

Financial Procedures as approved by the Finance Committee on 19 June 2017

The University of Manchester

FINANCIAL PROCEDURES

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Glossary

HEFCE	Higher Education Funding Council for England
HMRC	Her Majesty's Revenue and Customs
Board	Board of Governors
Dean	Vice-President and Dean of a Faculty
PRC	Planning and Resources Committee
CPSC	Capital Planning Sub-Committee
PDMSC	Project Development and Monitoring Sub-Committee
VAT	Value Added Tax
CET	Continuing Education and Training
EU	European Union
IPR	Intellectual Property Rights
NWUPC	North West Universities Purchasing Consortium
NI	National Insurance
NIC	National Insurance Contributions
PAYE	Pay As You Earn

Terminology

The following will apply in the Financial Regulations and Financial Procedures:

Dean shall mean the Vice-President and Dean of a Faculty who has been appointed, following the procedures laid down by Statute XV, to manage one of the Faculties in the University.

Head of School shall mean the Head of one of the Schools in the University. In the Financial Regulations and Financial Procedures, the term shall also apply to any head of any Administrative Directorate, Division, Unit, Institute, Cultural Asset, Residence or other body or separate legal entity such as subsidiary companies which has, for financial management purposes, the equivalent status of a School.

Primary Budget holder shall mean the President and Vice-Chancellor, Vice-Presidents and Deans of Faculties and the Registrar, Secretary and Chief Operating Officer. A delegated **budget holder** is any other individual who has been given delegated authority and responsibility for managing a budget within the University and its subsidiary companies.

Faculty shall mean one of the several Faculties as defined by Statute XV.

School shall mean one of the several Schools in the University as defined by Statute XVI, and will also include, for example, any Administrative Directorate, Division, Unit, Institute, Cultural Asset, Residence or other body or separate legal entity such as subsidiary companies which has, for financial management purposes, the status of a School.

Shall, will and **must** denote mandatory requirements, and **should** denotes good practice. The University requires all staff to adhere to the principles of good practice. Any deviation must be for clear and cogent reasons, and approved in advance by the relevant primary budget holder.

Preface

The University sets out matters concerning the broad policies relating to financial control in its Financial Regulations. The Financial Regulations are approved by the Board and apply to the University and all its related subsidiaries, and include all funds passing through University accounts.

As the Financial Regulations form part of the General Regulations of the University, compliance with them is mandatory for all members of the University, which includes staff (including those who hold honorary contracts of employment), students and other associated individuals (e.g. lay members of the Board and lay officers). Members of the University who fail to comply with the Financial Regulations may be subject to appropriate action under the University's disciplinary procedures.

Deans, Heads of Schools and other senior managers must ensure that relevant staff are made aware of the existence and contents of the Financial Regulations and Procedures and that staff with financial responsibility are acquainted with them. This is particularly important where the Head of School has delegated authority to staff in his/her School.

It will be seen from the Financial Regulations that operational issues are dealt with in the Financial Procedures. This manual sets out relevant details to ensure efficient, effective and economic financial control. As such, they must be read in conjunction with the Financial Regulations. In addition, reference will be made to other University publications and guidance in such cases an indication will be given to the source of such information and how it might be obtained.

The Financial Procedures, which are set out in the Sections that follow, are structured using the Financial Regulations as a framework. Therefore, it is important that the Financial Procedures are read in conjunction with the Financial Regulations. The structure of the Financial Procedures will, for ease, follow the Financial Regulations. In cases where it is felt that Financial Regulations require no procedural explanation, a reference will be made to the appropriate paragraph in the Financial Regulations. In addition, attention might be drawn to procedural information provided by offices other than the Finance Directorate.

Finally, it is recognised that financial processes may, in some circumstances, require amendment to reflect local needs. However, it is expected that such cases will be exceptional and must, prior to their adoption, be approved by the Director of Finance. The Finance Directorate may also issue guidelines that seek to amplify and provide more detailed guidance to staff and other members of the University on matters dealt with in the Financial Procedures below.

In all cases where there may be any doubt or apparent conflict, the University's Financial Regulations shall prevail over the Financial Procedures, which will prevail over any supplemental rules or guidelines.

