

FINANCE AND RESOURCES COMMITTEE

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| DATE: | 25 th April 2022 |
| TITLE OF REPORT: | Financial Regulations Update Reference 30-22 |
| AUTHOR AND CONTACT DETAILS | Keith McAllister keith.mcallister@slc.ac.uk |
| PURPOSE: | To present the updated Financial Regulations to the Committee for review and to forward these to the Board of Management. |
| KEY RECOMMENDATIONS/ DECISIONS: | That the Committee recommend that the Board of Management approve the Financial Regulations. |
| RISK | That the Financial Regulations do not accurately reflect the changing nature of financial control and risk and leave the College susceptible to not meeting current financial standards. |
| RELEVANT STRATEGIC AIMS: | <ul style="list-style-type: none"> • Highest quality education and support - providing a high-quality environment for staff and students • Sustainable behaviours – environmentally sustainable behaviours. |
| SUMMARY OF REPORT: | <p>The previous version of the College's Financial Regulations was revamped in 2013 and was approximately 100 pages long, plus appendices, containing many references to process and procedures that were better contained in standalone documents, and thus it was not a document that was fit for purpose.</p> <p>Although amendments have been made both to the substance and the appendices on a piecemeal basis, there was a requirement to completely revise the Regulations, taking into account changes to good & current practice, legislation and recommendations from both internal and external auditors. The intention has been to remove the many operational processes in the document and replace these with more high-level and appropriate controls, including references to digital working and the considerable changes to procurement rules.</p> <p>The substance of the controls has not been changed but changes made that should be highlighted are:</p> <p>Section 2: The responsibilities of the Board of Management and the Principal in the context of the Regional structural arrangements. Note the references made to the Regional Outcome Agreement and the Memorandum of Understanding, and the Principal's responsibilities to the Regional Strategic Board and its officers;</p> <p>Section 16.8: Audit responsibilities re the Regional Strategic Board</p> <p>Section 23: Declarations of Interest</p> <p>Appendix 1; The procurement thresholds and levels of authorisation as approved at the Finance and Resources Committee in February 2022.</p> |



**South
Lanarkshire
College**

East Kilbride

FINANCIAL REGULATIONS

Draft as at 14 April 2022

AMENDMENTS CONTROL SHEET - 1

All sections are dated 14th April 2022 unless otherwise stated.

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APPENDICES

| Appendix | Title | Notes | Last Updated / Reviewed |
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| 1 | Levels of authorisation | Approved via the SLT on ***** and the Finance and Resources Committee on 24 February 2022 | February 2022 |
| 2 | Authorised signatories | | April 2022 |
| 3 | Signatories for cheques and other payable orders | | April 2022 |

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SECTION 1 - INTRODUCTION AND BACKGROUND

1.1 This document sets out the financial regulations for the College. It translates into practical guidance Board of Management policies relating to financial control and the associated procedures. These financial regulations do not in themselves set standards or provide control information however they provide a financial control system within which the Board of Management delegates authority whilst informing staff of the required financial procedures which have been put in place to enable the sound management of College resources.

1.2 The purpose of these financial regulations is to provide a framework for the control of the totality of College resources and includes:

- Financial sustainability;
- Achieving best value;
- Fulfilling its responsibility for the provision of effective financial controls over the use of public funds;
- Ensuring the College complies with all relevant legislation; and
- Safeguarding the assets of the College

1.3 Compliance with the financial regulations is compulsory for all members of staff. A member of staff who fails to comply with the financial regulations may be subject to disciplinary action under College disciplinary procedure. It is the responsibility of College senior managers to ensure that all staff members are made aware of the existence and content of College financial regulations. Regular Professional Learning sessions will be provided for all budget holders in order that they are aware of their responsibilities as set out in these regulations

1.4 The Board of Management has delegated responsibility for continuous review of the operation of the Financial Regulations to the Finance and Resources Committee and Audit and Risk Committee.

1.5 The Financial Regulations should be read in conjunction with Government Accounting, Government Internal Audit Manual, relevant circulars and guidance issued by the Scottish Government the Scottish Funding Council (SFC) and the College internal financial procedures guides. In addition, consideration will be given to Audit Scotland reports with respect to public finances.

Particular reference should be made to:

Financial Memorandum () – with RSB <https://dkdtt1k0xa32o.cloudfront.net/uploads/17-Financial-Memorandum-Jan-2016-Final.pdf>

Code of Audit Practice (effective 1st April 2020);

https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf

The Code of Good Governance for Scotland's Colleges; <https://www.cdn.ac.uk/wp-content/uploads/2016/10/Code-of-Good-Governance-for-Scotlands-Colleges-August-2016.pdf>

1.6 For the purposes of these Financial Regulations:

“SFC”

means the Scottish Funding Council; and

“First Minister”

means the First Minister for Scotland.

“Budget Holder”

means primarily Associate Principals and the Heads of Support Departments, plus any other person who may be allocated a budget.

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SECTION 2 - MANAGEMENT RESPONSIBILITY

2.1 Responsibility of the Board of Management

The College Board of Management has a duty to manage the College and ensure that it provides suitable and efficient education to its students, having regard to the provision in the area it serves and likely needs of potential students and stakeholders.

The Board of Management shall ensure that any funding from the SFC is used only in support of activities permitted by the legislative framework which governs Scottish Colleges the Post 16 Education (Scotland) Act 2013, the Charities and Trustees Investment (Scotland) Act 2005 and any other conditions, which the SFC may prescribe from time to time.

