the House of Commons (or equivalent bodies in Scotland and Wales).
- 3.4 In particular, the Principal is charged with responsibility for:
- 'preparing annual estimates of income and expenditure, for consideration and approval by the Corporation, and for the management of budget and resources, within the estimates approved by the Corporation.
- The Principal shall demonstrate their oversight of financial matters by signing the balance sheet and the statement of corporate governance and internal control within the annual financial statements, and the declaration within the three-year financial forecast.
- 3.5 Financial administration is controlled by the Chief Financial Officer (CFO) who is responsible to the Principal for:
- preparation of annual capital and revenue budgets and financial plans, along with detailed cash flow forecasts
  - preparing accounts, management information, monitoring and control of expenditure against budgets and all financial operations
  - preparing the College's annual accounts and other financial statements and accounts which the College is required to submit to other authorities
  - ensuring that the College maintains satisfactory financial systems
  - providing professional advice on all matters relating to financial policies and procedures
  - day-to-day liaison with internal and external auditors in order to achieve efficient processes
  - managing the FD and the College Finance & Payroll Teams
- 3.5.1 Members of the Senior Leadership Team (SLT) are responsible to the Principal for financial management for the areas or activities they control. This includes the economic, effective and efficient use of resources allocated to them. They are advised by the CFO in executing their financial duties. The Finance Director (FD) will supervise and approve the financial systems operating within departments, including approval of budget holders and the form in which accounts and financial records are kept. Directors/Heads of departments are responsible for establishing and maintaining clear

lines of responsibility within their department for all financial matters including delegation of budgets. Where resources are devolved to budget holders, they are accountable to their member of SLT for their own budget.

Members of SLT and Directors/Heads of departments shall provide the CFO with such information as may be required to enable:

- preparation of the College's financial statements
- preparation of the annual budget and in-year forecast outturns
- implementation of financial planning
- implementation of audit and financial reviews, projects and value for money studies

- 3.6 All members of staff should be aware and have a general responsibility for the security of the College's property, for avoiding loss and for due economy in the use of resources.

They should ensure that they are aware of the College's financial authority limits and the values of purchases for which quotations and tenders are required.

They shall make available any relevant records or information to the CFO or their authorised representative in connection with the implementation of the College's financial policies, these financial regulations and the system of financial control.

They shall provide the CFO with such financial and other information as they may deem necessary, from time to time, to carry out the requirements of the Corporation.

They shall immediately notify the CFO and FD whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, or property of the College. The CFO shall take such steps as necessary by way of investigation and report to the Audit Committee.

- 3.7 The CFO is responsible for reviewing the financial regulations and for presenting a revised version to the Corporation on an annual basis. Authority to implement administrative changes to the financial regulations (such as changes to post titles for responsible staff) is delegated to the Principal and CFO; substantive changes (such as delegated authority levels) requires the approval of the Corporation.

- 3.8 The CFO is also responsible for ensuring that the financial information requirements of the regulator and the banks are met. Any failure to meet these deadlines is reported to the Principal, together with an explanation for the delay.

#### **4. Strategic Planning**

- 4.1 The CFO is responsible for preparing annually a rolling three-year financial plan for approval by the Corporation and for preparing financial forecasts for submission to the ESFA. Financial plans should be consistent with the strategic plans and property strategy approved by the Corporation.

- 4.2 On occasions, more regular updates of the plan will be required to support capital funding applications. It may also be necessary to extend the plan to five or more years.

#### **5. Budgeting**

- 5.1 The Principal in consultation with the CFO is responsible to the Corporation for preparing the annual income and expenditure and capital expenditure budget. The annual budget shall be considered and approved by the Corporation prior to 31<sup>st</sup> July

- each year for the following financial year.
- 5.2 The Corporation shall not delegate the approval of the annual budget and will approve the budget by resolution.
  - 5.3 The Principal and CFO are empowered to designate members of staff as Budget Holders. Budget Holders shall be responsible for the control and monitoring of expenditure within budgets allocated to them.
  - 5.4 The Principal shall be accountable to the Corporation for effective budgetary control within the approved revenue and capital budgets.
  - 5.5 Budget Holders shall submit such information to the CFO or their nominee as is necessary to enable annual estimates of revenue income and expenditure and capital expenditure to be submitted by the Principal to the Corporation for their approval.
  - 5.6 Pay budgets for teaching departments will be calculated and agreed by the Principal, the CFO and the Budget Holder based on an estimate of course enrolments and required teaching hours. This budget will be reviewed following actual enrolment and appropriate adjustments then made to the original budget to reflect any course changes.
  - 5.7 The capital programme includes all expenditure on land, buildings, equipment, furniture and associated costs whether or not they are funded from capital grants or capitalised for inclusion in the College's financial statements. Expenditure of this type can only be considered as part of the capital programme approved by the Corporation.
  - 5.8 All capital projects should be detailed separately in the annual capital budget. However, the capital budget may include general provisions for projects or items not specified at the time of the budget approval.
  - 5.9 The CFO will also establish procedures for the approval of variations, including the notification of large variations to the regulator, as laid down in the Financial Memorandum and other guidelines.
  - 5.10 Following completion of a capital building project over £1 million, or a capital building project where the final cost exceeds the authorised budget by more than 5% a post-project evaluation or final report should be submitted to the Corporation including actual expenditure against budget and reconciling funding arrangements where a variance has occurred as well as other issues affecting completion of the project. Post-project evaluations may also need to be sent to the regulator as laid down in their guidelines.
  - 5.11 The control of income and expenditure within an agreed budget is the responsibility of the designated Budget Holder who must ensure that day to day monitoring is undertaken effectively. The Budget Holder will be assisted in this duty by management information provided by the FD. Budget holders are responsible for establishing and maintaining clear lines of responsibility within their areas for all financial matters.
  - 5.12 Budget holders may be granted permission to transfer (vire) monies between cost centres within the same department. Authority for this should be obtained in advance from the CFO or FD. Virement limits are set out in Appendix A to the regulations.
  - 5.13 Budget holders are accountable for their budgets and must under no circumstances exceed the total budget allocated to them. Any budget holder who fails to comply with this may be subject to disciplinary action under the College's disciplinary policy.
  - 5.14 Any potential departures from agreed budgetary targets must be reported immediately

to the CFO by the Budget Holders concerned and, if necessary, corrective action taken.

5.15 The Principal, or CFO, may authorise transfers between income and expenditure cost centres and capital projects provided that:

- (a) the budget underlying operating surplus will not be reduced during the then current financial year, and
- (b) there will be no additional financial commitment, as a result, in subsequent financial years
- (c) the amount transferred is less than 5% of the College's overall budgeted expenditure for the year
- (d) virements of capital projects will be limited as specified in Appendix A of these regulations

Transfers greater than 5% of the College's overall budgeted expenditure for the year require the authorisation of the Corporation.

5.16 Any increase in budgeted expenditure will be authorised as specified in Appendix A of these regulations. In urgent cases the Chair of the Corporation and the Principal jointly have power to act on behalf of the Corporation. Such action will be reported to the Corporation at the earliest opportunity.

## **6. Financial Information**

### **6.1 Annual Financial Statements**

6.1.2 A Statement of Accounts is to be prepared in accordance with the requirements of the statement of recommended practice (SORP) for the sector.

6.1.2 The Accounts are to be prepared and reported to a Corporation meeting within five months of the year-end date. Audited accounts are to be provided to the ESFA no later than five months after the year-end.

6.1.3 Any significant adjustments, found as a result of the external auditor's work, are to be reported to the Audit Committee.

### **6.2 Management Accounts**

6.2.1 Management accounts are to be prepared on a monthly basis by the CFO. Detailed management accounts must be distributed to the Senior Leadership Team, with the latest accounts provided to the Corporation at each meeting.

6.2.2 A forecast outturn will be undertaken at the six month and nine-month points of the financial year. The results of which will be reported to the Corporation. Publication of the management accounts may be delayed in these months in order to allow time for the forecast to be completed.