Section 1 - BACKGROUND AND REVIEW

- 1.1. This section sets out the status and scope of the Financial Regulations and Financial Procedures. The Financial Regulations and Financial Procedures apply to the University and all its related subsidiaries and include all funds, irrespective of their source, passing through University accounts. Therefore, whilst there may be reference in the succeeding Sections to procedures to be followed that are specific to a particular area of activity these will not, in financial matters, take precedence. Thus, although it is recognised that, for example, the Directorate of Research and Business Engagement Support Services has responsibility to monitor research grant and contract applications this will require, for financial matters, conformance with the Financial Regulations and Financial Procedures in addition to any specific requirements laid down by the Directorate of Research and Business Engagement Support Services.
- 1.2 The Annual Statement of Accounts will consolidate the university owned companies and other subsidiary undertakings.
- 1.3 For the avoidance of doubt, the Financial Regulations and Financial Procedures apply fully to staff employed by the National Health Service (or other bodies) who also hold honorary contracts with the University, in respect of all their activities within the University. This includes Schools based in part at NHS hospitals and other sites. All funds earned or gained as a result of the use of University facilities or resources shall be regarded as income of the University, and must be treated as prescribed by the Financial Regulations and Financial Procedures.

Section 2

FINANCIAL CONTROL

GENERAL MATTERS CONCERNING FINANCIAL CONTROL

- 2.1. This Section in the Financial Regulations sets out the framework by which the Board exercises financial control.
- 2.2. In addition to the above, the paragraphs below set out the procedures for fraud and other financial irregularities, budgeting and forecasting, the treatment of year-end balances and capital expenditure programmes and general issues with regard to the Accounts and Accounting returns of the University.
- 2.3. Financial control in the University is vested in a number of key bodies, as described below.

General Assembly: the General Assembly has no direct responsibility for the University's financial management. However, its membership receives, and may discuss, comment and pass an opinion on the annual accounts.

Board of Governors: the Board, as the governing body of the University, has overall responsibility for its direction, management and administration. The Board's key financial responsibilities are to:

- ensure the solvency of the institution;
- safeguard the University's assets;
- ensure the effective and efficient use of resources;
- ensure that the funds provided by the HEFCE are used in accordance with the terms and conditions specified in the Memorandum of Assurance and Accountability with HEFCE;
- ensure that financial control systems are in place and are working efficiently, effectively and with economy;
- ensure that the University complies with the HEFCE's Audit Code of Practice and with the terms under which any funding is made available to the University;
- approve the University's strategic plan;
- approve annual estimates of income and expenditure;
- approve the annual financial statements;
- appoint the institution's external auditors; and,
- appoint the institution's internal auditors.

COMMITTEE STRUCTURE

2.4. Although the Board has ultimate responsibility for the University's finances, it is primarily a supervisory body and delegates much of the detailed work to a number of committees. As set out in Statute VI.7(d) and Ordinance VIII, the University must establish arrangements for effective governance and internal management and financial control. These matters are also addressed in the Memorandum of Assurance and Accountability with HEFCE. The University conducts its business in accordance with best practice in public sector corporate governance, and appoints committees for this purpose. Ordinance VIII sets out the key committees that have been established. These are:

Finance Committee: chaired by a lay member of the Board and with lay members of the Board comprising a majority of the membership;

Audit Committee: chaired by a lay member of the Board with a wholly lay membership of the Board and the General Assembly;

Remuneration Committee: chaired by the Chair of the Board and a wholly lay membership drawn from the membership of the Board except for the President and Vice-Chancellor, who shall be a member of the Committee for matters other than those in relation to him or herself; and,

Planning and Resources Committee: chaired by the President and Vice-Chancellor.

The **Finance Sub Committee** of the Planning and Resources Committee is a forum where financial projections, financial performance and associated actions and decisions can be discussed in detail and summary outcomes reported back to PRC for validation. It deals with the business and accountabilities of PRC in relation to finance matters. This includes:

- To serve as the primary source of advice to the President and Vice-Chancellor on financial matters;
- To prepare, review and agree financial plans, budgets and financial forecasts for recommendation to PRC;
- To review monthly financial accounts and commentary in detail and agree any actions required for executive implementation and /or recommendation to PRC;
- To consider and make recommendations regarding external borrowing facilities;
- Where circumstances dictate, to make recommendations to Finance Committee and report at the earliest opportunity to PRC on the actions taken and/or recommendation(s) made;
- To ensure that internal financial control regulations, procedures and processes reflecting best practice are in place, and to oversee their implementation.