Its general responsibilities include:

- Ensuring compliance with all statutory instruments including the Further and Higher Education Act 1992, Further and Higher Education (Scotland) Act 2005, Post-16 Education (Scotland) Act 2013, the FREM, the Memorandum of Understanding and the Financial Memorandum with the RSB and the Code of Good Governance for Scotland's Colleges.
- Administering and managing the College, its property, rights, liabilities and obligations with the funds available from all sources;
- Ensuring the solvency of the College and the safeguarding of its assets;
- Ensuring the provision of suitable and efficient further education;
- Appoint, grade, suspend, dismiss and determine the pay and conditions of senior post-holders. However, in determining pay, the Board shall take cognisance of national job evaluation outcomes to ensure equal treatment;
- Agreeing development plans for all College activities (including business plans for commercial activities);
- Setting a framework for pay and conditions of service of all members of staff, again taking cognisance of national job evaluation outcomes to ensure equal treatment;
- Ensuring 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;
- Review the appointment of external auditors which is made by the Auditor General and appoint an internal audit service;
- Ensuring that appropriate financial considerations are taken into account at all stages in reaching decisions and their execution;
- Approving an annual budget before the start of each financial year;
- Approving tuition fees;
- Approving the College Strategic Plan;
- Approving the Lanarkshire Regional Outcome Agreement;
- Approving the annual report & financial statements
- Monitoring, reviewing and reporting the general performance of the College .

SECTION 2 - MANAGEMENT RESPONSIBILITY (continued)

2.2 Responsibility of the College Principal and Chief Executive

The College Principal is responsible for the operational management of the College and will act as the Chief Executive of the College, its Accounting Officer and the Chief Educational Adviser to the Board.

The Principal is responsible to the Board for the control of resources, for seeking economy, efficiency and effectiveness in the use of its resources and ensuring that financial considerations are taken into account at all stages of decision making. This includes, but is not limited to:

- Leading the College strategic planning process;
- Leading strategic risk management;
- Informing the Chief Executive of the SFC (the Accountable Officer for the College Sector) immediately of any circumstance that is having, or is likely to have, a significant adverse effect on the ability of the College to maintain its capacity to deliver its activities;
- Ensuring the proper, effective and efficient management of all resources, including financial, human and physical;
- Ensuring that public funds are used in accordance with relevant legislation and only for the purposes for which they are given;
- Achieving Best Value from the use of public funds from all sources;
- Taking account of relevant good practice in the management of all College activities and resources;
- Signing the financial statements and ensuring satisfactory and adequate records are retained in a form acceptable for presentation to the SFC;
- Advising the Board of Management of the proper discharge of their financial duties;
- Authorisation to write-off losses and instruct special payments (subject to limitations made by the SFC) and the delegated authority provided by the Board of Management (see Appendix 3);
- Liaising with the SFC Accountable Officer and / or the Accountable Officer of the Regional Strategic Body as appropriate on matters relating to public funding which arise before the Public Accounts Committee.

SECTION 2 - MANAGEMENT RESPONSIBILITY (continued)

2.3 Responsibility of Depute Principal and Heads of Department

The Depute Principal and Heads of Department are responsible to the Principal for financial and resource management for the areas or activities they control. Heads of Department will, in this instance, include Associate Principals and the heads of the support function departments.

The Heads of Department are responsible for establishing and maintaining clear lines of responsibility within their department for all financial matters, and for the budgets allocated to them. Where resources are further devolved to budget managers, they are accountable to their line manager for their own budget.

They shall ensure at all times that they endeavour to secure the best value for expenditure incurred by them with the objective of achieving the policies of the College in the most cost-efficient manner. .

2.4 Responsibility of All Members of Staff

Members of staff shall:

- Be aware and have a general responsibility for the security of the College's property, for avoiding loss and for best value in the use of resources;
 - Adhere to College financial authority limits that require a proposed procurement to be subject to quotations or a competitive tender;
 - Make available to College auditors (internal or external) all assets, records, documents and correspondence relating to any financial and other transactions;
 - Provide the Head of Finance with such financial and other information as deemed necessary, from time to time, to carry out the requirements of the Board of Management;
- and
- Notify the Head of Finance whenever a matter arises, which involves or is thought to involve, irregularities concerning, inter alia, cash, resources, or property of the College. If appropriate, notification may be made to the Senior Independent Member of the Board of Management.

SECTION 3 – CAPITAL EXPENDITURE (PLANNING, AUTHORISATION AND CONTROL)

3.1 Under the 2013 Act, the Board of Management have been given substantial freedom in deciding College spending priorities. Since capital expenditure will be project specific, virement from capital to revenue is not permitted. The Board of Management has the authority to fund capital projects from revenue .

3.2 The College's accounting policies shall set out the threshold for capitalising fixed assets (currently £10,000).

3.3 Budget managers must not authorise capital purchases orders/capital expenditure if budget resources are not available.

3.4 The Principal is responsible directly to the Board of Management and to the RSB for ensuring that the recurrent funding is spent on the purpose for which it was provided.

3.5 The Head of Finance is responsible for providing regular statements concerning all capital expenditure to the Finance and Resources Committee and the Board of Management.

3.6 The Board of Management shall not acquire land or buildings for which grant aid is sought or carry out building works on land or to buildings that have been acquired with the assistance of grant aid (with the exception of minor modifications/routine maintenance) without obtaining the prior written approval of the SFC.

3.7 No expenditure shall be incurred without the prior approval of the Board of Management except:

- As authorised by the appropriate College committee as per their delegated authority from the Board of Management and the Standing Orders relating to contracts; or
- Preliminary expenditure on projects approved within the College's development plan.

3.8 Once a design has been drawn up and cost limits have been approved by SFC there must be no departure from approved costs without authorisation from the Board of Management.. If it becomes apparent that a project will be under/overspent, or if the phased expenditure is likely to vary, it shall be the duty of the Principal, as Accounting Officer, to report immediately to the Board of Management and, formally and in writing, to the SFC so that appropriate action may be taken.

SECTION 4 - REVENUE EXPENDITURE (PLANNING, AUTHORISATION AND CONTROL)

4.1 Attention is drawn to the UK Treasury Guidelines on the procurement of goods and services, together with the College Purchasing Procedures guide (see Appendix 8).

