

# FINANCIAL REGULATIONS

## A Introduction

### 1. Background

East Kent College is a Further Education College created under the provisions of the Further and Higher Education Act 1992. Its structure of governance is laid down in the instrument and articles of government, which may only be amended by application to the Secretary of State for Education. The College is accountable through its Governing Body, which has ultimate responsibility for the effectiveness of its management and administration.

The College is an exempt charity by virtue of the Charities Act 1993.

The financial memorandum between the funding body and the College sets out the terms and conditions on which grant is made. The Governing Body is responsible for ensuring that conditions of grant are met. As part of this process, the College must adhere to the funding body's audit code of practice, which requires it to have sound systems of financial and management control. The Financial Regulations of the College form part of this overall system of accountability.

### 2. Status of Financial Regulations

This document sets out the College's Financial Regulations. It translates the College's broad policies relating to financial control into practical guidance. This document was approved by the Governing Body on 10 July 2013. It applies to the College and all its subsidiary undertakings.

These Financial Regulations are subordinate to the College's instruments and articles of government and to any restrictions contained within the College's financial memorandum with the funding body and the funding body's audit code of practice.

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;

- 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; and

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Policy Owner: Executive Director Finance and Commercial Development

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- safeguarding the assets of the College.

Compliance with the Financial Regulations is compulsory for all staff connected with the College. A member of staff who fails to comply with the Financial Regulations may be subject to disciplinary action under the College's disciplinary policy. The Governing Body will be notified of suspected financial irregularities through the Audit Committee. It is the responsibility of line managers to ensure that their staff are made aware of the existence and content of the College's Financial Regulations.

The Audit Committee is responsible for maintaining a continuous review of the Financial Regulations, through the Executive Director – Finance and Commercial Development, and for advising the Governing Body of any additions or changes necessary. In exceptional circumstances, the Principal may authorise a departure from the detailed provisions herein, such departure to be reported to the Governing Body at the earliest opportunity. This will be in accordance with the standing orders of the Governing Body.

## **B Financial Responsibilities**

### **1. The Governing Body**

The Governing Body is responsible for the management and administration of the College. Its 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 for 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 audit code of practice;
- approve the College's Strategic Plan;
- approve the annual financial statements.

The Governing Body considers commitment to expenditure in excess of £75,000 and contracts that have significant impact on the financial operation of the College. The Chair of the Governing Body and Vice Chair of the Governing Body are authorised to sign any such mandate. The Governing Body considers applications for extended loan facilities and planned overdrafts.

The Audit Committee establishes and oversees the financial control systems including reviewing and recommending the financial control systems, delegating to the Principal and the Executive Director - Finance & Commercial Development the development and maintenance of financial regulations and procedures and reviewing arrangements for securing value for money, solvency and safeguarding of assets.

## **2. Audit Committee**

Colleges are required by their financial memorandum with the funding body and by the funding body's audit code of practice to appoint an Audit Committee. The Committee is independent, advisory and reports to the Governing Body. It has the right of access to obtain all the information it considers necessary and to consult directly with the internal and external auditors. The Committee is responsible for identifying and approving appropriate performance measures for internal and external audit and for monitoring their performance. It must also satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness. The audit requirements of the College are set out in the funding body's audit code of practice.

## **3. The Principal**

The Principal is the College's designated officer and is responsible for ensuring the financial administration of the College's affairs in accordance with the financial memorandum with the funding body. As the designated 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. In particular, the articles of government 3.(2).(e) charge the Principal with responsibility:

*"...for preparing annual estimates of income and expenditure, for consideration and approval by the Governing Body, and for the management of budget and resources, within the estimates approved by the Governing Body."*

The Principal shall demonstrate his or her oversight of financial matters by signing the balance sheet and the statement of corporate governance within the annual financial statements, and the financial plans submitted to the funding body.

Executive Director - Finance and Commercial Development

Day-to-day financial administration is controlled by the Executive Director - Finance & Commercial Development, who is responsible to the Principal for:

- preparing annual capital and revenue budgets and financial plans;
- 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; and
- treasury management.

