



## **FINANCIAL REGULATIONS**

**November 2022**

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# FINANCIAL REGULATIONS

## A INTRODUCTION

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### 1 Background

EKC Group ('the Group') is a Further Education College created under the provisions of the Further and Higher Education Act 1992, following a formal name change from East Kent College on 1 August 2018. 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 Group is accountable through its Governing Body, which has ultimate responsibility for the effectiveness of its management and administration.

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

The financial memorandum between the funding body and the Group 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 Group 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 Group form part of this overall system of accountability.

### 2 Status of Financial Regulations

This document sets out the Group's Financial Regulations. It translates the Group's broad policies relating to financial control into practical guidance. This document was approved by the Governing Body on 12<sup>th</sup> July 2022. It applies to the Group and all its subsidiary undertakings.

These Financial Regulations are subordinate to the Group's instruments and articles of government and to any restrictions contained within the Group'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 Group's resources and provide management with assurances that the resources are being properly applied for the achievement of the Group's Strategic Plan and business objectives;

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- 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 Group complies with all relevant legislation; and
- safeguarding the assets of the Group.

Compliance with the Financial Regulations is compulsory for all staff connected with the Group. A member of staff who fails to comply with the Financial Regulations may be subject to disciplinary action under the Group'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 Group's Financial Regulations.

The Audit Committee is responsible for maintaining a continuous review of the Financial Regulations, through the Chief Financial Officer, and for advising the Governing Body of any additions or changes necessary.

In exceptional circumstances, the Chief Executive Officer 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**

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### **1 The Governing Body**

The Governing Body is responsible for the management and administration of the Group. Its financial responsibilities are to:

- ensure the solvency of the Group and the safeguarding of the Group's assets;
- appoint, grade, suspend, dismiss and determine the pay and conditions of service of the Chief Executive Officer 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

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fraud and theft, applied by the Group 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 Group's resources and expenditure, capital assets and equipment, and staff, so that the investment of public funds in the Group 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 Group complies with the funding body's audit code of practice;
- approve the Group's Strategic Plan;
- approve the annual financial statements.

The Governing Body considers commitment to expenditure in excess of £500,000 and contracts that have significant impact on the financial operation of the Group. The Chair of the Governing Body is authorised to sign any such mandate. The Governing Body considers applications for extended loan facilities and planned overdrafts.

The Audit Committee oversees the financial control systems including reviewing and recommending the financial control systems, delegating to the Chief Executive Officer and the Chief Financial Officer the preparation of financial regulations and procedures and reviewing arrangements for securing value for money, solvency and safeguarding of assets.

### **3 Audit Committee**

Further Education 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

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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 Group are set out in the funding body's audit code of practice.

#### **4 Business Committee**

The Business Committee has the responsibility to monitor, consider, recommend or approve, as appropriate, the strategies for the effective and efficient use of the Group's financial, physical and human resources and to support the Governing Body with meeting its statutory responsibilities.

The Business Committee has delegated authority to approve expenditure between £150,000 and £500,000 (within the approved Group budget).

#### **5 The Chief Executive Officer**

The Chief Executive Officer is the Group's designated officer and is responsible for ensuring the financial administration of the Group's affairs in accordance with the financial memorandum with the funding body. As the designated officer, the Chief Executive Officer may be required to justify any of the Group's financial matters to the Public Accounts Committee at the House of Commons.

The articles of government 3.(2).(e) charge the Chief Executive Officer 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 Chief Executive Officer 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.

#### **6 Chief Financial Officer**

Day-to-day financial administration is controlled by the Chief Financial Officer, who is responsible to the Chief Executive Officer for:

- preparing annual capital and revenue budgets and financial plans;

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- preparing accounts, management information, monitoring and control of expenditure against budgets and all financial operations;
- preparing the Group's annual accounts and other financial statements and accounts which the Group is required to submit to other authorities;
- ensuring that the Group maintains satisfactory financial systems;
- providing professional advice on all matters relating to financial policies and procedures;
- day-to-day liaison with auditors in order to achieve efficient processes; and
- treasury management.