6.2.3 An annual statement comparing the actual financial results with the forecast outturn will be presented to the Corporation.

6.2.4 Budget Holders will receive a monthly summary of their cost centre(s), together with detailed reports on request, breaking the totals down into the individual transactions.



## **7. College Financial Operations**

### **7.1 Income**

- 7.1.1 The CFO is responsible for ensuring that appropriate procedures are in operation to enable the College to receive all income to which it is entitled. All receipt forms, invoices, tickets or other official documents in use must have the approval of the CFO.
- 7.1.2 Budget Holders shall furnish such particulars of charges for work done, goods supplied, or services rendered on behalf of the College and all amounts accruing due, as the CFO may require in order to ensure that there is prompt recording of all sums receivable by the College.
- 7.1.3 Monies due shall be requested on College invoices issued by the Finance Department. Other staff or officers are not permitted to deal directly with this matter unless agreed by the CFO or FD.
- 7.1.4 Appropriate debt recovery procedures shall be determined by the CFO. The CFO will submit details of any write-off of any individual bad debts in excess of £75,000 that may be required to the Corporation for authorisation. Individual debts below this level may be written off in accordance with the limits specified in Appendix D to these regulations.
- 7.1.5 Directors and Heads of departments are responsible for ensuring that the arrangements for monies received including banking and security comply with the procedures issued by the College.
- 7.1.6 Every sundry remittance or sum of money, in excess of £5, received by an officer of the College must be acknowledged by the issue of an official receipt. The Finance Department shall issue official receipt books on request. Cheque payments must be supported by cheque cards and the card number noted on the back of the cheque.
- 7.1.7 All tuition fees, charges, rents and lettings shall be reviewed annually in consultation with the CFO and recommendations relating thereto shall be incorporated in the proposed annual budget presented to the Corporation.
- 7.1.8 The procedures for collecting tuition fees must be approved by the CFO and they are responsible for ensuring that all student fees due to the College are received. Any student who has not paid an account for fees owing to the College may be withdrawn from the College and prevented from re-enrolling at the College and from using any of the College's facilities unless appropriate arrangements are agreed for the payment of outstanding fees.
- 7.1.9 Disbursement from the Learner Support Fund is the responsibility of the Director of Student Experience within the framework agreed by the CFO and the manager/s responsible for the allocation of payments to students. The CFO must ensure that appropriate controls are in place for the control, accounting and disbursements of these funds, and for the submission of such reports as are required by the Funding Body.
- 7.1.10 Any requests for Credit Notes to be raised will be authorised in line with the Colleges Credit Notes Authorisation Procedure.

### **7.2 Expenditure**

- 7.2.1 Official orders shall be issued for all works, goods and services except for such items as recurring charges for public utilities, periodic payments, credit card purchases, petty cash purchases and any other exceptions approved by the CFO.
- 7.2.2 Where expenditure is approved by the Corporation and minutes taken accordingly, authority to raise appropriate purchase orders is automatically delegated to the Principal and CFO. Purchase Orders and invoices may be authorised by the Principal or CFO without further reference to the Corporation.
- 7.2.3 Official orders shall not be raised for any personal or private purchases, nor shall personal or private use be made of College contracts.
- 7.2.4 Wherever possible orders should be raised through an approved supplier through one of the approved procurement consortia used by the College such as Crescent Purchasing consortium (CPC) and NHS Shared Business Services (NHSSBS)
- 7.2.5 No employee shall engage any supplier of goods or services in which they have a pecuniary, family, or other interest, direct or indirect without first seeking the prior written approval of the Principal, or CFO. A duly completed Value for Money Form must be provided to the CFO in all such cases.
- 7.2.6 Any employee of the College who has any pecuniary, family or other interest, direct or indirect, in any supplier of goods or services to the College, shall be responsible for making a declaration of the interest to the Principal.
- 7.2.7 Official orders must be authorised on-line by budget holders as appropriate. The CFO shall maintain a register of authorised Budget Holders, together with specimen signatures and authorisation codes as appropriate.
- 7.2.8 Directors with responsibility for capital projects are responsible for ensuring that the appropriate approvals and funds are in place (including where necessary the ESFA and banks) before commitment is made. This should be in consultation with the CFO
- 7.2.9 The placing of orders by telephone is generally prohibited. However, in an emergency, subject to the approval of the CFO or FD, orders may be given orally or by other means provided an official order number is quoted to the supplier and the order is confirmed by use of the on-line system on the same or following working day.
- 7.2.10 Each order must clearly indicate the nature and quantity of the supplies or services required, the estimated price including VAT and any agreed discounts and other relevant details.
- 7.2.11 All contracts or orders entered into on behalf of the College must be signed by an authorised signatory and authorised as specified in Appendix A of these regulations. This can be done electronically using the on-line purchase order system.
- 7.2.12 The CFO will submit an annual report to the Corporation showing all suppliers where total payments in the preceding financial year have exceeded £250,000.
- 7.2.13 Any combination of items which form a scheme or project must be treated as an individual contract or order for authorisation purposes. Where there is any doubt as to whether any combination of items constitutes a scheme or project, then the direction of the CFO or the Principal must be sought.

- 7.2.14 Goods and services purchased by the College should be obtained expeditiously and economically. Budget holders shall ensure that purchases are made at the most favourable rate by obtaining estimates on the basis that the acceptance of any estimate other than the lowest is permitted only where better value for money is offered by a competing product or service.
- 7.2.15 The procedures and financial limits for obtaining estimates shall be as stated below. The value thresholds referred to throughout the financial regulations are inclusive of VAT:

For Supplies of Goods and Services	
Value of Purchase Order	Requirements
Up to £10,000	Budget Holder shall use good sense as to the need to obtain competitive quotes from suppliers. Orders up to £5k will be checked by the Finance Manager; orders up to £10k by the FD.
From £10,000 up to £100,000	Unless agreed by the Principal or CFO Three written quotations are required  At least one of which should be obtained using the College Procurement Framework.  These quotations must be retained by the Budget Holder and attached to Business World
Over £100,000 up to Public Contracts Regulations 2015 Rules Limit *	Three written quotations are required and, in all cases, must be approved by the CFO. * Currently £189,330 except for education and training services when it is £663,540

For Works	
Value of Purchase Order	Requirements
Up to £10,000	Budget Holder shall use good sense as to the need to obtain competitive quotes from suppliers. Orders up to £5k will be checked by the Finance Manager; orders up to £10k by the FD.
Up to £100,000	Three written quotations are required unless agreed by the Principal or CFO.  At least one of which should be obtained using the College Procurement Framework.  These quotations must be retained by the Budget Holder and attached to Business World.

£100,001 to £4,733,252	A minimum of three competitive tenders shall be obtained unless the Corporation approves that the invitation of tenders be waived (The tendering procedures are outlined at Appendix C).
Over £4,733,252	Public Contracts Regulations 2015 Rules apply. (Advice should be sought from the CFO or FD).

- 7.2.16 When applying the above limits, the "value of purchase order" for those orders which relate to the continuous supply of goods or services over several years will be the total value over the period of supply.
- 7.2.17 Where there are goods or services with a single supplier or normal best value practice cannot be followed a derogation form should be completed to explain the circumstances. This will need to be agreed by the Finance director for purchases up to £10,000. Expenditure above this needs the form agreed by the CFO or Principal.
- 7.2.18 For some categories of purchases (e.g., Software licences) where there is only one supplier a derogation form maybe approved for a number of similar purchases on a single form.
- 7.2.19 Purchases from an approved supplier where there is a contract already approved that has previously been through a value for money process do not require a derogation form for each purchase under the contract.
- 7.2.20 Orders or purchases must not be broken down into a series of smaller transactions in order to stay below an authority limit.
- 7.2.21 The CFO shall be responsible for the arrangements for the examination, verification and certification of invoices for payment and for the allocation of expenditure to the relevant budget.
- 7.2.22 All invoices shall be authorised on-line by the relevant Budget Holder. A record of specimen signatures shall be maintained and held by the CFO, through the finance department if required.
- 7.2.23 All invoices in respect of capital building projects shall be authorised by the College project manager or the CFO.
- 7.2.24 CFO will be responsible for the payment of all invoices. Payments will not be made against documents other than invoices. Payment will only be made against invoices as follows:
- (a) Subject to paragraph 7.2.1, invoices for which an official order has been raised and the invoice does not exceed the order value.
  - (b) Which have been certified for payment by the appropriate Budget Holder. By certifying an invoice for payment, the Budget Holder is stating:
    - (i) that the goods or services have been received;
    - (ii) that the goods comply with the details on the College's order;
    - (iii) that the goods are of acceptable quality;

- (iv) that the invoice details (quantity, price, discount) are correct;
- (v) that the invoice is arithmetically correct;
- (vi) that the invoice has not previously been passed for payment (i.e., that it is not a duplicate request for payment);

(c) Which quote the appropriate cost centre and account code.