## **6. Budget holders**

Members of staff with delegated budgetary responsibilities are responsible to the Principal for financial management for the areas or activities they control. They are advised by the Executive Director - Finance & Commercial Development in executing their financial duties. Resources are devolved to members of staff, who are accountable for their own budget. The Executive Director - Finance & Commercial Development will also supervise and approve the financial systems operating within the College, including the form in which accounts and financial records are kept. Budget holders are responsible for establishing and maintaining clear lines of responsibility within their areas for all financial matters. Where resources are devolved to budget holders, they are accountable to their line manager for their own budget.

Budget holders shall provide the Executive Director - Finance & Commercial Development with such information as may be required to enable:

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

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## **C. Planning and Budgeting**

### **1. Planning**

The Executive Director - Finance & Commercial Development is responsible for preparing a rolling three-year financial plan on an annual basis for approval by the Governing Body and for preparing financial forecasts for submission to the funding body. Financial plans should be consistent with the Strategic Plans and property strategy approved by the Governing Body.

### **2. Budgeting**

The Governing Body will, from time to time, set budget objectives for the College. These will help the Executive Director - Finance & Commercial Development in preparing more detailed financial plans for the College.

Resources are allocated annually by the Governing Body on the basis of the above objectives. The Principal and Executive Director - Finance & Commercial Development decide the specific allocations to budget holders who are responsible for the economic, effective and efficient use of resources allocated to them.

The Executive Director - Finance & Commercial Development is responsible for preparing an annual revenue budget and capital programme for consideration by the Governing Body. The budget will also include a projected year-end balance sheet. The Executive Director - Finance & Commercial Development must ensure that detailed budgets are prepared in order to support the resource allocation process and that these are communicated to budget holders as soon as possible following their approval by the Governing Body.

During the year, the Executive Director - Finance & Commercial Development is responsible for submitting revised forecasts to the Governing Body for approval.

The control of income and expenditure within an agreed budget is the responsibility of the designated budget holder, who must ensure that day-to-day monitoring is undertaken effectively. Budget holders are responsible to their line manager for the income and expenditure appropriate to their budget.

Budget performance reviews are undertaken regularly between the budget holder and the Executive Director - Finance & Commercial Development or Head of Finance. Significant departures from agreed budgetary targets are reported immediately to the Executive Director - Finance & Commercial Development by the Head of Finance and, if necessary, corrective action taken.

### **3. Virement**

Where a budget holder is responsible for more than one budget, virement is permitted, with the written approval of the Principal.

Virement between budgets held by different budget holders is permitted with the written approval of the transferring budget holders and the Principal.

The Executive Director - Finance & Commercial Development is responsible for submitting requests for virement of resources above £75,000 to the Governing Body for approval.

The budget holders are assisted in their duties by management information provided by the Executive Director - Finance & Commercial Development / Head of Finance.

Changes proposed to the approved budgeted surplus / deficit will be considered by the Governing Body, unless they fall within the delegated approval arrangements:

- Principal up to £75,000

### **4. Forecasting**

The Executive Director - Finance & Commercial Development and the Head of Finance will undertake a review and reforecast of the College accounts on a quarterly basis. This will involve in-depth reviews with the individual budget holders to ascertain the expected outcomes. Once the reforecast has been completed this will be reported as part of the monthly management accounts.

### **5. Year End Balances**

At the year end, budget holders will not normally have the authority to carry forward a balance on their budget to the following year unless the Governing Body has approved a specific scheme for carrying forward all or part of unspent amounts. Specific consumables and equipment account balances may be carried forward with the approval of the Principal.

## **D. Financial Reporting**

### **1. Governing Body and the funding body**

The financial memorandum between the funding body and the College sets out the terms and conditions on which grant is made. The Governing Body is responsible for ensuring that conditions of grant are met. As part of this process, the College must adhere to the funding body's audit code of

practice, which requires it to have sound systems of financial and management control. The Financial Regulations of the College form part of this overall system of accountability.

