



**Management Statement and
Financial Memorandum between the Department for the Economy
and the Further Education Colleges
(Executive NDPBs)**

1 October 2018

Table of Contents

Management Statement

1. INTRODUCTION.....5

1.1 This Document.....5

1.2 Founding Legislation; Status.....6

1.3 The Functions, Duties and Powers of the College7

1.4 Classification.....8

2. AIMS, OBJECTIVES AND OUTCOMES8

2.2 Objectives and Key Outcomes8

3. RESPONSIBILITIES AND ACCOUNTABILITY9

3.1 The Minister9

3.2 The Accounting Officer of the Department9

3.3 The Sponsoring Team/Senior Sponsor in the Department – FE Division.....10

3.4 The College’s Governing Body.....12

3.5 The Chairperson of the Governing Body13

3.6 The Principal/Chief Executive’s Role as Accounting Officer15

3.7 The Chief Executive’s role as Consolidation Officer.....17

3.8 Delegation of Duties18

3.9 Consulting Customers.....18

3.10 The Principal/Chief Executive’s role as Principal Officer for Ombudsman cases18

4. PLANNING, BUDGETING AND CONTROL19

4.1 The Sector Corporate Plan and The College Development Plan.....19

4.2 Publication of Plans20

4.3 Reporting Performance to the Department20

4.4 Budgeting Procedures.....21

4.5 Internal Audit.....21

4.6 Audit and Risk Committee22

4.7 Fraud.....22

4.8 Additional Departmental Access to the College.....23

5. EXTERNAL ACCOUNTABILITY23

5.1 The Annual Report and Accounts.....23

5.2 External Audit.....23

6. STAFF MANAGEMENT.....24

6.1 General24

7. REVIEWING THE ROLE OF THE COLLEGE25

Financial Memorandum27

I. INTRODUCTION.....27

II. THE COLLEGE'S INCOME AND EXPENDITURE - GENERAL	27
The Departmental Expenditure Limit (DEL).....	27
Expenditure Not Proposed in the Budget.....	27
Procurement.....	27
Competition	28
Best Value for Money	29
Timeliness in Paying Bills	29
Novel, Contentious or Repercussive Proposals.....	29
Risk Management/Fraud	29
Wider Markets (An initiative to generate commercial income)	30
Fees and Charges.....	30
III. THE COLLEGE'S INCOME	30
Grant-in-Aid.....	30
Fines and Taxes as Receipts	31
Receipts from Sale of Goods or Services	31
Interest Earned.....	31
Unforecast Changes in In-Year Income	31
Build-Up and Draw-Down of Deposits (Surpluses/Deficits)	32
Proceeds From Disposal of Assets.....	32
Gifts and Bequests Received	32
Borrowing	32
IV. EXPENDITURE ON STAFF	33
Staff Costs	33
Pay and Conditions of Service.....	33
Pensions; Redundancy/Compensation.....	33
V. NON-STAFF EXPENDITURE.....	34
Economic Appraisal.....	34
Capital Expenditure	35
Transfer of Funds Within Budgets.....	36
Lending, Guarantees, Indemnities; Contingent Liabilities; Letters of Comfort	36
Grant or Loan Schemes.....	36
Gifts Made, Write-Offs, Losses and Other Special Payments.....	36
Leasing.....	36
Public/Private Partnerships (or Private Finance Initiatives).....	37
Subsidiary Companies and Joint Ventures.....	37
Financial Investments	38

Unconventional Financing.....38

Commercial Insurance38

Payment/Credit Cards.....38

Hospitality.....38

Use of Consultants39

VI. MANAGEMENT AND DISPOSAL OF FIXED ASSETS39

Register of Assets.....39

Disposal of Assets39

Recovery of Grant-Financed Assets.....39

VII. BUDGETING PROCEDURES40

Setting the Annual Budget40

General Conditions for Authority to Spend.....40

Providing Monitoring Information to the Department41

VIII. BANKING41

Banking Arrangements.....41

IX. COMPLIANCE WITH INSTRUCTIONS AND GUIDANCE42

Relevant Documents42

X. REVIEW OF FINANCIAL MEMORANDUM43

Signature of the Designated Officer44

Appendices

- Appendix A** Delegated Limits
- Appendix B** Delegated Limits for Losses and Special Payments
- Appendix C** Consultancy Approvals Limits

1. INTRODUCTION

1.1 This Document

This Management Statement and Financial Memorandum (MS/FM) has been drawn up by the Department for the Economy (the Department) in consultation with the 6 Further Education Colleges:-

Belfast Metropolitan College;
Northern Regional College;
North West Regional College;
South Eastern Regional College;
Southern Regional College; and
South West College.

The document is based on a model prepared by the Department of Finance (DoF).

The terms and conditions set out in the combined MS/FM may be supplemented by guidelines or directions issued by the Department in respect of the exercise of any individual functions, powers and duties of the college.

The responsibility for ensuring that the college complies with this MS/FM, and related guidance, rests with the Governing Body (GB) of the college. The Department is responsible for ensuring that the college has robust governance arrangements in place to ensure compliance with the requirements of the MS/FM.

A copy of the MS/FM should be given to all newly appointed GB members, senior college executive staff and departmental sponsor staff on appointment. Additionally, the MS/FM should be tabled for the information of GB members, annually, at a full meeting of the GB. Amendments made to the MS/FM should also be brought to the attention of the full GB on a timely basis.

Subject to the legislation noted below, this Management Statement (MS) sets out the broad framework within which the college will operate, in particular:

- the college's overall aims, objectives and outcomes in support of the Department's wider strategic aims and the outcomes contained in its Programme for Government (PfG) outcomes;
- the rules and guidelines relevant to the exercise of the college's functions, duties and powers;
- the conditions under which any public funds are paid to the college; and

- how the college is to be held to account for its performance.

The associated Financial Memorandum (FM) sets out in greater detail certain aspects of the financial provisions which the college shall observe. However, the MS and FM do not convey any legal powers or responsibilities.

The document shall be periodically reviewed by the Department as necessary in accordance with paragraph X of the FM.

The college, Department, or the Minister, may propose amendments to this document at any time. Any such proposals by the college shall be considered in the light of evolving departmental policy aims, operational factors and the track record of the college itself. The guiding principle shall be that the extent of flexibility and freedom given to a college shall reflect both the quality of its internal controls to achieve performance and its operational needs. The Department shall determine what changes, if any, are to be incorporated into the document. Legislative provisions shall take precedence over any part of the document. Significant variations to the document shall be cleared with DoF Supply after consultation with colleges, as appropriate. (The definition of “significant” will be determined by the Department in consultation with DoF).

The MS/FM is approved by DoF Supply, and signed and dated by the Department and the college's Principal/Chief Executive.

Any question regarding the interpretation of the document shall be resolved by the Department after consultation with the college and, as necessary, with DoF Supply.

Copies of this document and any subsequent substantive amendments shall be placed in the Library of the Assembly. (Copies shall also be made available to members of the public on the college's website).

1.2 Founding Legislation; Status

Colleges were established under the Further Education (Northern Ireland) Order 1997 (the 1997 Order). The constitution of the college is set out in the Instrument of Government. Any company established by the college will be regarded as an integral part of the college and will be subject to the controls set out in this MS/FM. The college must register any company formed as a company under the Companies Act 2006. The college does not carry out functions on behalf of the Crown.

1.3 The Functions, Duties and Powers of the College

Under the following legislation/guidance, the college is required to provide suitable and efficient further education to students in the area in which the college is situated, having regard to the educational needs of industry and commerce in the community:

The 1997 Order: Provides the statutory basis for further education in Northern Ireland. It establishes the role and powers of the Department and the GB. In terms of governance, all other documents are subordinate to the 1997 Order and subject to its provisions.