4.2 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.

4.3 No expenditure shall be incurred without the prior approval of the appropriate authorised staff member .

4.4 The Board of Management may approve the use of a contingency budget to meet unanticipated or essential new demands for resources.

4.5 Where a contract will be in excess of £125,000, approval must be obtained from the Finance and Resources Committee.

4.6 Levels of authorisation are contained in Appendix 1.

SECTION 5 - VIREMENT

5.1 The Head of Finance will agree with the Principal an allocation to each Budget Holder. The transfer of resources between the supplies budget and staff costs budgets can only be authorised by the Principal.

5.2 The virement of resources within the supplies budget is at the discretion of the Budget Holder.

SECTION 6 - CONTROL AND LEGALITY OF EXPENDITURE

6.1 APUC / Supply Chain Manager

It is the responsibility of the Supply Chain Manager, under the line management of the Head of Finance, to ensure that the College complies with all relevant procurement legislation.

6.2 Legality

It shall be the duty of the Head of Finance and, where it is pertinent to their area, all budget holders to ensure that no expenditure or contractual obligation is incurred unless it is within the legal powers of the College.

Expenditure on new services, contributions to outside entities and responses to emergency situations which require expenditure must be clarified as to legality prior to being incurred.

6.3 Control

The budget holders are responsible for the control of all expenditure within their departments. They must ensure that all resources are properly used and that all expenditure both committed and incurred is fully within their approved departmental budget.

6.4 Purchase of goods for personal use

The College ordering system may not be utilised for purchasing goods for personal use.

6.5 Whistleblowing

Whistleblowing in the context of the Public Interest Disclosure Act 1998 is the disclosure by an employee (or other party) about malpractice in the workplace. A whistle-blower can raise concerns with regard to alleged criminal activity, civil offences (including negligence or breach of contract.), miscarriage of justice, danger to health and safety or the environment and the cover-up of any of these. It does not matter whether the information is confidential, and whistleblowing can extend to malpractice occurring in the UK and any other country or territory in which the College operates.

Any concern about a workplace matter at the College should be raised with the appropriate line manager in the first instance. However, the College recognises the seriousness or sensitivity of some issues, together with the identity of the person the member of staff thinks may be involved, may make this difficult or impossible. The College Whistleblowing policy therefore sets out how these situations should be handled, including, where appropriate, reference to the Senior Independent Member of the Board of Management.

The Whistleblowing Policy can be obtained from the College Intranet and/or a copy can be obtained from the HR department.

SECTION 6 - CONTROL AND LEGALITY OF EXPENDITURE (CONTINUED)

6.6 Code of Conduct

The College seeks to conduct its affairs in a responsible manner, as set out in its Code of Conduct which all members of staff are expected to observe.

Additionally, members of the Board of Management, senior management or those involved in procurement are required to disclose interests in the College Register of Interests. The Register of Interests will be reviewed six monthly for Board members, including the Principal, and annually for other appropriate senior staff. Board members and senior staff have a duty to inform the Clerk to the Board of Management of any material changes to their entry in the Register of Interests outwith the routine monitoring period. The Register of Interests will be published on the College website.

6.7 Receiving Gifts, Hospitality and Entertainment

Under the Bribery Act 2010, a person is guilty of an offence if they offer a gift or hospitality:

- that provides an advantage to another person; and/or
- that is given with the intention of inducing the person to perform a relevant function improperly or with knowledge that acceptance of the advantage is, in itself, improper performance.

In addition, in terms of foreign public officials a person is guilty of an offence if he/she:

- provides an advantage (directly or indirectly) to a Foreign Public Official (FPO);
- intends to influence the FPO in their capacity as such; and
- intends to gain business or a business advantage.

In terms of the law, it is a criminal offence for any member of staff to accept corruptly any gift or consideration as an inducement or reward for so doing, or refraining from doing, anything in an official capacity or showing favour or disfavour to any person in an official capacity. Members of staff must:

- not give the impression (to any member of the public, to any organisation with whom they deal or to their colleagues) that they have been (or may have been) influenced by a benefit to show favour or disfavour to any person or organisation;
- not accept any gifts, rewards or hospitality (or have them given to members of their families) from any organisation or individual with whom they have contact in the course of their work that would cause them to reach a position whereby they may be, or may be deemed by others to have been, influenced in making a business decision as a result of accepting such hospitality. The frequency and scale of hospitality accepted should not be significantly greater than the College would be likely to provide in return;
- seek advice from the Senior Leadership Team when it is not easy to decide between what is and what is not acceptable in terms of gifts or hospitality; and

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- declare all gifts and hospitality received where the value is in excess of £50. For the protection of those involved, the College Secretary shall establish a register of these gifts and/or hospitality.

It is highly unlikely that a member of staff will need to offer a gift to another person or organisation linked to their College responsibilities. If, however, it is proposed to offer a gift, then this should normally be arranged via the appropriate member of the Senior Leadership Team . If the proposed value of the gift is in excess of £50 then the proposal must be authorised by Principal and reported to the Board of Management; it should be cleared by the SFC where appropriate.

The College maintains a Register of Gifts and Hospitality which have declared by Board Members and staff. This Register is maintained by the Clerk to the Board and is available on the College website.

Each department must also maintain a record of free issues received and given with these logs being maintained on a centrally accessible portal. This record will include any free materials or equipment given as a result of a Community Benefit clause in a procurement contract. These Community Benefits will be monitored by the Supply Chain Manager.

SECTION 7 - AUTHORISED SIGNATORIES (DELEGATED POWER OF AUTHORITY)

7.1 It is imperative for good financial control for a list of authorised signatories to be maintained by the Head of Finance. These are based on the College staffing structure and result in low-level authorisation for insignificant transactions whilst all significant transactions require senior authorisation, often by more than one individual.

