

# FINANCIAL AND CONTRACTING POLICY



This document sets out the policy governing the University's policy governing financial management and governance.

<b>Version</b>	1.1
<b>Executive Sponsor</b>	Chief Operating Officer
<b>Officer Responsible for Policy/ Procedures</b>	Director of Finance
<b>Consultation Process</b>	Executive Operations Group Executive
<b>Date of Approval and Committee and/or Executive Officer</b>	Finance and Infrastructure Committee Council
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# 1. SCOPE

## 1.1 Purpose of the Policy

The purpose of the Policy is to set out the guiding principles that will ensure that the University:

- complies with all relevant legislation;
- safeguards the assets of the University and maintains its financial viability;
- fulfils its responsibility for the provision of effective financial controls over the use of public funds;
- has robust standards of governance; and
- achieves value for money in all transactions.

The Policy covers the external requirements upon the University as provided by the Office for Students (OfS), as well as internal responsibilities defined through a scheme of delegated authority and responsibility.

This Policy shall be interpreted in such manner as not to conflict with the University Statutes and Ordinances.

## 1.2 What is covered by the Policy

This Policy sets out the Financial and Contracting principles that must be adhered to with regards to:

- Corporate Governance and Ethics; and
- Financial Management and Control.

The University has a policy infrastructure that is not replicated here, but referenced where relevant to the subject matter.

## 1.3 Who is covered by the Policy

All staff, joint venture and business partners, contractors, and suppliers to the University must comply with the Policy. This Policy does not form part of any employee's contract of employment and may be amended at any time.

## 1.4 Breach of this Policy

Any breach of this Policy and its associated procedures by staff will be investigated in accordance with the University's disciplinary procedure. A serious breach may amount to gross misconduct, and could therefore result in summary dismissal.

Any breach of this Policy and its associated procedures by business partners, contractors and other third parties will be investigated and any breach may result in relevant contracts being terminated.

## 1.5 Policy Ownership

The Financial and Contracts Policy is approved by Council. The Finance and Infrastructure Committee is responsible for the regular review of this Financial and Contracting Policy, through the Chief Operating Officer, and for advising the Council of any necessary additions or changes. In exceptional circumstances and always in accordance with the Charter, Statutes and Ordinances, the Finance and Infrastructure Committee may authorise a departure from the detailed provisions herein, such departure to be reported to the Council at the earliest opportunity. The Chief Operating Officer is the Executive sponsor and the Director of Finance is the officer responsible for the Policy. Any questions about the operation of this Policy or any concerns that the Policy has not been followed should be referred in the first instance to the Director of Finance.

## 2. CORPORATE GOVERNANCE AND ETHICS

### 2.1 OfS

- a) The OfS has issued Terms and Conditions of Funding for Higher Education Institutions (the 'OfS T&C's') which sets out the formal relationship between OfS and the governing bodies of the institutions if funds. It reflects OfS responsibilities to provide annual assurances to Parliament that:
  - Funds are being used for the purposes for which they were given;
  - Risk management, control and governance in the sector are effective;
  - Value for money is being achieved.
- b) The University will adhere to all requirements of the OfS T&C's, which are set out under the under noted headings and further detailed in annexes A to F of the OfS T&C's:
  - Institution's responsibilities to OfS;
  - Financial management and sustainability;
  - Estate management;
  - Accountability and note assessment.
- c) The Council is collectively responsible for overseeing the University's activities and ensuring they comply with OfS guidelines. These responsibilities are set out in the OfS T&C's.
- d) Council will appoint the Vice-Chancellor as the "Accountable Officer", who will advise the Council (and, if necessary OfS) if the University fails to comply with the OfS T&C's. Failures which would have to be reported to OfS are clearly stated OfS T&C's.
- e) The requirements are set out in the OfS T&C's, which can be obtained from OfS or on their internet site.

### 2.2 Committee Structure

- a) The University will maintain a committee structure in accordance with the OfS T&C's.
- b) The Council is responsible for approving the committee structure. The composition of the committee structure and the terms of reference for the committees can be obtained from the Secretary to Council.

### 2.3 Risk Management and Insurance

- a) The University 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.
- b) The University will maintain a risk management strategy. The strategy will identify risks, set out the actions necessary to mitigate them and monitor the implementation of those actions.
- c) All investment business cases will include a consideration of the risks associated with the investment to inform the approval process.
- d) The strategy and procedures must be capable of independent verification.
- e) The Executive is responsible for developing and implementing a risk management strategy across the University.
- f) The Council has overall responsibility for ensuring there is an appropriate risk management strategy in place and ensuring that high level risks and the actions to manage them are reviewed at least twice per year.