Articles of Government: Made under the powers of the 1997 Order. The Articles govern the committee structure, the proceedings, and the duties of the GB. It also determines the matters which are reserved to the GB and those which can be delegated to the Principal/Chief Executive.

Instrument of Government: Made under the powers of the 1997 Order. The Instrument sets out the composition of the GB and arrangements for the appointment of its members.

Standing Orders: Made under the powers of the Articles. These may be procedural rules relating to the conduct of GB business. These are internal to the college and are not subject to approval by the Department. However, they must be fully compliant and consistent with the Articles and Instrument and take account of all other regulatory documents.

Management Statement/Financial Memorandum: This MS/FM sets out the terms and conditions under which the Department makes funding available to the college. It sets out the framework which helps ensure that the funds which are made available for further education are used effectively and efficiently and only used for the purpose for which they have been allocated. It also sets out the respective responsibilities of the Department and the college, especially with regard to the planning, budgeting and control of resources. The MS/FM reflects the requirements of Managing Public Money Northern Ireland (MPMNI).

Audit Code: Sets out the Department's requirements in relation to internal audit and the requirements of the Northern Ireland Audit Office (NIAO) in relation to external audit. It also provides a framework within which the college and GB should operate. The college must comply with the Code.

Guide for Governors: This is an information document intended to provide individual members of governing bodies with background information on the sector, its governance framework, and the requirements placed on them as members.

The Code of Governance: This sets out the functions, duties and powers of the college and summarises the principles and provisions of the governance arrangements, as set out in the above documents, and includes a scheme of delegation to clarify roles and responsibilities.

1.4 Classification

For policy/administrative purposes, the college is classified as an executive non-departmental public body. This means that it is overseen by a Board (GB) which is appointed by the Minister and that it employs its own staff and is allocated its own budget.

For National Accounts purposes the college is classified within the central government sector.

References to the college include, where they exist, all its subsidiaries and joint ventures that are classified to the public sector for national accounts purposes. If such a subsidiary or joint venture is created, there shall be a document setting out the arrangements between it and the college.

2. AIMS, OBJECTIVES AND OUTCOMES

2.1 Overall Aims

Within the 1997 Order, the Department has approved the overall aims for the college as follows:

- the provision of education in the area in which the institution is situated; and
- the educational needs of industry and commerce, and the community, in that area in a cost effective manner.

2.2 Objectives and Key Outcomes

The Department determines the college's performance framework in the light of the Department's wider strategic aims and current PfG outcomes

Each college is required by the 1997 Order to prepare and implement a College Development Plan (CDP) which sets out its objectives, outcomes and performance measures and shall be consistent with the Departmental Corporate Plan and the Department's Programme for Government Commitments (Section 4 below).

The CDP shall be approved by the Department.

3. RESPONSIBILITIES AND ACCOUNTABILITY

3.1 The Minister

Under the 1997 Order, the GB of the college is accountable to the Minister.

The Minister is accountable to the Assembly for the activities and performance of the college. His/her responsibilities include:

- approving the college's strategic objectives and the policy and performance framework within which the college will operate (as set out in this Management Statement and Financial Memorandum and associated documents);
- keeping the Assembly informed about the college's performance;
- approving the amount of grant-in-aid/grant/other funds to be paid to the college, and securing Assembly approval; and
- carrying out responsibilities specified in the 1997 Order, including appointments to the GB.

3.2 The Accounting Officer of the Department

The Permanent Secretary, as the Department's Principal Accounting Officer (the 'Departmental Accounting Officer'), is responsible for the overall organisation, management and staffing of the Department and for ensuring that there is a high standard of financial management in the Department as a whole. The Departmental Accounting Officer is accountable to the Assembly for the issue of any grant-in-aid to the college. The Departmental Accounting Officer designates the Principal/Chief Executive of the college as the college's Accounting Officer, and may withdraw the Accounting Officer designation if he/she believes that the incumbent is no longer suitable for the role.

In particular, the Departmental Accounting Officer shall ensure that:

- the college's strategic aims and objectives support the Department's wider strategic aims and current PfG outcomes;
- the financial and other management controls applied by the Department to the college are appropriate and sufficient to safeguard public funds; and for ensuring that the college's compliance with those controls is effectively monitored ("public funds" include not only any funds granted to the college by the Assembly but also any other funds falling within the stewardship of the college);
- the internal controls applied by the college conform to the requirements of regularity, propriety and good financial management;
- payments to the college by the Department are only in support of activities specified in the 1997 Order;
- payments will be subject to the provisions of the 1997 Order, the conditions set out in this FM, and such terms and conditions as the Department may, from time to time, prescribe in accordance with the 1997 Order;
- the college co-operates fully in the conduct of any reviews initiated;
- any grant-in-aid to the college is within the ambit and the amount of the Request for Resources and that Assembly authority has been sought and given; and
- the college's GB and/or its Audit and Risk Committee are informed if there are any serious concerns about the college's financial affairs or system of internal controls.

The responsibilities of a Departmental Accounting Officer are set out in more detail in Chapter 3 of MPMNI.

3.3 The Sponsoring Team/Senior Sponsor in the Department – FE Division

Within the Department, FE Division is the sponsoring team for the college. The Team, in consultation as necessary with the relevant Departmental Accounting Officer, is the primary source of advice to the Minister on the discharge of his/her responsibilities in respect of the college, and the primary point of contact for the college in dealing with the Department. FE Division shall carry out its duties under the management of the Director of FE Division (the Senior Sponsor), who shall have primary responsibility within the team for overseeing the activities of the college.

FE Division shall advise the Permanent Secretary and/or Minister on:

- an appropriate framework of objectives and outcomes for the college in the light of the Department's wider strategic aims and current PfG outcomes;
- an appropriate budget for the college in the light of the Department's overall public expenditure priorities; and
- how well the college is achieving its strategic objectives and whether it is delivering value for money.

In support of the Departmental Accounting Officer, FE Division shall:

on performance and risk management -

- monitor the college's activities on a continuing basis through an adequate and timely flow of information from the college on performance, budgeting, control, and risk management, including early sight of the college's Governance Statement;
- address in a timely manner any significant problems arising in the college, whether financial or otherwise, making such interventions in the affairs of the college as the Department judges necessary to address such problems; and
- periodically carry out a risk assessment of the college's activities to inform the Department's oversight of the college; strengthen these arrangements if necessary; and amend the MS and FM accordingly.

The risk assessment shall take into account the nature of the college's activities; the public monies at stake; the college's corporate governance arrangements; its financial performance; internal and external auditors' reports; the openness of communications between the body and the Department; and any other relevant matters;

on communication with the college -

- inform the college of relevant Executive/government policy in a timely manner; if necessary, advise on the interpretation of that policy; and issue specific guidance to the college as necessary; and
- bring concerns about the activities of the college to the attention of the full GB, and require explanations and assurances from the GB that appropriate action has been taken.

3.4 The College's Governing Body

The GB members are appointed in accordance with the 1997 Order and the Instrument for Government. Governors may serve a maximum of two four year terms, in accordance with the Instrument of Government and the Code of Practice issued by the Commissioner for Public Appointments for Northern Ireland.