## **7 Budget holders**

Members of staff with delegated budgetary responsibilities are responsible to the Chief Executive Officer for financial management for the areas or activities they control. They are advised by the Chief Financial Officer in executing their financial duties. Resources are devolved to members of staff that are accountable for their own budget. The Chief Financial Officer will also supervise and approve the financial systems operating within the Group, 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 Chief Financial Officer with such information as may be required to enable:

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

## **C PLANNING AND BUDGETING**

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### **1 Planning**

The Chief Financial Officer 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

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funding body. Financial plans should be consistent with the Strategic Plans approved by the Governing Body.

## **2 Budgeting**

The Governing Body will approve the budgetary objectives for the Group. These will help the Chief Financial Officer in preparing the detailed financial plans for the Group.

Resources are allocated annually by the Governing Body on the basis of the above objectives. The Chief Executive Officer and Chief Financial Officer decide the specific allocations to budget holders who are responsible for the economic, effective and efficient use of resources allocated to them.

The Chief Financial Officer 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 Chief Financial Officer 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 Chief Financial Officer is responsible for submitting revised forecasts to the Governing Body on a quarterly basis.

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 Chief Financial Officer, Director of Finance and Business Improvement, the Head of Finance or the Finance Business Partner. Significant departures from agreed budgetary targets are reported immediately to the Chief Financial Officer by the Director of Finance and Business Improvement or 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 Chief Executive Officer.

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Virement between budgets held by different budget holders is permitted with the written approval of the transferring budget holders and the Chief Executive Officer. The Chief Financial Officer is responsible for submitting requests for virement of resources above £150,000 to the Governing Body for approval.

The budget holders are assisted in their duties by management information provided by the Chief Financial Officer, the Director of Finance and Business Improvement and the 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:

- Chief Executive Officer: up to £150,000

#### **4 Forecasting**

The Chief Financial Officer, the Director of Finance and Business Improvement, the Head of Finance or the Finance Business Partners will undertake a review and reforecast of the Group's financial position 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 equipment and consumables account balances may be carried forward with the approval of the Chief Financial Officer.

## **D FINANCIAL REPORTING**

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

The financial memorandum between the funding body and the Group 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 Group 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 Group

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form part of this overall system of accountability.

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

## **2 Monthly accounts**

The Chief Financial Officer reports the Group's financial position to the Chief Executive Officer and designated Governors each month after the first period. The financial position is reported to the Governing Body.

## **3 Reporting to Governing Body**

Monitoring of the Group's financial control systems is undertaken by the Audit Committee. The Governing Body will examine the forecasts 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 ensures the adequacy of information to enable it to discharge its financial responsibilities.

The Chief Financial Officer is responsible for supplying budgetary reports on all aspects of the Group'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 Chief Financial Officer will report to the Governing Body on the activities of the treasury management operation and on the exercise of treasury management powers delegated thereto.

## **4 Annual Financial Statements**

The Group's annual accounts are prepared by the Chief Financial Officer in accordance with funding body requirements. The accounts are audited by the Group's financial statements auditors and approved by the Governing Body.

# **E CASH FLOW MANAGMENT**

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## **1 Strategic**

The Chief Financial Officer 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 Chief Financial Officer provides details of the Group's cash flow within the monthly management accounts provided to the Chief Executive Officer and designated Governors. The Chief Financial Officer is also responsible for providing cash flow forecasts in line with funding body requirements.

## **F AUDIT**

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### **1 Audit Committee**

Further Education Colleges are required by their financial memorandum with the funding body, 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 Group 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 Group'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 Group's Individualised Learner Record (ILR) return. The primary role of this audit is to give assurance to the funding body that the Group's funding is accurate within certain agreed tolerances. This work will also help the financial statements auditors of the Group in their work on the income elements of the financial statements.

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### **3 Internal Audit**

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

The Group'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 Group must appoint internal auditors.