The Governing Body has ultimate responsibility for the College's finances.

## **2. Monthly accounts**

The Executive Director - Finance & Commercial Development reports the College's financial position to the Principal and designated Governors each month. The financial position is reported to the Governing Body.

## **3. Reporting to Governing Body**

Monitoring of the College's financial control systems is undertaken by the Audit Committee. The Governing Body will examine annual estimates and accounts (including the accounting policies upon which they are based) for approval. It will ensure that short-term budgets are in line with agreed longer-term plans and that they are followed. It will consider any other matters relevant to the financial duties of the Governing Body and will also ensure that it is provided with adequate information to enable it to discharge its financial responsibilities.

The Executive Director - Finance & Commercial Development is responsible for supplying budgetary reports on all aspects of the College's finances to the Governing Body on a basis determined by the Governing Body but subject to any specific requirements of the funding body.

The Executive Director - Finance & Commercial Development will report to the Governing Body on the activities of the treasury management operation and on the exercise of treasury management powers delegated to him or her.

## **4. Annual Accounts**

The College's annual accounts are prepared by the Executive Director - Finance & Commercial Development in accordance with funding body requirements. The accounts are audited by the College's financial statements auditors and approved by the Governing Body.

# **E. Cash Flow Management**

## **1. Strategic**

The Executive Director - Finance and Commercial Development is responsible for providing details of the cash flow forecast associated with the annual budgeting process to the Governing Body.

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## **2. Forecast**

The Executive Director - Finance and Commercial Development provides details of the College's cash flow within the monthly management accounts provided to the Principal and designated Governors.

## **F. Audit**

### **1. Audit Committee**

Colleges are required by their financial memorandum with the SFA, by the funding body's audit code of practice and the instruments and articles of Government to appoint an Audit Committee. The Committee is independent, advisory and reports to the Governing Body. It has the right of access to obtain all the information it considers necessary and to consult directly with the internal and external auditors. The Committee is responsible for identifying and approving appropriate performance measures for internal and external audit and for monitoring their performance. It must also satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness.

### **2. Financial Statements Audit**

The appointment of financial statements auditors for the main financial statements of the College will take place annually and is the responsibility of the Governing Body. The Governing Body will be advised by the Audit Committee.

The primary role of this audit is to report on the College's financial statements and to carry out such examination of the statements and underlying records and control systems as are necessary to reach their opinion on the statements and to report on the appropriate use of funds. Their duties will be in accordance with advice set out in the funding body's audit code of practice and the Auditing Practices Board's statements of auditing standards.

In addition, the funding body may appoint separate auditors to carry out an audit of the College's Individualised Learner Record (ILR) return. The primary role of this audit is to give assurance to the funding body that the College's funding is accurate within certain agreed tolerances. This work will also help the financial statements auditors of the College in their work on the income elements of the financial statements.

### **3. Internal Audit**

The internal auditor is appointed by the Governing Body on the recommendation of the Audit Committee.

The College's financial memorandum with the funding body requires that it has effective controls in place and which must be in accordance with advice set out in the funding body's audit code of practice, but it is no longer stipulated that the College must appoint internal auditors.

The main responsibility of internal audit is to provide the Governing Body, the Principal and Executive with assurances on the adequacy of the internal control system. The internal audit service remains independent in its planning and operation but has direct access to the Governing Body, Principal and chair of the Audit Committee. The internal auditor will also comply with the Auditing Practices Board's auditing guidelines *Guidance for Internal Auditors*.

#### **4. Regularity Audit**

The College's financial statements auditors are required to carry out a regularity audit on an annual basis and to issue an opinion to the College and the funding body. Findings are reported to the Governing Body.