The GB has corporate responsibility for ensuring that the college secures the effective and efficient management of the college and ensures the college provides suitable and efficient further education. It must also fulfil the aims and objectives set by the Department, and approved by the Minister, and promote the efficient, economic and effective use of staff and other resources by the college. To this end, and in pursuit of its wider corporate responsibilities, the college GB should, along with the responsibilities listed below, fulfil the requirements detailed in the Code of Governance, Instrument of Government and the Articles of Government:

- establish the overall strategic direction of the college within the policy and resources framework determined by the Department and the Minister;
- constructively challenge the college's executive team in their planning, target setting and delivery of performance;
- ensure that the Department is kept informed of any changes which are likely to impact on the strategic direction of the college or on the attainability of its outcomes, and determine the steps needed to deal with such changes;
- ensure that any statutory or administrative requirements for the use of public funds are complied with; that the GB operates within the limits of its statutory authority and any delegated authority agreed with the Department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the GB takes into account all relevant guidance issued by DoF and the Department;
- ensure that it receives and reviews regular financial information concerning the management of the college; is informed in a timely manner about any concerns relating to the activities of the college; and provides positive assurance to the Department that appropriate action has been taken on such concerns;
- demonstrate high standards of corporate governance at all times, including using the independent audit and risk committee (see section

4.7) to help the GB to address the key financial and other risks facing the college; and

- appoint a Chief Executive/Principal of college subject to the provisions of the 1997 Order.
- Individual GB members shall act in accordance with their wider responsibilities as members of the GB, namely to:-
- to comply at all times with the Code of Governance, Instrument of Government and the Articles of Government that are adopted by the college and with the rules and guidance relating to the use of public funds and to conflicts of interest;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations; and to declare publicly and to the GB any private interests that may be perceived to conflict with their public duties;
- comply with the GB's rules on the acceptance of gifts and hospitality, and of business appointments; and
- act in good faith and in the best interests of the college.

The college must submit all minutes of GB meetings to the Department in a timely manner.

3.5 The Chairperson of the Governing Body

The Chairperson is selected and appointed in accordance with the 1997 Order and the Instrument of Government.

The Chairperson is responsible to the Minister of the Department. The Chairperson shall ensure that the college's policies and actions support the wider strategic policies of the Minister; and that the college's affairs are conducted with probity. The Chairperson shares with other GB members the corporate responsibilities for ensuring that the college fulfils the aims as approved by the Minister. To this end, and in pursuit of its wider corporate responsibilities, the college's GB should accord with the responsibilities detailed in the Code of Governance, Instrument of Government and the Articles of Government.

The Chairperson has particular leadership responsibilities, as set out in the Code of Governance and the Articles of Government, on the following matters:-

- formulating the GB's strategy;
- ensuring that the GB, in reaching decisions, takes proper account of guidance provided by the Minister or the Department;
- promoting the efficient, economic and effective use of staff and other resources;
- encouraging and delivering high standards of regularity and propriety;
- representing the views of the GB to the general public.
- ensuring that the GB meets at regular intervals throughout the year and that the minutes of meetings accurately record the decisions taken and where appropriate, the views of individual GB members.

The Chairperson shall also:

- ensure that all members of the GB, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities, and receive appropriate induction training, including on the financial management and reporting requirements of public sector bodies and on any differences which may exist between private and public sector practice;
- advise the Department of the needs of the college when GB vacancies arise, with a view to ensuring a proper balance of professional and financial expertise;
- assess the performance of individual members. Members will be subject to ongoing performance appraisal, with a formal assessment being completed by the Chair of the GB at the end of each year, and prior to any re-appointment of individual members taking place. Members will be made aware that they are being appraised, the standards against which they will be appraised, and will have an opportunity to contribute to and view their report. The Chair of the GB will also be appraised on an annual basis by the Director of Further Education Division (acting on behalf of the Departmental Accounting Officer);
- sign a Statement of the responsibilities of the GB, for inclusion in the annual report and accounts.

The Chairperson shall also ensure that a Code of Conduct for GB members is in place, based on the Cabinet Office's Code of Practice for Board Members of Public Bodies. The Code shall commit the Chairperson and other GB members to the Nolan "seven principles of public life", and shall include a requirement for a comprehensive and publicly available register of GB members' interests.

Communications between the GB, the Minister and the Department shall normally be through the Chairperson. The Chairperson shall ensure that the other GB members are kept informed of such communications on a timely basis.

3.6 The Principal/Chief Executive's Role as Accounting Officer

The Principal/Chief Executive of the college is designated as the college's Accounting Officer by the Departmental Accounting Officer.

The Accounting Officer of the college is personally responsible for safeguarding the public funds for which he/she has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of the college.

As Accounting Officer, the Principal/Chief Executive shall exercise the following responsibilities in particular:

on planning and monitoring -

- establish, in agreement with the Department, the college's corporate and business plans in support of the Department's wider strategic aims and current PfG outcomes;
- inform the Department of the college's progress in helping to achieve the Department's policy objectives and in demonstrating how resources are being used to achieve those objectives; and
- ensure that timely forecasts and monitoring information on performance and finance are provided to the Department; that the Department is notified promptly if overspends or underspends are likely and that corrective action is taken; and that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the Department in a timely fashion.

on advising the Governing Body -

- advise the GB on the discharge of its responsibilities as set out in this document, in the 1997 Order and in any other relevant instructions and guidance that may be issued from time to time by DoF or the Department;
- advise the GB on the college's performance compared with its aim(s) and objectives;
- ensure that financial considerations are taken fully into account by the GB at all stages in reaching and executing its decisions, and that standard financial appraisal techniques are followed appropriately; and
- take action in line with Section 3.8 of MPMNI if the GB, or its Chairperson, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity, or does not represent prudent or economical administration, efficiency or effectiveness.

on managing risk and resources -

- ensure that a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and outcomes;
- ensure that an effective system of programme and project management and contract management is maintained;
- ensure compliance with the Northern Ireland Public Procurement Policy;
- ensure that all public funds made available to the college (including any income or other receipts) are used for the purpose intended by the Assembly, and that such monies, together with the college's assets, equipment and staff, are used economically, efficiently and effectively;
- ensure that adequate internal management and financial controls are maintained by the college, including effective measures against fraud and theft;
- maintain a comprehensive system of internal delegated authorities that are notified to all staff, together with a system for regularly reviewing compliance with these delegations; and
- ensure that effective personnel management policies are maintained.

on accounting for the College's activities –

- sign the accounts and be responsible for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Minister/the Department, or DoF;
- sign a Governance Statement regarding the college's system of internal control, for inclusion in the annual report and accounts;
- ensure that effective procedures for handling complaints about the college are established and made widely known within the college;
- act in accordance with the terms of this document and with the instructions and relevant guidance in MPMNI and other instructions and guidance issued from time to time by the Department and DoF - in particular, Chapter 3 of MPMNI and the Treasury document Regularity and Propriety and Value for Money (a copy of which the Principal/Chief Executive shall receive on appointment). Section IX of the Financial Memorandum refers to other key guidance;
- ensure all relevant staff subscribe to the Accountability and Financial Management Division (AFMD) of DoF website and implement guidance as necessary;
- give evidence, normally with the Accounting Officer of the Department, if summoned before the Public Accounts Committee on the use and stewardship of public funds by the college;
- ensure that an Equality Scheme is in place, reviewed and equality impact assessed as required by the Equality Commission and TEO;
- ensure that Lifetime Opportunities (the NI Executive's anti-poverty and social inclusion scheme) is taken into account; and
- ensure that the requirements of the Data Protection Act 1998, the Freedom of Information Act 2000, the Data Protection Act 2018 and the General Data Protection Regulations (GDPR) are complied with.

