

**Policy No:
FIN001**



Inspire
Education Group

**INSPIRE EDUCATION GROUP (IEG)
2021-22 FINANCIAL REGULATIONS**

Compliance with these regulations is mandatory for all staff. Failure to comply will lead to disciplinary review and may give rise to the dismissal of the staff member concerned.

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Site: Happeo, IEG, Peterborough, Stamford

1. FOREWORD

The Funding Agreement between the funding body and IEG sets out the terms and conditions on which each funding stream are made.

The Corporation Board is responsible for ensuring that conditions of grant are met. As part of this process IEG must adhere to IEG's Funding Body Audit Code of Practice which requires it to have sound systems of financial and management control and effective arrangements for risk management and governance.

The financial regulations of IEG form part of this overall system of accountability.

This document sets out IEG's financial regulations. It translates into practical guidance on IEG's broad policies relating to financial control. IEG financial affairs are organised in accordance with these approved Financial Regulations.

These apply to Governors and employees of IEG, all of whom are required to act in accordance with the Regulations.

Compliance with the financial regulations is compulsory for all employees of IEG. An employee who fails to comply with the financial regulations may be subject to disciplinary action under IEG's disciplinary policy. Any such breach will be notified to the Corporation Board through the Audit Committee. It is the responsibility of line managers to ensure that employees for whom they are responsible are made aware of the existence and content of IEG's financial regulations.

The Finance and Resources Committee [Committee name to be confirmed] is responsible for maintaining a continuous review of the financial regulations and advising the Corporation Board of any additions or changes necessary.

IEG's detailed financial procedures and accounting instructions set out how the regulations are to be applied and are contained within standing instructions which are available to all employees.

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2. INTRODUCTION AND GENERAL

2.1 General

The IEG [Peterborough College/Stamford College] Corporation has exempt charitable status and is governed by the provisions of:

- The Education Acts (as defined in section 578 of the Education Act 1996) and any subsequent education acts
- The Further and Higher Education Act 1992, as modified by the Learning & Skills Act 2000
- The Instrument and Articles of the Corporation
- IEG's Funding Body funding agreements
- The Standing Orders of IEG [Peterborough College/Stamford College]
- These Financial Regulations

In the event of any conflict between the above regulations, the latter regulations are subordinate to the earlier regulations e.g. (c) is subordinate to (b) which is subordinate to (a).

IEG is accountable to IEG's Funding Body through its Board of Governors (The Corporation) which has ultimate responsibility for IEG's performance.

IEG's Funding Body Funding Agreement with ESFA sets out the terms and conditions on which grant is made. The Board of Governors is responsible for ensuring the conditions of grant are met. As part of this process, IEG must adhere to ESFA's Funding Body Audit Code of Practice which requires it to have sound systems of financial and management control and effective arrangements for risk management and governance. These financial regulations form part of this overall system of accountability.

2.2 Status of Financial Regulations

The IEG Board approved this document on 5th July 2021. These financial regulations set out IEG Group's policies relating to financial control.

As well as being subordinate to the instruments of governance referred to at 1.1, these financial regulations are subordinate to IEG's Funding Body Audit Code of Practice.

The Finance and Resources Committee may receive reports from the Governance Director, the Chief Financial Officer, IEG Auditors and members of the Executive Team on matters which may give rise to a review of these regulations. However, it is the responsibility of the Finance and Resources Committee for maintaining a continuous review of the Financial Regulations and advising the Board of Governors of any additions or changes necessary.

It is the responsibility of the Governance Director to ensure that the Rules for Conduct of Corporation Business (contained in Standing Orders) and the Financial Regulations are kept in line with one another.

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2.3 **Equality & Diversity Impact Statement**

The regulations, if applied fairly, should have no adverse impact on equal opportunities.

Having reviewed the policy IEG recognises the need to provide additional training to our staff so they recognise their responsibilities and are more aware of what the regulations include.

Training will be given to the Executive Team, Heads of Department/Service, and other budget holders on preparing business cases, budgets, procurement and general financial control.

3. DELEGATION, MONITORING AND VIREMENT ARRANGEMENTS

3.1 Responsibility for the Affairs of IEG

The Corporation (Board of Governors)

The members of the Corporation (also known as the Board of Governors, Governing Body or Board) have the ultimate responsibility for the affairs of IEG.

Responsibility of Governors

The financial responsibilities of the Board are:

- ensuring the solvency of IEG and the safeguarding of IEG assets
- ensuring that the financial planning and other management controls, including controls against fraud and theft, applied by IEG are appropriate and sufficient to safeguard public funds
- approving the appointment of Financial Statements Auditors and an Internal Audit Service
- securing the efficient and effective management of Group resources and expenditure, capital assets and equipment and staff, so that the investment of public funds in IEG by IEG's Funding Body is not put at risk
- ensuring that appropriate financial considerations are taken into account at all stages in reaching decisions and in their execution
- planning and conducting its financial and academic years so that its total income is not less than sufficient, taking one year with another, to meet its total expenditure
- approving an annual budget before the beginning of the financial year and the approval of IEG's strategic plan
- appointing, grading, suspending, dismissing and determining the pay and conditions of service to the CEO and Principal, College Principal, and other senior post holders
- approve the annual estimates of income and expenditure and to approve the annual financial statements

Committees of Governors

The Board of Governors has created the following Committees with delegated authority for the specific areas, related to financial activity and control are stated. Ultimate responsibility for these areas still remains with the Board of Governors.

Finance and Resources Committee

The Finance and Resources Committee undertake monitoring of IEG's financial position and financial control systems. The committee will:

- Examine annual estimates and accounts and recommend their approval to the Board of Governors

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- Ensure that short-term budgets are in line with agreed longer term plans and that they are followed
- Consider any other matters relevant to the financial duties of the Board of Governors and make recommendations accordingly
- Ensure that the Board has adequate information to enable it to discharge its financial responsibilities
- Evaluate the impact of any proposed pay award for staff, and recommend to the Corporation

It monitors all aspects of HR and organisational development strategy, including HR policies and key annual reports.

It monitors Health and Safety practice for IEG.

Ensures the appropriateness of the Capital Development and Property Strategy

Has oversight of all commercial ventures, including subsidiary bodies

A more detailed list of responsibilities is set out in the Committee's Terms of Reference.

Audit Committee

The Joint Audit Code of Practice Part 2 sets out the specific requirements of the Secretary of State acting through the Education Skills Funding Agency accountability and audit arrangements and the broad framework in which they should operate.

- Establish an Audit Committee to advise on matters relating to IEG's audit arrangements and systems of internal control
- Co-operate with any person authorised by the funding agency to audit any returns relating to student numbers or claims for financial assistance
- Appoint external auditors to perform annual financial statements and regularity audit
- Appoint internal auditors to assist in the evaluation of IEG's internal controls
- Advise the Corporation on a number of key matters as specified in the Committee Terms of Reference including but not limited to:
 - Audit Strategy for the financial statement
 - Internal audit strategy and plans
 - Internal audit reports and control issues
 - Fraud irregularity and whistleblowing

The committee is independent, advisory and reports to the Governors. It advises the governing body on the adequacy and effectiveness of IEG's systems of internal control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness (value for money).

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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 the internal and financial statement auditors and for monitoring their performance. It will also set appropriate performance indicators for the funding auditor and monitor their performance.

Search and Remuneration Committee

The Search & Remuneration Committee is responsible for the preparation of a framework for pay and conditions of service of Holders of Senior Posts for approval by the Governors. Specifically, salary, annual bonuses, pension matters, and terms and conditions of service.

Management of College Group

The Board of Governors and Members of the Committees, being non-executive, cannot undertake the day to day management of IEG and this has been delegated to the Principals of the two colleges, the Chief Financial Officer, the Executive Director of Business Development, and the Governance Director.

The Chief Executive

The Chief Executive is IEG's designated Accounting Officer and is responsible for the financial administration of IEG's affairs.

The CEO must ensure that the Group annual budgeted estimates of income and expenditure are prepared for consideration by the Corporation. The CEO is responsible for the management of resources within the budgets approved by the Corporation, and for presenting audited accounts to the Corporation.

The CEO shall demonstrate their oversight of financial matters by signing the balance sheet and the statement of corporate governance within the annual financial statements, and the financial forecasts submitted to the funding body.

The CEO is responsible for ensuring an effective system of internal financial control is maintained and operated at IEG. This responsibility cannot be delegated.

As the designated Accounting Officer, the CEO may be required to justify any of IEG's financial matters to the Public Accounts Committee of the House of Commons.

The College Principals

The College Principals must ensure that the Group's annual budgeted estimates of income and expenditure are prepared for amalgamation into the Group budget for consideration by the Corporation.