#### **5. Access to Information**

Under the terms of the Charities Act 1993, the Governing Body is required to supply any person with a copy of the College's most recent financial statements within two months of a request. The Act enables the Governing Body to levy a reasonable fee and this will be charged at the discretion of the Executive Director - Finance & Commercial Development. The College will also allow members of the public to inspect the statement of accounts during normal working hours, provide copies to local libraries and make a summary available on the College's website.

### **G. Cash Control**

#### **1. Bank Accounts**

The Governing Body is responsible for the appointment of the College's bankers and other professional financial advisers (such as investment managers). The appointment shall be for a specified period after which consideration shall be given by the Governing Body to competitively tender the service.

The Executive Director - Finance & Commercial Development is responsible, on behalf of the Governing Body, for liaising with the College's bankers in relation to the College's bank accounts and the issue of cheques. All cheques shall be ordered on the authority of the Executive Director - Finance & Commercial Development, who shall make proper arrangements for their safe custody.

Only the Principal or the Executive Director - Finance & Commercial Development may open or close a bank account for dealing with the College's funds. All bank accounts shall be in the name of the College or one of its subsidiary companies. The Executive Director - Finance & Commercial Development is responsible for ensuring that all bank accounts are subject to regular reconciliation and that large or unusual items are investigated as appropriate.

## **2. Borrowings**

The Governing Body is responsible for approving a treasury management policy statement (based on CIPFA's *Treasury Management in the Public Services: Code of Practice* together with cross-sectorial guidance and sector-specific guidance) setting out a strategy and policies for cash management, long-term investments and borrowings. This will require compliance with the funding body rules regarding approval for any secured or unsecured loans that go beyond the general consent levels set out in the financial memorandum. The Audit Committee has a responsibility to ensure implementation, monitoring and review of such policies.

All executive decisions concerning borrowing, investment or financing (within policy parameters) shall be delegated to the Executive Director - Finance and Commercial Development and an appropriate reporting system set up. All borrowing shall be undertaken in the name of the College and shall conform to any relevant funding body requirements. The Executive Director - Finance and Commercial Development and his staff are required to act in accordance with CIPFA's *Code of Practice*.

## **3. Transfers of funds between bank accounts**

All automated transfers on behalf of the College, such as BACS or CHAPS, must be authorised in the appropriate manner and on the basis approved by the Governing Body. Details of authorised persons and limits are provided for in the College's financial regulations.

## **4. Cheque signing authority**

All cheques drawn on behalf of the College must be signed in the form approved by the Governing Body. Cheques must be signed by two authorised persons. Details of authorised persons and limits are available at [Appendix 3](#). Cheque signatories will be approved by the Governing Body.

## **5. Banking of cash and cheques**

All income received by the College is banked. It is collected by a security firm and banked according to the contract specification.

## **6. Petty cash**

The Executive Director - Finance and Commercial Development shall make available to staff such imprests as he or she considers necessary for the disbursements of petty cash expenses. However, it is important for security purposes that petty cash imprest floats are kept to a minimum.

Requisitions for reimbursements must be sent to the Finance team, together with appropriate receipts or vouchers, before the total amount held has been expended, in order to retain a working balance pending receipt of the amount claimed.

The member of staff granted a float is personally responsible for its safe-keeping. The petty cash box must be kept locked in a secure place in compliance with the requirements of the College's insurers when not in use and will be subject to periodic checks by the Executive Director - Finance and Commercial Development or another person nominated by him or her.

Standard College petty cash forms are supplied by the Finance team and must be used for recording all imprest accounts.

At the end of the financial year, a certificate of the balances held should be completed by the member of staff responsible for the float and counter-signed by the budget holder.

## **H. Financial Accounting**

### **1. Systems**

The Executive Director - Finance and Commercial Development is responsible for the retention of financial documents. These are to be kept in a form acceptable to the relevant authorities.

The College is required by law to retain prime documents for six years. These include;

- official purchase orders;
- paid invoices;
- accounts raised;
- bank statements;
- copies of receipts;
- paid cheques; and
- payroll records, including part-time lecturers' contracts.