The main responsibility of internal audit is to provide the Governing Body, the Chief Executive Officer and Executive team 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, Chief Executive Officer 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 Group's financial statements auditors are required to carry out a regularity audit on an annual basis and to issue an opinion to the Group 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 Group'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 Chief Financial Officer. The Group will also allow members of the public to inspect the statement of accounts during normal working hours, provide copies to local libraries and publish on the Group's website.

## **G CASH CONTROL**

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### **1 Bank Accounts**

The Governing Body is responsible for the appointment of the Group's bankers. The appointment shall be for a specified period after which consideration shall be given by the Governing Body to competitively tender the service.

The Chief Financial Officer is responsible, on behalf of the Governing Body, for liaising with the Group's bankers in relation to the Group's bank accounts and the issue of cheques. All cheques shall be ordered

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on the authority of the Chief Financial Officer, who shall make proper arrangements for their safe custody.

Only the Chief Executive Officer or the Chief Financial Officer may open or close a bank account for dealing with the Group's funds. All bank accounts shall be in the name of the Group or one of its subsidiary companies. The Chief Financial Officer 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 Chief Financial Officer and an appropriate reporting system set up. All borrowing shall be undertaken in the name of the Group and shall conform to any relevant funding body requirements. The Chief Financial Officer 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 Group, 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 appendices to the Group's financial regulations.

## **4 Cheque signing authority**

All cheques drawn on behalf of the Group 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 cash and cheque income received by the Group is collected by a security firm and banked according to

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the contract specification.

## **6 Petty cash**

The Chief Financial Officer shall make available to staff such imprests as considered necessary for the disbursements of petty cash expenses.

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 Group's insurers when not in use and will be subject to periodic checks by members of the finance team. Standard petty cash forms are supplied by the Finance team and must be used for recording all imprest accounts.

## **H FINANCIAL ACCOUNTING**

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### **1 Systems**

The Chief Financial Officer is responsible for the retention of financial documents. These are to be kept in a form acceptable to the relevant authorities.

The Group 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 Head of Finance will make appropriate arrangements for the retention of electronic records and should ensure that retention arrangements comply with any specific requirements of the funding body.

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

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

Advice and training are 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.

## **I INCOME**

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### **1 Systems**

The Chief Financial Officer is responsible for ensuring that appropriate procedures are in operation to enable the Group 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 Chief Financial Officer.

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

The Chief Financial Officer is responsible for the prompt collection, security and banking of all income received.

The Chief Financial Officer is responsible for ensuring that all grants notified by the funding bodies are received and appropriately recorded in the Group's accounts.

The Chief Financial Officer is responsible for ensuring that all claims for funds, including research grants and contracts, are made by the due date.

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## 2 Fees

The procedures for collecting tuition and other fees must be approved by the Chief Financial Officer. He or she is responsible for ensuring that all student fees due to the Group are received.

Any student who has not paid an account for fees or any other item owing to the Group shall be prevented from re-enrolling at any of the Group's Colleges and from using any of the Group'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 as set out in the financial procedures. The custody and transit of all monies received must comply with the requirements of the Group'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 Group.

**Receipts by credit or debit card:** The Group may only receive payments by debit or credit card using procedures approved by the Chief Financial Officer.

**Internet receipts:** any member of staff wishing to arrange for payment to be made to the Group by the internet should seek guidance from the Head of Finance at an early stage.

## 4 Other income

### 4.1 Off-site collaborative provision (sub-contracting)

Any contract or arrangement whereby the Group provides education to students away from Group premises, or with the assistance of persons other than the Group's own staff or with independent contractors (partner organisations) must be in accordance with the Group's sub-contracting policy.

There shall be a contract signed by the Chief Executive Officer 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

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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 Group's financial forecast.

Where the partnership would represent a significant departure from the Group's Strategic Plan, the Governing Body shall approve the departure, and the Chief Executive Officer 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 Chief Executive Officer 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 £150,000 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 Group 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

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and agreed by the budget holder and the Chief Financial Officer.

Other income-generating activities organised by members of staff must be costed and agreed with the Chief Financial Officer before any commitments are made. Provision must be made for charging both direct and indirect costs in accordance with the Group's costing and pricing practices, in particular for the recovery of overheads.