7.2.25 The CFO will be responsible for ensuring that adequate controls are in place for electronic payments (BACS, CHAPS), for credit cards and that cheques are stored securely and for maintaining a register of used and unused cheques.

### 7.3 Late Payment of Debts (Interest) Act 1998

7.3.1 The Late Payment of Debts (Interest) Act 1998 (as amended in 2002) was introduced to give small businesses the right to charge interest on late payments from large organisations and public authorities. Key points are:

- small businesses can charge interest on overdue invoices
- interest is chargeable on sales made after 1 November 1998
- the rate of interest is currently 8% per annum above the official daily rate of the Bank of England
- the Act also applies to overseas organisations
- the College can be sued for non-payment

7.3.2 In view of the penalties in this Act, the Corporation requires that invoices must be passed to the Finance Department for payment as soon as they are received.

### 7.4 Accounting Arrangements

7.4.1 The College's financial year will run from 1 August until 31 July of the following year.

7.4.2 The financial statements are prepared on the historical cost basis as modified by the revaluation of certain fixed assets and in accordance with applicable accounting standards.

7.4.3 The financial statements are prepared in accordance with the Statement of Recommended Practice (SORP) Accounting for Further and Higher Education, subject to any specific requirements of the regulator, and in accordance with the provisions of the Companies Act.

7.4.4 The coding structure (cost centre, account and project codes) will be provided by the CFO with a view to the preparation of appropriate and efficient management information to all users.

7.4.5 The opening of new account codes or cost centres shall be actioned by finance staff after approval by the CFO or the FD.

### 7.5 Salaries and Wages

- 7.5.1 The Principal shall be responsible for the appointment of all staff other than all senior post holders who will be appointed by the Corporation.
- 7.5.2 The Director of Human Resources shall be responsible for the maintenance of all personnel records and for the provision of relevant information to enable all salaries, wages, pensions and other emoluments to be paid.
- 7.5.3 The preparation of payrolls and the payment of salaries, wages and other emoluments to employees of the College shall be undertaken in accordance with arrangements approved by the CFO. All remuneration payments must be made through the College payroll unless an alternative arrangement has been agreed in writing with the Principal.
- 7.5.4 All advances and loans will be authorised by the CFO who will agree the deductions from the employee's pay. These will only be approved in exceptional circumstances and written consent for these deductions will be obtained from the employee before payment of any advance or loan.
- 7.5.5 The CFO is responsible for day-to-day pension administration including:
- (i) paying of contributions to authorised pension schemes
  - (ii) preparing the annual returns to the pension scheme
- 7.5.6 Time records or other pay documents shall be in a form agreed by the CFO and shall be certified by the appropriate line manager and Budget Holder.
- 7.5.7 All College employees shall be paid according to the salary scales approved by the Corporation. This includes the use of spot salaries as required. The Corporation is responsible for the authorisation of any annual pay award which will result in a change to the salary scales.
- 7.5.8 Staff recruitment must be undertaken in accordance with the Policies and Procedures for Recruitment, Selection and Appointment in force when such recruitment takes place.
- 7.5.9 All offers and letters of appointment, employment contracts, or variations in conditions of service must be issued by the Principal, Director of Human Resources or an approved HR representative. The Director of Human Resources will ensure that there are satisfactory arrangements in place to notify the Payroll Manager of all commencements, variations and terminations.
- 7.5.10 The engagement of hourly paid and third-party workers must only be undertaken in line with the agreed College procedure.
- 7.5.11 Severance payments shall only be made in accordance with the relevant legislation. Professional advice should be obtained where necessary. No amounts shall be expended that exceed the budget allocated for the purpose. All such payments shall be authorised by the Principal and calculations checked by the Director of Human Resources or CFO. Any individual amounts in excess of £30k require approval by The Corporation. In exceptional circumstances, this approval may be given by the Chair of the Corporation in consultation with the Principal, to be reported to the next meeting of the Corporation.
- 7.5.12 All matters referred to a formal employment tribunal shall be notified to Corporation at the earliest opportunity in order that budget provision may be made as necessary. All

determinations of tribunals must be similarly notified.

## 7.6 Expenses

- 7.6.1 Claims for expenses incurred by staff and Governors of the College in carrying out official duties, shall be paid in accordance with the Expenses Policy in force when the expenses are incurred. All expense claims must be submitted on-line using the Business World (BW) system.
- 7.6.2 Expense claims shall be authorised by the relevant line manager within BW. No employee may authorise his/her own expenses.
- 7.6.3 The expense claims of the Principal must be authorised by CFO or Chair before payment is made. Such expense claims must all be retrospectively authorised by the Chair of Governors on an annual basis if authorised by the CFO.
- 7.6.4 Expense claims submitted by Governors must be authorised by the Company Secretary on the delegated authority of the Chair.
- 7.6.5 Further details on the arrangements for claiming expenses are included in the College's Expenses Policy.
- 7.6.6 The FD will carry out a periodic check on a random sample basis of expense claims and a 100% of all claims over £500

## 7.7 Overseas Travel

- 7.7.1 Every proposed overseas visit costing £10,000 or more requires the approval of the Corporation prior to the visit (and prior to any costs associated with the visit being committed). The Corporation will be asked to approve the purpose of the visit and the estimated cost.
- 7.7.2 The College will not meet any cost relating to the spouse/partner of an employee who accompanies the employee on a business trip.
- 7.7.3 Further information on overseas travel is included in the College's Expenses Policy.

## 7.8 Banking and Petty Cash

- 7.8.1 The Corporation is responsible for the appointment of the College's bankers for the day-to-day banking services upon the recommendation of the CFO. The appointment may be for a specified period after which consideration shall be given by the Corporation to competitively tendering the service.
- 7.8.2 The CFO is permitted to make banking arrangements and open bank accounts for treasury management purposes, provided that such accounts comply with the Treasury Management policy in force at the time when the account is opened.
- 7.8.3 All arrangements with the College's bankers concerning the bank accounts and the control and issue of cheques, shall be made by CFO. No other College bank accounts shall be permitted.
- 7.8.4 All cheques drawn on behalf of the College shall be signed in accordance with Appendix B of the regulations. Any changes in authorised signatories shall be

approved by the Principal and notified to the Corporation at the first available opportunity.

