

# LONGLEY PARK SIXTH FORM COLLEGE

## FINANCIAL REGULATIONS

September 2011

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## SECTION 1: GENERAL

### Background

Longley Park Sixth Form College is a further education corporation created under the provisions of the Further and Higher Education Act 1992. Its structure of governance is laid down in the Instrument and Articles of Government, which may only be amended by application to the Secretary of State for Business, Innovation. The College is accountable through its Governing Body for the effectiveness of its management and administration. The College is funded and scrutinised by the **Young People's Learning Agency** Learning and Skills Council (the Funding Body) which is in turn accountable to the Department for **Education Business, Innovation and Skills**.

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

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

### Purpose and Status of Financial Regulations

This document sets out the College's financial regulations. It translates into practical guidance the College's broad policies relating to financial control. The Governing Body originally approved this document on the 7<sup>th</sup> October 2009. It applies to the College and all its subsidiary undertakings.

These financial regulations are subordinate to the College's Instrument and Articles of Government and to any restrictions contained within the College's financial memorandum with the funding body and the funding body's audit code of practice.

The purpose of these financial regulations is to provide control over the totality of the College's resources and provide management with assurances that the resources are being properly applied for the achievement of the College's strategic plan and business objectives:

- maintaining financial viability;
- achieving value for money;
- fulfilling its responsibility for the provision of effective financial controls over the use of public funds;
- ensuring that the College complies with all relevant legislation;
- safeguarding the assets of the College.

Compliance with the financial regulations is compulsory for all staff. A member of staff who fails to comply with the financial regulations may be subject to disciplinary action under the College's Disciplinary Policy. The Governing Body will be notified of any material breach through the Audit Committee. It is the responsibility of budget holders to ensure that their staff are made aware of the existence and content of the College's financial regulations.

The Resources Committee is responsible for maintaining a continuous review of the financial regulations, through the Assistant Principal (Resources), and for advising the Governing Body of any additions or changes necessary.

In exceptional circumstances, this committee may authorise a departure from the detailed provisions herein, but this must be reported to the Governing Body at the earliest opportunity.

The Financial Regulations are formally reviewed annually by the Resources Committee.

The College's detailed financial operating instructions set out precisely how these regulations will be implemented and are contained in a separate manual.

## **SECTION 2: CORPORATE GOVERNANCE**

### **The Governing Body**

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

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

### **The Principal**

The Principal is the College's Accounting Officer and is responsible for ensuring the financial administration of the College's affairs in accordance with the financial memorandum with the Funding Body. As the Accounting Officer, the Principal may be required to justify any of the College's financial matters to the Public Accounts Committee at the House of Commons. The Principal's financial responsibilities are:

- preparing annual estimates of income and expenditure, for consideration and approval by the Governing Body, and for the management of budget and resources, within the estimates approved by the Governing Body;
- ensuring that all funds received are used only for the purpose for which they are given;
- advising the Governing Body if any action or policy under consideration is not compatible with their statutory obligations.

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

### **Responsibility of Committees**

The Governing Body has ultimate responsibility for the College's finances, but delegates specific powers and processes to the following committees which are accountable to the Governing Body. A diagram depicting the committee structure is included at Appendix A.

#### **(a) Resources Committee**

Monitoring of the College's financial position and financial control systems is undertaken by the Resources Committee. The Committee will examine annual estimates and accounts (including the accounting policies upon which they are based) and recommending their approval to the Governing

Body. It will ensure that short-term budgets are in line with longer-term plans and that they are followed. It will consider any other matters relevant to the financial duties of the Governing Body and make recommendations accordingly. The Committee will also ensure that the Governing Body has adequate information to enable it to discharge its financial responsibilities. A more detailed extract from the Resources Committee terms of reference is shown at Appendix B.

### **(b) Audit Committee**

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

### **(c) Search, Governance & Remuneration Committee**

Consideration of senior management's pay and conditions is the responsibility of the Search, Governance & Remuneration Committee. It has the power to make recommendations to the Governing Body on their remuneration, including pay and other benefits, as well as contractual arrangements.

## **Other Managers with Financial Responsibility**

### **(a) Assistant Principal (Resources)**

The Assistant Principal (Resources) is responsible to the Principal for issuing such instructions and guidance that may be necessary to ensure effective financial management and control. His or her main areas of responsibilities are:

- preparing annual capital and revenue budgets and financial plans
- approving all financial systems, methods, records and controls operated by the College
- ensuring that the College maintains strong financial systems and a high standard of financial control
- ensuring that arrangements made in relation to all financial and security matters are economical, efficient and effective, and for issuing such instructions which are necessary to achieve this.

### **(b) Finance Manager**

Day-to-day financial administration is the remit of the Finance Manager. His or her main responsibilities are:

- preparing accounts, and management information, monitoring and controlling of expenditure and income against budgets
- preparing the College's annual accounts and other financial statements and reports which the College is required to submit to other authorities
- providing professional advice on all matters relating to financial policies and procedures, financial management and value for money
- being the lead officer in liaising with internal and external auditors

## **Responsibility of Budget Holders**

Budget Holders are responsible for the financial management for the areas or activities they control and for ensuring compliance with the financial regulations and financial operating instructions. They are advised by the Finance Manager in executing their financial duties. The Finance Manager will also supervise and approve financial systems operating within their departments, including the form in which financial records are kept and reports made. Budget holders must establish and maintain clear lines of responsibility within their department for all financial matters.