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The College Principals are responsible for the management of resources within the budgets approved by the Corporation, and for ensuring their respective colleges meet financial targets as set in the overall budget.

The College Principals shall demonstrate their oversight of financial matters, being responsible for overall systems of control within the respective colleges.

The College Principals are responsible for the achievement of planned student numbers at each college.

Chief Financial Officer

Day to day financial administration is controlled by the Chief Financial Officer. The Chief Financial Officer is responsible to the CEO for:

- preparing annually a rolling three-year Financial Plan
- consolidating programme area and support area annual capital and revenue financial budgets and providing advice to budget holders on the preparation of their financial plans
- preparing accounts, management information, monitoring and control of expenditure against budgets and all financial operations
- preparing IEG's annual accounts and other financial statements and accounts which IEG is required to submit to other authorities
- ensuring that IEG maintains satisfactory financial systems and records
- providing professional advice on all matters relating to financial policies and procedures
- cash management and investments
- day to day liaison with internal and external auditors and legal advisors

Governance Director

The Governance Director is appointed by the Board of Governors and is responsible for:

- Arranging meetings of the Board of Governors or Committee, maintaining a record of those meetings and decisions taken and for providing a certified copy to anyone requiring it
- Maintaining a register of Governors interests and making this available for inspection by anyone requiring to do so
- Advising the Board of Governors on all matters regarding their procedures and ensuring compliance with the statutory and Group's Funding Body regulations and Codes of Practice

Members of the Executive Team

The full list of members is:

CEO and Stamford College Principal
Deputy CEO and Peterborough College Principal
Chief Financial Officer
Executive Director of Business Development

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Governance Director

The Principals may also delegate the authorisation powers contained in these regulations for short periods of absence.

All members of The Executive Team are primary budget holders

Budget Holders

Secondary Budget holders are responsible to the College Principals and their primary budget holders for financial management in their own areas. The Chief Financial Officer advises them in executing their financial duties.

Primary budget holders, together with secondary budget holders, are responsible for establishing and maintaining clear lines of responsibility within their area for all financial matters.

3.2 **Access to Information**

In order to perform the responsibilities imposed above and also to comply with statutory provisions, access to the documents and records of IEG shall be available to:

- Any Governor, Principal, Governance Director or Members of the Executive Team
- Any properly appointed auditors whether internal or external
- Any properly authorised official from the following external bodies such as:
 - HM Revenue and Customs
 - Police
 - Group's Funding Body
 - ESF
 - British or European Courts
 - Internal and External Auditors
 - Any other official or person authorised by the Governors

3.3 **Monitoring**

Budgets

Budgets for Revenue and Capital Expenditure will be set each year (see section 4).

The Board of Governors only may approve revisions of the total budgets following recommendations from the Finance and Resources Committee, with the exception of revenue and capital expenditure supported by specific ("ring fenced") grant aid, in such cases the Executive Team may approve and incur such expenditure and subsequently report it to Finance and Resources Committee.

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Budget Virements

The Corporation Board authorises the College Principals to vire funds between budgets subject to the following restrictions:

- Grants received for a specific purpose shall be spent in accordance with the terms and conditions of the grant
- The Principal may approve any budget virements between revenue budgets
- The Principal only may approve virements between non-pay and pay budgets or vice versa

All virements requests must be made on a virements/transfer form, and forwarded to the Finance Office after authorisation by the respective budget holders, or by email from the Budget Holder.

Management Information and Reporting

General Responsibilities

The Chief Financial Officer is responsible for providing annual budgeting guidance, setting out the budgeting procedures to be employed, a timetable for budget approval and detailed budgetary control responsibilities for the coming year.

Primary budget holders may delegate budget management responsibility to secondary budget holders, but remain accountable to the Principals for the stewardship of the funds assigned to them and the income targets set. Primary budget holders must ensure that all secondary budget holders for whom they have responsibility are aware of their duties as budget holders which are set out within the Pack.

Each budget holder shall be responsible for ensuring that they achieve their budgets by staying within their budgeted expenditure levels and for achieving their income levels. Any departures from agreed budgetary targets must be reported immediately to The Chief Financial Officer by the budget holder concerned and, if necessary, corrective action taken.

Reporting

Budget Holders

Budget Holders will be provided with regular budget reports.

A complete set of group management accounts is provided to the CEO & Principal and members of the Executive Team.

The results are discussed at the Executive Team and any remedial action required to correct variances is agreed.

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Finance and Resources Committee

The Chief Financial Officer is responsible for providing management accounts to the Finance and Resources Committee in a format agreed with the Committee. The management accounts, including a commentary.

At each meeting the Finance and Resources Committee receives the latest Finance Report, covering IEG's overall performance measured against budget, together with a commentary on the results from the Chief Financial Officer. A wide variety of other financial information is included in the management accounts pack to assist decision making.

The management accounts pack includes:

- Financial Key Performance Indicators
- Commentary on performance against Revenue Budgets
- Operations Summary (I&E account) and Pay Report
- Aged debt and Balance Sheet
- Three year rolling Cash Flow report and cash management actions
- Capital expenditure report
- Performance against loan covenants

Governors

The Chair of the Finance and Resources Committee will report to the full board the committee's review of monthly management account reports.

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4. PROCEDURES FOR ACCOUNTING, STATISTICAL INFORMATION, TAXATION, AUDIT, AND RETENTION OF RECORDS

4.1 Accounting Procedures

Accounts will be prepared on an accruals and prepayments basis.

Accounts will be prepared on the historical cost basis of accounting and in accordance with applicable accounting standards.

Accounts will be prepared in the format required by IEG's Funding Body.

The Chief Financial Officer will be responsible for preparing year-end financial accounts for audit by the financial statements auditor. He/she will draw up a timetable for their preparation which meets Corporation and IEG's Funding Body requirements and advise staff and the financial statement auditors accordingly.

The Financial Statements will be submitted to the Audit Committee who will be responsible for recommending their final approval by the Board of Governors.

The Financial Statements will be reviewed by the Audit Committee in the context of the audit management letters and internal audit reports, having particular regard to the Corporate Governance Statement on the System of Internal Financial Control and the Statement of Responsibilities of the Members of the Corporation.

4.2 Statistical Information

Other returns and statistical information may be required from time to time by funding agencies. Completion for such returns will be the responsibility of:

- For Strategic Planning Returns – CEO & Principal and DCEO & College Principal
- For Budgets, Financial and Cash Forecasts – Chief Financial Officer
- For Student Numbers and Other Student Information – Chief Financial Officer

Following completion, returns, if so required by the body to whom the return is made, shall be authorised for submission to the bodies by the appropriate Committee and the Governing Body; otherwise such returns shall be reported to the appropriate committee and the Governing Body.

The Chief Financial Officer is also responsible for ensuring that all grants notified by IEG's Funding Body and other bodies are received.

4.3 Taxation

The Chief Financial Officer is responsible for advising all budget holders in the light of guidance issued by the appropriate bodies and relevant legislation as

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it applies, on all taxation issues. The Chief Financial Officer will issue instructions to budget holders on compliance with statutory requirements including those concerning VAT, PAYE, National Insurance, corporation tax and import duty.

The Chief Financial Officer is responsible for maintaining IEG's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate, including all payroll records and returns including PAYE & National Insurance.

4.4 **Audit**

Audit Requirements

The audit requirements of IEG are set out in IEG's Funding Body Audit Code of Practice and supplemented by the Guidance for Audit Committees on the Audit of Individualised Learner Records (ILR) Data and Final Funding Claims at Colleges of Further Education.

Internal auditors, financial statements auditors and funding auditors shall have authority to:

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

Internal Audit

The Audit Committee shall be responsible for developing an internal audit plan which will be carried out by an outside internal audit service (IAS). The IAS shall be re-appointed annually by the Board of Governors on the recommendation of Audit Committee. The Audit Committee shall consider and recommend to the Board of Governors each year an updated Internal Audit Plan and Annual Operating Plan.

The IAS shall be independent from the Finance Function and have no line management responsibility within IEG, reporting directly to the Audit Committee. The IAS shall have direct access to the Board of Governors, the Principals, and Chairman of Audit Committee and all staff of IEG or of subsidiaries or associates.

The Funding Agreement with IEG's Funding Body requires that IEG has an effective internal audit function. The main responsibility of internal audit is to provide the Board of Governors, the Principals and senior management with

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assurances on the adequacy and effectiveness of IEG's risk management, control and governance processes.

The IAS shall be responsible for confirming that IEG acts in accordance with the provisions of the various regulations set out in the General Paper of these Financial Regulations.

The IAS shall also be responsible for reviewing the financial controls and procedures of IEG and reporting whether or not they are being correctly followed and are adequate for their purpose. They should also recommend improvements to the controls and procedures if appropriate. The above includes the security and operation of the computer systems used by IEG to record transactions.