- 7.8.5 Petty cash floats shall be operated in accordance with the floats procedures approved by the FD. Petty cash holders shall be responsible for the safe custody of the float.
- 7.8.6 All payments from petty cash, which shall not exceed £50 (unless approved by the CFO, FD, or nominee), must be supported by appropriate vouchers and records which shall be available for inspection at any time. Payments must not be broken down into a smaller series of transactions where the intention is to stay below the £50 threshold as to do so would be a deliberate and serious breach of these regulations, which will result in disciplinary action under the Disciplinary Policy.
- 7.8.7 The FD will be responsible for ensuring that all cash is handled in line with the Colleges Cash Handling Procedure and that appropriate levels of checks and balances are in place to safeguard against any loss to the College.
- 7.8.8 The CFO is responsible for ensuring that all bank accounts are subject to regular reconciliation and that large or unusual items are investigated as appropriate.
- 7.8.9 Where appropriate, the CFO or FD may approve the issuing of College credit cards to nominated staff. Such credit cards shall be used for the payment of valid business expenses only, and the misuse of such cards shall be grounds for disciplinary action. The CFO will be responsible for setting in place a system to control and monitor the use of College credit cards and account for expenses charged through them.
- 7.8.10 The CFO or FD may also approve the use of Procurement Cards and Precision Pay that allows the use of one-off credit card style payments to be made to make on-line purchases and settle one-off invoices. The control of these cards is laid out in a separate procedure that must be adhered to by the delegated budget holders. A breach of that procedure would constitute a breach of these financial regulations.

## 7.9 Assets and Property

- 7.9.1 Budget Holders shall be responsible for the care and custody of all College assets within their area.
- 7.9.2 The disposal of fixed assets or surplus materials shall be authorised as specified in Appendix A of these regulations.
- 7.9.3 Budget Holders shall maintain appropriate procedures for the receipt, safe custody, issue and disposal of all goods.
- 7.9.4 The CFO must be provided with copies of all contracts, leases, deeds, agreements and similar legal documents.
- 7.9.5 Assets purchased by the College shall, so far as practicable, be effectively marked to identify them as College property.
- 7.9.6 Lessees and/or other prospective occupiers of College land or property shall not be allowed to take possession or enter the land or property until a lease or agreement, in a form approved by the College Solicitors, has been approved by the Corporation.
- 7.9.7 The Principal is responsible for ensuring the proper security of all buildings and other assets.



- 7.9.8 No College assets shall be subject to personal use by an employee without the authority of the Principal.
- 7.9.9 The CFO shall determine arrangements for establishing and maintaining Fixed Asset Registers.
- 7.9.10 The College's accounting policies in relation to capitalisation and depreciation are set out in Appendix E and the Fixed Asset Policy.
- 7.9.11 Capital procurement must comply with any funders requirements, these regulations, and the Procurement Policy and Procedures (which are available to all staff).
- 7.9.12 Budget Holders are responsible for establishing adequate arrangements for the custody and control of stocks and stores within their area. The systems used for stores accounting must have the approval of the CFO
- 7.9.13 Budget Holders are responsible for ensuring that regular inspections and stock checks are carried out.
- 7.9.14 Those Budget Holders whose stocks require valuation in the balance sheet must ensure that the stock-taking procedures in place have the approval of the CFO and that instructions are issued to appropriate staff within their area.
- 7.10 Tuition Fees Policy
- 7.10.1 The CFO is responsible for reviewing the College policy for tuition fees and other charges. This is undertaken on an annual basis and must reflect current government funding policy and relevant legislation
- 7.10.2 The review is undertaken in consultation with the Principal and other senior staff. The College's policy for tuition fees and other charges is to be approved by the SLT and the Corporation prior to the commencement of each financial year.
- 7.11 Loans, Leasing and Hire Purchase
- 7.11.1 Purchases involving finance lease, operating lease or hire purchase agreements shall be authorised as specified in Appendix A of the regulations.
- 7.11.2 After the daily aggregation of all balances in the accounts of the College's approved Bank, any transfer of amounts between these accounts will be the responsibility of the CFO.
- 7.11.3 Any other surplus monies shall be invested in accordance with the Treasury Management Policy approved by the Corporation from time to time in an account in the name of the College and shall be confirmed in writing by the institution with which the deposit is made.
- 7.11.4 The CFO shall be responsible for maintaining appropriate records of all deposits/investments.
- 7.12 Financial Records
- 7.12.1 The CFO will advise on the format and content of financial records to be maintained

by the college and the period of time that they need to be retained.

- 7.12.2 The CFO shall ensure that all financial records are kept securely for six years plus the current year. Payroll records are to be kept for seven years plus the current year. Records for ESF funded projects will normally need to be retained for ten years. Departments with lead responsibility for these projects are required to maintain financial and other records in accordance with ESF requirements.
- 7.12.3 In the event that an education/training or other business activity is ceasing, the Director/Head of the department in which that activity is based must agree a schedule of key records and arrangements for the transfer and safe storage of those records with the CFO.

## **8. Major Developments**

- 8.1 Any new aspect of business, or proposed establishment of a joint company or joint venture, which will require an investment in buildings, resources or staff time of more than £250k should be presented the Corporation.
- 8.2 The CFO will establish protocols for these major developments to enable them to be considered for approval by the Corporation. These will set out the information that is required for each proposed development as well as the financial criteria that they are required to meet. This will include the funding of revenue commitments associated with projects.
- 8.3 Approval of the Corporation is required where it is proposed that the College should establish a subsidiary company. In such cases the Corporation must be provided with business plans or budgets in order to establish the risk to the College.

## **9. Treasury Management Policy**

- 9.1 The Corporation is responsible for approving a Treasury Management Policy statement setting out a strategy and policies for cash management, long-term investments and borrowings. The Corporation also has a responsibility to ensure implementation, monitoring and review of such policies.
- 9.2 All executive decisions concerning borrowing, investment or financing (within policy parameters) shall be delegated by the Corporation to the CFO and an appropriate reporting system established. All borrowing shall be undertaken in the name of the institution and shall conform to any relevant funding body requirements.
- 9.3 The CFO will report on the activities of the treasury management operation and on the exercise of treasury management powers delegated to him or her.
- 9.4 An annual treasury management plan is prepared by the CFO and is presented to the Corporation for approval.

## **10. Insurances**

- 10.1 The FD is responsible for annually reviewing and advising the Principal and CFO on the insurance cover arrangements for the College. Such insurance cover must be adequate in view of all business risks.
- 10.2 The Director of Estates in consultation with the FD and CFO shall be responsible for effecting such insurance cover in the name of the College as may be necessary to safeguard the College against loss and shall keep a register of all insurances effected

by the College and the property and risks covered thereby.

- 10.3 The CFO shall report all insurance arrangements and notify any major claim to the Corporation.
- 10.4 Budget Holders shall inform the FD promptly of any event which may involve the College in a claim, or an intended activity or acquisition of an asset in their area which may involve the College in a risk not already covered by insurance or necessitate an extension of the amount of the insurance cover.
- 10.5 The FD (including the duly appointed insurance broker) shall negotiate all claims made against or by the College and shall consult the College Solicitors where necessary.
- 10.6 All staff using their own vehicles on behalf of the College shall maintain appropriate insurance cover for business use.

## **11. Contracts and Agreements**

- 11.1 All contracts for the purchase of works, goods and services entered into on behalf of the College will be signed by an authorised signatory in accordance with Appendix A of these regulations.
- 11.2 Contracts for the employment of staff other than the holders of senior posts will be authorised and signed by the Principal or their delegated nominee. Contracts for the employment of the Principal and the holders of senior posts will be authorised and signed by the Chair of the Corporation or their nominee.
- 11.3 Some government funded programmes are commissioned through a negotiated or competitive process and funding contracts are signed by the Principal on behalf of the College. Where the College supplies goods and services to other organisations, including training and allied services, research, consultancy and premises hire, contracts will be signed by an authorised signatory in accordance with Appendix A of these regulations.
- 11.4 Contracts for the acquisition, disposal or leasing of land and property will be authorised as specified in Appendix A of these regulations.
- 11.5 All proposed agreements for the leasing of plant or equipment, or services require approval of the CFO who shall report thereon to the Principal if they consider the financial effect of the agreement would be significant.
- 11.6 The Company Secretary is responsible for the safekeeping of official and legal documents relating to the College. Signed copies of deeds, leases, agreements and contracts must, therefore, be forwarded to the Company Secretary. All such documents shall be held in an appropriately secure location.