## **Responsibility of all Members of Staff**

All members of staff should be aware and have a general responsibility for the security of the College's property and the effective use of resources, and ensure they make themselves familiar with all relevant policies and procedures to achieve this.

All members of staff must comply with the College's financial regulations and financial operating instructions. They should be aware of the College's financial authority limits and the values of purchases for which quotations and tenders are required.

Staff shall immediately notify the Principal whenever any matter arises which involves, or is thought to involve, irregularities concerning, inter alia, cash or property of the College. The Principal shall take appropriate steps, as set out in the Anti-Fraud Policy and Fraud Response Plan document.

## **Risk Management**

The College acknowledges the risks inherent in its business, and is committed to managing those risks that pose a significant threat to the achievement of its business objectives and financial health. The College's risk management arrangements are set out in its risk management policy.

The Governing Body has overall responsibility for ensuring there is a risk management policy and plan and a common approach to the management of risk throughout the College through the development, implementation and embedding within the organisation of a formal, structured risk management process which meets the requirements of the Funding Body and audit code of practice.

The College's risk management policy requires:

- the establishment of College-wide criteria for the measurement of risk, linking the threats to their potential impact and the likelihood of their occurrence
- a decision on the level of risk to be accepted
- a decision on the level of risk to be covered by insurance
- detailed regular reviews by the Assistant Principal (Resources) to identify significant risks associated with the achievement of key objectives and other relevant areas
- development of risk management and contingency plans for all significant risks to include a designated 'risk owner' who will be responsible and accountable for managing the risk in question
- regular reports to the Audit Committee of all significant risks
- an annual review of the implementation of risk management arrangements.

The policy and procedures have been established to be capable of independent verification.

## **Whistle Blowing**

Whistle blowing in the context of the Public Interest Disclosure Act is the disclosure by an employee (or other

party) about malpractice in the workplace. A whistleblower can “blow the whistle” about crime, civil offences (including negligence, breach of contract, etc), miscarriage of justice, danger to health and safety or the environment and the cover-up of any of these. It does not matter whether or not the information is confidential and the whistle blowing can extend to malpractice occurring in the UK and any other country.

Normally, any concern about a workplace matter at the College should be raised in the first instance with the relevant member of staff's immediate line manager. However, the College recognises that the seriousness or sensitivity of some issues, together with the identity of the person the member of staff thinks may be involved, may make this difficult or impossible. Therefore the disclosure can be made to one of the staff designated for this purpose. If the member of staff does not wish to raise the matter with this person, or with the Principal or the Chair of the Governing Body, it may be raised with the Chair of the Audit Committee.

The full procedure for whistle blowing is set out in the institution's Public Interest Disclosure Policy, which is available from the Clerk to the Corporation.

## **Code of Conduct**

The College is committed to the highest standards of openness, integrity and accountability. It seeks to conduct its affairs in a responsible manner, having regard to the principles established by the Nolan Committee, which members of staff at all levels are expected to observe. In addition, the College expects that staff at all levels will observe its code of conduct, contained in its detailed financial procedures, which covers:

- probity and propriety
- selflessness, objectivity and honesty
- relationships.

Additionally, members of the Governing Body and Senior Management are required to disclose interests in the College's register of interests maintained by the Clerk to the Corporation. They will also be responsible for ensuring that entries in the register relating to them are kept up to date regularly and promptly, as prescribed in the financial procedures. In particular, no person shall be a signatory to a College contract where he or she also has an interest in the activities of the other party.

## **Receiving Gifts or Hospitality**

It is an offence under the Prevention of Corruption Act 1906 for members of staff to accept corruptly any gift or consideration as an inducement or reward for doing, or refraining from doing, anything in an official capacity. The guiding principles to be followed by all 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.

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 consequence of accepting such hospitality. The frequency and scale of hospitality accepted should not be significantly greater than the College would be likely to provide in return.

Guidance on acceptable hospitality and gifts are dealt with in the Gifts and Hospitality Policy. For the protection of those involved, the Clerk to the Corporation will maintain a register of gifts and hospitality received where the value is in excess of £25. Members of staff in receipt of such gifts or hospitality are obliged to notify the Clerk of the Corporation promptly.

#### Bribery Act and Anti-Bribery Policy

The Bribery Act 2010 came into force on 1<sup>st</sup> July 2011 and introduced an offence for organisations of 'failing to prevent bribery'. Under the Act organisations need to have in place adequate procedures to prevent bribery occurring if they are to avail themselves of the adequate procedures defence.

The College adopted an Anti-Bribery Policy in May 2011 prohibiting the offering, giving, solicitation or acceptance of any bribe, whether cash or other inducement to or from any person or company, wherever they are situated and whether they are a public official or body or private person or company by any individual employee, Governor, agent or other person or body acting on the College's behalf in order to gain any commercial, contractual or regulatory advantage for the College in a way which is unethical or in order to gain any personal advantage, pecuniary or otherwise, for the individual or anyone connected with the individual.

The prevention, detection and reporting of bribery is the responsibility of all staff and Governors throughout the College. Suitable channels of communication by which staff and others can report confidentially any suspicion of bribery will be maintained by the Public Interest Disclosure Policy.