Details of authorisation levels are detailed in Appendix 1 to these Regulations.

A list of authorised signatories appears as Appendix 2 to these Regulations.

7.2 The Head of Finance shall notify Budget Holders annually of the monetary limits within which they have the delegated authority to authorise purchase orders and certify invoices.

7.3 Under no circumstances shall a Budget Holder authorise a purchase order and certify the resultant invoice. Budget Holders shall ensure procedures are in place within their department to ensure a separation of duties.

7.4. Under procedures agreed by the Senior Leadership Team, central control shall be exercised over the creation of authorised signatories and their respective financial limits (for electronic systems e.g. PECOS)

SECTION 8 - FINANCIAL REPORTING AND RECORDS

8.1 The Head of Finance shall be responsible ,in conjunction with the Principal, for the content of all financial reports submitted to the Board of Management.

8.2 The Board of Management shall agree a scheme of their own internal reporting requirements containing summary financial reports at periods as they see fit.

8.3 External reporting requirements are embodied in the 2013 Act and guidance circulars issued by the SFC. The Head of Finance and the Principal shall be responsible for ensuring that all financial instructions issued by the SFC and/or embodied with issued legislation are complied with in as far as they are applicable to the College.

8.4 The format of year end statutory reporting is embodied within the relevant circulars and guidance notes issued by the Scottish Funding Council and Audit Scotland, including the relevant SORP – “Statement of Recommended Practice: Accounting for Further and Higher Education”.

SECTION 8 - FINANCIAL REPORTING AND RECORDS (CONTINUED)

8.5 The 2013 Act stipulates that the Board of Management shall submit a College development plan to the Funding Council annually in respect of the College. This plan should cover the academic year commencing in the next following financial year together with the two academic years thereafter.

8.6 The Head of Finance shall be responsible for advising the Senior Leadership Team, in light of guidance issued by the appropriate bodies and relevant legislation as it applies, on all taxation issues, to the College. The Head of Finance shall issue instructions to members of staff on compliance with statutory requirements including those concerning VAT, PAYE, national insurance etc.

8.7 The Head of Finance shall be responsible for the retention of financial documents and records. These should be kept in a form that is acceptable to the relevant authorities.

8.8 Under the Freedom of Information (Scotland) Act 2002 (FOISA), the College shall provide, as a matter of routine, a range of financial information within its FOI Publication Scheme. Under FOISA any person has the right to request information and the College is required to release that information unless any of the lawful exemptions apply.

8.9 Under the terms of the Charities and Trustees Investment (Scotland) Act 2005, the Board of Management is required to supply any person with a copy of the College's most recent financial statements within two months of a request.

8.10 The Head of Finance shall ensure financial record keeping and reporting comply with section 44 of the Charities and Trustees Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. In doing so the Head of Finance shall:

- keep proper accounting records;
- prepare a statement of account, including a report on its activities, at the end of each financial year;
- have the statement of account independently examined or audited;
- send a copy of the accounts, along with the annual return to OSCR; and
- ensure accounting records are kept for a minimum of 6 years from the end of the financial year in which they were made.

SECTION 8 - FINANCIAL REPORTING AND RECORDS (CONTINUED)

8.11 All accounting procedures and records of the College shall be determined by the Head of Finance, and he/she shall compile or direct the compilation of all accounts and accounting records. The Head of Finance will maintain a register of control accounts which must be reconciled on a monthly basis. This will include:

- Sales ledger
- Purchase ledger
- All College bank accounts
- Payroll control accounts

8.12 The Head of Finance shall ensure there are adequate segregation of duties for all finance processes and procedures.

SECTION 9 - CONTROL OF INCOME

9.1 All College employees have a general responsibility for ensuring that resources are properly used and contained within budget limitations whilst ensuring that all income due to the College is properly and promptly recovered.

9.2 Each Head of Department shall review, at least annually, the charges made for services provided by their department (in as far as these are not externally set other than by market forces). Any resultant revision should be submitted for consideration by the appropriate committee or the Board of Management unless otherwise provided for in specific SFC Regulations and/or legislation.

In performing these revisions regard should be given to the current rate of inflation as a guide to the minimum increase required to preserve the real value of income.

9.3 It is the duty of the Head of Finance to make adequate financial and accounting arrangements to ensure the proper recording of all monies due to the College and the proper collection, custody, control and disposal of all funds.

9.4 It is the responsibility of all members of staff to ensure that revenue to the College is maximised by the efficient application of agreed procedures for the identification, collection and banking of income. In particular, this requires the prompt notification to the Head of Finance of sums due so that collection can be initiated.

9.5 Teaching staff must ensure that only properly registered students whose fees have been accounted for are admitted, and allowed, to continue classes.

SECTION 9 – CONTROL OF INCOME (CONTINUED)

9.6 Staff who enter into agreements for the provision of consultancies must ensure that the charges made are consistent with College policies. Any such contracts must be approved by the Senior Leadership Team and registered via the Register of Interests form (see Section 6.6 above)

9.7 A full cost course is any course which is not eligible for SFC grant in aid support. Any member of staff wishing to run a full cost course or provide other services must have the permission of the appropriate member(s) of the Senior Leadership Team. All such income-generating activities shall be self-financing or surplus-generating.

9.8 The Board of Management has authorised the Head of Finance to refer potential bad debts to a collection agency.

9.9 Sums above a limit agreed by the Board of Management shall not be written off except with their approval.

9.10 All fraud losses must be reported to the Audit and Risk Committee. In addition, fraud losses in excess of £5,000 must be brought to the attention of the SFC and the RSB for the purposes of the preparation of the Regional consolidated Financial Statements.

SECTION 10 - BORROWING AND LEASING

10.1 The Board shall not borrow from any source (except the arrangement of unsecured borrowing facilities up to the maximum sum specified by the SFC), give any guarantee, indemnity or letter of comfort, without the prior written consent of the SFC.