The IAS shall report to the Audit Committee with a review of their findings at least three times a year. In the event of the IAS wishing to report their findings more urgently they may convene a meeting of the Audit Committee which must meet within 14 days of such a request.

The IAS will comply with IEG's Funding Body Audit Code of Practice and any guidance notes thereto that may be issued by IEG's Funding Body. The Internal Auditor will also comply with the standards of internal audit which have been promulgated by HM Treasury and included in the Government Internal Audit Standard (GIAS).

Financial Statements Audit

The Audit Committee shall appoint a firm of Financial Statements Auditors in accordance with the procedures laid down by IEG's Funding Body. The appointment will take place annually and is the responsibility of the Board of Governors who will be advised by Audit Committee.

The primary role of the Financial Statements Auditor is to report on IEG'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 IEG's Funding Body Interim Audit Code of Practice and the Auditing Practices Board's auditing standards.

The Financial Statements Auditors shall report to the Audit Committee with a review of their audit at least annually following the completion of the audit.

Other Auditors

IEG may, from time to time, be subject to audit or investigation by external bodies such as IEG's Funding Body, National Audit Office, and European Court of Auditors, HM Revenue and Customs. They have the same rights of access as the Internal, Financial Statements and Funding Auditors.

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4.5 Retention of Records

Access

As set out in Section 2, Delegation, Monitoring and Virements, all auditors shall have unrestricted access to all records, documents, minutes etc. of IEG as they require.

Records

All records are retained in accordance with the IEG GDPR Policy.

Financial Records

All records are to be kept at a secure location.

It is important that records are carefully retained and systematically filed as they are required for inspection by a number of agencies such as Internal Audit, IEG's Funding Body and HM Revenue and Customs.

Financial records shall be retained as follows:

Accounts etc.	Period of Retention
Signed Accounts	Permanently
Auditors Reports	Permanently
Accounting Records	6 years

It shall be the responsibility of the Chief Financial Officer to ensure the retention of the above.

Examination Results

All records are to be kept (by academic year) in a secure local location, until the July of the seventh year following the relevant year.

Student Enrolment Forms

Hard copy (if used) is to be kept in the archive for seven years.

Student Registration Records

Students Registers to be retained in the archive for seven years.

Registers

Registers are contemporary records. Every teacher is responsible for ensuring that they are kept properly and made available for audit during the period of their use. See MIS procedure notes.

Corporation Meetings

All minutes of Corporation meetings and committee meetings are to be archived (in the Corporation Archive) at the year end, and retained until the July of the twentieth year following the relevant year. Agenda papers of Corporation and committees will be retained for six years.

Other Committees (e.g. Curriculum Review & Development, Capital Resources Management, Health & Safety) - To be kept locally for three years.

HR Records

All personnel records are to be kept by Human Resources section for seven years after termination of appointment.

Supervision of Archive

Records stored in Archives must be clearly labelled.

Keys to the Archives will be the responsibility of the appropriate Senior Manager. Keys and access to all archives are the responsibility of the Group Director for Estates & Health and Safety.

The location and responsibility for Group Archives is as follows:

Record	Location	Responsibility
Minutes of Corporation and Committees	Principal's archive	CEO & Principal
Agenda Papers of Corporation and Committees	Principal's archive	CEO & Principal
Contracts and tender documentation	Peterborough	Chief Financial Officer
Payroll	Stamford	Head/Director of Finance
Finance Records	Both sites	CFO & Head/Director of Finance
HR Records	Both sites	Executive Director/Head of HR
Exam Records	Both sites	Examinations Manager
Student Enrolment Forms	Both sites	Head of MIS
Student Registration Data	Both sites	Head of MIS
Student Registers	Both sites	Head of MIS

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5. REVENUE AND CAPITAL BUDGET

5.1 Introduction

The Governing Body will establish the overall criteria which IEG is to achieve in its financial planning and budget setting process in accordance with the Strategic Plan.

The Chief Financial Officer is responsible for preparing annually a three-year Financial Plan for approval by the Governing Body on the recommendation of Finance and Resources Committee. The Financial Plan, including the financial objectives, should be consistent with the Strategic Plan, IEG's Funding Body three-year development plan and the Estates Strategy approved by the Governing Body. The three-year plan must be submitted to the funding body in accordance with any extant template and guidance.

The Chief Financial Officer is responsible for preparing the Annual Budget comprising a Revenue Budget and Capital Budget for consideration by Finance and Resources Committee before submission to the Board of Governors. To enable proper consideration of all facts by the Governors the budget papers submitted to the Governors should include:

- a) Revenue Budgets
- b) Capital Budgets
- c) Cash Flow Projections based on a) and b)
- d) Reconciliation between a), b) and c) above

The Chief Financial Officer must ensure that detailed budgets are prepared at cost centre level in order to support the resource allocation process and these are to be confirmed with budget holders as soon as possible following approval of the final budget by the Board of Governors.

The final budget will be presented by the Chief Financial Officer to the Executive Team before being presented to the Governors for their approval. It will achieve the desired level of surplus or deficit according to criteria specified by the Governors.

5.2 Budget Setting

Budget Period

The budgets each year will be for a 12-month period from 1 August to 31 July.

Corporation Guidance

At their meetings around February each year the Finance and Resources Committee will set the following guidelines:

- An overall surplus for planning purposes on continuing operations after depreciation of assets at valuation and before tax. The committee reserves

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the right to reset the target should any significant events occur before the completion of the budget setting process

- Any volume change relating to IEG's Funding Body Recurrent Grant funding to achieve the required budget surplus and to conform to the strategic plan
- Indication of capital equipment expenditure over the next three years necessary to achieve the strategic plan and budgeted programmes based on the Executive Team recommendations
- Indication of net capital expenditure over the next three years on properties (expenditure less proceeds of disposals) necessary to achieve the strategic plan and property strategies based on the Executive Team recommendations

Budget Centres

The Executive Team will agree at their meetings the financial targets to be achieved by Primary Budget Holders the totals of which will conform to the target set by the Governors. These targets are before any special factors that may arise during the detailed budget planning which may necessitate adjustments to individual areas which will be subsequently agreed by the Executive Team.

The budgets of the Primary Budget Holders are to be provided by the consolidation of the individual operating Cost Centres making up their respective Primary Cost Centres.

Student Numbers

The student number targets agreed with the Principals will form the basis for funding and income calculations.

Budget Construction

Budgets must be constructed by the responsible Primary Budget Holder in consultation with their team and where necessary from information provided by other teams.

Each budget must be constructed on a monthly basis aggregated to provide annual totals.

Each budget will commence with a list of the Income and Expenditure assumptions used in the computation of the budget.

The Chief Financial Officer will advise budget holders of price inflators/deflators to be used as budget assumptions when more accurate pricing information is not available.

The most important category of cost is staff costs. The staff budget will only include existing roles, re-structured departments must stay within their existing budget allocation. New posts must be approved by the College Principals, the Chief Financial Officer and the Group Head of HE.

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Other costs of providing the offered curriculum must be budgeted on a realistic basis, including inflation.

Following the approval of the Revenue Budget by the Board of Governors, the Principals are authorised to incur expenditure in accordance with the Financial Regulations.

If the Executive Team determine that circumstances require that the budget should be revised during the year, the Chief Financial Officer is responsible for submitting any revised budgets to Finance and Resources Committee for consideration before submission to the Corporation Board for approval.

Capital Expenditure Budget

The Capital Budget is required to itemise both additions to and disposals of land, building, equipment, furniture and fittings that departments deem will be necessary during the forthcoming budget period. In addition, a broad outline of capital requirements thought to be needed in each of the following two years in order to meet the strategic plan should be produced.

The requests will be considered by the Executive Team and then submitted to the Governors as part of the overall Group budget.

The approval of the capital expenditure budget does not provide approval to purchase individual items. It is purely an indication of the total capital available. The capital bidding process will be issued by the Chief Financial Officer each year.

5.3 **Budget Timetable**

- February/March - Finance and Resources Committee recommends budget assumptions and surplus targets
- March to May - Primary and Secondary Budget Holders construct specific budget requests
- July - The Executive Team agree detailed annual budget
- June - Final Annual Budget submitted to Finance and Resources Committee
- July - Three year plan and annual budget approved by Corporation and submitted to the funding

5.4 **Budget Monitoring**

Budget monitoring is undertaken by means of the reporting procedures set out in Section 3 Delegation, Monitoring and Virements Arrangements.

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6. PAYROLL AND PENSIONS

6.1 Remuneration Policy

All Group staff will be appointed to the relevant salary scale and fixed point in accordance with appropriate conditions of service. For new employees and new roles/promotions for existing staff this will be on the IEG pay spine. The Corporation, through the Remuneration Committee, shall determine the salaries of Senior Post holders and the Finance & Resources Committee shall recommend to the Corporation any annual staff salary uplift. All letters of appointment or variations in conditions of service must be issued by the HR Team and signed by the Head/Director of Human Resources.