- g) Council has asked each college to document risks in a consistent manner. Executive Deans must ensure each college maintains a strategic risk register in approved format as advised by the Head of Strategic Risk Services.
- h) Executive Deans and Directors of Support Services must ensure that any agreements negotiated by their department with external bodies cover any legal liabilities to which the University may be exposed. Advice should be sought from the General Counsel (or their nominee), to ensure that this is the case.

## 2.4 Entity Level Due Diligence

- a) The University will maintain an appropriate framework to manage the risks of partnerships, transactions and other interactions with third parties. This will include the setting of a finance and legal due diligence standard and an accompanying risk assessment tool as part of the compliance procedures.
- b) The outcome of risk assessments should drive appropriate approval of the principle of doing business with an individual or organisation at a pre-contract stage, i.e. prior to formal contact is made and before any of the delegated authority limits set out in Appendix A come into force.
- c) Once an entity is pre-approved, Executive Deans and Directors of Support Services should ensure that appropriate processes are in place to assess, understand and sign-off the activity proposed.

# 3. FINANCIAL MANAGEMENT AND CONTROL

## 3.1 Financial Control

- a) The OfS sets out requirements that must be met for an Institution to receive funding: specifically *“The University should have a financial strategy which reflects the overall strategic plan, sets appropriate benchmarks and performance indicators, shows how resources are to be used, and shows how activities and infrastructure will be financed. To remain sustainable and financially viable the University should also assess, take and manage risks in a balanced way that does not overly constrain freedom of action in the future”*.
- b) The University will operate appropriate processes and procedures that ensure that it maintains effective financial control over its income and expenditure, and assets and liabilities, in accordance with good governance and the requirements of OfS.
- c) These processes and procedures will include:
  - Drawing up a 5 year strategic financial plan, including sensitivity analysis that demonstrates that it will remain solvent and has adequate funds to deliver its academic commitments over the period;
  - Drawing up an annual budget that defines the income and expenditure for the next financial year;
  - Preparing periodic forecasts during the year, on a quarterly basis or as otherwise required, (to ensure that it can take action to mitigate adverse performance);
  - Preparing regular management accounts and additional analysis;
  - Maintaining a clear structure of delegated authorities and bank mandate authorities;
  - Maintaining comprehensive controls over transactions, including sales, costs and cash;
  - Maintaining a fit-for-purpose financial system that ensures the robustness and quality of data reported; and

- Utilising an internal audit function that checks the design and effectiveness of operational and financial controls.
- d) The Director of Finance is responsible for maintaining a robust, risk-based, University-wide Financial Control environment under the overall control of the Vice-Chancellor (as Accountable Officer) and the Chief Operating Officer.
- e) The Executive Deans and Directors of Support Services must ensure that:
- All employees are aware of the Financial Control requirements and of the policies and processes that they are required to follow; and
  - There is an appropriate structure in place at a college or departmental level to ensure adequate scrutiny over employee adherence to the Financial Control policies and processes.

### **3.2 Delegated Financial Authority Limits**

- a) The University will maintain a schedule (Appendix A) of delegated authorities and bank mandates that defines the financial authority limits that apply to all contracting and transactions that result in commitment of financial resources or time. As such, they are equally applicable to both 'sale' and 'purchase' transactions.
- b) The financial parameters placed upon the University, the Accountable Officer and the University Council are outlined in paragraphs 31 to 38 of the OfS T&Cs.
- c) The limits and levels of authority granted to managers through this Policy must be applied in a manner that is consistent with the OfS T&C's and satisfies both the Executive and the Council that financial probity has been exercised on all occasions.
- d) The limits and levels of authority for the University apply equally to both internal and external expenditure.
- e) Financial responsibility and accountability for approved budgets vests with functional and operational budget holders.
- f) Below Council sub-Committee level (for which authorities are detailed in the Delegation of Council's powers), delegated financial authority vests in individuals, not Committees, with Committees making recommendations for financial approval by individuals.
- g) Delegated financial authorities are categorised into types of authority:
- Authority to Contract (create an obligation);
  - Authority to Incur (authorise a transaction); and
  - Authority to Pay (trigger a cash outflow).
- h) All value thresholds are inclusive of VAT and service taxes where applicable.
- i) The Vice-Chancellor has the authority to reduce or withdraw delegated authority. Similarly, Executive members and Directors of Support Services may reduce or withdraw any delegated authority within their designated cost centres.
- j) Council (delegated to Finance and Infrastructure Committee) can approve an increase to financial or non-financial delegated authority.
- k) All employees with delegated authority must comply with the authority limits approved by Council.
- l) Delegated Authority is conditional upon formal acceptance of this Policy and current delegated financial authority limits (Appendix A) are published.