## **5 Credit notes**

Credit notes are only issued as per the Group'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 Group and individual budget holders will be in accordance with the budgetary assumptions 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 Chief Executive Officer.

## **7 Credit control**

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

Policy Owner: Chief Financial Officer

Approving Body: Full Governing Body

Stage of approval: To Be Approved

Date of approval: 6<sup>th</sup> December 2022

## **J PURCHASING AND PAYMENTS**

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### **1 Systems**

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

### **2 Quotations and tenders**

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

- under £2,500 – the budget holder shall have the discretion to decide whether or not to obtain quotations, but value for money must always be obtained;
- from £2,500 to £150,000 – the procuring member of staff shall arrange for at least three written quotations to be obtained;
- over £150,000 – all items will require three competitive tenders; and
- the award of contracts over £150,000 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 Group's tendering procedures may be subject to special rules imposed by the funding body.

Delegated approval is given by the Governing Body to the Chief Executive Officer 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 Group's Procurement Policy and Procedure.

Official purchase orders must be placed for the purchase of all goods or services, except those that have been authorised to be exempt from this process by the Chief Financial Officer. E.g. food supplies for

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College refectories.

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

It is the responsibility of the Chief Financial Officer (through the Group's finance department) to ensure that all purchase orders refer to the Group's conditions of contract.

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

#### **4 Contract Authorisation and Signing**

The authorisation and signing of contracts is the responsibility of the Chief Executive Officer. Delegated authority from the Chief Executive Officer for the approval of contracts is set out below:

- Single year contract that is within approved budget: Line manager of the budget holder
- Single year contract that is outside of approved budget: Executive Leadership Board
- Multi-year contracts: Executive Leadership Board.

In addition, contracts outside of the individual proposer's financial authority limit will require further levels of approval, following the same authorisation limits as set out in Appendix 2.

The signing of all contracts is the responsibility of the Chief Executive Officer.

#### **5 Payments**

The procedures for making all payments shall be in a form specified by the Chief Financial Officer.

The Chief Financial Officer 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 Group'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 Group's behalf. Upon completion of the travel or project to which the advance relates, within five working days a final account

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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 Group's Government Procurement Cards is the responsibility of the Chief Financial Officer.

Government Procurement Cards, when issued to budget holders, 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 Chief Financial Officer 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.

## **6 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 and 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 (i.e. a cost centre code that is included in the budget holder's areas of responsibility and must correspond with the types of goods or service described on the invoice.

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## **7 VAT**

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

## **8 Gifts or other rewards from suppliers**

The Chief Operating Officer is responsible for maintaining financial records in respect of gifts, benefactions and donations made to the Group and initiating claims for recovery of tax where appropriate.

## **9 Budget holders**

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

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

## **K EMPLOYMENT OF STAFF**

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### **1 Contracts**

All contracts of service are concluded in accordance with the Group's approved human resources policies and procedures, and all offers of employment with the Group shall be made in writing by the Chief Executive Officer 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 Group's establishment is defined by the staffing posts contained within the annually approved budget. Any deviations from this establishment must be agreed within the below delegated authorities:

- Senior Post Holders – Approval by the Governing Body
- Executive Team (Tier 2) – Approval by the Chief Executive Officer
- Group Leadership Team (Tier 3) – Approval by the Executive Team
- Tier 4 Management posts – Replacement approvals – Group Leadership Team (Tier 3) posts;  
Structural change approvals – the Executive Team

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Any deviations leading to changes in the budgeted operating surplus must be reported to the Governing Body through the management accounting and forecasting process.

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

The Group appoints all agency lecturers and temporary staff in accordance with Group's procedures and are considered by the College Principals and Directors.

### **4 Expenses**

All claims for payment of subsistence allowances, travelling and incidental expenses shall be completed in a form approved by the Chief Financial Officer and in line with the Group's Expenses Policy.

Claims by members of staff must be authorised by their budget holder, line manager or the Chief Executive Officer, 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 Group; and
- consideration has been given to value for money in choosing the mode of transport.