## **SECTION 3: FINANCIAL MANAGEMENT**

### **Financial Planning**

The Assistant Principal (Resources) is responsible for preparing annually a rolling three-year financial plan for approval by the Governing Body and for preparing financial forecasts for submission to the Funding Body. Financial plans should be consistent with the College's strategic objectives and approved by the Governing Body.

### **Financial Objectives**

The Governing Body will annually review and set the institution's financial objectives and set specific performance indicators. Progress against these indicators will be reported at least termly to the Governing Body.

### **Financial Reporting**

The College's financial year will run from 1 August until 31 July.

The financial statements are prepared in accordance with the Statement of Recommended Practice Accounting for Further and Higher Education, subject to any specific requirements of the Funding Body, and in accordance with Companies Act 1985 and UK GAAP.

The Finance Manager is responsible for supplying monthly budget monitoring reports to the members of Resources Committee consistent with any specific requirements of the Funding Body. Termly budget monitoring reports are submitted to the Governing Body.

The Finance Manager is responsible for supplying monthly budget monitoring reports to the College Management Team, and monthly budget reports to individual budget holders within 15 working days of the end of each month.

The financial statements are submitted to the Audit Committee and Resources Committee for review. If appropriate, they will recommend the financial statements for approval by the Governing Body.

Under the terms of the Charities Act 1993, the Governing Body is required to supply any person with a copy of the College's most recent financial statements within two months of a request and make a summary available on the College's website.

### **Budget Preparation and Control**

The Assistant Principal (Resources) is responsible for preparing an annual recurrent income and expenditure and capital budget on behalf of the Principal for consideration by the Resources Committee before submission to the Governing Body. The budget should also include monthly cash flow forecasts for the year and a projected year-end balance sheet.

The annual recurrent and capital budget is prepared within the overall budget framework and financial objectives set by the Governing Body in July of each year when the Funding Body financial forecast is approved. The Assistant Principal (Resources) is required to keep the assumptions underpinning this framework under constant review and to report any significant changes to the Governing Body.

The Assistant Principal (Resources) is responsible for working with the Principal to ensure that the College's course portfolio for the new financial year will generate sufficient enrolments to meet the College's student

number targets, and can be resourced from the College's budgeted income. The Principal is responsible for drawing up the course portfolio for the new financial year in conjunction with the Senior and College Management Teams. The first draft of the new portfolio should be produced in the December of the year prior to the start of the financial year.

The Assistant Principal (Resources) is responsible for working with the Personnel Manager to ensure that any changes required to the College's staffing establishment (numbers and mix of staff) in the next financial year are planned in sufficient time to be fully operational and effective from the start of the new financial year. The Personnel Manager is responsible for working with the Senior Management Team and other senior and middle managers to effect any changes to the College's staffing establishment prior to a new financial year.

The Assistant Principal (Resources) is responsible for consulting as appropriate with budget holders about specific budgets. Budgets are allocated wherever possible by formula e.g. teaching hours and teaching consumables. The Assistant Principal (Resources) will advise the Principal whether any budgets should be allocated following bidding by budget holders.

The Assistant Principal (Resources) on behalf of the Principal is responsible for advising the Governing Body on the level of unallocated contingency that should be included in the annual budget.

The Finance Manager must ensure that detailed budgets are prepared in order to support the resource allocation process and that these are communicated to budget holders as soon as possible following their approval by the Governing Body.

### **Changes to the Approved Budget**

During the year, the Finance Manager is responsible for submitting revised budgets to the Resources Committee for consideration before submission to the Governing Body for approval.

### **Virement**

All virement proposals from contingency and other amendments to the agreed budgets shall be recorded and submitted to the Finance Manager on the appropriate proforma documentation in accordance with the Budget Virement Policy.

### **Budgetary Control**

The control of expenditure within an agreed budget is the responsibility of the designated budget holder, who must ensure that day-to-day monitoring is undertaken effectively. Significant departures from agreed budgets must be reported immediately to the Assistant Principal (Resources) by the budget holder concerned and, if necessary, corrective action taken.

### **Financial Information**

Budget holders are assisted in their duties by management information provided by the Finance Manager.

### **Treatment of Year-end Balances**

At the year end, budget holders do not have the authority to carry forward a balance on their budget to the following year. Any carrying forward of all or part of unspent amounts must be approved by the Governing Body.

## **Capital Projects**

The Assistant Principal (Resources) will ensure appropriate reporting and monitoring arrangements for proposed capital projects to be approved by the Governing Body, these arrangements will be supported by:

- a statement that demonstrates the project's consistency with the College's strategic objectives and Accommodation Strategy
- financial evaluation of the project – budget, cash flow, funding sources and impact on the College's income and expenditure account and financial health
- risk analysis identifying significant risks and how these are to be managed.

The Assistant Principal (Resources) will also establish procedures for the approval of variations, including the notification of large variations to the Funding Body, per their guidelines, and for providing regular monitoring statements concerning all capital expenditure to Resources Committee.

Following completion of a capital project, a post-project evaluation or final report should be submitted to the Resources Committee including actual expenditure against budget and reconciling funding arrangements where a variance has occurred as well as other issues affecting completion of the project. Post-project evaluations may also need to be sent to the relevant Funding Body, as laid down in their guidelines.