10.2 If approval for borrowings is received (as above) the arrangements shall be undertaken by the Head of Finance who will report to the Principal and Board of Management.

10.3 Subject to the above, all borrowings on behalf of the College shall be in the name of the College. All loan documents must be signed by the Principal and one other cheque signatory.

10.4 No leasing of equipment or capital assets should be undertaken on behalf of the College without prior approval of the Principal and should be subject to prior review by the Supply Chain Manager. All leases must be signed by the Principal and one other cheque signatory.

SECTION 11 - BANKING ARRANGEMENTS

11.1 All arrangements with the College' bankers concerning the operation of its accounts and the issuance of cheques shall be made by the Head of Finance and approved by the Principal.

11.2 All official bank accounts shall bear the name of the College and shall only be opened or closed by the Head of Finance, with the prior formal approval of the Principal following consultation with the Senior Leadership Team. Two cheque signatories shall be required to open any bank account.

11.3 All monies received shall be paid into the College bank accounts daily or at such other intervals as may be approved by the Head of Finance.

11.4 All arrangements for the ordering, safekeeping, control and signing of cheques on behalf of the College will be made by the Head of Finance. The Finance and Resources Committee shall determine cheque signatory authorisation limits over which formal endorsement will be required.

11.5 The Board of Management shall not borrow money from any source (except arrangement of an unsecured borrowing facility) without the prior written consent of the SFC.

11.6 The Head of Finance shall be responsible for ensuring that all bank accounts are subject to regular reconciliation and that large or unusual items are investigated as appropriate.

11.7 All cheques/electronic payments shall be signed by at least two authorised signatories. For student support payments to be made by electronic means, these should have supporting documentation to allow reference to be made to the software by the person effecting the payment. For student fee refunds, these should have backup documentation and be signed by the appropriate Faculty manager, then authorised by the Associate Principal or the Head of Finance.

SECTION 12 - CASH IMPRESTS

12.1 On the recommendation of the Budget Holder concerned, the Head of Finance shall provide such imprest accounts as he/she considers appropriate for such employees of the College may require them for purposes of defraying petty and other minor expenses.

12.2 The Head of Finance shall open accounts where it is considered appropriate and in no circumstances shall the imprest holder overdraw the account. It shall be a standing instruction to the College's bankers that an imprest holder's account shall not be overdrawn. Bank accounts will not be opened by any officer other than the Head of Finance, see also Section 11.2.

SECTION 12 – CASH IMPRESTS (CONTINUED)

12.3 No payments to the College shall be paid into an imprest account but shall be lodged in the main College bank account. Any bank interest earned on imprest accounts will be remitted separately and immediately to the Head of Finance or transferred immediately by standing instruction to the College bankers and will not be left in the imprest bank balance.

12.4 Payments from imprest accounts shall be limited to minor items of expenditure and only to such amounts as the Head of Finance may approve. Payments shall be supported by an authorised voucher. Imprests accounts must not be used to pay major expense claims or any supplier to be met out of imprest funds.

12.5 The Head of Finance may at any time request a certificate of the balance from any employee charged with the holding of an imprest.

12.6 An employee leaving the employment of the College or otherwise ceasing to be entitled to hold an imprest advance shall account to the Head of Finance for the amount advanced to him/her, either by way of cheque or by deduction from wages. A formal record of this accounting shall be prepared and retained in the department concerned for inspection.

SECTION 13 - CONTROL OF INVESTMENTS AND TRUSTS/TRUST FUNDS

13.1 The College Principal has operational responsibility for the control of investments and trusts/trust funds.

13.2 The College funds shall be invested in accordance with the policy of the Board of Management and shall be held in the name of the College. All trust funds shall, whenever possible, be held in the name of the College. The purchase/sale of investments, unless otherwise provided for in a trust deed or other document, shall be within the policy determined by the Board of Management and overseen by the Finance and Resources Committee.

13.3 All officers acting as trustees by virtue of their official position shall deposit all securities bank books, documents and articles of value relating to any trust with the Head of Finance unless the relevant trust deed otherwise provides. The Head of Finance must ensure adequate controls exist for the safekeeping/security of such documents.

13.4 An annual report must be presented by the Head of Finance to the Board of Management and Trustees (where different), detailing the balance of funds and source and application of funds during the course of the financial year.

SECTION 14 - CONTROL OF INVENTORIES / FIXED ASSETS

14.1 In order to minimise the risk of misappropriation of College assets a register should be compiled listing the details of all fixed assets owned or purchased since incorporation.

14.2 The Head of Finance shall be responsible for maintaining the College's fixed asset register and to oversee the maintenance of a general asset register system.

14.3 The safe custody and storage of College assets will be the responsibility of the Budget Holder, who will ensure that College records are up to date record of all assets under his / her control. An entry should be made in these records where assets are taken from College premises, with the entry including signatures of the relevant member of management and the member of staff taking the asset.

14.4 Assets owned or leased by the College shall not be subject to personal use without proper authorisation.

14.5 All IT equipment will be asset tagged with a bar code immediately after delivery.

14.6 A Capitalised Fixed Asset Register shall be maintained centrally by the Head of Finance, with Budget Holders being responsible for the compilation and maintenance of their own area. The Head of Finance shall arrange for a physical verification of the Register at least annually. The definition of a Capitalised Asset is one costing more than £10,000, or part of a group of assets costing more than £10,000 (reviewed January 2021). This limit is to be subject to review at least every three years.

14.7 The Board of Management shall regularly review its holdings of land and buildings and shall dispose of those that it considers are no longer required, subject to the paragraphs of this section governing disposals of property and other assets.

14.8 All disposals must be approved by the Budget Holder who has the stewardship of the assets, and the Principal. Where proceeds of disposal are likely to be in excess of £10,000, disposal must be authorised by the Board of Management. Board of Management authorisation is also required where capitalised assets with a net book value of greater than £5,000 are to be written off.