The Corporation will determine what other benefits, such as cars, medical and life insurance, are to be available, the basis of their provision (contributory or not) and the staff to whom they are to be available.

6.2 Payroll Arrangements

All payroll payments must be correct, authorised and accounted for properly and made to bona fide employees of IEG and to valid beneficiaries of the Pension Schemes. All allowances and deductions must be authorised correctly and be properly accounted for. Authorised officers must ensure that the appointment of all employees is in accordance with IEG policy, at the approved salary and that expenditure is within budget.

The Head/Director of Finance shall ensure the adherence of the arrangements approved and controlled by the College Principals.

The Head/Director of Human Resources is responsible for all matters affecting the payment of such emoluments and in particular:

- Appointments, resignations, dismissals, suspensions, secondments, transfers and retirements
- Absences from duty for sickness, injury or other reasons apart from approved leave
- Changes in remuneration, other than normal increments and pay awards and agreements of general application
- Information necessary to maintain records of service for pension, income tax, national insurance etc

All time sheets and other pay documents, including those relating to fees payable to external examiners, visiting lecturers or researchers, will be in a form prescribed or approved by the Head/Director of Human Resources.

The Head/Director of Human Resources is responsible for the maintenance of all personnel records and the provision of information to enable all salaries, wages, pensions and other emoluments to be paid correctly.

The Chief Financial Officer is responsible for all payments of salaries, wages and expenses including the authorisation of funds transferred to the Payroll

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provider (PRC only). The Chief Financial Officer shall maintain a list of officers authorised to sign payroll payments, together with specimen signatures.

The Chief Financial Officer is responsible for payments for services provided by individuals not defined as employees under Inland Revenue rules. All other individuals will be included on the payroll.

The Payroll Officer is responsible for all payments of salaries and wages to all staff including payments for overtime or services rendered.

The Payroll Officer is responsible for payments to non-employees and for informing the appropriate authorities of such payments. All casual and part-time employees will be included on the payroll.

The Payroll Officer shall be responsible for keeping all records relating to payroll including those of a statutory nature.

All payments must be made in accordance with IEG's detailed Payroll Procedures and comply with HM Revenue & Customs regulations. Staff should be aware that IEG could incur penalties for non-compliance with such regulations.

Terms and conditions of Employment including arrangements regarding Pension Schemes, Absence policies, Disciplinary Procedures, Gifts and Gratuities Receivable, are either included in the Staff Handbook or with the HR Policies & Procedures which are available on IEG intranet.

6.3 Pensions

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

The Payroll Officer is responsible for day to day pension matters including:

- paying contributions to various authorised pension schemes
- preparing the annual return to various pension schemes
- overall liaison with IEG's pension fund providers

The Head/Director of Human Resources is responsible for administering eligibility to pension arrangements and for informing the Chief Financial Officer when deductions should begin or cease for staff.

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7. PURCHASING & COMPETITIVE TENDERING

7.1 Procurement Policy and Procedures

The IEG Procurement Policy gives provides full details to all staff in order that all purchasing activity on behalf of IEG can be undertaken in line with the IEG Policy and Government public sector purchasing requirements.

Appendix 1 provides the authorisation levels for staff, in order to sign contracts and enter into purchasing commitments on behalf of IEG.

7.2 Business Gifts & Hospitality

The Bribery Act 2010 came into force on 1 July 2011. The Act introduced offences for acts of bribery by individuals, or persons associated with relevant organisations. IEG's Anti-Bribery Policy can be found in the finance section of the intranet. The guiding principles to be followed by all members of staff must be:

- the conduct of individuals should not create suspicion of any conflict between their official duty and their private interest
- the action of individuals acting in an official capacity should not give the impression (to any member of the public, to any organisation with whom they deal or to their colleagues) that they have been (or may have been) influenced by a benefit to show favour or disfavour to any person or organisation

Thus, members of staff should not accept any gifts, rewards or hospitality (or have them given to members of their families) from any organisation or individual with whom they have contact in the course of their work that would cause them to reach a position whereby they might be, or might be deemed by others to have been, influenced in making a business decision as a consequent of accepting such hospitality. The frequency and scale of hospitality accepted should not be significantly greater than IEG would be likely to provide in return.

When it is not easy between what is and is not acceptable in terms of gifts or hospitality, the offer should be declined or advice sought from the relevant head of department or the Chief Financial officer before any gift or hospitality is accepted. Guidance on acceptable hospitality is contained in the detailed Financial Procedures.

For the protection of those involved, each Principal's office will maintain a register of gifts and hospitality received where the value is in excess of £50. Gifts and hospitality with a value of over £150 should be approved by the Principals or Chief Financial Officer before it is accepted. Gifts and hospitality with a value of over £150 received by the CEO & Principal should be approved by the Chair of Governors. The CEO & Principal has the discretion to award the gifts over the lower limit on a case-by-case basis.

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Members of staff in receipt of such gifts or hospitality are obliged to notify the Principal's Office promptly.

7.3 **Legal or binding agreements**

In all cases where legal or binding agreements, leases or contracts are required in the execution of a purchase agreement, advice concerning the extent of the commitment should be sought from the Chief Financial Officer. Many agreements contain hidden commitments in respect of forward pricing, notice of termination etc. Of particular concern are those agreements relating to office equipment, photocopies, vending or hygiene equipment. Documents intended to commit IEG contractually must be signed in accordance with authority levels of expenditure as detailed in Appendix 1.

The Chief Financial Officer must maintain procedures to prevent IEG incurring penalties under the Late Payment of Debts (Interest) Act 1998.

7.4 **Capital Expenditure**

All orders for capital expenditure require financial approval by the Chief Financial Officer or designated members of the Finance team. Such authority will only be given where prior approval for the purchase has been given as part of the Capital Expenditure Plan approved by the Board of Governors or the Finance and Resources Committee have given specific prior approval.

The Chief Financial Officer must support each capital requisition brought to Finance and Resources Committee for approval with such appropriate information as may be necessary.

The Chief Financial Officer is responsible for providing regular statements concerning all capital expenditure to the Finance and Resources Committee for monitoring purposes.

7.5 **Litigation**

Any litigation action (including Planning Appeals and Employment Tribunals) initiated by IEG (except for small debt recovery at County Court) requires the prior approval of the Chair of the Corporation, and shall be reported to the next meeting of the Finance and Resources Committee.

The cost of legal advice or assistance commissioned by IEG in defence of litigation by other parties shall be reported to the next meeting of the Finance and Resources Committee.

If the cost of legal assistance in any matter of litigation is expected to exceed £10,000, or if any matter is transferred to the High Court, the Chair of the Corporation must be notified, and the matter reported to the next meeting of the Corporation, or to a Special Meeting of the Corporation, as the Chair may decide after consultation with CEO & Principal and Governance Director.

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7.6 Commercial Property Advice

The cost of all legal and other consultancy fees in respect of property or other commercial transactions must be included when a project is submitted for authorisation (by the Finance and Resources Committee or Corporation (as required by procurement regulations). It is recognised that preparatory costs may be incurred before authorisation is granted, to ensure robust proposals.

7.7 Equipment Leases

Equipment leases shall be approved by the following:

- Up to £5,000 pa – Chief Financial Officer
- From £5,000 to £50,000 – College Principals
- Over £50,000 – Finance and Resources Committee

7.8 Direct Debits

The purchase agreement for the supply of regularly recurring goods and services payable by Direct Debit or Standing Order must be approved by 2 bank signatories; this will set out the arrangements for the approval of invoices raised against that purchase agreement.

7.9 Company Credit Cards

IEG uses Credit Cards as an alternative method of purchasing goods in circumstances not addressed through our normal purchasing methods.

IEG permits the issue of credit cards in its name for all authorised Group business under the following conditions:

- Cards may only be issued with the express sanction of the Accounting Officer
- Credit cards may only be obtained via the Group Director of Finance acting upon appropriate instructions from the Finance & Resources Committee
- Each card must be assigned to one specific user
- Receipts must be obtained wherever possible
- Credit card statements must be addressed to the Finance office who will reconcile them with the monthly expenditure statement
- All existing regulations and authorities currently appertaining to purchase requisitions, orders and authorisation shall apply to the use of Group credit cards

There is also a central credit card held in Finance. Requests signed by the appropriate budget holder together with full details of goods to be purchased should be forwarded to the Assistant Management Accountant for processing. IT equipment/software must be authorised by the Group Head of IT prior to the request being sent to the Assistant Management Accountant.