## **Other Major Developments/New Initiatives**

Any new developments which will require a significant investment in buildings, resources or staff time should be presented in a full report for approval to the Resources Committee with a full financial appraisal and analysis from the Assistant Principal (Resources). Where the new development has implications bearing on 'the determination of the educational character and mission of the institution', the development must be approved by the full Governing Body.

Such a report should include the following information:

- details of the services that will be delivered, identifying target market and planned level of business.
- staffing required to deliver, promote and manage the development together with any recruitment/re-skilling issues.
- financial forecast including monthly cash flow forecast and details of how the new development will impact on the College's income and expenditure account and financial health.
- contingency plan for managing any variations to the business plan.
- risk analysis identifying significant risks and how these are to be managed.

## **ACCOUNTING ARRANGEMENTS**

### **Financial Year**

The College's financial year will run from 1<sup>st</sup> August until 31<sup>st</sup> July the following year.

### **Basis of Accounting**

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

## Format of the Financial Statements

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

## Capitalisation and Depreciation

New land and buildings will be recorded in the balance sheet at actual build or acquisition cost, except where they are received as gifts, where they will be recorded at depreciated replacement value. Buildings will be depreciated in equal installments over their estimated remaining useful life. Land will not be depreciated. Expenditure incurred on repair, refurbishment or extension of existing buildings will not be capitalised unless it can be demonstrated that the resultant value of the building, on the basis of depreciated replacement value, is greater than the current book value.

Expenditure incurred on the acquisition of assets other than land and buildings will be recorded in the balance sheet where the acquisition cost per item is £2,000 or more. Equipment costing less than £2,000 per individual item is written off to the income and expenditure accounts in the period of acquisition. All other equipment is capitalised at cost. Capitalised assets other than land and buildings will be depreciated over their useful economic life as follows:

- motor vehicles and general equipment            three years
- computer equipment                                    three years
- furniture and fittings                                   five years

commencing in the year of acquisition.

## Accounting records

The Finance Manager is responsible for the retention of financial documents. These should be kept in a form that is acceptable to the relevant authorities.

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

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

The Finance Manager will make appropriate arrangements for the retention of electronic records. Members of staff should ensure that retention arrangements comply with any specific requirements of funding organisations such as regional development agencies.

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

## **Public access**

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

## **Taxation**

The Finance Manager is responsible for advising Directors of Teaching & Learning/Cross College Managers, in the light of guidance issued by the appropriate bodies and relevant legislation as it applies, on all taxation issues, to the College. Therefore the Finance Manager will issue instructions to departments on compliance with statutory requirements including those concerning VAT, PAYE, national insurance, corporation tax and import duty.

The Finance Manager is responsible for maintaining the College's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

## **AUDIT REQUIREMENTS**

### **General**

The College will comply with the audit code of practice and other relevant guidelines. The College is required to appoint financial statement auditors, regularity auditors and internal auditors.

External auditors and internal auditors shall have authority to:

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

### **External Audit**

The appointment of external auditors for the College's financial statements and the regularity audit will be in compliance with the audit code of practice and is the responsibility of the Governing Body.

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

The Assistant Principal (Resources) is responsible for drawing up a timetable for final accounts purposes in conjunction with the financial statements auditors and for advising staff accordingly.

The financial statements should be considered by the Audit and by the Resources Committees. On the recommendation of these committees, the financial statements will be submitted to the Governing Body for approval.

### **Internal Audit**

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

The College's financial memorandum with the Funding Body requires that it has an effective internal audit function and their duties and responsibilities must be in accordance with advice set out in the Funding Body's audit code of practice. The main responsibility of internal audit is to provide the Governing Body and the Principal with assurances on the adequacy of the systems of internal control, risk management and governance.

The internal audit service remains independent in its planning and operation but has direct access to the Governing Body, Principal and Chair of the Audit Committee. The internal auditor will comply with the applicable professional standards including the Government Internal Auditing Standards.

### **Fraud and Irregularity**

It is the duty of all members of staff, management and the Governing Body to notify the Principal immediately whenever any matter arises which involves, or is thought to involve, irregularity, including fraud, corruption or any other impropriety.

The Principal shall immediately invoke the fraud response plan, which incorporates the following key elements:

- He or she will notify the Corporation and the Audit Committee (through the relevant Chair) of the suspected irregularity and shall take any steps considered necessary by way of investigation and report.
- The Principal shall notify the police shall be informed if a criminal offence is suspected of having been committed.
- any significant cases of fraud or irregularity shall be reported to the Funding Body in accordance with their requirements as set out in the audit code of practice.
- the Audit Committee shall commission such investigation as may be necessary of the suspected irregularity, by the internal audit service or others, as appropriate
- the internal audit service, or others commissioned to carry out an investigation shall prepare a report for the Audit Committee on the suspected irregularity. Such report should include advice on preventive measures.

If the suspected fraud is thought to involve the Finance Manager, Assistant Principal (Resources) and/or the Principal, staff shall notify the Chair of the Audit Committee direct of their concerns regarding irregularities.

### **Value for Money**

It is a requirement of the financial memorandum that the Governing Body of the College is responsible for delivering value for money from public funds. It should keep under review its arrangements for managing all the resources under its control, taking into account guidance on good practice issued from time to time by the funding body, the National Audit Office, the Public Accounts Committee or other relevant bodies.