14.9 Disposals of assets at less than market value must be considered by the Finance and Resources Committee.

14.10 Where the asset is to be sold and the proceeds of the sale are likely to be at or above the £500K threshold, prior SFC approval of the sale is required.

14.11 No alterations must be made to the College building, or any other assets, without prior approval of the Board of Management or the Principal within his/her delegated authority.

SECTION 14 - CONTROL OF INVENTORIES / FIXED ASSETS (continued)

14.12 The general criteria for the leasing of an asset is as follows:

- where the asset is to be leased for a period of 5 years or more, prior SFC approval is required; and
- where the asset is to be leased for a period of less than 5 years, the Board of Management has authority to process the lease.

14.13 The safe custody and storage of stocks will be the responsibility of the Heads of Department.

14.14 Stocktaking will be performed at regular intervals as agreed by the Head of Finance.

14.15 Budget Holders are responsible for establishing adequate arrangements for the custody and control of stocks and stores within their departments.

14.16 Stocks and stores of a hazardous nature should be subject to appropriate health and safety and security checks.

14.17 Each Budget Holder shall report annually to the Head of Finance the total value of write-offs and surpluses of stock, the net effects of these adjustments on the book value of stores under their control and provide explanations for these differences. The Head of Finance shall report the College global position to the Principal and Board of Management annually.

SECTION 15: PROCUREMENT

All regulations related to procurement are documented in the Procurement Handbook, please refer.

SECTION 16 – AUDIT

General Audit Requirements

16.1 External auditors and internal auditors shall have authority to:

- access College premises at reasonable times;
- access all assets, records, documents and correspondence relating to any financial and other transactions of the College;
- Require and receive such explanations as are necessary concerning any matter under examination;
- require any employee of the College to account for cash, stores or any other College property under his or her control; and
- access records belonging to third parties, such as contractors, when required.

16.2 The Head of Finance shall be the primary point of contact for internal auditors and the Financial Accountant shall be the primary point of contact for external auditors.

Internal Audit

16.3 The Board of Management, on the recommendation of the Audit and Risk Committee, shall appoint the College internal auditors following a tender exercise.

16.4 The SFC requires the College to have an effective internal audit function and their duties and responsibilities must be in accordance with advice set out by the SFC. The main responsibility of internal audit is to provide the Board of Management, the Principal and the Senior Leadership Team with assurances on the adequacy of College financial and other internal control systems.

16.5 The internal audit service remains independent in its planning and operation but has direct access to the Chair of the Audit and Risk Committee, Principal and the Head of Finance. The formal responsibilities of internal audit are set in the formal audit appointment letter.

16.6 The Audit and Risk Committee shall agree an annual audit plan for internal audit with the Internal Audit Service.

16.7 The Audit and Risk Committee shall consider routinely all internal audit reports.

16.8 The College must make arrangements with the Regional Strategic Body to provide formal assurance that appropriate controls are in place.

SECTION 16 – AUDIT (CONTINUED)

External audit

16.8 Under the terms of the Public Finance and Accountability (Scotland) Act 2000, the Auditor General for Scotland is responsible for the appointment of the external auditors for the College.

16.9 The primary role of external audit is to report on the College 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.

16.10 External audit duties shall be in accordance with advice set out in the Audit Scotland audit code of practice and the Auditing Practices Board statements of auditing standards.

16.11 The Head of Finance and Financial Accountant shall be responsible for agreeing a timetable for final accounts purposes with the External Auditors.

16.12 The Audit and Risk Committee shall review the annual report and financial statements. On the recommendation of the Audit and Risk Committee the financial statements shall be submitted to the Board of Management for approval.

Other Auditors

16.13 The College may, from time to time, be subject to audit or investigation by external bodies such as HM Revenue & Customs. They have the same rights of access as external and internal auditors.

16.14 The Audit and Risk Committee shall consider audit reports prepared by other auditors.

SECTION 17 - SALARIES, WAGES AND PENSIONS

17.1 The Head of Human Resources (HR) shall be responsible for keeping the Head of Finance informed of all matters relating to staff for payroll purposes. In particular, these include:

- appointments, resignations, dismissals, secondments and transfers;
- absences from duty for sickness or other reason, apart from approved paid leave;
- changes in remuneration including salary increments and pay awards; and
- information necessary to maintain records of service for pension, income tax and national insurance.

17.2 The Head of Finance shall be responsible for all payments of salaries and wages to all members of staff including payments for overtime or services rendered. All timesheets and other pay documents, including those relating to fees payable to external examiners, shall be in a form prescribed or approved by the Senior Leadership Team.

17.3 The Head of Finance shall be responsible for payments to non-employees (e.g. agency staff).

17.4 The Remuneration Committee shall determine the pay and conditions of senior managers who are not covered by National Bargaining arrangements. In determining pay, the Committee shall take cognisance of Public Sector Pay Policy, job evaluation outcomes to ensure equal treatment.

17.5 The Principal shall have delegated authority to negotiate with College employees changes to conditions not covered by National Bargaining (except the Senior Leadership Team).

17.6 All contracts of employment shall be concluded in accordance with College approved HR procedures and all offers of employment shall normally be made via the Head of HR.

17.7 The Principal shall have delegated authority to approve the re-grading of employees (excepting the Senior Leadership Team), taking cognisance of any national job evaluation schemes.

17.8 If a re-grading would result in a member of staff moving into the Senior Leadership Team, then the Remuneration Committee shall approve the re-grading.

17.9 The re-grading shall normally be determined through a job evaluation exercise carried out by the Head of HR in conjunction with the appropriate senior manager.