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8. REIMBURSEMENT OF EXPENSES

8.1 Introduction

The CEO & Principal will set each year the limits on employee personal expenses. To safeguard public funds, it is vital that IEG sets limits on travel, subsistence and other expenses which are reasonable. In deciding what is reasonable due regard must be taken of the rates that apply in other organisations substantially dependent on public funds and very particular care must be taken when approving expense limits for overseas travel.

Payments may only be made within these approved rates. The claims must be:

- For the reimbursement of actual expenditure incurred on Group business and be in accordance with the rates set by the CEO & Principal
- Full particulars and reason for incurring the expenditure must be shown
- Accompanied by supporting vouchers for the cost of travel, accommodation, food and other items of expenditure
- In respect of vehicles which are adequately insured and comply with IEG's procedures with respect of use of vehicles where an owner's vehicle is being used for travel on Group business
- Subsistence expenses will only be paid where the employee is required to be away from their normal place of work

All claims must be checked and authorised before reimbursement can be made. No one shall authorise reimbursement of his or her own expenses. All claims should be approved by the claimant's:

- Line Manager in the case of staff other than CEO & Principal
- Chair of the Corporation Board in the case of the CEO & Principal
- CEO & Principal in the case of Governors

8.2 Travel and Subsistence

All staff must comply with IEG Policies on Travel and Subsistence.

Travel and subsistence allowances, particularly car allowances may be subject to benefit taxation. All payments for staff must be transacted through the payroll facility and not cash or directly from petty cash. All payments for Governors will be by BACS, according to their preference.

Claims should be made online, or if online systems are unavailable, on the appropriate official claim form.

The Head/Director of Human Resources should provide detailed procedures concerning travel and subsistence which all staff and governors must adhere to.

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The Chief Financial Officer will present to the Finance and Resources Committee written reports of all overseas travel and significant expenses incurred by staff and Governors setting out the costs and benefits.

Travel and Subsistence claims will be submitted to Human Resources/Finance who will be responsible for checking the claim submitted for accuracy and detail. On completion of these checks the payment is made via payroll for staff and by BACS for Governors.

8.3 **Sundry Expenses Reimbursed**

All claims for the reimbursement of sundry expenses from petty cash must be made on an official claim form. Payments from petty cash must be properly certified and will be limited to minor items of expenditure not exceeding £50 in any one case. Petty cash should only be used when the item is not readily available through normal ordering channels. See section 17 for more information on petty cash.

8.4 **UK Travel**

Journeys must be authorised by the Director or budget holder. Public transport must be used on all appropriate occasions. Staff must maintain an official record of their journeys, showing full particulars of and the reason for each journey, including the names of passengers carried when claiming car mileage rate. Staff making the same journey on the same business should arrange to travel together. Where public transport is not appropriate staff must comply with Stamford or Peterborough Work Related Driving Policies and procedures for use of Group vehicle or personal car.

8.5 **Travel Overseas and Other Extensive Travel**

Payment for all Overseas and extensive travel for Senior Post Holders and Governors will only be granted by prior agreement of the Finance and Resources Committee. The Finance and Resources Committee will determine each year the value under extensive travel.

Payment for all overseas and extensive travel for all other staff will only be granted by prior agreement of the College Principals.

The Finance and Resources Committee or College Principals must only approve such travel after considering:

- Whether the journey is essential
- The most advantageous mode of travel
- Comparative costs of different travel modes
- Value for money

Where air travel is required the class of travel used should be economy or equivalent.

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Direct costs of accommodation and subsistence (for which receipts are necessary) up to a maximum of £100 per day (unless otherwise approved by the Chair of Governors) will be reimbursed to staff, senior post holders or governors whilst overseas on Group business. All expenses not associated with the business of the trip must be met by the traveller from their own resources.

There must be no personal benefit from any promotional offers associated with travel, such as air miles which must be used against Group business travel.

Wherever possible all travel and accommodation costs are to be invoiced to IEG for payment, using the normal Group procurement procedures

9. **STUDENT UNION**

The Students' Union is a constituent part of IEG and as such is responsible to the Corporation Board.

Subject to any constraints imposed by IEG's Funding Body, the Corporation Board shall determine the level of grant to be paid annually to the Students' Union.

The use of the grant provided each year will be controlled through IEG accounts, following normal Group purchasing rules and authorised by a nominated Group manager as well as the student union officer.

At year end the Students' Union accounts will be audited by an auditor approved by IEG and will be presented to Curriculum and Quality Committee.

IEG's internal auditors shall have access to the records and assets within the Students' Union in the same way as other areas of IEG.

10. INCOME

10.1 General

The Chief Financial Officer is responsible for ensuring that appropriate procedures are in operation to enable IEG to receive all income to which it is entitled. Such procedures must ensure:

- All students are enrolled
- All income is accounted for
- Accounts for income due are raised promptly
- All income collected is held securely and banked promptly and intact

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 IEG's Funding Body and other bodies are received and appropriately recorded in IEG's accounts. He/she is also responsible for ensuring that all claims for funds, including grants and contracts, are made by the due date.

10.2 Level of Charges

The fees policy should be approved by the Corporation Board within the guidance contained in the fees policy. The Executive Team will determine the level of fees & charges.

Authority to run short self-funding courses (including the level of fees) lies with the Executive Team, who can devolve this authority to the Vice Principals of each college for changes to existing provisions. All other courses must go through the normal course approval process

10.3 Course Provision and Student Numbers

The planning and control of student numbers and course provision is the responsibility of the College Principals.

The planning, registration, monitoring, control and reporting shall be carried out in accordance with Group policies and procedures

10.4 Tuition Fees

The Heads of Faculty/Directors of Learning shall be responsible for ensuring compliance with their section of the enrolment and tuition fee procedures and for verifying students' eligibility to attend courses in their areas of curriculum responsibility.

The Chief Financial Officer shall be responsible for maintaining a complete record of students attending IEG in order that appropriate fees and charges shall be levied.

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The Chief Financial Officer must ensure the early and efficient invoicing of students, employers and sponsors.

The tuition fee and registration fees payable for a course are due for payment in full by the student at enrolment except in those cases where a sponsor acceptable to IEG has taken responsibility for the payment of fees in writing.

In appropriate circumstances a student may be permitted to agree a deferral payment or an instalment arrangement. Such arrangements must be in accordance with guidelines issued by the Chief Financial Officer.

A student may apply for a refund of tuition fees in certain circumstances. IEG refund guidelines are covered by the Refund Policy published on IEG intranet and referred to on the enrolment form.

10.5 **Full Cost Courses and Services Rendered**

A full cost course will not attract any external funding.

Full cost courses are under the control of the Group Vice Principals.

Courses or conferences organised by members of staff must be costed and agreed with the Group Vice Principals before any commitments are made. Pricing of such courses will be in line with the annual "Tuition Fees" document produced by Finance. The costing of the provision must include both direct and indirect costs in accordance with IEG's policy. All courses must be self-financing or surplus generating unless it is intended that a new course is to be launched as a loss leader.

10.6 **Monitoring Income**

The Chief Financial Officer shall be notified immediately of any new sources of income due to IEG and any accounts arising should be rendered promptly.

The Chief Financial Officer shall control the procedures for the recovery of outstanding debts.

11. EXTERNAL CONTRACTS

11.1 Additional Payments to Staff

Any proposal which involves additional payments to members of staff should be compliant with IR 35 regulations and approved by the Chief Financial Officer.

11.2 Private Consultancies and Other Paid Work

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

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

Staff must not hold themselves out as acting on behalf of IEG when undertaking personal consultancy work. For example, staff undertaking personal consultancy work must not use Group or college headed stationery. IEG accepts no responsibility for work done or advice given in a personal capacity. Staff undertaking personal work, are reminded of the need to take out personal indemnity insurance.

11.3 Intellectual Property

All intellectual property, patents, copyrights or other rights or original work (invention) arising out of the normal course of employment or study, or whilst using Group resources, are owned by IEG unless otherwise agreed in writing by the Finance and Resources Committee.

The College Principals must be notified immediately in writing of any invention and discoveries made by staff in the course of their work, and will inform the Finance and Resources Committee. The Finance and Resources Committee will be responsible for establishing procedures to deal with any intellectual property etc. accruing to IEG from inventions and discoveries made by staff.

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12. CREDIT

12.1 Introduction

IEG's credit procedures shall be designed to:

- to encourage enrolment and course completion for individual students, and to promote sales to corporate clients
- to obtain payment of fees and charges at the earliest appropriate moment
- to contain bad debt to within minimal limits

12.2 Credit Management

The Customer Base

The credit management procedures recognise three separate groups of customers:

- Individual students
- Sponsors (overseas governments, Local Education Authorities or employers who undertake to be responsible for the individual student's fees)
- Corporate clients (including Approved Training Organisations, Training & Enterprise Councils, Schools, Commercial or Industrial corporations); the contract may be related to provision of education or for consultancy or other services

Students and sponsors

The Corporation is responsible for approving the Credit Management which allows students and sponsors maximum flexibility in the payment of fees subject to a clear understanding that defaulters will be required to meet their financial obligations.