Internal audit is to have regard to value for money in its programme of work. This will be used to enable the Audit Committee to refer to value for money in its annual report.

## **Other Auditors**

The College may, from time to time, be subject to audit or investigation by external bodies such as the Funding Body, National Audit Office, European Court of Auditors, HM Customs and Excise and the Inland Revenue. They have the same rights of access as external and internal auditors.

## **SECTION 4: FINANCIAL CONTROL**

### **Treasury Management**

The Resources Committee is responsible for approving a treasury management policy setting out a strategy and policies for cash management, long-term investments and borrowings. This will require compliance with Funding Body rules regarding approval for any secured or unsecured loans that go beyond the general consent levels set out in the financial memorandum. The Resources Committee has a responsibility to ensure implementation, monitoring and a review of such policies.

For the avoidance of doubt only the Governing Body is able to approve secured or unsecured loans. All borrowings shall be undertaken in the name of the institution and shall conform to any relevant Funding Body requirements.

All executive decisions concerning borrowing, investment or financing (within policy parameters) shall be delegated to the Principal and an appropriate reporting system set up.

The Finance Manager will report to the Resources Committee termly in each financial year on the activities of the treasury management operation and on the exercise of treasury management powers delegated to the Principal.

### **Banking Arrangements**

The Governing Body is responsible for the appointment of the College's bankers and other professional advisers on the recommendation of the Resources Committee. The appointment shall be for a specified period after which consideration shall be given by the committee to competitively tendering the service.

The Finance Manager is responsible, on behalf of the Resources Committee, for liaising with the College's bankers in relation to the College's bank accounts and the issue of cheques. All cheques shall be ordered on the authority of the Finance Manager, who shall make proper arrangement for their safe custody.

The Finance Manager may open or close a bank account for dealing with the College's funds with the authorisation of the Resources Committee. All bank accounts shall be in the name of the College or one of its subsidiary companies.

All cheques drawn on behalf of the College must be signed in the form approved by the Resources Committee. Cheques must be signed by two authorised persons. Cheques for £30,000 or above must be signed one authorised Governor and one authorised member of staff. Details of authorised persons and limits shall be provided for in the College's detailed financial procedures.

All automated transfers on behalf of the College, such as BACS, must be authorised in the appropriate manner and on the basis approved by the Resources Committee. The Finance Manager is responsible for ensuring that all bank accounts are subject to regular reconciliation and that large or unusual items are investigated as appropriate.

Under no circumstances should private banking be undertaken through the College's bank accounts.

## **INCOME**

### **General**

The Finance Manager is responsible for ensuring that appropriate procedures are in operation to enable the

College to receive all income to which it is entitled. All receipt forms, invoices, tickets or other official documents in use and electronic collection systems must have the prior approval of the Finance Manager.

The Finance Manager is responsible for the prompt collection, security and banking of all income received, and for ensuring that all claims for funds are made by the due date.

### **Maximisation of Income**

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

### **Receipt of Cash, Cheques and Other Negotiable Instruments**

All monies received from whatever source must be receipted, recorded and lodged with the Finance Manager on a daily basis for banking together with the supporting documentation. The custody and transit of all monies received must comply with the requirements of the College's insurers.

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

The Assistant Principal (Resources) will determine the level of charges for the hiring out of College resources to third parties.

### **Collection of Debts**

The Finance Manager should ensure that:

- debtors' invoices are raised promptly on official invoices, in respect of all income due to the College
- invoices are prepared with care, recorded in the ledger, show the correct amount due and are credited to the appropriate income account
- any credits granted are valid, properly authorised and completely recorded
- VAT is correctly charged where appropriate, and accounted for
- monies received are posted to the correct debtors account
- swift and effective action is taken in collecting overdue debts, in accordance with the protocols detailed in the financial operating instructions
- outstanding debts are monitored and reports prepared for management.

Only the Finance Manager can implement credit arrangements and indicate the periods in which different types of invoice must be paid.

Requests to write off debts in excess of £1,500 must be referred in writing to the Finance Manager for submission to the Resources Committee for consideration. Debts below this level may be written off with the permission of the Assistant Principal (Resources).

### **Student Fees**

The procedures for collecting tuition fees must be approved by the Finance Manager. He or she is

responsible for ensuring that all student fees due to the College are received. Any student who has not paid an account for fees owing to the College shall be withdrawn from the College and prevented from re-enrolling at the College and from using any of the College's facilities unless appropriate arrangements are agreed for the payment of outstanding fees.

### **Bursary Funds**

Disbursement from the Bursary Fund is the responsibility of the Student Services Manager. The Finance Manager must ensure that appropriate controls are in place for the control, accounting and disbursements of these funds, and for the submission of such reports as are required by the Funding Body.

### **Tenders and Contracts for Supplies and Services**

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

- Ad hoc expenditure of £100 or less - no quotes required.
- estimated value of under £2,500 - the budget holder is required to obtain two quotations, but value for money must always be obtained.
- from £2,500 to £20,000 - the budget holder is required to obtain at least three written quotations.
- from £20,000 to £100,000 - the budget holder is required to obtain at least at least three written tenders and the Principal (or his/her nominee) must approve the tender.
- over £100,000 - all items will require at least three competitive tenders.
- The award of contracts over £100,000 shall be reported to the Resources Committee.