## **12. Audit**

- 12.1 The internal audit process will be determined annually by the Audit Committee on behalf of the Corporation.
- 12.2 The external audit of the College's annual accounts will be provided by a firm with relevant experience and expertise appointed by the College.
- 12.3 Auditors appointed shall have the following rights:

- access to all records, documentation and assets which they consider necessary to fulfil their duties
  - access to College premises at all reasonable times
  - require such explanations as are necessary concerning any matter under consideration
  - require any employee of the College to account for cash, stores or other College property under their control
  - access to College records held by third parties when required
- 12.4 The above provisions cover both internal and external audit, together with any other auditors such as the ESFA appointed funding auditors, National Audit Office, European Court of Auditors, HM Revenue & Customs.

### **13. Financial Procedures**

- 13.1 The FD has the responsibility for maintaining and updating Financial Systems and Procedures which shall be available to all staff to ensure the efficient and effective financial management of the College.

### **14. Security and Computer Security**

- 14.1 The Principal will be responsible for maintaining the security of all College assets, cash and property.
- 14.2 The College must comply with the requirements of the Data Protection Act 2018 insofar as it applies to information stored within the premises for which the College is responsible.
- 14.3 The FD will ensure that all numbered or 'valuable' stationery, such as cheques, invoices, paying-in books, purchase orders, receipt books, etc, are securely stored.
- 14.4 The Principal shall be responsible for ensuring that disaster recovery plans are periodically reviewed and are feasible.
- 14.5 The CFO shall be responsible for ensuring that computer and data security rules and procedures are adequate and in particular:
- (a) Access to computer databases shall be limited to authorised users.
  - (b) User access and privileges shall be periodically reviewed.
  - (c) All new users must have authorisation from their line manager.
  - (d) Manager access shall be restricted by use of passwords.
  - (e) Only authorised software may be used on the College computer system.
  - (f) Software or data may not be transferred by data storage device or any other method from the College without prior permission. Staff using their own computers should be aware of viruses and ensure virus check software is in place before using any data storage device, which has previously been used on their own, or other non-College equipment.

### **15. Fraud Avoidance Policy**

- 15.1 The College requires all staff at all times to act honestly and with integrity to safeguard the public resources for which the Corporation is responsible. Fraud is an ever-present threat to resources. All members of College staff must therefore remain alert to the risk that fraud or other irregularity could occur in their area of responsibility.
- 15.2 The Audit Committee is responsible for approving the College's Fraud Avoidance Policy. An annual review of areas susceptible to fraud is prepared by the Senior Leadership Team and presented to the Audit Committee. All instances of fraud must be reported to the Audit Committee annually, if the fraud is significant and involves a loss of more than £5,000 or is likely to cause the College reputational damage then the issue should be raised with the Chair of Audit Committee as soon as possible.
- 15.3 The Fraud Response Plan is at Appendix G

## **16. Receiving Gifts and Hospitality**

- 16.1 It is an offence under the Prevention of Corruption Act 1906 for members of staff to accept corruptly any gift or consideration as an inducement or reward for doing, or refraining from doing, anything in an official capacity or showing favour or disfavour to any person in an official capacity. The guiding principles to be followed by all members of staff must be:
- the conduct of individuals should not create suspicion of any conflict between their official duty and their private interest
  - the action of individuals acting in an official capacity should not give the impression (to any member of the public, to any organisation with whom they deal or to their colleagues) that they have been (or may have been) influenced by a benefit to show favour or disfavour to any person or organisation
- 16.2 Thus, members of staff should not accept any gifts, rewards or hospitality (or have them given to members of their families) from any organisation or individual with whom they have contact in the course of their work that would cause them to reach a position whereby they might be, or might be deemed by others to have been, influenced in making a business, or educational decision as a consequence of accepting such hospitality. The frequency and scale of hospitality accepted should not be significantly greater than the College would be likely to provide in return.
- 16.3 When it is not easy to decide between what is and what is not acceptable in terms of gifts or hospitality, the offer should be declined, or advice sought from the relevant head of department or the CFO. For the protection of those involved, the Company Secretary will maintain a register of gifts and hospitality received where the value is in excess of £25. Members of staff in receipt of such gifts or hospitality are obliged to notify the Company Secretary. The College Gifts and Hospitality Register is presented to the Audit Committee annually.

## **17. Taxation**

### **17.1 Value Added Tax (VAT)**

17.1.1 The College is registered for VAT and must submit VAT returns to HM Revenue & customs as required. Through the FD the CFO shall maintain the VAT records for the College and shall be responsible for submitting VAT returns and for making all VAT payments or receiving any VAT credits as appropriate.

### **17.2 Corporation Tax**

- 17.2.1 The College has charitable status and, therefore, will generally not be liable for Corporation Tax on the activities that it undertakes. However, liabilities for Corporation Tax may arise from the activities of College subsidiary companies. The CFO will be responsible for ensuring that any liabilities arising are identified and reported accurately to the Inland Revenue.

## **18. Learner Support Funds**

- 18.1 The FD will prescribe the format for recording the use of student access funds on the finance system.
- 18.2 Records of learner support (bursary) funds will be maintained according to ESFA, WMCA and OFS requirements. Responsibilities for administering access funds within the College are clearly defined. Annual returns are provided to ESFA, WMCA and OFS.

## **19. Student Loans and Students Union**

- 19.1 Appropriate records will be maintained to support all transactions involving student loans. This includes both HE loans for Higher Education courses and Advanced Learning loans for Further Education courses.
- 19.2 The Students' Union is a separate legal entity from the College but is recognised to fulfil a valuable role in relation to the College's students.
- 19.3 The Students' Union is responsible for maintaining its own bank account and financial records and preparing its own annual financial statements.
- 19.4 In accordance with an agreement between the College and the Students' Union, the Union will provide annual statements of income and expenditure to FD for information purposes only. The College's internal auditor shall have access to records, assets and personnel within the Students' Union in the same way as other areas of the College.

## **20. Patents and Intellectual Property Rights**

- 20.1 Certain activities undertaken within the College including research and consultancy may give rise to ideas, designs and inventions, which may be patentable. These are collectively known as intellectual property. As specified in the College's standard contracts of employment, all intellectual property belongs to the College.
- 20.2 In the event of the College deciding to become involved in the commercial exploitation of inventions and research, the matter should then proceed in accordance with the intellectual property procedures issued by the College.

## **21. Money Laundering and Proceeds of Crime**

- 21.1 The Proceeds of Crime Act 2002 criminalises money laundering and the Anti-Money Laundering (Amendment) Regulations of 2019 which came into force on 24 May 2019, place obligations on those involved in 'relevant businesses' to establish procedures to reduce the likelihood of financial irregularity.
- 21.2 The college is likely to be regarded as a 'relevant business' and the CFO is responsible for ensuring compliance with Proceeds of Crime and Money Laundering Regulations. The CFO is also the 'Nominated Officer' for the purposes of the Money Laundering Regulations 2019.

- 21.3 If staff have concerns regarding any financial transaction, they should contact the FD for advice. Where possible this should be done before the transaction takes place. In accordance with Money Laundering Regulations, the employee may be required to prepare a suspicious activity report (SAR) for the CFO.

## **22. Bribery**

- 22.1 The Bribery Act 2010 (The Act) makes bribery or attempted bribery a criminal offence. Bribery usually takes place in order to secure or retain business, or in order to gain a financial or business advantage. Bribery does not always involve a financial incentive or advantage.
- 22.2 In order to be found guilty of an offence under The Act, bribery does not actually need to take place as offences under the act include, but are not limited to the following:
- Offering, promising, or giving a bribe
  - Requesting, agreeing to receive, or accepting a bribe
- 22.3 These offences apply regardless of whether they take place in the UK or abroad. Extra care must be exercised in non-UK jurisdictions where custom and practice may actually be an offence under The Act. These offences also apply to agents or other third parties acting on behalf of the College, even if the College (or its employees) did not know that bribery had taken place.
- 22.4 The College and its employees (or any other 3<sup>rd</sup> party acting on behalf of the College) must not offer promise or give any financial or other advantage in order to secure or retain business. In addition, the College and its employees must not request, agree to receive, or accept any financial or other advantage from a third party which may be construed to be a bribe.
- 22.5 Any breach of the above by an employee of the College is likely to be regarded as gross misconduct, which may lead to the employee being dismissed without notice or payment in lieu of notice.