Staffing Committee: chaired by a lay member of the Board, the Committee was established under Ordinance XXIII to give full and proper consideration to any proposals duly notified to it by or on behalf of the President and Vice Chancellor to dismiss members of staff by reason of redundancy pursuant to Statute XIII Part II.

The Board approves the detailed remits of the above committees.

AUDITORS

- 2.5. The University's auditors have authority to gain access to all institutional premises. "Institutional premises" means any accommodation in which University teaching, research and other business takes place. This includes, for example, accommodation on non-university premises, such as NHS buildings, where members of the University are located, unless access is precluded by any lease or other third party agreement.
- 2.6. The appointment of external auditors is laid out under Statute XIV. Their appointment is made on a three yearly basis (extendable in annual increments thereafter, subject to satisfactory performance, up to a maximum duration of ten years in total) and is the responsibility of the Board. In making the appointment of external auditors, the Board will be advised by the Audit Committee. The University will comply with HEFCE guidance and EU rules regarding the appointment of external auditors.
- 2.7. The primary role of the external auditors is to report on the University's financial statements and to carry out such examinations of the statements and underlying records and control systems as they consider necessary to reach their opinion on the statements and to report on the appropriate use of funds. Their duties will be in accordance with advice set out in the HEFCE's *Audit Code of Practice* and the Auditing Practices Board's published guidance for external auditors.
- 2.8. The Board appoints the internal auditor on the recommendation of the Audit Committee. The main responsibility of internal audit is to provide the Board with assurances on the adequacy of internal control mechanisms. The internal auditor is, in addition to HEFCE's *Audit Code of Practice*, subject to the Auditing Practices Board's published guidance for internal auditors.

FRAUD AND OTHER FINANCIAL IRREGULARITIES

- 2.9. Financial Regulation 2.4 and the University's Fraud Response Plan set out the responsibilities in dealing with irregularities or suspected irregularities in the exercise of the business of the University.
- 2.10. The Director of Finance must be informed, as soon as is practical, of any irregularity or suspected irregularity concerning financial matters. Fraud can be defined as including any of the following: theft, false accounting, bribery, corruption, money laundering (see sections 4.50 to 4.53 below), forgery, deception and collusion or other financial malpractice. Allegations of suspected bribery must be reported to the Director of Compliance and Risk.
- 2.11. The Registrar, Secretary and Chief Operating Officer is ultimately accountable for the investigation of all such matters, but will usually delegate to the Director of Finance the responsibility for setting up such investigations. He or she will involve the internal auditor and other relevant staff, and may if necessary contact external agencies such as HEFCE and the police. See section 4.53 and the Money Laundering Policy below on reporting suspected money laundering.
- 2.12. The report that is produced from the investigations that are undertaken will be forwarded to the Registrar, Secretary and Chief Operating Officer who will take such steps as are necessary to pursue the matter. This may, if any investigation confirms the irregularity, involve the commencement of action under the University's disciplinary procedures.

BUDGETING AND FORECASTING

- 2.13. The Finance Sub-Committee will approve a timetable for the planning and budgeting cycle, and at the appropriate time agree requirements for the following financial year. This timetable will set out the responsibilities of specified staff for compiling the various financial and statistical data, in order to meet the reporting requirements of the Board and University Committees (including PRC and Finance Committee) and external bodies (such as HEFCE and the Higher Education Statistics Agency (HESA)).
- 2.14. To ensure that sound financial projections are available to inform the strategic planning process and to enable Faculties to take the necessary action to alleviate problems at the earliest opportunity, the planning cycle may, as required, incorporate a five-year forward look.
- 2.15. Under the annual timetable, the Director of Finance is responsible for issuing guidance to relevant staff covering the preparation of, and the key assumptions to be used in:
- forecasts of that year's results;
 - the budget-setting process for the following year's anticipated activities; and,
 - projections covering the subsequent two or more years.
- Budgeting timetables and guidelines will be issued each year by the Director of Finance.
- 2.16. The financial information, forwarded to the Finance Committee and PRC, collated by staff in the Finance Directorate will be consolidated, at University level, generally on the same accounting basis as the Annual Statement of Accounts (see Sections below).
- 2.17. Staff in the Finance Directorate will liaise with relevant staff to obtain detailed and up-to-date information on all financial activities to enable the compilation of the relevant financial data. All budget holders, whether they be Deans of Faculties, Heads of Schools or other delegated budget holders (including holders of research grants or contracts), must provide such information as may be requested to facilitate the budgeting and forecasting process. This process will be done in conjunction with the Planning Support Office.
- 2.18. The Head of the Planning Support Office has responsibility for the co-ordination of the University's Planning, Budgeting, Performance Review and Accountability Cycle. Responsibility for the preparation of budgets lies with the Finance Directorate.