Quotes for continuous spend maybe held for a period of twelve months.

The Resources Committee can agree to waive the requirement for the minimum number of written tenders in emergencies or where specialist suppliers need to be approved. An annual report of all such tenders over £20,000 shall be made to the Audit Committee.

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

The main points covered by the College's code of tendering practice are described in the Procurement Policy and may be subject to special rules imposed by funding bodies.

### **Post-tender negotiations**

Post-tender negotiations (i.e. after receipt of formal tenders but before signing of contracts) with a view to improving price, delivery or other tender terms can be entered into, provided:

- it would not put the other tenderers at a disadvantage
- it would not affect confidence and trust in the College's tendering process.

In each case, a statement of justification should be approved by the Principal prior to the event, showing:

- background to the procurement
- reasons for post-tender negotiations
- demonstration of the improved value for money achieved.

All post-tender negotiations should be reported to the Resources Committee.

## **EU Regulations**

The Finance Manager is responsible for ensuring that the College complies with its legal obligations concerning EU procurement legislation. EU procurement regulations apply to written contracts for all forms of procurement, purchase or hire (whether or not hire purchase) with a total value exceeding a threshold value.

The Finance Manager will advise budget holders on the thresholds that are currently in operation. A breach of these EU regulations is actionable by a supplier or potential supplier. It is the responsibility of budget holders to ensure that their members of staff comply with EU regulations by notifying the Finance Manager of any purchase that is likely to exceed the thresholds. This will need to be done well in advance in order to permit advertisements in journals such as the Official Journal of the European Community (OJEC).

## **Receipt of Goods/Services**

All goods shall be checked for quantity, weight, quality and specification. A delivery note shall be obtained from the supplier and signed by the person receiving the goods whenever possible, or logged on an electronic receiving system on the day of receipt.

If the goods are deemed to be unsatisfactory or short on delivery, the record shall be marked accordingly and the supplier immediately notified so that they can be collected for return as soon as possible.

## **Payment for Goods/Services**

The Finance Manager is responsible for making payment to suppliers for goods and services to the College. The Finance Manager is responsible for deciding the most appropriate method of payment. Payments to suppliers are currently by cheque or BACS. In exceptional circumstances the Finance Manager can authorise urgent cheques to be prepared.

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

Suppliers should submit invoices for goods or services to the finance department. Invoices are registered by the finance department and sent to budget holders to authorise. Any discounts available should be taken whenever possible.

Payments will only be made by the Finance Manager against invoices that have been certified for payment by the appropriate budget holder or against invoices that can be matched to a receipted order.

Certification of an invoice will ensure that:

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

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

### **Cash Advances**

The College's purchasing procedures are in place to enable the majority of non-pay supplies to be procured through the creditors system without staff having to incur any personal expense. However, on occasion, staff may require a cash advance for expenses they will incur.

The budget holder must approve cash advances before they are given to staff. Upon completion of purchase, all receipts relating to the disbursement of the advance must be submitted to the designated officer at each site and any unspent balance repaid. Under no circumstances will a second advance be approved when the final accounting for an earlier advance to an individual is still outstanding.

### **College Credit Cards**

Where appropriate, the Principal can approve the issuing of College credit cards to senior staff. Such credit cards shall be used for the payment of valid business expenses only, and the misuse of such cards shall be grounds for disciplinary action. The Finance Manager will be responsible for setting in place a system to monitor the use of College credit cards and account for expenses charged through them.

### **Petty Cash**

Where items for less than £50 are purchased on behalf of the College, the expenditure should be reimbursed from petty cash, but must be supported by receipts or vouchers.

The Finance Manager shall make available to each area such imprests, as he or she considers necessary for the disbursements of petty cash expenses. However, it is important for security purposes that petty cash imprest floats are kept to a minimum.

The Finance Manager will issue instructions for the operation of the petty cash imprests which will specify the form of the records that need to be kept and the responsibilities of the staff keeping the float.

At the end of the financial year a certificate of the balances held should be completed by the member of staff responsible for the float and returned to the Finance Department.

### **Late Payment**

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

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

In view of the penalties in this Act, the Governing Body requires that invoices should be paid within 30 days unless under query with the supplier.

## **PAY EXPENDITURE**

### **Remuneration Policy**

All staff will be appointed to the salary scales approved by the Principal under delegated powers from the Governing Body and in accordance with appropriate conditions of service. All contracts of service shall be in accordance with the College's approved human resources practices and procedures.

Salaries and other benefits of senior postholders are determined by the Search, Governance & Remuneration Committee which reports directly to the Governing Body.

### **Payment of Salaries**

The Finance Manager is responsible for all payments of salaries and wages to all staff including payments for overtime or services rendered. All payments must be made in accordance with the College's payroll financial procedures and comply with HM Revenue & Customs regulations.

Payments to individuals who are not direct employees of the College e.g. consultants or others claiming 'self-employed' status must be approved by the Assistant Principal (Resources) and comply with HM Revenue & Customs regulations.

The Finance Manager is responsible for ensuring that all payments to HM Revenue & Customs and pension agencies are made in line with contractual arrangements.