## **23. Whistleblowing**

- 23.1 The Public Interest Disclosure Act 1998 ("PIDA") as amended by the Enterprise and Regulatory Reform Act 2013 protects a member of staff against detriment or dismissal for raising concerns about potential breaches of the law or other wrongdoing where these are matters of public interest ("Whistleblowing").
- 23.2 Birmingham Metropolitan College is committed to the highest standards of integrity and honesty in conducting its business and to this end encourages staff members to raise genuine concerns about breaches of the law and other potential wrongdoings ("Malpractice") without fear of repercussions.
- 23.3 The College has a Whistleblowing Policy that is available on the College intranet. The Act and that policy apply to all staff including agency workers, temporary employees and contractors

## **24. Partnership Arrangements**

- 24.1 College policy is that, generally, it will enter into subcontract arrangements where it is strategically important to do so for the provision of education and training in respect of its direct funding contracts with the ESFA or WMCA.
- 24.2 Some programmes involve partnership delivery (or consortium) arrangements. In such

cases the College will either be the lead organisation (contract holder) or will be a delivery partner in a consortium where another organisation is the lead party.

- 24.3 In such circumstances, and where the lead provider is a private company, the College is required to undertake a due diligence review before entering into a contractual commitment. This will also apply where it is proposed that any other publicly funded training is to be delivered by a private provider on behalf of the College. The extent of the due diligence required will be agreed with the CFO.
- 24.4 Where partnership arrangements, such as those outlined above, are in place a contract defining respective roles and responsibilities is required. A signed contract must be in place before any delivery takes place and before payment can be made. The main items to be included in the contract between the College and the subcontractor are included in the sub- contracting controls required by the funding bodies whose requirements change from time to time.

## **25. Other Income-Generating Activity**

### **25.1 Private consultancies and other paid work**

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

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

### **25.2 Off-site collaborative provision (franchising/sub-contracting)**

Any contract or arrangement whereby the College provides education to students away from College premises, or with the assistance of persons other than the College's own staff or with independent contractors (partner organisations), must be subject to the following procedure.

There shall be a contract signed by the Principal and on behalf of any partner organisation that shall comply at least with the funding body model contract (as amended from time to time) in place before any provision is made. Contracts for significant changes in franchising or sub- contracting activity shall be approved in advance by the Corporation.

The form of the contract shall be scrutinised in advance of its operation by the audit committee and approved by the Company Secretary.

The impact of the contract(s) shall be subject to scrutiny by the Corporation. The



format for regular reports shall be as stated in funding body guidance. They shall consider the risk factors associated with the proposed partnership and agree an appropriate entry in the College's financial forecast.

Where the partnership would represent a significant departure from the College's strategic plan, the Corporation shall approve the departure, and the Principal shall seek the views of and inform the funding body.

### **25.3 European Union (EU) and other matched funding**

Any such project requires the approval of the appropriate officer prior to any commitment being entered into. Such approval shall be dependent upon the relevant head of department being able to demonstrate that eligible matching funds are available and that the project is financially viable by the application of the College's costing and pricing policy. The Director for Sales is responsible for submitting bids for funding, subject to approval by the Principal and the Corporation where appropriate; and where successful, for submitting income claims.

Individual applications for funds in excess of £500,000 shall be the subject of a report by the Principal to the Corporation which will set out, amongst other things, the potential risks generated by the project.

If the College sub-contracts such work to external providers, the relevant head of department shall ensure that:

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

### **25.4 Submitting claims for successful bids**

Any claims made against bids or contracts held by a funding body or other party will require authorisation to confirm the college has delivered in line with the contracts and is fully compliant with its requirements.

Claims require authorisation for the following levels (as required on the contract approval sheet)

Under £10,000 – authorisation by the contract manager.

From £10,000 to £50,000 – authorisation by the senior manager.

Over £50,000 – an independent check in addition to the above will be conducted by the Cofound or the FD.

### **25.5 Profitability and recovery of overheads**

All other income-generating activities must be self-financing or surplus-generating unless it is intended that a new course is to be launched as a loss leader. If that is the case, the reason for it must be specified and agreed by the head of department and the FD.

Other income-generating activities organised by members of staff must be costed and agreed with the FD before any commitments are made. Provision must be made for charging both direct and indirect costs in accordance with the College's costing and

pricing policy, in particular for the recovery of overheads.

**25.5 Deficits**

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

**25.6 Additional contributions to departments**

Distribution of profits on other income-generating activity between central funds of the College and individual departments will be in accordance with the policy approved by the Corporation.

**26. College Seal**

**26.1** Although there is no requirement under the Further and Higher Education Act 1992 for any document to be sealed by the Corporation, under general law any document executed by the Corporation as a deed should be under seal e.g., a transfer of property by the Corporation.

**26.2** Where a deed or document requires the College seal it must be sealed by the Company Secretary, or in their absence the Principal or CFO.

**26.3** The Company Secretary is responsible for submitting a report to the Corporation detailing the use of the College seal.

**27. Related Party Transactions**

**27.1** College policy is that Governors are not remunerated for their work as a Governor, but Governors may be reimbursed for incidental expenses incurred in carrying out such duties. Such incidental expenses may include travel costs to an externally hosted event attended on behalf of the College.

**27.2** Owing to the nature of the College's operations and the composition of the board of Governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations must be conducted at arm's length and in accordance with the College's financial normal procurement procedures.

## Appendix A – Authority Limits

Delegated authorities are currently as follows: -

### 1. Budget Variations

#### Major Capital Projects

For major capital projects the Corporation will be required to approve any changes to the overall project budget. In urgent cases the Chair of the Corporation and the Principal jointly have power to act on behalf of the Corporation. Such action will be reported to the Corporation at the earliest opportunity.

In order to control the overall project, spend, movements between individual budget lines to reflect changes to project costs may be authorised by the Principal or CFO.

#### Annual Re-Modelling, Other Building Works and IT Projects

For annual re-modelling, other minor building projects and IT projects, there may be a requirement to authorise extras, contract variations, or other necessary amendments to the approved projects. The Principal or CFO may authorise any resulting increase of up to £50k. In urgent cases requiring approval of the Corporation the Chair of the Corporation and the Principal jointly have power to act on behalf of the Corporation. Such action will be reported to the Corporation at the earliest opportunity.

#### Income & Expenditure

Income and expenditure budget variations (virements) must not reduce the budget operating surplus. The Principal or CFO may approve virements between budget heads of up to 5% of the College's overall budgeted expenditure. Virements above 5% require Corporation approval.

### 2. Authorisation of Contracts and Orders

When applying the limits referred to below, the "value" for those orders/contracts, which relate to the continuous supply of goods or services over several years, will be the total value over the period of supply.

Value	Authorisation
Up to £50,000	FD or Budget Holder (Relevant Director)
Up to £100,000	Vice Principals
Up to £500,000	Principal, or CFO
Over £500,000	Corporation *

\* Following authorisation of the transaction or project by the Corporation, signing contracts and orders is delegated to the Principal or the CFO.

### 3. Leasing and Hire Purchase Commitments

When applying the limits referred to below, the "equivalent purchase price" will be the total value of the lease/hire purchase payments over the period of the agreement (or until the first break clause for property leases).

Equivalent Purchase Price	Authorisation
Up to £50,000	FD or Budget Holder (Relevant Director)
Up to £100,000	Assistant Principals
Up to £500,000	Principal, or CFO
Over £500,000	Corporation *

\* Following authorisation of the transaction by the Corporation, signing leasing and hire purchase agreements is delegated to the Principal or CFO.

### 4. Disposal of Assets

Value of Disposal / NBV	Authorisation
Up to £250	Finance Manager
Up to £7,500	FD
Up to £12,500	CFO
Up to £50,000	Principal
Over £50,000	Corporation *

Authority shall not be required for disposal of each computer which is replaced as part of the annual renewal programme.