### **3.3 Income**

- a) In accordance with the OfS T&C's, the University must ensure that funds from any source are used only for the purposes for which they have been received.

- b) Policies for each of donations and endowments, research grants and contracts, student income and other income generating activities are set out in sections 3.4 to 3.8 below.

### 3.4 Donations and Endowments

- a) All offers of substantial donations or endowments for the University must be approved at the appropriate level in line with the Financial Authority Limits (Appendix A) before they are accepted. The implications of accepting such a donation or endowment will have to be considered in terms of:
- The ability of the University to comply with any conditions attached to the donation or endowment; and
  - Any potential conflict of interest and any other entity level due diligence risk.
- b) If the donation or endowment is accepted, the Chief Operating Officer shall account for the monies in accordance with donor wishes and any relevant HE SORP (Higher Education Statement of Recommended Practice) guidance.
- c) Prizes received must only be used for the purpose specified. If it is desired to change the purpose of an award the approval of the donor should be sought.

### 3.5 Research Grants and Contracts

- a) Research is defined as original investigation undertaken in order to gain knowledge and understanding. It includes work of direct relevance to the needs of commerce, industry and to the public and voluntary sectors' scholarship; the invention and generation of ideas, images, performances, artefacts including design, where these lead to new or substantially improved insights; and the use of existing knowledge in experimental development to produce new or substantially improved materials, devices, products and processes, including design and construction.
- b) Research excludes routine testing and analysis of materials, components and processes such as for the maintenance of national standards, as distinct from the development of new analytical techniques.
- c) The term "*research grant*" is used to describe funding for projects that are developed and designed by the applicant (often on a topic of their choosing). The mode of funding may not cover the full costs of the research and so requires an institutional contribution (e.g. through accepting reduced overheads). Typically, these are funded by the Research Councils, charities, professional bodies, industry and the EU. This type of award is subject to grant conditions, which if not met may result in financial penalties.
- d) The term "*research contract*" is used to describe funding for projects that are developed in response to the identified need of an external body. Research contracts have contractual obligations associated with them, which if not met can result in legal action. This mode of funding is expected to cover the full cost of the research being carried out.
- e) All applications for funding (both grants and contracts) must be approved by the process determined by the Research and Knowledge Exchange Office and signed in accordance with the Financial Authority Limits (Appendix A).
- f) The University will maintain research policies that set out rules for applying for, authorising, spending and reporting on research projects. The policies will also set out how private research work will be managed.

### 3.6 Personal Academic Support Accounts (PASA's)

- a) Individual academic employees will be able to create their own PASA from a number of sources:
- Consultancy income received in line with the university's consultancy agreement;

- CPD or Executive Education work beyond that considered part of the normal teaching load; or
  - An element of the indirect full economic costs (fEC) recovered from research grants won. This will be limited to a maximum 10% of the indirect fEC contributions.
- b) While accounting practices dictate that PASA's cannot officially be carried forward from one financial year to the next, credits of up to £10,000 on each account can be 'notionally' retained at the year end.
  - c) The remaining 90% of FEC indirect costs will be allocated to colleges and/or research groups for day-to-day maintenance of laboratories and research facilities, consumables and student bursaries.
  - d) Donations to the University or individual members of employees to support their research or their laboratories will be placed in restricted donor accounts which under certain circumstances can be carried forward at the year end.
  - e) Any and all assets purchased using PASA funds are at purchase, and remain, the sole property of the University.

### **3.7 Student Fees**

- a) Fees are proposed annually and approved through the Tuition Fees Review Group.
- b) Fee policy and procedures will be governed by UK Government legislation (including any need to obtain approvals). Care will be taken to comply with competition rules.
- c) The University maintains the Tuition Fee Charging Policy, which includes tuition fees as well as accommodation fees and other sundry student debt. This includes suggesting sources of advice for students with financial difficulties.
- d) New programmes are approved, updated or withdrawn through the Programme Approval Steering Committee ('PASC').