3.7 The Chief Executive's role as Consolidation Officer

For the purpose of Whole of Government Accounts, the Principal /Chief Executive/ of the college is normally appointed by DoF as the college's Consolidation Officer.

As the college's Consolidation Officer the Principal /Chief Executive shall be personally responsible for preparing the consolidation information that sets out the financial results and position of the college, for arranging for its audit and for sending the information and the audit report to the Principal Consolidation Officer nominated by DoF.

As Consolidation Officer, the Principal /Chief Executive shall comply with the requirements of the Consolidation Officer Letter of Appointment as issued by DoF and shall, in particular:

- ensure that the college has in place and maintains sets of accounting records that will provide the necessary information for the consolidation process; and
- prepare the consolidation information (including the relevant accounting and disclosure requirements and all relevant consolidation adjustments) in accordance with the consolidation instructions and directions ["Dear Consolidation Officer" (DCO) and "Dear Consolidation Manager" (DCM) letters] issued by DoF on the form, manner and timetable for the delivery of such information.

3.8 Delegation of Duties

The Principal/Chief Executive may delegate the day-to-day administration of his/her Accounting Officer responsibilities to other employees in the college for a period of up to 4 weeks. However, he/she shall not assign absolutely to any other person any of the responsibilities set out in this document. Where the Principal/Chief Executive is expected to be unavailable for a period in excess of 4 weeks the Department should be informed so that an Acting Accounting Officer can be formally appointed.

3.9 Consulting Customers

The college will work in partnership with its stakeholders and customers to deliver the services/programmes, for which it has responsibility, to agreed standards. It will consult regularly to develop a clear understanding of citizens' needs and expectations of its services and to seek feedback from both stakeholders and customers and will work to deliver a modern, accessible service. Further guidance is provided in the Guide for Governors.

3.10 The Principal/Chief Executive's role as Principal Officer for Ombudsman cases

The Principal/Chief Executive of the college is the Principal Officer for handling cases involving the Northern Ireland Commissioner for Complaints. As Principal Officer, he/she shall inform FE division within DfE of any complaints about the college accepted by the Ombudsman for investigation, and about the college's proposed response to any subsequent recommendations from the Ombudsman.

4. PLANNING, BUDGETING AND CONTROL

4.1 The Sector Corporate Plan and the College Development Plan

The Sector Corporate Plan

Consistent with the timetable for the NI Executive's Budget process reviews, the sector shall submit to the Department a draft of the sector's Corporate Plan covering three years ahead. The sector shall have agreed with the Department the issues to be addressed in the plan and the timetable for its preparation.

DoF reserves the right to ask to see and agree the sector's Corporate Plan.

The plan shall reflect the sector's statutory duties and, within those duties, the priorities set from time to time by the Department. In particular, the Plan shall demonstrate how the sector contributes to the achievement of the Department's strategic aims, PfG outcomes.

The Sector Corporate Plan shall set out:-

- The sector's key objectives and associated key performance outcomes for the three forward years, and its strategy for achieving those objectives;
- a review of the sector's performance in the preceding financial year, together with comparable outturns for the previous two years, and an estimate of performance in the current year;
- alternative scenarios to take account of factors which may significantly affect the execution of the plan but which cannot be accurately forecast;
- a forecast of income and expenditure, taking into account guidance on resource assumptions and policies provided by the Department at the beginning of the planning round. The forecast should represent the Sectors best estimate of all its available income not just any grant or grant-in-aid; and
- other matters as agreed between the Department and the Sector.

The Plan, including the key performance outcomes, - shall be agreed between the Department and the Sector in the light of the Department's decisions on policy and resources taken in the context of the Executive's wider policy and spending priorities and decisions.

The College Development Plan

Each year of the Sector Corporate Plan, amplified as necessary, shall form the basis of the CDP for the relevant forthcoming year. The plan, including the key performance outcomes, - shall be agreed between the Department and the College in the light of the Department's decisions on policy and resources taken in the context of the Executive's wider policy and spending priorities and decisions.

DoF reserves the right to ask to see and agree the college's CDP.

Sector Corporate Plans will be formally approved by the Minister. CDPs will be formally approved by the Director of FE.

4.2 Publication of Plans

Once approved, both the Sector Corporate Plan and the CDP shall be published on the college website. They shall be made available to staff.

4.3 Reporting Performance to the Department

The college shall operate management information and accounting systems which enable it to review, in a timely and effective manner, its financial and non-financial performance against the budgets and outcomes set out in its agreed Sector Corporate Plan and CDP.

The Sector/college shall take the initiative in informing the Department of changes in external conditions, which make the achievement of objectives more or less difficult, or which may require a change to the budget or objectives as set out in the Sector Corporate Plan or CDP.

The college's performance in helping to deliver departmental policies, including the achievement of key objectives, shall be reported to the Department as required. Performance will be formally reviewed in accordance with an agreed timetable by Departmental Officials. The Permanent Secretary/Minister shall meet representatives of the GB formally each year at the annual accountability review meetings to discuss the college's performance, its current and future activities, and any policy developments relevant to those activities.

The college's performance against key outcomes shall be reported in the college's annual report and accounts (see Section 5 below). The audit of the annual report and accounts will be carried out by the NIAO.

4.4 Budgeting Procedures

The college's budgeting procedures are set out in the Financial Memorandum.

4.5 Internal Audit

The college shall establish and maintain arrangements for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS).

The Department has outlined the arrangements that it has determined as appropriate for the college in the Audit Code, which takes account of internal audit arrangements between Departments and Arm's Length Bodies which include requirements in terms of:

- having input to the college's planned internal audit coverage;
- arrangements for the receipt of audit reports, assignment reports, the Head of Internal Audit's annual report and opinion etc;
- arrangements for the completion of Internal and External Assessments of the college internal audit function against PSIAS including advising that the Department reserves a right of access to carry out its own independent reviews of internal audit in the college;
- the right of access to all documents prepared by the college's internal auditor, including where the service is contracted out. Where the college's audit service is contracted out the college should stipulate this requirement when tendering for the services.

The college shall consult the Department to ensure that the latter is satisfied with the competence and qualifications of the Head of Internal Audit and that the requirements for approving the appointment are in accordance with PSIAS and relevant DoF guidance.

The GB will agree the college's terms of reference for internal audit service provision. The Internal Audit provider shall be procured at sectoral level. The lead college in the procurement of the Internal Audit provider shall provide the Department with a copy of any contract or internal audit agreement and notify the Department of any subsequent changes to internal audit's terms of reference.

4.6 Audit and Risk Committee

The college GB shall set up an independent Audit and Risk Committee as required by the Order and the Articles of Government, in accordance with the Cabinet Office's Guidance on Codes of Practice for Public Bodies and in line with the Audit and Risk Committee Handbook.

The Audit and Risk Committee must comply with the arrangements determined in the Articles of Government, which include the establishment and the remit of the committee, and the Audit Code for the Governing Bodies of Further Education Colleges which provides detailed guidance on procedures and practices.

The Department requires:-

- attendance by departmental representatives at the college Audit and Risk Committee meetings; and
- access to the college's Audit and Risk Committee papers and minutes;

In addition, the Department may require:-

- any input required from the College's Audit & Risk Committee to the Department's own Audit and Risk Committee; and
- any other matters the Department considers appropriate.

The Department will review the college's Audit and Risk Committee's terms of reference. The college shall notify the Department of any subsequent changes to the Audit and Risk Committee's terms of reference.