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

The Personnel Manager will be responsible for keeping the Finance Manager informed of all matters relating to personnel for payroll and financial management purposes, these matters include:

- appointments, resignations, dismissals, secondments and transfers
- absences from duty for sickness or unpaid leave
- changes in remuneration other than normal increments and pay awards
- information needed to maintain records of service for superannuation, income tax and national insurance.

All contracts of service shall be in accordance with the College's approved human resources practices and procedures. Budget holders shall ensure that the Finance Manager and the Personnel Manager are provided promptly with all information they may require in connection with the appointment, resignation, dismissal or other changes in the status of employees.

### **Superannuation Schemes**

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

The College's pensions funds are managed by the South Yorkshire Pension Fund Authority in respect

of non-teaching staff and the Teachers Pension Agency for teaching staff. The Finance Manager is responsible for day-to-day superannuation matters, including:

- paying contributions to the authorised superannuation schemes
- preparing the annual return for the superannuation schemes
- administering the College's pension fund.

The Personnel Manager is responsible for administering eligibility to pension arrangements and for informing the Finance Manager when deductions should begin or cease for staff.

### **Severance and other non-recurring Payments**

Severance payments shall only be made in accordance with relevant legislation and under a scheme approved by the Governing Body normally through the Resources Committee. Professional advice should be obtained where necessary. No amounts shall be expended that exceed the budget allocated for the purpose. All such payments shall be authorised by the Principal and calculations checked by the Personnel Manager or Finance Manager. Any individual amounts that do not fall within the parameters above require approval by the Governing Body. In exceptional circumstances this approval may be given by the Chair of the Governing Body in consultation with the Principal, to be reported to the next meeting of the Governing Body. Amounts paid should be declared in the financial statements.

All matters referred to an employment tribunal shall be notified to the Resources Committee at the earliest opportunity in order that budget provision may be made as necessary. All determinations of tribunals must be similarly notified.

### **Travel, Subsistence and other Expenses**

All staff claims for payment of subsistence allowances, travel and incidental expenses within the UK must be authorised by their budget holder. Overseas travel must be proposed with a clear rationale and objectives. It must be approved by the Principal in advance before committing the College. Arrangements for overseas travel by the Principal or members of the Governing Body shall be approved by the Chair of the Governing Body.

Where partners or other persons unconnected with the College intend to participate in a trip, this must be clearly identified in the approval request. The College must receive full reimbursement for the expected costs it may be asked to cover for those persons in advance of confirming travel bookings.

### **Expenses for members of the Governing Body**

Expenses claims for members of the Governing Body will be authorised by the Clerk to the Corporation in line with the detailed financial instructions and the Financial Memorandum.

### **Providing Hospitality**

Staff entertaining guests from outside bodies should normally use the College's catering facilities. Where this is not appropriate the limits concerning acceptable expenditure for entertaining guests are set out in the College's Gifts & Hospitality Procedure.

## **Internal Hospitality**

No staff entertainment/hospitality can be charged to College's funds except with the authority of the Principal.

## **ASSETS**

### **Land, Buildings, Fixed Plant and Machinery**

The Finance Manager is responsible for maintaining the institution's register of land, buildings, or fixed plant can only be undertaken with authority from the governing body and with reference to funding body requirements where exchequer-funded assets or exchequer funds are involved.

### **Physical Assets**

The Principal is the delegated officer responsible for the day-to-day care, custody and security of the College's physical assets. Records of physical assets should be maintained as follows:

- Inventories held at departmental level for all items valued at £50 or above
- IT assets register for all items over £50 held by the Network Manager
- An asset register is held by the Finance Manager for all assets valued over £2,000 (individual items as part of a capital spend may be less than £2,000).

All assets must be security marked; it is the responsibility of the budget holder to ensure this happens. Budget holders are responsible for the care, custody and security of College assets under their control.

The Finance Manager will issue instructions regarding the format of inventories and asset registers. An annual audit of inventories and asset registers will be undertaken.

### **Stock**

Budget holders are responsible for establishing adequate arrangements for the custody and control of stocks and stores held by in their departments. They should ensure that regular inspections and stock checks are carried out. Stocks and stores of a hazardous nature should be subject to appropriate security checks and safety arrangements.

### **Purchasing Assets**

The purchase, lease or rent of land, buildings or fixed plant can only be undertaken with authority from the Governing Body and with reference to Funding Body requirements. New land and buildings will be recorded in the balance sheet at actual build or acquisition cost, except where they are received as gifts, where they will be recorded at depreciated replacement value. Buildings will be depreciated in equal instalments over their estimated remaining useful life. Land will not be depreciated.

Expenditure incurred on the acquisition of assets other than land and buildings will be recorded in the balance sheet where the acquisition cost per item is £2,000 or more. This includes grouped items (e.g. a suite of computers). Capitalised assets other than land and buildings will be depreciated over a period of 3 years (IT and motor vehicles) or 5 years (non-IT equipment) commencing in the year of acquisition [see section on Capitalisation and Depreciation].

## **Disposal of Assets**

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

Disposal of equipment must be in accordance with procedures contained in the College's detailed financial procedures.

## **Taxation**

The Finance Manager is responsible for maintaining the College's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

## **Controlled Stationery**

The Finance Manager is responsible for maintaining a secure supply of controlled stationery. Controlled stationery is defined as purchase orders, cheques, and receipts. Once issued to budget holders they must maintain that security and only allow access by authorised personnel.