Corporate Clients

The Chief Financial Officer is responsible for implementing credit arrangements, including obtaining credit references, and setting the periods in which different types of invoices must be paid. The Finance & Resources Committee shall approve these arrangements as part of the Credit Management Policy.

Debt Write Off/Refunds/Credit Notes

The following approval thresholds apply:

Credit notes/Refunds

Authorised by Group Assistant
Management Accountant within Group
policy

Debt write-offs and discretionary
credit notes/refunds up to £1000

Authorised by Group Director of Finance

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Debt write-offs and discretionary
credit notes/refunds up to £5000
Any amounts over £5000

Authorised by Chief Financial Officer
Referred to F & R Committee

At the year end the Chief Financial Officer will review all debts and make a provision against those considered to be irrecoverable. This will normally include debts over 90 days.

A schedule of debts written off or provided against shall be submitted to the Finance and Resources Committee annually.

Withdrawals

IEG's policy on refunds is available on IEG intranet.

13. TREASURY AND CASH MANAGEMENT ARRANGEMENTS

13.1 Introduction

The Corporation Board is responsible for approving a treasury management policy, on the recommendation of the Finance and Resources Committee setting out the responsibilities for cash management, long term investments and borrowings.

Any updates and amendments to the Treasury Management Policy will be approved by the Corporation Board.

The Finance and Resources Committee has a responsibility to ensure implementation, monitoring and review of the strategy.

The Chief Financial Officer is responsible for reporting the results of the policy through the monthly Finance report. The Chief Financial Officer and other finance office employees are required to act in accordance with CIPFA's statement of best practice.

All borrowing shall be undertaken in the name of the Corporation and shall conform to any relevant Group's Funding Body requirements.

The Governing body is responsible for the appointment of IEG's bankers on the recommendation of Finance and Resources Committee. The appointment shall be for a specified period after which Finance and Resources Committee shall give consideration to competitively tendering the service.

Governors, through the Finance and Resources Committee, will approve the opening and closing of all bank accounts and be advised of the closure of accounts.

Bank Mandates for the opening of bank accounts will be approved by the Finance and Resources Committee and such Mandates will be signed by a Governor and the Governance Director.

The mandates will authorise the signatories to the accounts as per the table of approvals in Appendix 1.

13.2 Cash Flow

IEG will prepare revenue and capital expenditure budgets for each financial year. A cash flow projection based on the budgets will be prepared and submitted to the Governors for approval with the budgets.

Upon approval of the cash flow projections by the Governors, the CEO & Principal shall be authorised to negotiate with IEG Bankers or other lending institution nominated by the Governors for the provision of any finance that the projections indicate may be required.

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Any such negotiations and agreement of the provision of finance must be according to the terms that may be specified by the Governors and in accordance with any borrowing provisions contained in the ESFA Funding Agreements. Negotiations for the provision of any necessary finance may not be concluded without the approval of the Finance and Resources Committee.

Any short-term surplus funds shall be invested in line with the Treasury Management Policy.

The Finance and Resources Committee shall, when considering the financial operating statements of IEG, receive a report comparing actual cash flow with the projections. All major variances will be explained and any corrective action agreed with the Committee.

13.3 **Banking Arrangements**

All bank accounts shall be in the name of IEG.

All cheques drawn on behalf of IEG must be signed in the form approved by Finance and Resources Committee.

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.

13.4 **Cash Management Procedure**

All monies received within sections from whatever source must be recorded by the department on a daily basis together with the form in which they were received.

Every sundry remittance or sum of money received by an officer on behalf of IEG must be acknowledged by the issue of a formal receipt. Where possible the receipt should be one produced by a cash register and given to the customer when the money is received

Cash must never be left unattended unless it is held in a locked safe or locked drawer. All monies received must be passed as soon as possible (i.e. the same day) to the Finance Office for banking. The custody of all cash holdings must comply with the requirements of IEG's insurers.

The passage of cash from one employee to another must be acknowledged by a signed discharge note.

Banking will be prepared daily by the Finance Office. No sums in excess of the safe insurance limit must be held overnight.

No deductions may be made from any cash collected prior to it being banked except where required to maintain Group cash floats and a journal must be processed through the finance system immediately in order that the daily takings can be reconciled

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The Group Director of Finance will monitor all cleared bank balances, and if not already covered by the automatic inter-account transfer facility arranged with the main banking provider, will arrange transfers between other interest-bearing accounts in accordance with the approved Treasury Management policy.

Personal or other cheques must not be cashed out of money received on behalf of IEG.

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.

All cash register audit rolls, copy receipts cancelled receipts and banking receipts must be retained for audit inspection.

13.5 **Petty Cash**

Petty cash floats may be held within departments under the control of a named individual only.

The holder of the float shall be personally responsible for its safe custody. The Group Director of Finance shall determine the level of float. The petty cash box must be kept locked in a secure place in compliance with the requirements of IEG's insurers when not in use

Proper records of accounts must be kept for each float and reconciliation carried out on a regular basis. Petty cash reimbursements should be requested on the Petty Cash Reimbursement Form which can be found on IEG intranet.

Payments from petty cash must be properly certified and will be limited to minor items of expenditure not exceeding £50 in any one case. A list of signatures of officers authorised to certify claims shall be held and maintained by the Finance Office.

No payments shall be made from petty cash imprest accounts which could be paid through the normal creditor payments routine. Cash floats shall not be used for travel or subsistence expenditure.

No income received on behalf of IEG may be paid into a petty cash float.

The Group Director of Finance shall ensure that regular independent checks on petty cash floats take place and that where a nominated officer leaves the employment of IEG, the petty cash imprest account is properly handed over to his/her successor.

At the end of the financial year a certificate of the balances held should be completed by the employee responsible for the float and counter signed by the head of department.

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14. ASSET MANAGEMENT

14.1 Land and Buildings

All acquisition or disposal of assets of land or buildings, or any alienation of leases of licences, or any grant of leases or licences, requires the consent of the Corporation Board and with reference to IEG's Funding Body requirements where government funded assets are involved.

A register of all assets of land and buildings held by IEG is maintained by the Chief Financial Officer.

The CEO & Principal is responsible for the arrangements for the safe custody of the deeds in respect of land and properties.

14.2 Equipment

Capital expenditure on equipment is money spent on an item which is not immediately consumed but has a useful life in the business of over 12 months and has a value, including VAT, in excess of £2,000.

All requisitions for Capital Expenditure must be authorised by the CEO & Principal unless:

- A capital project is included in the capital plan, approved by the Finance and Resources committee, in which case he or she will have authority to spend the allocation subject to normal financial thresholds and procedures
- The College Principals authorise virements of funds from IEG revenue budget to the capital budget when the budget holder may then incur expenditure.

Equipment finance leases are regarded as Capital Expenditure. All such leases with a value exceeding £50,000 or £4,100 per month must receive the prior approval of the Finance and Resources Committee.

The approvals given are for the maximum expenditure on the item/s and must not be exceeded. The Finance and Resources Committee will receive reports at its meeting monitoring actual capital expenditure against budget.

All capital assets will be recorded on the Asset Register. This includes items donated or held on trust with a value of £1,000 or more.

Operational managers are responsible for establishing adequate arrangements for the custody and control of all equipment, stocks and stores within their section. Operational managers must ensure that local records are kept of items of equipment with a purchase cost below £2,000.

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14.3 Physical security of equipment

A periodic audit of the capital equipment will be undertaken against the details held on the Central Asset Register. Individual items with a cost of £15,000 or more will be verified annually and other items will be verified by way of sample spot checks carried out on a cyclical basis as determined by the Chief Financial Officer. Each asset will be allocated an asset identification number which will allow it to be identified.

The Senior Financial Accountant will monitor the security of the assets recorded on the Central Asset Register.

Operational managers must arrange for regular inspections and stock checks to be carried out.

Where a deficiency of a capital asset occurs, the Senior Financial Accountant should be advised immediately, who will investigate the deficiency and make a report of any losses to the Chief Financial Officer.

Operational Managers can dispose of surplus or obsolete materials, stores or equipment, with the aim of achieving the best price. Any disposal must be approved by the Chief Financial Officer. This will usually entail the use of sealed bids and reserve levels for more valuable items. In the first instance capital items to be disposed of should be offered to other departments. The Finance office must be notified of all disposals.

If capital equipment is loaned to persons other than Group users a dated receipt signed by the borrower must be obtained.