17.10 The Board of Management shall approve any proposal to change the senior management structure.

SECTION 17 - SALARIES, WAGES AND PENSIONS (CONTINUED)

17.12 The Principal shall have delegated authority to restructure below the level of the Senior Leadership Team.

17.13 The Principal shall not approve a restructuring exercise if the financial consequences cannot be contained within the approved College budget. If this situation arises, then the matter shall be referred to the Finance & Resources Committee for consideration and subsequently the Board of Management for approval

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

17.15 The Head of HR shall be responsible for administering eligibility to pension arrangements and for informing the Head of Finance when deductions should begin or cease for staff.

17.16 The Head of Finance shall be responsible for paying contributions to various authorised pension schemes.

17.17 All claims for payment of subsistence allowances, travel and incidental expenses shall be completed and approved in accordance with the College expenses policy.

17.18 The Head of HR shall be responsible for developing the College Severance Policy and Procedures, which will be subject to the approval of the Human Resources Committee.

17.19 Any proposed severance scheme should be set by reference to the arrangements in place taking account of the Scottish Government Civil Service Compensation Scheme. If the proposed scheme is an enhancement to the core Scottish Government scheme, then the proposal must be approved in advance by the SFC.

17.20 If an approved severance scheme is not in place and it is proposed to make a special severance payment, then payments up to £1,000 must be approved by the Senior Leadership Team. Proposed payments in excess of £1,000 must be approved by the SFC.

17.21 The Principal shall consider and approve, in advance, all requests by staff for secondary paid employment within the College.

SECTION 18 – OTHER COMPENSATION PAYMENTS

18.1 A compensation payment is one made in respect to, for example, unfair dismissal, personal injuries or damage to property.

18.2 Any proposed compensation payments must be in accordance with legal advice provided to the College and approved by the Senior Leadership Team.

18.3 Any proposed compensation payments in excess of £5,000 will require the approval of the Board of Management and the SFC.

18.4 The Audit and Risk Committee must be provided with a regular report covering any such payments made by the College.

18.5 Ex-gratia payments are those made where there is no legal obligation to make such a payment. These payments are sometimes used to settle a complaint or claim against the College on a no fault basis. Any proposal to make an ex-gratia payment must be discussed with and approved by the Principal. A proposed payment in excess of £1,000 must be approved by the SFC.

18.6 Waiver or abandonment of a claim occurs if it is decided not to pursue a financial or legal claim on behalf of the College.

18.7 A decision on whether or not to pursue or abandon a claim must be discussed with and authorised by the Principal.

18.8 Any proposed waiver or abandonment of a claim in excess of £3,000 must be approved by the SFC.

SECTION 19 - INSURANCE

19.1 The Scottish Ministers' policy is one of self-insurance. However, it should be noted that the FE sector does have a temporary derogation which allows colleges to have a full range of insurance cover.

19.2 Commercial insurance must, however, be taken out where there is a legal requirement to do so, such as:

- motor vehicle insurance;
- where buildings insurance is a condition of a lease;
- corporate travel insurance for staff travelling abroad on official business where the cost of emergency cover could be justified in terms of the availability of local support should an incident occur and the duty of care that employers have towards their employees; and
- insurance in respect of boilers and lifts where the cost of the premium covers periodic expert inspection designed to reduce the risk of loss or damage

19.3 Subject to any further instruction from the SFC, the Head of Finance shall, in consultation with the Principal and Board of Management, make all appropriate insurance arrangements for all College activities. He/she shall also arrange the negotiation of all insurance claims by the College in consultation with the Heads of Department concerned.

19.4 Heads of Department shall notify the Head of Finance promptly of all new or increased risks, properties or vehicles which should be covered or any deletions affecting their departments.

19.5 Heads of Department shall notify the Head of Finance immediately in writing of any loss, liability or damage or any event likely to lead to a claim. Thereafter, the Head of Finance shall be responsible where applicable for advising the insurance company concerned.

19.6 The Head of Finance shall review periodically all insurances in consultation with the Principal and Heads of Department.

SECTION 20 - OBSERVANCE OF FINANCIAL REGULATIONS

20.1 The Principal is ultimately responsible for communicating the Financial Regulations to staff and monitoring their ultimate application.

20.2 It shall be the duty of each Budget Holder and the Head of Finance to ensure that these Regulations are made known to the appropriate persons within their departments and to ensure that they are adhered to.

20.3 Any breach or non-compliance with these Regulations must, on discovery, be reported to the Head of Finance who should bring the matter to the attention of the Principal, Board of Management and / or Budget Holders may be appropriate in order to determine the proper action to be taken.

SECTION 21 - FINANCIAL REGULATIONS OF THE STUDENTS' ASSOCIATION

21.1 A separate set of financial regulations shall be maintained for the Students' Association, although they shall also be subject to College Financial Regulations.

SECTION 22 – REMIT OF THE CHAIRS OF THE BOARD COMMITTEE

22.1 The membership will be the Chairman, Vice Chair and Chairs of all Committees and the Clerk to the Board with the Principal and other members of the College leadership as specialist advisors (where appropriate).

22.2 These Terms of Reference ensure that the Chairs of the Board Committee has specified authority and resources to form an opinion and to make recommendations and report to the Board.

22.3 The duties of the Committee should include to:

- review and oversee the strategy and objectives set for the College; take decisions on any aspects of the affairs of the College when urgent and necessary information is required, in the best interest of the College;
- monitor and evaluate the performance of the College Principal and Depute Principal with the agreed career review procedure for these posts;
- Acting as the Remuneration Committee the appointment and remuneration of senior staff;
- monitor the remits of Board Committees; and
- hear appeals brought to the Board of Management within the College policy framework.

SECTION 23 – DECLARATION OF INTERESTS

23.1 It is central to good and effective governance of the College that those persons holding positions of responsibility and influence should act in an open and transparent manner and not be influenced by social or business relationships that may have, or be presumed to have, which affects their conduct of office or business decisions.