### **3.8 Other Income Generating Activities**

- a) Other income generating activities should be managed on an arms' length basis. A price based on the full economic cost of the activity plus a profit margin should be charged for any goods, services, courses outside of standard regulated fees for example, professional development courses, or other income-generating activities.
- b) The price must be authorised by the Executive Dean or Director and, if it is below full economic cost, the reason for it must be specified and agreed by the Executive Dean and the Chief Operating Officer.
- c) The Chief Operating Officer is responsible for determining full economic cost and/or overhead recovery rates.

### **3.9 Cash handling**

- a) All activities that require the handing of physical cash amounts should follow the basic principles of cash handling. These include segregation of duties, independent reconciliation and secure cash transit. Failure to follow appropriate cash handling processes shall be grounds for disciplinary action.
- b) The Director of Finance is responsible for producing a robust cash handling procedure under the overall control of the Chief Operating Officer.
- c) The Executive Deans and Directors of Support Services must ensure that:
  - All relevant employees are aware of the cash handling requirements and of the processes that they are required to follow;



- There is an appropriate structure in place at a college or departmental level to ensure adequate scrutiny over employee adherence to the cash handling policies and processes where relevant.

### **3.10 Purchasing and Payments**

- a) The University will maintain a Procurement Policy that will set out the University's purchasing objectives and the procedures designed to achieve them.
- b) Where appropriate University credit or purchasing cards may be issued to employees in line with Financial Limits set out in Appendix A. Such 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 Chief Operating Officer will be responsible for setting in place a system to monitor the use of University credit or purchasing cards and account for expenses charged through them.
- c) Credit cards or procurement cards should not under any circumstances be linked to online accounts such as Amazon, Paypal or other electronic wallets. Where required, purchases using these methods should be completed as 'guest' transactions, and one-off card payments.
- d) Credit cards or procurement cards should not be used by anyone other than the named cardholder. Details relating to card accounts should not be shared with colleagues, personal assistants or third parties. Misuse of cards in this manner shall be grounds for disciplinary action.
- e) Payments for maintenance and other items to students on behalf of sponsoring organisations shall be made on the authority of the Chief Operating Officer, supported by detailed claims approved by the Executive Dean (or nominee) and/or Director.
- f) Project/travel advances: The Chief Operating Officer and the relevant Executive Dean or Director may jointly approve cash advances for projects carried out away from the University where cash expenditure may be unavoidable.

### **3.11 Inventory**

- a) Consumable items should be expensed to the profit and loss account, except for stores in Conference Aston and University Catering.
- b) Directors/Heads of Departments are responsible for the use and security of stocks and stores under their control and for ensuring that appropriate records are kept.
- c) Conference Aston and University Catering should count their stores each month, as a minimum, and update their records accordingly.

### **3.12 Capital Investment and Fixed Assets**

- a) For the purposes of authorisation, the evaluation of a capital investment project includes all expenditure on land, buildings, equipment, and furniture and associated revenue costs whether or not they are funded from capital grants or whether all of the costs are capitalised for inclusion in the University's Financial Statements and more particularly:
  - All individual items costing under £10,000 (including VAT) will be expensed to the profit and loss account unless part of a capital project;
  - All items and projects costing over £10,000 (including VAT) will be capitalised on the balance sheet;
  - Regular statements concerning all capital expenditure will be provided to the Executive and the Finance and Infrastructure Committee for monitoring purposes.

A post-project evaluation or final report is submitted to the Executive and the Finance and Infrastructure 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 OfS, as laid down in their guidelines.

Any projects with greater than 10% over or under spends are reported to the Finance and Infrastructure Committee.

Procedures are to be maintained for the approval of variations, including the notification large variations to OfS, as laid down within their guidelines and appropriate systems and procedures exist for the accurate recording of fixed assets.

Executive Deans and Directors/Heads of Services are responsible for the use and security of vehicles, furniture, equipment and moveable plant under their control. All acquisitions and disposals must be made in accordance with the procedures prescribed by the Chief Operating Officer. All assets either individually or as a component of a project with a cost over £10,000 (including VAT) will be maintained in a central fixed asset register. The physical existence of fixed assets should be verified at a minimum of every two years. They are also responsible for ensuring that any assets with restricted use as specified by a funder, such as ERDF, are effectively controlled and accounted for in accordance with any guidelines.

### **3.13 Statutory Accounts**

- a) The University's financial year will run from 1 August until 31 July the following year.
- b) The consolidated financial statements will be prepared in accordance with Financial Reporting Standards (FRS102) and the Statement of Recommended Practice (SORP) Accounting for Further and Higher Education 2015, subject to any specific requirements OfS as set out in the annual Accounts Direction letter or other guidance.
- c) The financial statements of subsidiary companies will be prepared in accordance with the provisions of the Companies Act 2006.
- d) The Statutory Accounts will be published on the University website in line with OfS requirements.