No capital equipment is to be removed from IEG premises without the prior written permission of the appropriate Director with the exception of laptop computers. The IT department will be responsible for authorising their issue and/or maintaining a log of issues to and returns by staff.

Where capital equipment is kept beyond its expected life span, it will remain on the Asset Register as an inventory item for insurance purposes until the Senior Financial Accountant is notified of its disposal.

14.4 Purpose of Asset Register

The Asset Register of Capital Equipment is maintained to:

- Make proper provision for asset depreciation
- Help calculate new capital investment requirements
- Assess insurance risk provision based on current replacement values

The term 'capital equipment asset' is intended to cover all equipment in IEG's possession, including replacement major plant & fixtures (lifts, boilers etc.) that would usually be provided as an integral part of the buildings.

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Equipment finance leases are regarded as capital items and must be approved in accordance with capital procedures. In addition, leases must also be approved as set out in these regulations.

14.5 **Depreciation**

All items will be depreciated on a straight-line basis over a period depending on the type of asset in accordance with the accounting policies approved by the Corporation.

14.6 **Transfer of Assets**

When an asset is moved from its recorded location or ownership the Senior Financial Accountant must be informed.

14.7 **General Security**

Heads of Faculties/Heads of Departments and support area managers are responsible for maintaining proper security at all times for all buildings, stock, stores, equipment, cash, etc. under his/her control. The Chief Financial Officer should be consulted in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

Keys to safes or other similar secure areas are to be carried with the person at all times. The loss of such keys must be reported to Estates immediately.

The Group Director of Estates shall maintain a register of key holders for buildings, rooms and safes.

The CEO & Principal is responsible for the safekeeping of official and legal documents relating to IEG. Signed copies of deeds, leases, agreements and contracts must, therefore, be forwarded to the CEO & Principal. All such documents shall be held in an appropriately secure, fireproof location and copies held at a separate location.

14.8 **Information Technology Security**

The same high standards of security that are applied to the physical assets shall be applied to all information technology systems.

The security of IEG's information system is the responsibility of the Group Director of IT and Digital Innovation. He/she must ensure that there are the appropriate procedures in place to secure:

- Confidentiality: protecting sensitive information from unauthorised disclosure
- Integrity: safeguarding the accuracy and completeness of information and computer software
- Availability: ensuring that information and vital services are available to users when required

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14.9 **Stocks and stores**

Operational Managers are responsible for establishing adequate arrangements for the custody and control of stocks and stores within their control. The systems used for stores accounting in sections must have the approval of the Chief Financial Officer.

Operational Managers are responsible for ensuring that regular inspections and stock checks are carried out. Stocks and stores of a hazardous nature should be subject to appropriate security checks.

Those operational managers 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 employees within their area of responsibility are issued in accordance with advice contained in IEG's accounting instructions.

15. RISK MANAGEMENT

15.1 The Risk Management Process

General

The Corporation will approve a risk management policy for IEG as part of the internal control and corporate governance arrangements for IEG.

The policy shall set out IEG's underlying approach to risk management, and document the roles and responsibilities of the Corporation Board, the Risk Management Group and other key parties. It outlines the key aspects of the risk management process, and identifies the main reporting procedures. In addition, it describes the process the Corporation Board will use to evaluate the effectiveness of IEG's internal control procedures.

Assessment

In assessing the system of internal control and corporate governance, the Corporation and the Executive Team must have regard to:

- The nature and extent of the risks facing the organisation
- The extent and categories of risk which it regards as acceptable to bear
- The likelihood of the risks concerned materialising
- The costs of operating controls relative to the benefit thereby obtained in managing the related risks

The assessment of the internal control system shall consider the adequacy of the policies, processes, tasks, behaviours and other aspects of IEG that, taken together:

- Facilitate its *effective* and *efficient operation* by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving IEG's objectives. This includes the safeguarding of assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed
- Help ensure the *quality of internal and external reporting*. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside IEG. There must be procedures for reporting immediately to appropriate levels of management and the Corporation if appropriate any significant control failings
- Help ensure compliance with *applicable laws and regulations* and also internal policies with respect to the conduct of business

Any Group subsidiary companies will be subject to the same risk management process.

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Implementation

The Corporation has overall responsibility for ensuring there is a common approach to risk management throughout IEG by the development, implementation and embedment within IEG of a formal, structured risk management process.

Within IEG, the CEO & Principal and the Deputy CEO & Principal, supported by Risk Management Group, is responsible for reviewing and developing the risk register in order to identify the risks facing IEG and types of protection required to cover these risks.

Heads of Departments/Head of Faculties must give prompt notification to The Chief Financial Officer of any potential new risks or changes in circumstances affecting existing risks.

15.2 **Insurance**

The Group Director of Estates and H & S working under the direction of the Chief Financial Officer will, on an annual basis, ensure adequate insurance cover is in place and advise the F & R Committee regarding additions and amendments required to IEG insurance cover.

Operational Managers must give prompt notification to the Group Director of Estates and H & S, of any potential new risks and additional property and equipment which may require insurance and any alterations affecting existing risks.

Operational Managers must advise the Group Director of Estates and H & S immediately, of any event which may give rise to an insurance claim.

The Group Director of Estates and H & S will keep a register of all insurances effected by IEG and the property and risks covered. A suitable record of plant which is subject to inspection by an insurance company and for ensuring that inspection is carried out in the periods prescribed.

All employees using their own vehicles on behalf of IEG shall maintain appropriate insurance cover for business use or ensure that IEG has effected temporary cover on their behalf.

16. FRAUD & IRREGULARITY

16.1 Introduction

This policy sets out the action to be taken when potential irregularity, including fraud, corruption or any other impropriety is discovered or alleged.

The term fraud will be used throughout this statement to describe any of the above acts.

16.2 Scope

By 'irregularity' is meant any act by insiders or outsiders which constitutes a departure from the principles and procedures laid down in the Financial Regulations (or any procedures referred to in the Financial Regulations) which results in an improper payment or claim for payments being made (whether in favour of or against IEG) or a wrongful statutory return being made by IEG.

Such an irregularity may have arisen by accident, lack of knowledge, lack of due diligence by intent or gross negligence.

Where such irregularity arises by intent or gross negligence but is not of direct or indirect financial benefit to the individual responsible this constitutes misconduct or gross misconduct.

Where such irregularity arises by intent or gross negligence and is of direct or indirect financial benefit to the individual responsible this constitutes not only misconduct or gross misconduct but also a suspicion of fraud.

16.3 Responsibilities

All employees have a responsibility to report any potential fraud to the CEO & Principal directly or via the mechanism in place through the Disclosure of Public Interest Policy.

The CEO & Principal will under normal circumstances be responsible for the overall management of any fraud investigation but will not actively investigate any allegation made against an employee.

The CEO & Principal must make an immediate referral to the Audit Committee of any potential fraud. This will invariably involve convening an emergency meeting of the Audit Committee to conduct an enquiry.

The CEO & Principal is advised to contact IEG's Funding Body Audit Service, and in appropriate circumstances the Police, at an early stage when a serious potential fraud is alleged or discovered and, must relay any advice given to the Audit Committee.

In the absence of the CEO & Principal or if it is not appropriate for the CEO & Principal to be involved in the investigation a senior post holder will assume the CEO & Principal's responsibilities.

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Financial statements auditors and internal auditors must report any potential fraud they uncover to the CEO & Principal, the Chair of the Corporation and the Chair of the Audit Committee. The Audit Committee will consider the evidence and advise the Corporation Board.

The Audit Committee, in deciding whether evidence of fraud, exists, may:

- Commission a special investigation by IEG internal auditors or others, funding for which will be voted from the contingency budget
- Seek advice from IEG's Funding Body audit service, internal auditors, Group managers or other professionals
- Instigate an internal enquiry

The Chair of the Audit Committee must normally notify the CEO & Principal and the Chair of the Corporation Board without delay if having considered the matter the Audit Committee feels a potential fraud has occurred.

The Chair of the Corporation Board must raise the matter at the next meeting of the Board.

Where the matter is considered **significant** the Board should consider holding a special meeting.

The CEO & Principal must report any **significant** fraud to the Funding Body in accordance with the funding agreement.

Significant fraud is usually, but not exclusively, where one or more of the following factors are involved:

- The sums of money are in excess of £10,000
- The particulars of the fraud are novel, unusual, or complex
- There is likely to be great public interest because of the nature of the fraud or the people involved

The CEO & Principal may if time is of the essence decide to report a serious allegation of fraud immediately to the Police. In this instance, if possible, the Chair of the Audit Committee and the Chair of the Corporation Board should be consulted.

The CEO & Principal may take any reasonable action to minimise any damage caused by a potential fraud prior to the matter being considered by the Corporation Board.