## **TRUST AND VOLUNTARY FUNDS**

The Finance Manager is responsible for maintaining financial records in respect of gifts, benefactions and donations made to the College and initiating claims for recovery of tax where appropriate.

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

The Resources Committee is responsible for ensuring that all the College's trust funds are operated within any relevant legislation and the specific requirements for each trust. The Finance Manager will be responsible for investment of fund balances and ensuring that all changes in the fund balances are reported to the Resources Committee.

The Assistant Principal (Resources) must approve the creation of any fund that is not an official fund of the College, but which is controlled wholly or in part by a member of staff in relation to their function in the College. The Assistant Principal (Resources) may impose such requirements as he or she sees fit to ensure such funds are operating properly including regular reporting requirements and the inclusion of an authorised College account signatory as a signatory to the fund.

The Assistant Principal (Resources) shall be informed of any existing fund that is not an official fund of the College, which is controlled wholly or in part by a member of staff in relation to their function in the College. The Assistant Principal (Resources) may direct the closure of such fund, its incorporation into College funds or its conversion to an official College fund. The Assistant Principal (Resources) may require such funds to be audited by an independent external person and for the certificate of audit to be submitted to the College.

## **SECTION 5: OTHER**

### **Consultancy 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 Principal.

Applications for permission to undertake work as a purely private activity must be submitted by the individual member of staff to the Principal, as appropriate, and include the following information:

- the name of the member of staff concerned
- a brief description of the work involved
- the proposed start date and duration of the work
- details of any College resources required
- an undertaking that the work will not interfere with normal College duties of the member of staff concerned
- declaration of any potential conflict of interest

### **Insurance**

The Assistant Principal (Resources) is responsible for the College's insurance arrangements, including the provision of advice on the types of cover available, as part of the College's overall risk management arrangements.

There shall be a College policy from insurance which should be reviewed annually. In setting the annual insurance cover all risks will have been considered and those most effectively dealt with by insurance cover will have been identified. This is likely to include important potential liabilities and provide sufficient cover to meet any potential risks to all assets. The Assistant Principal (Resources) should take professional advice from insurance specialists in setting the insurance cover. Significant variations from previous years should be reported to the Resources Committee.

The Assistant Principal (Resources) is responsible for effecting insurance cover. He or she is therefore responsible for obtaining quotes, negotiating claims and maintaining the necessary records. The Assistant Principal (Resources)/Finance Manager will keep a register of all insurances effected by the College and the property and risks covered. He or she will also deal with the College's insurers and advisers about specific insurance problems.

Budget holders must advise the Assistant Principal (Resources) immediately of any event that may give rise to an insurance claim. The Assistant Principal (Resources)/Finance Manager will notify the College's insurers and, if appropriate, prepare a claim in conjunction with the appropriate member of staff for transmission to the insurers.

The Assistant Principal (Resources) is responsible for keeping suitable records of plant which is subject to inspection by an insurance company and for ensuring that inspection is carried out in the periods prescribed.

All staff using their own vehicles on behalf of the College shall maintain appropriate insurance cover for business use.

### **Companies and Joint Ventures**

In certain circumstances it may be advantageous to the College to establish a company or joint venture to undertake services on behalf of the College. Any member of staff considering the use of a company or a joint

venture should first seek advice from the Assistant Principal (Resources), who should give regard to guidance issued by the Funding Body. The Governing Body is responsible for approving the establishment of companies and joint ventures and the procedure to be followed in order to do so. Where the College proposes to acquire ownership of an existing company, a full due diligence study must be undertaken and its results considered by Resources Committee prior to the decision of the governing body to proceed with the acquisition.

Under the Learning and Skills Act 2000, an institution needs the prior approval of the Funding Body before using an existing company, or participating in or creating a company for educational provision wholly or partially funded by the Funding Body. The Governing Body is responsible for ensuring that the required procedures are followed.

It is the responsibility of the Governing Body to establish the shareholding arrangement and appoint directors wholly or partly owned by the College. These and other arrangements will be set out in a memorandum of understanding.

The directors of the companies where the College is the majority shareholder must submit, via the Resources Committee, an annual report to the Governing Body. The College's internal and external auditors shall also be appointed to such companies.

Where the College is a majority shareholder in a company, the Funding Body requires the company financial year to be consistent with that of the institution.

## **Security**

Keys to safes or other similar containers are to be carried on the person of those responsible at all times. The loss of such keys must be reported to the Assistant Principal (Resources) immediately.

An officer shall be responsible for maintaining proper security and privacy of information held on the College's computer network. Appropriate levels of security will be provided, such as passwords for networked PCs together with restricted physical access for network servers. Information relating to individuals held on computer will be subject to the provisions of the Data Protection Act 1998. A data protection officer shall be nominated to ensure compliance with the Act and the safety of documents.

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

## **Use of the College's Seal**

Where a deed or document requires the College's seal, it must be sealed by the Clerk to the Corporation or, in their absence, the Assistant Principal (Resources), in the presence of a member of the Governing Body.

## **Provision of Indemnities**

Any member of staff asked to give an indemnity, for whatever purpose, should consult the Assistant Principal (Resources) before any such indemnity is given.