The Executive Director - Finance and Commercial Development will make appropriate arrangements for the retention of electronic records.

Members of staff should ensure that retention arrangements comply with any specific requirements of funding organisations such as regional development agencies.

Additionally, for auditing and other purposes, other financial documents should be retained for three years or as determined by the funder.

The College's financial year runs from 1 August until 31 July the following year.

Advice and training is provided by the Finance team for users to access and use the data held in the accounting system.

## **2. Transactions**

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

The financial statements are prepared in accordance with the Statement of Recommended Practice *Accounting for Further and Higher Education*, subject to any specific requirements of the funding body.

## **1. Income**

### **1. Systems**

The Executive Director - Finance and Commercial Development 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 and electronic collection systems must have the prior approval of the Executive Director - Finance and Commercial Development.

Levels of charges for contract research, services rendered, goods supplied and rents and lettings are determined by procedures approved by the Governing Body.

The Executive Director - Finance and Commercial Development is responsible for the prompt collection, security and banking of all income received.

The Executive Director - Finance and Commercial Development is responsible for ensuring that all grants notified by the funding body and other bodies are received and appropriately recorded in the College's accounts.

The Executive Director - Finance and Commercial Development is responsible for ensuring that all claims for funds, including research grants and contracts, are made by the due date.

## 2. Fees

The procedures for collecting tuition and other fees must be approved by the Executive Director - Finance and Commercial Development. He or she is responsible for ensuring that all student fees due to the College are received.

Any student who has not paid an account for fees or any other item owing to the College shall be prevented from re-enrolling at the College and from using any of the College's facilities unless appropriate arrangements have been made.

To mitigate the risk of money laundering no cash payments above £3,000 will be accepted.

## 3. Other cash receipts

All monies received from whatever source must be recorded on a daily basis together with the form in which they were received, for example cash, cheques and other negotiable instruments.

All monies received must be paid to the designated person promptly, and in accordance with a timetable prescribed by the Executive Director - Finance and Commercial Development and set out in the financial procedures. The custody and transit of all monies received must comply with the requirements of the College's insurers.

All sums received must be paid in and accounted for in full, and must not be used to meet miscellaneous expenses or be paid into the petty cash float. Personal or other cheques must not be cashed out of money received on behalf of the College.

**Receipts by credit or debit card:** the College may only receive payments by debit or credit card using procedures approved by the Executive Director - Finance and Commercial Development.

**Internet receipts:** any member of staff wishing to arrange for payment to be made to the College by the internet should seek guidance from the Executive Director - Finance and Commercial Development at an early stage.

## 4. Other income

### 4.1 Off-site collaborative provision (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. Budget changes in sub-contracting activity shall be in accordance with the existing authority limits.

The form of the contract shall be scrutinised in advance of its operation by the Audit Committee and approved by the Governing Body.

The impact of the contract(s) shall be subject to scrutiny by the Governing Body. 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 Governing Body shall approve the departure, and the Principal shall seek the views of and inform the funding body, if required.

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

Any such project requires the approval of the Principal or the Executive Director - Finance and Commercial Development prior to any commitment being entered into. Such approval shall be dependent upon being able to demonstrate that eligible matching funds are available and that the project is financially viable by the application of suitable costing and pricing methodologies.

Reference will be made to relevant de-minimis state aid limits.

Individual applications for funds in excess of £75,000 shall be the subject of a report by an Executive member to the Governing Body 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 budget holder 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; and
- payments are only made against detailed invoices.

#### **4.3 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 budget holder and the Executive Director - Finance and Commercial Development.

Other income-generating activities organised by members of staff must be costed and agreed with the Executive Director - Finance and Commercial Development 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.

## **5. Credit notes**

Credit notes are only issued as per the College's fees policy.

## **6. Income control**

### **6.1 Deficits**

Any unplanned deficits incurred on other income-generating activities will be charged to budget holders.