\* Following authorisation of the transaction by the Corporation, signing contracts for disposal of assets is delegated to the Principal or CFO.

**5. Contracts for the Supply of Goods or Services by the College**

Contract Value per annum	Authorisation
Up to £50,000	FD, Budget Holder and relevant Director
Up to £100,000	Vice Principals
Up to £500,000	Principal, or CFO
Over £500,000	Corporation *

\* Following authorisation of the transaction by the Corporation signing contracts for the supply of Goods and Services by the College is delegated to the Principal or the CFO.

## **Appendix B – Authorised Cheque Signatories and Authorisation of Electronic Payments**

Arrangements for bank payments will be as follows:

(i) Cheque Signatories

All cheque payments require two bank signatories.

The posts permitted to be on the bank mandate for the purpose of authorising cheque payments are as agreed by the Corporation when approving changes to the bank mandate.

(ii) Electronic Payments (BACS)

The proposed payment run is prepared by a member of the finance team and reviewed by the. The review includes checking proposed payments above £5k to invoices. The proposed payment run is then passed to the CFO or nominee for final checking and authorisation as appropriate.

(iii) Electronic Payments (CHAPS/Faster Payments)

These are urgent payments which are processed outside of the normal creditor payment run. Every effort should be made to ensure that the volume of such payments is kept to a minimum. All such payments must be authorised by a member of the finance team and a bank signatory identified in (i) above.

(iv) Electronic Payroll Payments

These include Net Pay, PAYE, National Insurance and Pension contributions. All such payments must be authorised by the Payroll Manager (or nominee in their absence) and the CFO or FD, or nominee.

Arrangements for the use of electronic banking systems including the allocation of Smart Cards will be determined by the CFO.

## **Appendix C – Tendering Procedures**

### Tendering Procedures\*

1. Invitations to tender must be accompanied by comprehensive and clearly written specifications, which shall include:
  - 1.1 the nature and purposes and, where applicable, the duration of the contract;
  - 1.2 quality and best economic value requirements;
  - 1.3 the specification and quantities of the goods or services to be supplied and any other requirements (except in the case of "design and build" contracts where only an outline specification need be supplied);
  - 1.4 the time(s) or range of time(s), as appropriate, and place(s) at which the goods or services are to be supplied;
  - 1.5 a copy of the conditions of contract with which the successful contractor will be required to comply;
  - 1.6 a copy of any formal contract or sub-contract document which the successful contractor will be required to sign or execute;
  - 1.7 a returnable tender form which indicates:
    - (a) the tenderer's signature or seal;
    - (b) that the tender form is to be returned to the Principal or his nominee by a stated date and time;
    - (c) that the College does not bind itself to accept or nominate the lowest, or any, tender;
    - (d) that every tender must be submitted in a plain envelope bearing the word "TENDER" followed by the subject to which the tender relates and the closing date for the receipt of tenders;
2. No tender will be considered unless contained in a sealed envelope bearing the word "TENDER" followed by the subject to which the tender relates.
3. It is the responsibility of the relevant head of department/director to make arrangements for every tender received to be retained in secure custody unopened until the time appointed for its opening.
4. Tenders should be opened by the CFO or his nominee in the presence of another member of staff representing the department (the head of department/director or nominee).
5. The prices quoted in the tender should be recorded immediately in a tender book containing the name of the project or item together with the list of those invited to tender. The price should be recorded opposite the name of the appropriate tenderer. If a reply is not received this should be indicated. On completion of the tender opening, both members of staff should sign and date the tender book. A note shall be made of the number of tenders, if any, not opened and the reason(s) for not opening them.
6. No tender received after the time and date by which it is to be received or which

contravenes any provision of this Schedule shall be considered.

7. Where, in their view, circumstances so warrant, the CFO in consultation with the Principal, may postpone for such period as they may consider reasonable the time and date by which the tenders concerned shall be received.

#### Acceptance of Tender

8. Having followed the procedures required by the financial regulations, as outlined above, departments are then required to evaluate the tenders and recommend to the Principal to:
  - (a) accept the lowest tender; or
  - (b) accept a tender other than the lowest (this may only be justified by reference to the 'comprehensive and clearly written specifications' referred to in paragraph 1); or
  - (c) refuse to accept any tender.
9. The outcome of the tender evaluation should be noted in the tender book by the department who commissioned the tenders. Where the outcome is the acceptance of a tender other than the lowest, the reason should also be recorded in the tender book.
  - Online or electronic tenders should follow the principles of the process outlined above although this may not be possible within the constraints of the system being used.
  - Wherever possible the College should undertake tenders through the relevant approved procurement consortia that relates to the services/goods being purchased.



## Appendix D – Approval Authority for the Control of Debts

Debts may be written off in accordance with the limits specified below. The limits refer to individual debtor's accounts rather than batch totals.

Debtor Value Written Off	Authorisation
Up to £750	Finance Manager
Up to £7,500	FD
Up to £25,000	CFO
Up to £75,000	Principal
Over £75,000	Corporation

## Appendix E – Fixed Asset Capitalisation and Depreciation

The College thresholds for the capitalisation of expenditure are stated below.

Asset Type	Capitalisation Threshold
Building Works * (New build or improvements)	£10,000
Computer Equipment **	£5,000
Other Equipment	£5,000
Furniture, Fixtures and Fittings	£5,000

\* The summer building works programme may consist of a number of projects below this threshold, but College policy is to capitalise in accordance with the total value of the summer building works, taking into account whether the works represent an improvement or whether the works are maintenance in nature and therefore would not be capitalised.

\*\* Computer equipment purchased for less than £5,000 may be capitalised where it is purchased as part of the annual computer refresh. In such cases the total value of the refresh will be capitalised although the individual unit price may be lower than £5,000.

The CFO may authorise a departure from the above where this would ensure consistency with historical accounting treatment.

The College fixed asset depreciation policy is stated below.

Asset Type	Depreciation Policy
Building Works (new build)	Between 30 and 50 Years
Building Works (improvements)	15 Years
Computer Equipment	5 Years
Smartboards	5 years
Office Equipment	5 Years
Furniture, Fixtures and Fittings	5 Years

## **Appendix F – Corporate Governance Documents**

In addition to the Financial Regulations, there are a number of documents that contribute to the College's corporate governance framework. These are as follows:

1. Instruments and Articles of Government
2. Terms of Reference of the Corporation and Sub Committees
3. Risk Management Policy
4. Public Interest Disclosure ('whistleblowing') Policy
5. Code of Conduct
6. Financial Memorandum
7. Audit Code of Practice
8. Managing Public Money rules

The documents numbered two to four above will be reviewed annually and presented to the Corporation for approval. The latter two ('Financial Memorandum' and 'Audit Code of Practice') are issued by the ESFA, the latest versions of which may be obtained from the Company Secretary or CFO.

## Appendix G – Fraud Response Plan

### PURPOSE

---

- 1 The purpose of this plan is to define authority levels, responsibilities for action and reporting lines in the event of a suspected fraud or irregularity. The use of the plan should enable the College to:
  - prevent further loss
  - establish and secure evidence necessary for criminal and disciplinary action
  - notify the funding body, if the circumstances are covered by the mandatory requirements of the audit code of practice
  - recover losses
  - punish the culprits
  - deal with requests for references for employees disciplined or prosecuted for fraud
  - review the reasons for the incident, the measures taken to prevent a recurrence, and any action needed to strengthen future responses to fraud
  - keep all personnel with a need to know suitably informed about the incident and the College's response
  - inform the police
  - assign responsibility for investigating the incident
  - establish circumstances in which external specialists should be involved
  - establish lines of communication with the police.

### REPORTING FRAUD AND THEFT

---

- 2 All actual or suspected incidents of fraud and theft should be reported to the CFO without delay. Where the CFO is suspected of fraud or theft the report should be made to the Company Secretary.