4.7 Fraud

The college shall report immediately to the Department all frauds (proven or suspected), including attempted fraud. The Department shall then report the frauds immediately to DoF and the Comptroller & Auditor General (C&AG). In addition the college shall forward to the Department the annual fraud return (updated as required), commissioned by DoF, on fraud and theft suffered by the college.

The college should always provide the Department with follow-up information as soon as it becomes available.

The Department shall review the college's Anti-Fraud Policy and Fraud Response Plan. The college shall notify the Department of any subsequent changes to the policy or response plan.

4.8 Additional Departmental Access to the College

The Department shall have a right of access to all the college's records and personnel for purposes such as sponsorship audits, operational investigations and for any other necessary purposes.

5. EXTERNAL ACCOUNTABILITY

5.1 The Annual Report and Accounts

After the end of each year (August – July) the college shall publish, as a single document, an annual report of its activities together with its audited annual accounts. The report shall also cover the activities of any corporate bodies under the control of the college. A draft of the report shall be submitted to the Department in line with the annual returns timetable before publication although it is expected that the Department and the College will have had extensive pre-publication discussion on the content of the report prior to formal submission to the Department.

The report and accounts shall be prepared in accordance with any relevant statutes and the specific Accounts Direction issued by the Department.

The report and accounts shall outline the college's main activities and performance during the previous financial year and set out in summary form the college's forward plans. Information on performance against key financial outcomes shall be included in the annual report, and shall therefore be within the scope of the audit.

The report and accounts shall be laid before the Assembly by the Department and made available, in accordance with the guidance on the procedures for presenting and laying the combined annual report and accounts as prescribed in the relevant Finance Director letter issued by DoF.

5.2 External Audit

The C&AG audits the college's annual accounts and passes the accounts to the Department who shall lay them before the Assembly. For the purpose of audit the C&AG has a statutory right of access to relevant documents as provided for in Articles 3 and 4 of the Audit and Accountability (Northern Ireland) Order 2003.

The C&AG will liaise with the college on the arrangements for completing the audit of the college's accounts. This will either be undertaken by staff of the NIAO or a private sector firm appointed by the C&AG to undertake the audit on his/her behalf.

The final decision on how such audits will be undertaken rests with the C&AG, who retains overall responsibility for the audit.

The C&AG has agreed to share with the Department relevant information identified during the audit process including the Report to Those Charged With Governance at the end of the audit. This shall apply, in particular, to issues which impact on the Department's responsibilities in relation to financial systems within the college. The C&AG will also consider, where asked, providing the Department and other relevant bodies with reports which the Department may request at the commencement of the audit and which are compatible with the independent auditor's role.

The Audit Code provides guidance on the Department's external audit requirements.

5.3 Value For Money Examinations

The college Accounting Officer (AO) along with the college GB is responsible for delivering value for money from public funds. It should keep its arrangements for managing all the resources under its control under review, taking into account guidance on good practice which may be issued from time to time by the Department, NIAO, DoF, the National Audit Office and the Public Accounts Committee (PAC).

The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the college has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under Articles 3 and 4 of the Audit and Accountability (Northern Ireland) Order 2003. Where making payment of a grant, or drawing up a contract, the college should ensure that it includes a clause which makes the grant or contract conditional upon the recipient or contractor providing access to the C&AG in relation to documents relevant to the transaction. Where subcontractors are likely to be involved, it should also be made clear that the requirements extend to them.

6. STAFF MANAGEMENT

6.1 General

Within the arrangements approved by the Department, the GB shall have responsibility for the recruitment, retention and motivation of its senior staff as set out in the FE Order and the Articles of Government.

Senior college staff shall have responsibility for the recruitment, retention and motivation of college staff. Details are provided in section IV of the FM.

The college should ensure that:-

- its rules for the recruitment and management of staff create an inclusive culture in which diversity is fully valued; where appointment and advancement is based on merit; and where there is no discrimination on grounds of gender, marital status, domestic circumstances, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
- the level and structure of its staffing, including grading and numbers of staff, are appropriate to its functions and the requirements of efficiency, effectiveness and economy;
- the performance of its staff at all levels is satisfactorily appraised and the NDPB's performance measurement systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the college's objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle blowing procedures consistent with the Public Interest (Northern Ireland) Order 2003 and DAO (DFP) 02/15 – Whistleblowing in the Public Service – A good practice guide for workers and employers are in place; and
- a code of conduct for staff is in place based on Annex 5A of Public Bodies: A Guide for NI Departments

7. REVIEWING THE ROLE OF THE COLLEGE

The college shall be reviewed periodically, in accordance with the business needs of the Department and the college. Reference should be made to Chapter 9 of the Public Bodies: a Guide for Northern Ireland Departments 2008.

[when a college is being wound up.] The Department shall, in good time before the college is to be wound up:

- ensure that procedures are in place in the college to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work that is to be inherited by any residuary body;
- specify the basis for the valuation and accounting treatment of the college's assets and liabilities at wind-up, distinguishing between actual and potential assets and liabilities, in order to provide a clear basis for assessing the college's financial legacy; and
- if necessary, secure representation on the college's GB to ensure that the wind-up is conducted in a proper and satisfactory manner.

The college shall provide the Department with full details of all agreements where the college or its successors have a right to share in the financial gains of developers. It should also pass to the Department details of any other forms of claw back due to the college.

Financial Memorandum

I. INTRODUCTION

1. This Financial Memorandum (FM) sets out certain aspects of the financial framework within which the college is required to operate.
2. The terms and conditions set out in the combined MS/FM may be supplemented by guidelines or directions issued by the Department/Minister in respect of the exercise of any individual functions, powers and duties of the college.
3. The college shall satisfy the conditions and requirements set out in the combined document, together with such other conditions as the Department/Minister may, from time to time, impose.

II. THE COLLEGE'S INCOME AND EXPENDITURE - GENERAL

The Departmental Expenditure Limit (DEL)

4. The college's current and capital expenditure form part of the Department's Resource Departmental Expenditure Limits (DEL and Capital DEL respectively).

Expenditure Not Proposed in the Budget

5. The college shall not, without prior written Departmental approval, enter into any undertaking to incur any expenditure which falls outside the college's delegations or which is not provided for in the college's annual budget (1 April to 31 March) as approved by the Department.

Procurement

6. The college's procurement policies shall reflect the public procurement policy adopted by the Northern Ireland Executive in May 2002 (refreshed May 2016); Procurement Guidance Notes; and any other guidelines or guidance issued by Central Procurement Directorate (CPD) and the Procurement Board.
7. The college's procurement activity should be carried out by means of a Service Level Agreement (and Local Operating Agreement) the Department has with CPD

- this should ensure compliance with relevant UK, EU and international procurement rules.
- 8. As agreed with CPD, procurement contracts for supplies and services <£30k shall remain the responsibility of the college.
- 9. Purchases up to £5,000 will be classified as procurement expenditure. The college must ensure that all purchases up to £5,000 are subject to value for money considerations and Managing Public Money Northern Ireland.
- 10. All construction related procurement contracts, irrespective of value, should be procured through or under the delegated authority of a construction CoPE or via a Service Level Agreement with a CoPE.
- 11. For reactive maintenance, planned preventative maintenance and minor works construction schemes, the designated CoPE for public bodies is Properties Division.
- 12. For larger construction schemes (i.e. schemes of work typically higher than £400k or new builds), the designated CoPE is Construction Division.
- 13. Periodic Internal Audit reviews of the college's procurement activity should be undertaken. The results of any such review will be shared with the Department.