### **6.2 Additional contributions to budget holders**

Distribution of profits on other income-generating activities between central funds of the College and individual budget holders will be in accordance with the policy approved by the Governing Body.

### **6.3 Additional payments to staff**

Any proposal that involves additional payments to members of staff should be supported by a schedule of names and values and must be approved by the line manager and then submitted to the Principal.

## **7. Credit Control**

Credit control procedures are followed as laid out in the College's Debt Recovery Policy, which is updated on an annual basis.

## **J. Purchasing and Payments**

### **1. Systems**

Purchases are made via an official College purchase order generated from the Finance system, in accordance with the College's authorising procedures.

## 2. Quotations and Tenders

Budget holders must comply with the College's tendering procedures contained in the College's tendering procedure, which are applicable as follows:

- under £2,000 – the budget holders shall have the discretion to decide whether or not to obtain quotations, but value for money must always be obtained;
- from £2,000 to £75,000 – the procuring member of staff shall arrange for at least three written quotations to be obtained;
- over £75,000 – all items will require three competitive tenders; and the award of contracts over £75,000 shall be reported to the Governing Body.

Only partnership arrangements for the supply of goods or services specifically approved by the Governing Body will fall outside these arrangements for tenders and quotations.

The main points covered by the College's tendering procedures may be subject to special rules imposed by the funding body.

Delegated approval is given by the Governing Body to the Principal to depart from the above regulations in the event that this would lead to a conflict with civil or criminal legislation or where the supply of such goods and services are limited to less than three potential suppliers.

## 3. Purchase orders and invoices

The ordering of goods and services shall be in accordance with the College's Procurement Policy and Procedure.

Official College orders must be placed for the purchase of all goods or services, except those that have been authorised to be made using petty cash.

When transferring goods or services between budget holders, an internal transfer form must be used.

It is the responsibility of the Executive Director - Finance and Commercial Development (through the College's finance department) to ensure that all purchase orders refer to the College's conditions of contract.

Suppliers should be instructed by the budget holder to submit invoices for goods or services to the Finance team.

## 4. Payments

The procedures for making all payments shall be in a form specified by the Executive Director - Finance and Commercial Development.

The Executive Director - Finance and Commercial Development is responsible for deciding the most appropriate method of payment for categories of invoice. Payments to UK suppliers will normally be made by a BACS transfer.

The College's purchasing and payments procedures are in place to enable the majority of non-pay supplies to be procured through the creditors system without staff having to incur any personal expense. However, staff may incur expenses in relation to travel and subsistence, and are entitled to reimbursement.

Where such purchases by staff are planned, the Head of Finance and the relevant budget holder may jointly approve cash advances to staff who are going to incur expenditure on the College's behalf. Upon completion of the travel or project to which the advance relates, within five working days a final account must be prepared to demonstrate how the advance was disbursed and any unspent balance repaid. Under no circumstances will a second advance be approved when the final accounting for an earlier advance to an individual is still outstanding.

The operation and control of the College's Government Procurement Cards is the responsibility of the Executive Director - Finance and Commercial Development.

Government Procurement Cards are issued to budget holders who must use them only for the purposes for which they have been issued and within the authorised purchase limits. Cards must not be loaned to another person, nor should they be used for personal or private purchases. Cardholders should obtain approval to purchase from the relevant budget holder, through the normal purchase ordering procedure, and should ensure that there is sufficient budget available to meet the costs. The Executive Director - Finance and Commercial Development shall determine what information is required on purchases made with purchasing cards from cardholders and deadlines for receipt in the finance section to enable financial control to be maintained and cardholders must provide that information.

## **5. Accounting**

Payments will only be made by the Finance team against invoices that have been certified for payment by the appropriate budget holder.

Payments will only be made by the Finance team against invoices that can be matched to a receipted order.