When reports of fraud or theft are made, the suspicions will be treated seriously, and all details provided will be recorded accurately and in a timely manner. The decision by someone to report a suspected fraud may be traumatic for them, and those reporting fraud are assured that all information will be treated in the strictest confidence. Anonymity will be preserved if requested and where it is reasonably practicable to do so.

The CFO will be responsible for liaising in a timely manner with Internal Audit.

At this stage, management should take steps to prevent further losses, for example by suspending payments without compromising evidence or alerting the alleged fraudsters.

Management should consider whether the potential seriousness of the fraud or theft is such that the College's insurers and / or funding body should be advised on the likelihood of a fraud report.

## INITIAL ENQUIRY

---

- 3 On receiving details of a suspected theft or fraud, an initial review will be undertaken on the further action that will be required. The CFO will be responsible for this and for liaising in a timely manner with Internal Audit. The further action may include referral to:
- the Director of HR: fraudulent activity is a breach of contract and where there are reasonable grounds for suspicion, then suspension of the suspects may be required pending the outcome of enquiries. It may be necessary to plan the timing of suspension to prevent the suspects from accessing, destroying or removing evidence. The rights of staff on suspension must be acknowledged for example a right to union representation and to be informed of the reason for their suspension
  - the Internal Auditors
  - West Midlands Police: delays in contacting the Police may prejudice the gathering of evidence and future enquiries.

## CONDUCTING AN ENQUIRY

---

- 4 Once it is determined that there is sufficient evidence to justify a fuller investigation, a decision should be made as to whether an internal investigation is appropriate, led by College or Internal Audit staff, or the matter referred to the police.

For internal investigations, the detailed remit and scope of the investigation should be decided; for example, is it to confirm there is sufficient evidence to support the allegations, to gather evidence for handing to the police, or to quantify the potential loss involved? Other elements to be decided are who should undertake the investigation, reporting deadlines and procedures, and regular review points. No decision should be taken in respect of an internal investigation without first liaising with the police and where relevant the Crown Prosecution Service. It is imperative that the College does not prejudice a criminal investigation.

All details should be recorded fully and accurately, bearing in mind that documentation will be required for any future action or possible prosecution.

## RECOVERY OF LOSSES

---

- 5 Any losses suffered by the College should be fully and accurately recorded, and

costs / loss of income correctly apportioned. In addition to the direct cost of losses attributable to fraud, costs associated with the enquiry should be recorded. These will be needed under loss reporting procedures for insurers and potentially by the courts if the decision to prosecute is taken.

It will be important to consider, in the event of a loss of income involving grant funded activity, to have regard to funders 'lagged funding' methodology. This involves claiming lost income not just in the year incident happened (Year 0), but also up to Year +4.

Where the loss is substantial, there should be consultation with insurers about legal advice for recovering losses through the courts, including if relevant, freezing the suspect's assets pending conclusion of the investigation.

## STAFFING ISSUES

---

- 6 The College will follow its disciplinary procedures against any member of staff who has or is reasonably suspected of committed fraud.

Any interviews with suspects should be undertaken strictly in accordance with established procedures. No interviews should take place without first seeking advice from the Director of HR and, if necessary, the police on the relevant procedures to be followed, having regard to the need to avoid prejudicing any criminal proceedings.

If fraud is suspected which involves staff, appropriate disciplinary action will be taken. Such action may be considered not only against those found to have perpetrated the fraud, but also against managers whose negligence may have facilitated it.

## REPORTING DURING THE INVESTIGATION

---

- 7 Confidential reports about the investigation should be communicated to the Chair of the Governing Body, the Chair of the Audit Committee, the Principal, Company Secretary and auditors. Where necessary, reports should be provided to the relevant Funding Body.

The scope of the report should include quantification of losses; progress on recovery action and criminal prosecution; progress with disciplinary action; actions taken to prevent and detect similar incidents; next steps.

## CONCLUDING AN INVESTIGATION

---

- 8 At the end of the investigation, irrespective of the outcome, it is important to review the position and see what lessons can be learned. Such reviews will help identify any weakness in internal control that initially led to the fraud and should highlight any deficiencies that should be addressed.

On completion, a written report should be submitted to the Audit Committee for consideration. The report should cover the description of the incident, the loss incurred, the people involved and means of perpetrating the fraud. It should set out the measures taken to prevent a recurrence and any timetabled actions for monitoring. It should also cover the proposed route to recover losses, prosecute offenders and the steps to manage risks to organisational reputation.

## **Appendix H – Definitions**

The following definitions will apply in these Regulations:

‘CFO’ means the Chief Finance Officer of the College, who must be a qualified accountant, and includes their authorised representative or replacement

‘College’ - means BMet College

‘College Employee’ - means a person with a contract of employment with the College

‘Chair’ - means the Chair of the Corporation and includes their authorised representative or replacement

‘Corporation’ - means the Governing Body of the College, or where the Governing Body has delegated the responsibility (where allowed for in the Instrument and Articles) to, for example, the Chair

‘ESFA’ – means the Education & Skills Funding Agency

‘FD’ means the Finance Director of the College, who must be a qualified accountant, and includes their authorised representative or replacement

‘OFS’ – means the Office for Students

‘Principal’ - means the Principal and Chief Executive of the College and includes their authorised representative or replacement

‘Staff’ – means all salaried employees and hourly paid associates

‘WMCA’ – means the West Midlands Combined Authority



## Appendix I

### Value for Money (VfM) Statement

#### 1. Introduction

“Put simply, value for money (VfM) is about obtaining the maximum benefit with the resources available. Decisions about VfM are a daily reality in all our lives. We are constantly choosing which items or services to buy and judging the right balance for us between quality and cost.

Birmingham Metropolitan College (BMet) is no different. VfM is about achieving the right balance between economy, efficiency and effectiveness, spending less, spending well and spending wisely.”

The College recognises its responsibility to achieve value for money from all its activities however they may be funded whilst still delivering excellence to its customers.

The College is committed to the pursuit of economy, efficiency and effectiveness as part of its corporate and academic strategies. It seeks to adopt good practice and incorporate VfM principles in all its activities. In reviewing VfM cost is measured as the whole life cost (WLC) of a product or service. VfM not only measures the cost of goods and services but also takes account of the mix of cost with quality, resource use, and fitness for purpose, timeliness and convenience to judge whether or not, together, they constitute good value.

The College will refer to projects and actions as related to VfM as ‘Best Use of Resources’.

#### Objectives

The College is committed to:

- Integrating VfM principles within existing management, planning and reviewing processes
- Adopting recognised good practice where appropriate
- Benchmarking the institution’s activities against other similar activities and organisations where this is considered useful
- Responding to opportunities to enhance the economy, efficiency and effectiveness of activities
- Promoting a culture of continuous improvement
- Ensuring that all staff recognise their continuing obligation to seek VfM as part of their routine activities.
- Delivering the relevant priorities within the strategic plan

#### Framework of Control

BMet identifies several areas of control aimed at securing VfM including:

- Business planning, including clear definition of objectives and targets
- Use of contribution and ‘value added’ analyses
- Comparison of results with benchmark figures or those achieved by similar organisations
- Financial Regulations and Financial Procedures including competitive tendering arrangements
- Budgetary control systems
- Undertaking specifically identified VfM reviews and projects in response to the

outcomes of the above

### Responsibility

The responsibility for achieving VfM lies with all managers and staff and is not restricted to those with resource or financial responsibilities.

Managers have the executive responsibility to maintain an awareness of good practice in their own area of operation and to ensure that these are followed appropriately.

All staff should endeavour to seek and achieve VfM in all activities and to bring to management's attention any opportunities for improvement.

### Role of the Finance Committee

The Finance Committee has the responsibility to advise the Corporation on the adequacy and effectiveness of the College's arrangements for securing economy, efficiency and effectiveness (VfM).

### Role of Senior Leadership Team

The SLT has overall responsibility to put arrangements in place to ensure that VfM is obtained.