Competition

- 14. Contracts shall be awarded on a competitive basis and tenders accepted from suppliers who provide best value for money overall or the most economically advantageous tender (MEAT).
- 15. Single tender action, or Direct Award Contract (DAC), is the process where a contract is awarded to an economic operator (i.e. supplier/contractor) without competition. In light of their exceptional nature, all DACs should be subject to college AO approval.
- 16. The college shall send to the Department after each financial year a report for that year explaining any contracts above £5,000 in which competitive tendering was not employed.
- 17. It is advisable that the college seeks an assurance from the Department, CPD, or their legal adviser, to provide assurance for the college AO that the use of DAC is legitimate in a particular case. Further information on Procurement Guidance Note, 'Direct Award Contracts' is published on the DoF website.

Best Value for Money

18. Procurement by the college of works, supplies and services shall be based on best value for money, i.e. the optimum combination of whole life cost and quality (or fitness for purpose) to meet the college's requirements. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken.

Timeliness in Paying Bills

19. The college shall collect receipts and pay all matured and properly authorised invoices in accordance with Annex 4.6 of MPMNI any guidance issued by DoF or the Department.

Novel, Contentious or Repercussive Proposals

20. The college shall obtain the approval of the Department and, where necessary, DoF (via FE Division) before:

- incurring any expenditure for any purpose which is or might be considered novel or contentious, or which has or could have significant future cost implications, including on staff benefits;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the Department;
- making any change of policy or practice which has wider financial implications (e.g. because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required.

Risk Management/Fraud

21. The college shall ensure that the risks it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and shall develop a risk management strategy, in accordance with the Treasury guidance Management of Risk: A Strategic Overview (The "Orange Book") and the NIAO Best Practice Guidance.

22. The college shall take proportionate and appropriate steps to assess the financial and economic standing of any organisation or other body with which it intends to enter into a contract or to which it intends to give grant or grant-in-aid.

23. The college shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with DoF's guide *Managing the Risk of Fraud*. The college should ensure it has a fraud response plan in place.

24. All cases of attempted, suspected or proven fraud shall be reported to the Department who shall report it to DoF and the NIAO as soon as they are discovered, irrespective of the amount involved.

Wider Markets (An initiative to generate commercial income)

25. The college shall seek to maximise receipts from non-Consolidated Fund sources, provided that this is consistent with:

- the college's main functions; and
- its CDP as agreed with the Department.

26. The Department will confirm with the DoF Supply Officer that such proposed activity is appropriate.

Fees and Charges

27. Fees or charges for any services supplied by the college shall be determined in accordance with Chapter 6 of MPMNI.

III. THE COLLEGE'S INCOME

Grant-in-Aid

28. Grant-in-aid will be paid to the college monthly, and from 1 April 2019, shall be on the basis of the college showing evidence of need. The application shall certify that the conditions applying to the use of grant-in-aid have been observed to date and that further grant-in-aid is now required for purposes appropriate to the college's functions.

29. The college should have regard to the relevant DoF guidance and to the general principle enshrined in Annex 5.1 of *Managing Public Money Northern Ireland* that it should seek grant-in-aid according to need.

30. Cash balances accumulated during the course of the year shall be kept at the minimum level consistent with the efficient operation of the College. This is deemed to be 30 cash days which should ensure the college holds sufficient cash

for one month, and is approximated by a limit of 10% of prior year income. Grant-in-aid not drawn down by the end of the year shall lapse. However, where draw-down of grant-in-aid is delayed to avoid excess cash balances at year-end, the Department will make available in the next financial year (subject to approval by the Assembly of the relevant Estimates provision) any such grant-in-aid required to meet any liabilities at year end, such as creditors.

Fines and Taxes as Receipts

31. Most fines and taxes (including some levies and licences) do not provide additional DEL spending power and should be surrendered to the Department.

Receipts from Sale of Goods or Services

32. Receipts from the sale of goods and services (including certain licences), rent of land and dividends normally provide additional DEL spending power. The college may request permission to retain a receipt or utilise an increase in the level of receipts, however it must gain the prior approval of the Department in order to do so. The college should not assume that permission will automatically be granted as the additional cover may be required to meet an existing priority in the Department

33. If there is any doubt about the correct classification of a receipt, the college shall consult the Department, which may consult DoF as necessary.

Interest Earned

34. Interest earned on cash balances cannot necessarily be retained by the college. Depending on the budgeting treatment of this receipt, and its impact on the college's cash requirement, it may lead to commensurate reduction of grant-in-aid or be required to be surrendered to the NI Consolidated Fund via the Department. If the receipts are used to finance additional expenditure by the college, the Department will need to ensure it has the necessary budget cover.

Unforecast Changes in In-Year Income

35. If the negative DEL income realised or expected to be realised in-year is less than estimated, the college shall, unless otherwise agreed with the Department, ensure a corresponding reduction in its gross expenditure so that the authorised provision is not exceeded. [NOTE: For example, if the college is allocated £100 resource DEL provision by the Department and expects to receive £10 of negative DEL income, it may plan to spend a total of £110. If income (on an accruals basis) turns out to be only £5 the college will need to reduce its expenditure to

£105 to avoid breaching its budget. If the college still spends £110 the Department will need to find £5 of savings from elsewhere within its total DEL to offset this overspend.]

36.If the negative DEL income realised or expected to be realised in the year is more than estimated, the college may apply to the Department to retain the excess income for specified additional expenditure within the current financial year without an offsetting reduction to grant-in-aid. The Department shall consider such applications, taking account of competing demands for resources, and will consult with DoF in relation to any significant amounts. If an application is refused, any grant-in-aid shall be commensurately reduced or the excess receipts shall be required to be surrendered to the NI Consolidated Fund via the Department.

Build-Up and Draw-Down of Deposits (Surpluses/Deficits)

37.The college shall comply with the rules that any DEL expenditure financed by grant-in-aid counts within DEL and that the build-up of deposits may represent a saving to DEL (if the related receipts are negative DEL in the relevant budgets).

38.The college shall ensure that it has the necessary DEL provision for any expenditure financed by grant-in-aid.

Proceeds From Disposal of Assets

39.Disposals of land and buildings are dealt with in *Section VI below*.

Gifts and Bequests Received

40.The college is free to retain any gifts, bequests or similar donations, subject to the paragraph below. These shall be capitalised at fair value on receipt, if applicable, and must be notified to the Department.

41.Before accepting a gift, bequest, or similar donation, the college shall consider if there are any associated costs in doing so or any conflicts of interests arising. The college shall keep a written record of any such gifts, bequests and donations and of their estimated value and whether they are disposed of or retained.

Borrowing

42.Normally, the college will not be allowed to borrow, but when doing so the college shall observe the principles set out in Chapter 5 and the associated annexes of MPMNI when undertaking borrowing of any kind. The college shall seek the

approval of the Department and, where appropriate, the Department will liaise with DoF to seek approval to ensure that it has any necessary authority and budgetary cover for any borrowing or the expenditure financed by such borrowing. Medium or long term private sector or foreign borrowing is subject to the value for money test in Section 5.7 of MPMNI.

43. Where exceptionally the college is allowed to borrow, the spending financed by borrowing scores gross in budgets. This applies whatever the source of borrowing (Department, market, European Investment Bank). The cash raised by borrowing does not score as negative DEL. This means that any expenditure by the college financed by borrowing will need DEL budget cover (provided that this is the normal budgeting treatment for such expenditure).

IV. EXPENDITURE ON STAFF

Staff Costs

44. Subject to its delegated levels of authority, the college shall ensure that the creation of any additional posts does not incur forward commitments which will exceed its ability to pay for them.