Certification of an invoice or receipting of an electronic order will ensure that:

- the goods have been received, examined and approved with regard to quality and quantity, or that services rendered or work done is satisfactory;
- where appropriate, it is matched to the order;
- invoice details (quantity, price discount) are correct;

- the invoice is arithmetically correct;
- the invoice has not previously been passed for payment;
- where appropriate, an entry has been made on a stores record or inventory; and
- an appropriate cost centre is quoted; this must be one of the cost centre codes included in the budget holder's areas of responsibility and must correspond with the types of goods or service described on the invoice.

## **6. VAT**

The College is required to account for VAT in accordance with HMRC rules and regulations and produces an annual VAT return.

## **7. Gifts or other rewards from suppliers**

The Executive Director - Corporate Services is responsible for maintaining financial records in respect of gifts, benefactions and donations made to the College and initiating claims for recovery of tax where appropriate.

## **8. Budget holders**

Budget holders are responsible for ensuring that expenditure within their divisions does not exceed funds available.

Care must be taken by the budget holder to ensure that discounts receivable are obtained.

## **K. Employment of Staff**

### **1. Contracts**

All contracts of service are concluded in accordance with the College's approved human resources policies and procedures and all offers of employment with the College shall be made in writing by the Principal or nominated representative. Budget holders shall ensure that Human Resources are provided promptly with all information they may require in connection with the appointment, resignation or dismissal of employees.

## **2. Establishment**

The College's establishment is defined by the staffing posts contained within the annually approved budget. Any deviations from this establishment must be agreed by the Principal. Any deviations leading to changes in the budgeted operating surplus must be reported to the Governing Body through the management accounting process.

## **3. Agency Lecturers and Temporary Staff**

The College appoints all agency lecturers and temporary staff in accordance with College procedures and are considered by the Campus Principal.

## **4. Expenses**

All claims for payment of subsistence allowances, travelling and incidental expenses shall be completed in a form approved by the Executive Director - Finance and Commercial Development.

Claims by members of staff must be authorised by their budget holder or the Principal, as appropriate. The certification by the budget holder shall be taken to mean that;

- the journeys were authorised;
- the expenses were properly and necessarily incurred;
- the allowances are properly payable by the College; and
- consideration has been given to value for money in choosing the mode of transport.

Arrangements for travel by the Principal or members of the Governing Body shall be approved by the chair of the Governing Body. Arrangements for travel by the chair shall be approved by the Vice Chair of the Governing Body.

# **L. Payroll**

## **1. Payroll service**

The College's payroll is managed by the Finance team. The Finance team are also responsible for submission of all PAYE and other payroll-related returns.

## **2. Transactions**

Payroll transactions are undertaken by the Finance team.

Written authorisation of changes to payroll is required from the Principal, or nominated representative.

## **3. Payment processing**

It is the responsibility of the Head of Finance and nominated representatives within the Finance team to process payroll transactions and effect payroll changes.

Pay slips and other pay-related documentation are accessible by staff electronically via the payroll/HR system and are not distributed in hard copy or via e-mail.

## **M. Assets**

### **1. Capitalisation values**

The purchase, lease or rent of land, buildings or fixed plant can only be undertaken with authority from the Governing Body and with reference to funding body requirements where government-funded assets or government funds are involved.

The Finance team is responsible for maintaining inventories, in a form prescribed by the Executive Director - Finance and Commercial Development, for all plant, equipment, furniture and stores with a value in excess of £2,000. The inventory must include items donated or held on trust and must be checked at least annually.

### **2. Stocks**

Budget holders are responsible for establishing adequate arrangements for the custody and control of stocks and stores within their areas. The systems used for stores accounting must have the approval of Executive Director - Finance and Commercial Development.

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

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 Executive Director - Finance and Commercial Development and that instructions to appropriate staff within their areas are issued in

accordance with advice contained in the College's financial procedures. Stock-taking will normally be conducted on the last working day of each calendar month.

### **3. Purchase of fixed assets**

The purchase, lease or rent of land, buildings or fixed plant can only be undertaken with authority from the Governing Body and with reference to funding body requirements where government grant-funded assets or government grant funds are involved.