FORECASTS AND BUDGETARY CONTROL

- 2.19. The Director of Finance shall ensure the preparation of internal forecasts, i.e. an update of the annual budget. This shall include a comparison of the actual income and expenditure with that budgeted and an explanation of any material variances.
- 2.20. The Director of Finance shall ensure the preparation, as required, of financial forecasts for submission to HEFCE, other regulatory bodies and the University's bankers and lenders.

Budgetary Control

- 2.21. The Deans of Faculties are responsible for overall financial management across their Faculty, including the control of income and expenditure, budgetary control and monitoring. Where appropriate, they may delegate responsibility for a School or other defined area to a designated budget holder, usually a Head of School.
- 2.22. Budget holders who are not the Head of School are responsible for such sections of the School's income and expenditure budgets as have been allocated to them by the Head of School.
- 2.23. The Director of Finance will provide such timely management information as is necessary to enable Deans of Faculties and Heads of Schools to fulfil their financial responsibilities.
- 2.24. The Director of Finance is responsible for supplying budgetary reports on all aspects of the University's financial position, including the funding of capital expenditure, to the Finance Committee, which may devolve this role to the Capital Planning Sub-Committee (CPSC).

CAPITAL EXPENDITURE PROGRAMMES

- 2.25. The University, acting through the Finance Committee and the CPSC, will appraise formally before approval all major capital expenditures including non-building projects, equipment etc., to conform to best practice and the HEFCE's Memorandum of Assurance and Accountability. See Appendix B below for links to the Approval Process for Capital and Special Revenue Expenditure.
- 2.26. In considering major projects, the University must satisfy itself that:
 - the project is consistent with the strategic objectives of the University including, for building work, with the University's estate strategy. It is possible to envisage the need to support a project notwithstanding its non-compliance with the institutional strategic plans. However, in such cases, a decision by PRC would be required and recorded as to reasons why such a course of action was taken;
 - the project is fully costed (including VAT and any other taxes), to enable the production of a financial evaluation of the project including an assessment of the impact, if relevant, on revenue accounts, including the capitalisation policy as recommended by the Director of Finance of the project concerned and its potential impact on University accounts;
 - the project has been subject to an approved investment appraisal analysis;
 - the project conforms to relevant planning legislation including the requirement for planning permission and listed building consent;
 - consideration has been given to any associated tax implications and the options to address such matters;
 - any restrictions or requirements that will result from the use of external funding have been taken into account;
 - a cash flow analysis has been produced; and

- the project conforms to best practice on tendering and procurement and complies with EU and all other relevant legislation.
- VAT exemption may arise on capital projects, when a Register of Buildings usage may be helpful with regard to VAT liability. This may need to be checked if industrial and spin-out company activity is to be accommodated in such premises.

2.27. The University will:

- consider, where appropriate, methods by which projects might be funded;
- forward, with appropriate recommendations, cases to PRC and thence Finance Committee for approval; and
- monitor and report on projects previously approved.

2.28. Where projects are externally funded and financial and investment assessments have already been undertaken, the University may be able to “fast-track” such cases but nonetheless these projects must meet the criteria with regard to the institutional plans.

2.29. The Registrar, Secretary and Chief Operating Officer, Director of Finance or the Director of Estates and Facilities must be contacted at any early stage in the process in order that the issues covered in the paragraphs above may be addressed.