Pay and Conditions of Service

45. The staff of the college, whether on permanent or temporary contract, shall be subject to levels of remuneration as approved by the Department and DoF.
46. Current terms and conditions for staff of the college are those set out in the Northern Ireland College Employers' Forum Circulars. The college shall provide the Department and DoF with a copy of all relevant circulars agreed by Negotiating Committees.
47. Annual pay increases of college staff must be in accordance with the annual Dear Finance Director (DFD) letter on Pay Remit Approval Process and Guidance issued by DoF. Therefore, all proposed pay awards must have prior approval of the Department and the Minister for Finance before implementation.
48. The travel expenses of GB members shall be tied to Departmental rates. Reasonable actual costs shall be reimbursed.

Pensions; Redundancy/Compensation

49. The college staff will be eligible for a pension provided by one of the following:

- Northern Ireland Teachers' Pension Scheme (NITPS),
- Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC)
- National Employment Savings Trust (NEST), (used for auto-enrolment purposes only – staff cannot elect to join this scheme).

50. Staff may opt out of the occupational pension scheme provided by the college. However, the employer's contribution to any personal pension arrangement, including a stakeholder pension, shall (normally) be limited to the national insurance rebate level.

51. Teaching staff: as per the Teachers' (Compensation for Redundancy and Premature Retirement) Regulations (NI) 2010, the GB of the college is both the Employing Authority and Compensating Authority.

52. Non-teaching staff: all entitlements/payments are a matter for the college as the Employing Authority and the pension administrator.

V. NON-STAFF EXPENDITURE

Economic Appraisal

53. The college is required to apply the principles of economic appraisal, with appropriate and proportionate effort, to all decisions and proposals concerning spending or saving public money, including European Union (EU) funds, and any other decisions or proposals that involve changes in the use of public resources. For example, appraisal must be applied irrespective of whether the relevant public expenditure or resources:

- involve capital or current spending, or both;
- are large or small; or
- are above or below delegated limits.

54. Appraisal itself uses up resources. The effort that should go into appraisal and the detail to be considered is a matter for case-by-case judgement, but the general principle is that the resources to be devoted to appraisal should be in proportion

to the scale or importance of the objectives and resource consequences in question. Judgement of the appropriate effort should take into consideration the totality of the resources involved in a proposal.

55. General guidance on economic appraisal that applies to colleges can be found in:

- DoF's on-line guide The Northern Ireland Guide to Expenditure Appraisal and Evaluation ("NIGEA", 2009).
- The HM Treasury Guide, the Green Book: Appraisal and Evaluation in Central Government (2003).

Capital Expenditure

56. Subject to being above the agreed, prevailing capitalisation threshold, as advised by the Department, all expenditure on the acquisition or creation of fixed assets shall be capitalised on an accruals basis in accordance with relevant accounting standards. Expenditure to be capitalised shall normally include the (a) acquisition, reclamation or laying out of land; (b) acquisition, construction, preparation or replacement of buildings and other structures or their associated fixtures and fittings; and (c) acquisition, installation or replacement of movable or fixed plant, machinery, vehicles and vessels.

57. Proposals for large-scale individual capital projects or acquisitions must be considered within the college's Estates Strategy as set out in FE Circular FE01/18 and linked to the annual CDP process. Subject to delegated limits, applications for approval by the Department and, DoF if necessary, shall be supported by formal notification that the proposed project or purchase has been examined and duly authorised by the GB. All large scale capital investment projects shall be managed through formal governance procedures, including the establishment of Project Boards with oversight through the Departments Capital Projects Steering Group if deemed appropriate.

58. Approval of the annual budget does not obviate the college's responsibility to abide by the economic appraisal process.

59. Within its approved overall resources limit the college shall, as indicated in the attached Appendix on delegations, have delegated authority to spend up to £1m on any individual capital project or acquisition. Beyond that delegated limit, the Department's and, where necessary, DoF's prior authority must be provided through a formal allocation notification before expenditure on an individual project or acquisition is committed. Please note that there is a separate delegated limit in respect of capital expenditure on IT projects.

Transfer of Funds within Budgets

60. All transfers between budget lines within the total capital budget, or between budget lines within the total revenue budget, require Departmental approval.

Lending, Guarantees, Indemnities; Contingent Liabilities; Letters of Comfort

61. The college shall not, without the Department's and, where necessary, DoF's prior written consent, lend money, charge any asset or security, give any guarantee or indemnities or letters of comfort, or incur any other contingent liability (as defined in Annex 5.5 of MPMNI), whether or not in a legally binding form.

Grant or Loan Schemes

62. Unless covered by a delegated authority, all proposals to make a grant or loan to a third party whether one-off or under a scheme, together with the terms and conditions under which such grant or loan is made shall be subject to prior approval by the Department, and where necessary DoF. If grants or loans are to be made under a continuing scheme, statutory authority is likely to be required

63. The terms and conditions of a grant or loan to a third party shall include a requirement on the receiving organisation to prepare accounts and to ensure that its books and records, in relation to the grant or loan, are readily available for inspection by the college, the Department and the C&AG.

64. See also below under the heading *Recovery of grant-financed assets*.

Gifts Made, Write-Offs, Losses and Other Special Payments

65. Proposals for making gifts or other special payments (including issuing write-offs) outside the delegated limits must have the prior approval of the Department and where necessary DoF.

66. Losses shall not be written off until all reasonable attempts to make a recovery have been made and proved unsuccessful.

67. Gifts by management to staff are subject to the requirements of DAO (DFP) 05/03.

Leasing

68. Prior Departmental approval must be secured for all property and finance leases. The treatment of office accommodation leases must be in line with relevant DoF guidance.
69. The college must have capital DEL provision for finance leases and other transactions which are, in substance, borrowing (see paragraphs on borrowing above).
70. Before entering into any lease (including an operating lease) the college shall demonstrate that the lease offers better value for money than purchase.

Public/Private Partnerships (or Private Finance Initiatives)

71. The college shall consult the Department in each case where a PPP is contemplated and prior Departmental approval must be obtained before the college enters into a PPP. The college should also ensure that it has the necessary budget cover to meet the full cost of any proposal for the life of the contractual commitment.
72. Any partnership controlled by the college shall be treated as part of the college in accordance with the relevant accounting standards and consolidated with it (subject to any particular treatment required by the relevant accounting standards.) Where the judgment over the level of control is difficult the Department will consult DoF (who may need to consult with the Office for National Statistics over national accounts treatment).

Subsidiary Companies and Joint Ventures

73. The college shall not establish subsidiary companies or joint ventures without the express approval of the Department and DoF. In judging such proposals the Department will have regard to the Department's wider strategic aims and current PFG outcomes.
74. For public expenditure accounts purposes any subsidiary company or joint venture controlled or owned by the college shall be consolidated with it in accordance with UK GAAP] subject to any particular treatment required by UK GAAP and/or FReM. Where the judgement over the level of control is difficult, the Department will consult DoF. Unless specifically agreed with the Department and DoF, such subsidiary companies or joint ventures shall be subject to the controls and requirements set out in this MS/FM, and to the further provisions set out in supporting documentation.
75. The college must inform the Department when a company or joint venture ceases to trade, is wound up or is struck off the Register of Companies.

Financial Investments

76. The college shall not make any investments in traded financial instruments without the prior written approval of the Department and, where appropriate, DoF nor shall it build up cash balances or net assets in excess of what is required for operational purposes. Funds held in bank accounts or as financial investments may be a factor for consideration when grant-in-aid is determined. Equity shares in ventures which further the objectives of the college shall equally be subject to Departmental and DoF approval unless covered by a specific delegation

Unconventional Financing

77. The college shall not enter into any unconventional financing arrangement without the approval of the Department and DoF.