This may involve:

- Suspension of business dealings with any outsider alleged to be defrauding IEG
- Suspension or exclusion of any student alleged to be defrauding IEG
- Temporary redeployment of any employee alleged to be defrauding IEG
- Suspension of any employee alleged to be defrauding IEG

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- Summary dismissal, after due process, of any employee on the grounds of gross misconduct if sufficient evidence of fraud exists
- Withdrawal of access to bank accounts, safes, or resources by any employee alleged to be defrauding IEG
- Any other appropriate action deemed necessary to protect Group assets and interests

The funding agreement with IEG's Funding Body makes the Corporation Board responsible for ensuring that the financial, planning, and other management controls, including controls against fraud and theft, applied by IEG are appropriate and sufficient to safeguard public funds.

The Corporation Board, with advice from the Audit Committee, must agree a response to the fraud and, where action has already been taken satisfy itself that the response is appropriate.

The Board should consider:

- Referral to the Police if this has not already occurred
- Suspension or dismissal if an employee is involved
- Minimising the damage sustained
- Action to recover any losses
- Action to prevent a reoccurrence of a similar incident within IEG

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17. CORPORATE SEAL

The Corporation has a seal and in accordance with the Instrument of Government of IEG the use of the seal must be authenticated by the signatures of the Chairman or any other member generally or specifically authorised together with the signature of another member. Specific authorisation of the Corporation is required for application of the seal. The details of all applications of the seal will be recorded on Agenda and minutes of the corporation meeting.

The seal shall be used on all documents for:

- The acquisition or disposal of land and buildings
- On any document or contract which requires to be sealed in accordance with any statutory provisions or other regulations
- On any contract which has over the period of its duration a potential liability in excess of £200,000

All applications of the seal shall be listed in a Seal's Register and reported to the Corporation and shall detail the:

- The date of application
- Brief details of the document sealed
- The names of the authenticating members
- The signature of the Chairman of the Corporation

The seal is kept in the Governance Director's Office.

18. CONFLICTS OF INTEREST

18.1 Members of the Corporation and Senior Post Holders

The Code of Conduct deals with Conflicts of Interest. The Code of Conduct established by the Corporation is binding on members of the Corporation, observers and external members of its committees, on members of the Senior Leadership Team and on the Governance Director.

18.2 Other Staff

Financial Interest

Where any other budget holder (or any member of staff who has influence over the placing of an order or contract for goods or services) has a financial interest in an order for supply of goods or services, he/she shall declare that interest to the Director with overall budget responsibility, who shall personally authorise or countermand the order.

Receipt of Goods and Hospitality

Members of staff should not receive gifts, hospitality or benefits of any kind from a third party which might be seen to compromise their personal integrity.

Any offer or receipt of such gifts, hospitality or benefits should be reported to her or his Director, and must check they are in accordance with the Gifts and Hospitality regulations contained within this policy

19. BUSINESS PARTNERSHIP ARRANGEMENTS

19.1 Background

The Executive Team have agreed a central framework for negotiation and operating any franchise or partnership arrangement. This section outlines that framework, and gives guidelines to those staff who may be involved in the agreement and operation of such ventures.

All the documents, procedures and working practices are based upon the recommendations and guidelines outlined to colleges by the ESFA. The ESFA guidance relates only to franchise provision but IEG's procedures cover both franchising and partnerships.

19.2 Definitions

Two types of delivery arrangement are recognised: direct (either by the institution or with a partner) and franchised. They are defined as:

- Direct provision: - is where staff delivering the provision are under the direct management of IEG either as employees or through employment/staffing agency arrangements. An employment/staffing agency is a business whose undertaking is wholly or mainly the provision of staff to third parties to work under the direct management of the third party
- Franchised provision: - is any eligible provision which is not direct provision, including where a college or Group arranges with another organisation to deliver provision under IEG's control, normally at sites away from IEG's premises

19.3 The Context of Business Partnership Arrangements

The Executive Director of Business Development has responsibility for managing and developing partnership and sub-contracting provision. This is done within the context of the strategic objectives of working in collaboration with partners to identify and meet community needs.

Franchising/partnership arrangements should be adding to IEG's profitability. The financial viability of the franchise/partnership arrangements should be based upon costs of provision and possible funding levels from Group's Funding Body or other sources.

19.4 The Procedure for Agreeing Business Partnership Arrangements

All new franchise/partnership contracts must be authorised by the Executive Team based on the recommendation of the Executive Director of Business Services. Contracts with an expected annual value greater than £50,000 must also be authorised by the F&R or at least the chair of F&R and ratified at the next full meeting.

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All existing Contracts must be reviewed annually by the Executive Team as part of the budget setting process, based on performance of each sub-contractor/franchise partner.

The criteria for agreement of new and existing contracts will be on the basis of the published checklist but with additional features including:

- the position within the portfolio of provision as outlined in the Strategic Plan, and how the arrangement will add to IEG's portfolio
- an assessment on the student number and funding value of the arrangement
- projection of income and costs and an assessment of contribution to profitability
- a check on the control issues identified by IEG's Funding Body (below)
- confirmation of the suitability of the franchisee/partner to conduct the venture which should include:
 - Statement of the objectives in terms of qualifications and their current listing on IEG's Funding Body Learner Aims Database
 - A full due diligence including a copy of franchisees/partners latest accounts, plus bank/trade references for new contracts

All partner programmes must be detailed in a final contract with the partner.

Reporting on franchise and other sub-contracts is conducted through Finance and Resources Committee to the Corporation Board. The Executive Director Business Development will provide regular reports to the Governors on all partnership and franchise income generating activities.

19.5 **Control Issues**

IEG must be able to enrol or reject students as it would do if the students were to be taught on its own site.

A student learning agreement must be entered into at the time of enrolment which reflects the outcome of initial guidance and assessment for an individual student.

A learning programme and its means of delivery must have been clearly specified by IEG.

IEG must be in control of the delivery of the education.

Arrangements for assessing the progress of individual students must be in place.

A procedure for IEG to monitor regularly the delivery of programmes provided in its name must be in place.

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19.6 **Contractual Arrangements**

All franchise agreements must be based on the latest version of IEG's Funding Body model contract.

All partnerships must be based on the current Group model agreement.

20. **GROUP COMPANIES AND JOINT VENTURES**

20.1 **Introduction**

The Governing Body is responsible for approving any investment (including the giving of a guarantee) in a company or joint venture and the procedure to be followed in order to do so. In doing so, the requirements and guidance issued by IEG's Funding Bodies must be observed.

20.2 **Conduct of Company/Joint Venture**

The Board of Governors should ensure that following the establishment of a separate company a formal memorandum is established between IEG and the company, setting out the relationship between the company and IEG.

Before any IEG funds are made available to a company, the Board of Governors should ensure that it will receive a satisfactory return and that IEG bears an acceptable level of risk.

For each proposed business venture the Board of Governors through scrutiny by the Finance and Resources Committee should undertake a thorough review of its business plan and proposed control arrangements as set out in IEG's Funding Body guidance.

Group's Funding Body funds may be used to purchase goods and services from a company or joint venture, subject to the usual requirements with regard to value for money. However, IEG's Funding Body funds should not be used to fund or subsidise private trading ventures by IEG, either through direct transfers of cash or indirect funding or subsidy arrangements such as granting subsidiaries more favourable terms of trade than other customers and providing staff free of charge or at a rate which does not cover the full costs involved.

Where IEG costing system does not distinguish public funds from other funds, Governors should regard all the funds at their disposal as if they were public funds.

It is the responsibility of the Board of Governors to establish the shareholding arrangements. Directors of companies will be appointed in accordance with the Articles of the company and in accordance with Group's Funding Body guidance. The performance and audited annual accounts of the company/joint venture must be reported to the Corporation.

Any company/joint venture in which IEG has a controlling interest shall operate within the same financial framework as IEG and have the same external auditors as IEG. Where a controlling interest does not exist, the Corporation must be satisfied that there are appropriate, transparent controls and accountability arrangements at least as rigorous as those of IEG and it must have board representation for any significant investment.

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21. OTHER

21.1 Consultants

- Consultants may be used to provide professional advice and interim support to the Group
- All Consultants must be issued a contract for the supply of services in advance of the work, and signed by the Chief Financial Officer
- The Chief Financial Officer will provide regular reports to the Finance & Resources Committee on all Consultants/Interims with expenditure above £10k on a regular basis

21.2 Trust Funds

The Chief Financial Officer is responsible for maintaining a record of the requirements for each trust fund and for advising the Finance & Resources Committee on the control and investment of fund balances.

The Finance & Resources Committee is responsible for ensuring that all the Group's trust funds are operated within any relevant legislation and the specific requirements for each trust.

21.3 Charitable Donations

The CEO & Principal must approve any charitable donations given by the Group.