23.2 The College Financial Regulations stipulate that members of the Board of Management and members of senior staff having a pecuniary, family or other personal interest in any contract involving the College are required to declare such interests to the College. The College is required to update the declaration of interests register on the basis set out above.

23.3 This policy applies to all members of the Board of Management and Senior Leadership Team and. These individuals must complete a declaration of interests form on an annual basis.

SECTION 23 – DECLARATION OF INTERESTS (CONTINUED)

23.4 The range of interests which may be disclosed is wide ranging and whilst it is for each person affected to determine the extent of declaration, the following would be appropriate to disclose:

- all paid employment / self-employment - including the nature or scope of activity;
- involvement with contracts with the College, to include being both a supplier of goods and services or a client of the College;
- directorships or equivalent;
- major share holdings (over £25,000 value or >1% of issued share capital) held personally or by immediate family members in any company with which the College has or may have a relationship;
- elected Office, public appointments, trusteeship, Members of the Board or other positions of authority / influence with organisations that the College does or might have a business association.

23.5 Where no such interests are identified a nil return must be given. If in doubt, declare it or seek the advice of the Clerk to the Board. Failure to make an appropriate disclosure may be a disciplinary matter.

23.6 The declaration form requests details of any hospitality or gifts received or conflicts which should be declared as and when they arise and staff and Board members should continue to advise the Clerk to the Board of Management of these.

23.7 The annual Financial Statements of the College contain details of any Related Party Transactions and each Board or Committee meeting should record any Declarations of Interest in the minutes.

SOUTH LANARKSHIRE COLLEGE

FINANCIAL REGULATIONS

SECTION 24 COLLEGE FOUNDATION

The College set up an arms' length Foundation which has its own Constitution.

Transfers to the Arm's Length Foundation (ALF)

The College may transfer any surplus to the ALF, prior to 31 March each year, provided there is sufficient cash cover to allow for this.

All transfers to the ALF must be reviewed by the Finance and Resources Committee and then approved by the Board of Management. SFC approval will be sought where necessary.

http://www.sfc.ac.uk/web/FILES/Guidance_Governance/Financial_Guidance_on_Reclassification_for_Incorporated_Colleges.pdf (Please refer to Chapter 5).

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APPENDIX 1 - LEVELS OF AUTHORISATION

1 Purchase Orders & BACS / Manual Cheque Requisitions

Heads of Department can delegate any member of staff to raise a purchase order or cheque requisition. These must be subsequently approved by the budget holder.

All orders and requisitions must be authorised according to the following table, full details of which can be found in the College's "**Procurement Guidance and Procedures**" document. This document also gives details of the procurement requirements that must be adhered to. Orders and requisitions for any one transaction above £125,000, or related transactions with a collective value above £125,000, must be referred to the Board of Management via the Finance and Resources Committee.

| | |
|---|---|
| Requisitions to the value of £9,999 | Head of Department, |
| Requisitions over the value of £10,000 | Head of Department and the Head of Finance. |
| Requisitions to the value of £125,000 | Principal or Depute Principal, and one other cheque signatory |
| Requisitions over the value of £125,000 | Board of Management |

In all cases, two signatories should be obtained for all purchase orders and cheque requisitions. In normal circumstances, this should be the relevant Head of Department plus a member of the Senior Leadership team (or the Head of Finance in their absence).

2 Payroll Amendments

All amendments to payroll standing data (e.g. new starts, leavers and changes in salary levels) must be approved by the Principal or Depute Principal. Variable monthly payroll amendments (e.g. overtime and travel expenses) should be approved by Budget Holders and authorised by the Principal or Depute Principal.

3 Petty Cash

Petty Cash disbursements are subject to review by the Head of Finance but may be made on the authority of the imprest holder. Individual disbursements are limited to £100 unless there are exceptional circumstances, which must be authorised by a member of the Principalship.

**APPENDIX 2 – LIST OF AUTHORISED SIGNATORIES AND BUDGET HOLDERS (to 31st July 2022)
and depute for authorisation in case of absence**

| Category | | Position | Depute for authorisation |
|-------------------------------|--|--|-------------------------------------|
| A – Senior Management | | Principal Depute Principal | Depute Principal Head of Finance |
| B – Academic Faculties | Construction and the Built Environment | Associate Principal Depute Head of Faculty <u>Curriculum Managers</u> <ul style="list-style-type: none"> • Carpentry and Joinery • Built Environment • Wet Trades • Building Services | Depute Head of Faculty |
| | Business | Associate Principal Depute Head of Faculty <u>Curriculum Managers</u> <ul style="list-style-type: none"> • Business, Management and Media (from Aug 22 - to Construction) • Hospitality, Events, Tourism and Horticulture (from Aug 22 - to Construction) • Accounting and Legal (from Aug 22 - to Care) • Learning Development (from Aug 22 - to Care) | Depute Head of Faculty |
| | Care | Associate Principal Depute Head of Faculty <u>Curriculum Managers</u> <ul style="list-style-type: none"> • Beauty Therapy • Health and social Care • Children and Young People • Hairdressing, Barbering and Make-up Artistry | Depute Head of Faculty |

Note: From 1st August 2022, the faculty of Business will be subsumed into the two other Faculties, with changes to the line management as noted above.

APPENDIX 3 - SIGNATORIES re CHEQUES AND PAYABLE ORDERS

Cheques and payable orders drawn on the College Management bank account must be authorised and signed by two of:

- the Principal
- the Depute Principal
- the Head of Finance

Payable orders drawn on all other College bank accounts must be authorised and signed by two of:

- the Principal
- the Depute Principal
- the Head of Finance
- the Financial Accountant

Additionally, where the value of the cheque or payable order is up to and including the value of £10,000, one of the signatories to the cheques and payable orders may be that of the Assistant Finance Manager.

Transfers between College bank accounts may be authorised by any one of the above.