### **4. Disposal of fixed assets**

Disposal of equipment and furniture must be in accordance with procedures agreed by the Governing Body and contained in the College's financial procedures.

Disposal of land and buildings must only take place with the authorisation of the Governing Body. Funding body consent may also be required if government funds were involved in the acquisition of the asset.

### **5. Fixed asset register**

The Executive Director - Finance and Commercial Development is responsible for maintaining the College's register of land, buildings, fixed plant and machinery. Budget holders will provide the Executive Director - Finance and Commercial Development with any information he or she may need to maintain the register.

## **N. Budget Variations**

### **1. Overview**

Changes proposed to the approved budget will be considered by the Governing Body, unless they fall within the delegated approval arrangements:

- Principal            £75,000

### **2. Grant income and expenditure**

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 Governing Body.

The Executive Director - Finance and Commercial Development will establish protocols for the inclusion of capital projects in the capital programme for approval by the Governing Body. These will set out the information that is required for each proposed project as well as the financial criteria that they are required to meet. More detailed guidance is included in the financial procedures.

The Executive Director - Finance and Commercial Development will also establish procedures for the approval of variations, including the notification of large variations to the funding body, as laid down in the funding body guidelines.

The Executive Director - Finance and Commercial Development is responsible for providing regular statements concerning all capital expenditure to the Governing Body for monitoring purposes.

Following completion of a capital project, a post-project evaluation or final report should be submitted to the Governing Body 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 funding body, as laid down in funding body guidelines.

## **O. Land, Building and Equipment Transactions**

### **1. Land and Buildings**

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account on an annual basis. Building improvements made since 1994 are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 40 and 60 years. The College has a policy of depreciating major adaptations to buildings over a period of between 40 and 60 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

A review for impairment of a fixed asset is carried out for assets depreciated over a period in excess of fifty years or if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1994, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs. They are not depreciated until they are brought into use.

## **2. Equipment**

Equipment costing less than £2,000 per individual item is written off to the Income and Expenditure Account in the period of acquisition. All other equipment is capitalised at cost.

## **3. Depreciation Policy**

Capitalised assets will be depreciated over a period as per the below table, commencing in the year of acquisition.

New Buildings	40 to 60 years on a straight-line basis
Building improvements	Up to 10 years on a straight-line basis
General equipment	7 years on a straight-line basis
Computer equipment	3 to 5 years on a straight-line basis

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the Income and Expenditure Account over the expected useful economic life of the related equipment.

## **4. Leased Assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

## Appendices

### Appendix 1: Primary Budget Holders

East Kent College Primary Budget Holders are as follows:

- Principal
- Deputy Principal
- Executive Director - Finance and Commercial Development
- Executive Director - Corporate Services & Strategic Partnerships
- Campus Principals
- Directors
- Heads of Department
- Programme Area Managers
- Commercial Managers
- Support Area Managers

## Appendix 2: Authorisation Limits

East Kent College authorisation limits are as follows:

<b>Requisition/Order Value</b>	<b>Authorisation Level</b>
£0 - £2,000	Budget holders
£0 - £10,000	Executive Team and Campus Principals
£0 - £75,000	Principal
Over £75,000	Governing Body

For urgent issues of a financial nature the Chair of the Governing Body and Vice Chair of the Governing Body are authorised to commit up to £150,000 expenditure by written mandate that will then be reported at the earliest opportunity to the Governing Body.

In the absence of the required budget holder, orders should be forwarded onto the relevant member of the executive team to authorise.

In the absence of the relevant member of the Executive, another member of the executive team may sign of behalf of the absent person but should clearly identify that they are doing so.

### **Appendix 3: Cheque Signing Authority and Required Signatories**

East Kent College authorised signatories are:

#### **Executive Team**

Principal

Deputy Principal

Executive Director - Finance and Commercial Development

#### **Officers**

Head of Finance

Cheques are signed as follows:

Up to £5,000 Any two signatories

Over £5,000 Two signatories one of whom must be a member of Executive