### **3.14 Taxation**

- a) The University will maintain a Tax Strategy that sets out the approach to ensuring compliance with taxation regulations in the UK, and globally where the University operates overseas.
- b) The University will maintain tax records, make all tax payments and, in accordance with statutory requirements and submit tax returns by their due date.
- c) The University will maintain a policy and framework to ensure compliance with the Corporate Criminal Offence provisions of the Criminal Finance Act 2017, including training of relevant employees.
- d) The University will maintain a policy and framework to ensure compliance with the Import and Export requirements, both in the UK and overseas.
- e) The Executive Deans and Directors of Support Services must ensure that:
  - All relevant employees are aware of the corporate and personal taxation and CCO implications of the activities they are initiating or undertaking, and of the processes that they are required to follow. Advice is available from the Tax Manager where required; and
  - There is an appropriate structure in place at a college or departmental level to ensure adequate scrutiny over employee adherence to the taxation policies and processes where relevant.

### **3.15 No Order No Pay**

- a) Invoices from goods and services supplied to the University will not be paid unless they quote a valid University purchase order number.
- b) The following types of expenditure and payment are agreed exceptions and do not require a purchase order:
  - Utilities i.e. water, energy, phone tariffs and phone lines;
  - Some planning and property charges i.e. planning permission, rates;
  - Office supplies placed on-line via our approved supplier's portal;
  - Travel through our approved travel supplier's portal;
  - Taxation and other statutory charges; and
  - Library's orders for books and journals only

### **3.16 Bad Debt and Write-off/ons**

- a) The University will make reasonable endeavours to collect all monies due in line with contractual payment timings.
- b) The University will establish a fair and transparent process for the collection of debts from all categories of customers.
- c) The University will refer uncollectable debts to an appropriately contracted and vetted collection agency as appropriate.
- d) The University will maintain a Bad Debt Provision calculated in the manner set out in the approved Accounting Policies which will be updated at least annually.
- e) Any write offs of debts or write ons of credits should be approved in line with the Financial Limits set out in Appendix A.

### **3.17 External Audit**

- a) The primary role of external audit is to report on the University'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.
- b) The University will appoint external auditors whose duties will be in accordance with University Statute 3 and advice set out in OfS audit code of practice (OfS T&C's Appendix C) and the Auditing Practices Board's statements of auditing standards.
- c) The appointment of external auditors is the responsibility of Council, who will be advised by the Audit Committee.
- d) The Chief Operating Officer is responsible for drawing up a timetable for final accounts purposes and will advise employees and the external auditors accordingly.
- e) Following consideration by the Executive, the Financial Statements should be presented and reviewed by the Audit Committee. On the recommendation of the Audit Committee they will be submitted to the Council for approval.

### **3.18 Internal Audit**

- a) The internal audit function must ensure that the University has sound systems of financial and other management controls and its scope must embrace the whole internal control system including operations, resources, employee's services and responsibilities for other bodies.
- b) The University will have an internal audit function that meets with requirements of the OfS T&C's Appendix C.

- c) The University will agree an annual internal audit plan.
- d) The University's Head of Internal Audit (or equivalent for an outsourced internal function) must report serious weaknesses, frauds or any major accounting breakdown that is identified in the normal course of internal audit work to the Chief Operating Officer and the Vice-Chancellor. The Vice-Chancellor must then inform, without delay, the Chair of the Audit Committee, the Chair of the University Council and OfS about the matters in question. In the event of a refusal by the Vice-Chancellor to report any such matters to the Chair of the Audit Committee, the Chair of the University Council or OfS, the Head of Internal Audit must report to them directly.

### **3.19 Financial System Access**

- a) An appropriate financial system will be maintained to allow the University to meet its statutory and operational requirements.
- b) Access to Financial Systems shall be granted, monitored and revoked in line with the IT Security Policy.
- c) Financial System accounts should not be used by anyone other than the authorised user. Details relating to accounts, including passwords, should not be shared with colleagues, personal assistants or third parties. Misuse of accounts in this manner shall be grounds for disciplinary action.
- d) Under no circumstances should authorisation of transactions in any Financial System be delegated to a third party outside of the prescribed substitute process of that system. Misuse of accounts in this manner shall be grounds for disciplinary action.
- e) Financial transaction and approval limits within Financial Systems should be maintained at all times in line with the Financial Limits set out in Appendix A.



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