Commercial Insurance

78. The college shall not take out any insurance without the prior approval of the Department and DoF, other than third party insurance required by the Road Traffic (NI) Order 1981 (as amended) and any other insurance which is a statutory obligation or which is permitted under Annex 4.5 of MPMNI.

79. In the case of a major loss or third-party claim the Department shall liaise with the college about the circumstances in which an appropriate addition to budget out of the Department's funds and/or adjustment to the college's outcomes might be considered. The Department will liaise with DoF Supply where required in such cases.

80. The college is permitted to enter into a Sector wide commercial insurance contract. The approval of the Department and DoF will be required if the Sector proposes to continue to purchase commercial insurance.

Payment/Credit Cards

81. The college, in consultation with the Department, shall ensure that a comprehensive set of guidelines on the use of payment cards (including credit cards) is in place. Reference should be made to FD (DoF) 11/16.

Hospitality

82.The college, in consultation with the Department, shall ensure that a comprehensive set of guidelines on the provision of hospitality is in place in line with DAO (DFP) 10/06 (Revised).

Use of Consultants

83.The college shall adhere to the guidance issued by DoF, as well as any produced by the Department, in relation to the use of Consultants.

84.The college will provide the Department with an annual statement (updated as required) returns on the status of all consultancies completed and/or started in each financial year.

85.Care should be taken to avoid actual, potential, or perceived conflicts of interest when employing consultants.

VI. MANAGEMENT AND DISPOSAL OF FIXED ASSETS

Register of Assets

86.The college shall maintain an accurate and up-to-date register of its fixed assets.

Disposal of Assets

87.The college shall dispose of assets which are surplus to its requirements. Assets shall be sold for best price, taking into account any costs of sale. Generally assets shall be sold by auction or competitive tender, unless otherwise agreed by the Department, and in accordance with the principles in MPMNI.

88.All receipts derived from the sale of assets (including grant financed assets, see below) must be declared to the Department, which will consult with DoF on the appropriate treatment.

Recovery of Grant-Financed Assets

89.Where the college has financed expenditure on capital assets by a third party, the college shall set conditions and make appropriate arrangements to ensure that any such assets individually are not disposed of by the third party without the college's prior consent.

90.The college shall therefore ensure that such conditions and arrangements are sufficient to secure the repayment of the NI Consolidated Fund's due share of the proceeds of the sale, in order that funds may be surrendered to the Department.

91.The college shall ensure that if the assets created by grants made by the college cease to be used by the recipient of the grant for the intended purpose, a proper proportion of the value of the asset shall be repaid to the college for surrender to the Department. The amounts recoverable under the procedures above shall be calculated by reference to the best possible value of the asset and in proportion to the NI Consolidated Fund's original investment(s) in the asset.

VII. BUDGETING PROCEDURES

Setting the Annual Budget

92.Each year, in the light of decisions by the Department on the Sector's Corporate Plan and the college CDP (Section 4.1 of the Management Statement), the Department will send to the college:

- a formal statement of the annual budgetary provision allocated by the Department in the light of competing priorities across the Department and of any forecast income approved by the Department for (1 April – 31 March); and
- a statement of any planned change in policies affecting the college.

93.The college's approved CDP will take account both of its approved funding provision and any forecast receipts, and will include a budget of estimated payments and receipts together with a profile of expected expenditure of drawdown of any departmental funding and/or other income over the year. These elements will form part of the approved CDP for the year in question. (Section 4.1 of the Management Statement).

94.Any grant-in-aid provided by the Department for the financial year (1 April – 31 March) in question will be voted in the Department's Estimate and will be subject to Assembly control.

General Conditions for Authority to Spend

95.Once the college's budget has been approved by the Department (and subject to any restrictions imposed by Statute/the Minister/this MS/FM), the college shall have authority to incur expenditure approved in the budget without further reference to the Department, subject to the following conditions:

- the college shall comply with the delegations set out in the appendices to this document. These delegations shall not be altered without the prior agreement of the Department and DoF;
- the college shall comply with the conditions set out above regarding novel, contentious or repercussive proposals;
- inclusion of any planned and approved expenditure in the college's budget shall not remove the need to seek formal Departmental (and where necessary, DoF) approval where such proposed expenditure is above the delegated limits or is for new schemes not previously agreed;
- the college shall provide the Department with such information about its operations, performance, individual projects or other expenditure as the Department may reasonably require (see paragraph on banking arrangements below);
- the college shall comply with NI Public Procurement Policy; and
- procurement should be carried out via CPD as required.

Providing Monitoring Information to the Department

96. The college shall provide the Department with, as a minimum, information on a monthly basis which will enable the satisfactory monitoring by the Department of:

- the college's cash management;
- its drawdown of any grant-in-aid requirement;
- the expenditure for that month;
- forecast outturn by resource headings; and
- other data required for the DoF Outturn and Forecast Outturn Return.

VIII. BANKING

Banking Arrangements

97. The college's AO is responsible for ensuring that the college's banking arrangements are in accordance with the requirements of Annex 5.7 of MPMNI.

In particular, he/she shall ensure that the arrangements safeguard public funds and that their implementation ensures efficiency, economy and effectiveness.

98. He/she shall therefore ensure that:

- these arrangements are suitably structured and represent value-for-money, and are reviewed at least every two years, with a comprehensive review, usually leading to competitive tendering, at least every three to five years;
- sufficient information about banking arrangements is supplied to the Department in order that the Department's Accounting Officer can satisfy his/her own responsibilities (Section 3.2 of the Management Statement);
- the college's banking arrangements shall be kept separate and distinct from those of any other person or organisation; and
- adequate records are maintained of payments and receipts and adequate facilities are available for the secure storage of cash.

IX. COMPLIANCE WITH INSTRUCTIONS AND GUIDANCE

Relevant Documents

99. The college shall comply with the following general guidance documents:

- This document (both the Financial Memorandum and the Management Statement);
- Managing Public Money Northern Ireland (MPMNI);
- Public Bodies - a Guide for NI Departments issued by DoF;
- Public Sector Internal Audit Standards, issued by DoF;
- The document Managing the Risk of Fraud issued by DoF;
- The Statement of Recommended Practice for Further and Higher Education;
- Any Accounts Directions issued by the Department and/or DoF;
- Relevant DoF Dear Accounting Officer and Finance Director letters;
- Regularity, Propriety and Value for Money, issued by Treasury;

- Other relevant instructions and guidance issued by the central Departments (DoF/TEO) including Procurement Board and CPD Guidance;
- Specific instructions and guidance issued by the Department; and
- Recommendations made by the PAC, or by other Assembly authority, which have been accepted by the government and which are relevant to the college.

X. REVIEW OF FINANCIAL MEMORANDUM

100.The MS/FM will normally be reviewed at least every five years or following a review of the college's functions. The MS/FM may be amended or supplemented from time to time by the issue of new or additional guidance by the Department to the college.

101.DoF Supply will be consulted on any significant variation proposed to the MS/FM.

Signature of the Designated Officer

102. The designated officer of the college should signify below that they have received and accepted the MS/FM, which sets out the terms and conditions for payment by the Department for the Economy of funds to the GB of the college, out of funds voted by the Assembly/Parliament. A signed copy of the MS/FM must be returned to the Department.

103. The MS/FM must be signed by the Principal/Chief Executive on appointment as designated Accounting Officer.

Signed: 

Date: 12/11/18.

Acting Accounting Officer on behalf of the college

Signed: 

Date: 11/11/2018

on behalf of the Department