Arrangements for travel by the Chief Executive Officer shall be approved by the Chair of the Governing Body. Arrangements for travel by members of the Governing Body shall be approved by the Clerk to the Governing Body.

## **L PAYROLL**

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### **1 Payroll service**

The Group'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 and approved by the Chief Executive Officer or Deputy Chief Executive Officer prior to payment.

Written authorisation of changes to payroll is required from the Chief Executive Officer or Deputy Chief Executive Officer.

Policy Owner: Chief Financial Officer

Approving Body: Full Governing Body

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### **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**

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### **1 Capitalisation values**

The purchase, lease or rent of land, buildings or fixed plant, with a financial commitment in excess of one year, 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 Chief Financial Officer, 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 the Chief Financial Officer.

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 health and 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 Chief Financial Officer and that instructions to appropriate staff within their areas are issued in accordance with advice contained in the Group's financial procedures. Stock-taking will normally be conducted on the last working day of each calendar month and may be subject to regular checks by members of the finance team.

### **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 Group'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 Chief Financial Officer is responsible for maintaining the Group's register of land, buildings, fixed plant and machinery. Budget holders will provide the Chief Financial Officer with any information he or she may need to maintain the register.

## **N BUDGET VARIATIONS**

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### **1 Overview**

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

- Chief Executive Officer £150,000

### **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 Group's financial statements. Expenditure of this type can only be considered as part of the capital programme approved by the Governing Body.

The Chief Financial Officer 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

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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 Chief Financial Officer 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 Chief Financial Officer is responsible for providing regular reports concerning all capital expenditure to the Governing Body for monitoring purposes, through the monthly Management Accounts.

Post-project evaluations may need to be sent to the funding body, as laid down in any relevant funding body guidelines or agreements.

## **O LAND, BUILDING & EQUIPMENT TRANSACTIONS**

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### **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 unless the open market value for existing use is 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 Group of between 40 and 60 years. The Group 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.

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On adoption of FRS 15, the Group followed the transitional provision to retain the book value of land and buildings, which were revalued in 1994, but has since adopted the policy of revaluations of these properties which will be updated on an appropriate recurrence. 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 and depreciated in line with the below Depreciation Policy.

## 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
Minor building improvements	Up to 10 years on a straight-line basis
General equipment	7 to 10 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

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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

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### APPENDIX 1: Primary Budget Holders

EKC Group Primary Budget Holders are as follows:

- Chief Executive Officer
- Deputy Chief Executive Officer
- Chief Financial Officer
- Chief Information & Strategy Officer
- Chief Infrastructure & Transformation Officer
- Principals / Managing Director
- Executive Directors
- Deputy Principals
- Assistant Principals
- Group Directors
- Deputy Directors
- Heads of Department
- Support Managers
- Commercial Managers

## APPENDIX 2: Authorisation Limits

EKC Group authorisation limits are as follows:

<u>Requisition/Order Value</u>	<u>Authorisation Level</u>
£0 - £2,500	Budget holders
£0 - £20,000	Executive Directors, Managing Directors and College Principals
£0 - £50,000	Chiefs
£0 - £75,000	Deputy Chief Executive Officer
£0 - £150,000	Chief Executive Officer
£150,000 - £500,000	Business Committee
Over £150,000	Governing Body

For urgent issues of a financial nature the Chair of the Governing Body is authorised to commit up to £250,000 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 new tier above to authorise.

In the absence of the relevant member of the above groups of staff, another member of the same group may sign on behalf of the absent person but should clearly identify that they are doing so.

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

EKC Group authorised signatories are:

Chief Executive Officer

Chief Financial Officer

Group 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 the Executive Team

Policy Owner: Chief Financial Officer

Approving Body: Full Governing Body

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#### **APPENDIX 4: Associated Policies & Procedures**

The following policies and procedures are referred to in the Financial Regulations:

- Treasury Management Policy
- Sub-contracting Procedure
- Fees Policy
- Debt Policy
- Procurement Policy
- Procurement Procedure
- Tendering Procedure
- Due Diligence Policy
- Expenses Policy
- Governor Expenses Policy