2.30. Upon the completion of a capital expenditure project a final report must be submitted to PRC and the Finance Committee recording actual expenditure against budget.

ACCOUNTS AND ACCOUNTING RETURNS

2.31. The Director of Finance is responsible for setting a timetable for the preparation of the Annual Financial Statements and other Financial Reports, and will accordingly advise staff and the internal and external auditors.

2.32. The Director of Finance is responsible for the production of the Annual Accounts for approval by the Board. The Annual Accounts, on the recommendation of the Finance and Audit Committees, shall be submitted to the Board for approval. The General Assembly receives the Annual Accounts, and may discuss, comment and pass an opinion on them.

2.33. Heads of Schools are responsible for the accuracy of financial records for their School, and for the delivery to appropriate deadlines of such information as is necessary for the preparation of budgets, annual accounts and other purposes.

ACCOUNT CODES

2.34. The creation and administration of codes and other relevant documentation to enable financial management will be in a format prescribed by the Director of Finance. All financial activities recorded using the financial system must be related to an activity code. The Finance Directorate is responsible for setting out and promulgating the procedures for creating and closing such codes.

ACCOUNTING POLICIES

Basis of Accounting

2.35. The consolidated Annual Financial Statements are prepared on the historical costs basis convention as modified by the revaluation of fixed assets, investments, endowment asset investments and certain land and buildings.

Format of the Accounts

2.36. The accounts are prepared for the financial year ending 31 July. They follow the format required by HEFCE, in accordance with the provision laid down in the *Statement of Recommended Practice: Accounting in Higher Education Institutions (SORP)*, and such applicable accounting standards as may be issued or amended from time to time by the UK Accounting Standards Board or, if the accounts are prepared in accordance with international standards, the International Accounting Standards Board.

Basis of Consolidation

2.37. The consolidated Financial Statements consolidate the financial statements of the University and all its subsidiaries, as defined by the Accounting Standards Board or the International Accounting Standards Board as the case may be for the financial year.

Accounting Returns

2.38. The Director of Finance is responsible for consolidating and despatching Financial Returns and other periodic Financial Reports to HEFCE and other relevant agencies.

Accounting Records and Safe Retention of Financial Documents

2.39. The Registrar, Secretary and Chief Operating Officer, acting through the Director of Finance, Deans, Heads of Schools and Directors within Professional Support Services are responsible for the safe retention of financial documents. (See Financial Regulation 2.17). They must be kept in a form acceptable to the relevant authorities.

2.40. The University must retain prime documents in line with legal and contractual requirements in current force. These include:

- official orders;
- purchase invoices;
- sales invoices;
- bank statements;
- copies of receipts;
- expenses claims and supporting receipts;
- research grant and contract records;
- records of payments to research volunteers and participants in clinical trials (including payments by cash or vouchers; see Financial Procedure 7.21)
- VAT certificates and,
- an archived set of transactions for each year from the computerised accounting

system which can be printed if required.

All the above documents must be stored safely for **at least** six years after the financial year when they were produced (see below). In addition, for auditing and other purposes, other financial documents must be retained for three years. The Records Management Office has published advice on the retention of records by the University:

<http://www.staffnet.manchester.ac.uk/services/records-management/records-retention/>

- 2.41. HMRC requires that invoices, expense claims and other prime documents are retained for at least six years, while various grant issuing bodies (including the European Union) have their own requirements. In some cases, these may exceed six years. In every case, the longest requirement must be complied with. Further details are available from the University's Records Management Office. Schools that are responsible for matching invoices must store them safely for the whole of the required period, and produce them on request to authorised persons.

Section 3

AUTHORISED SIGNATORIES

- 3.1. The Financial Regulations set out the types of authorised signatories that exist in the University to enable the exercise of financial authority and responsibility.
- 3.2. The number of authorised signatories that exist in Schools must be kept to a minimum. Heads of Schools (or equivalent) must conduct a regular review of the number of signatories that are required to permit the optimal financial management in their School. A review must be undertaken at least once a year to ensure that only current members of the University are included.

Authorised Signatories shall be appointed by the Head of School or the Director or Head of any PSS Directorate, Division, Unit, Institute, Cultural Asset, Residence or other area for the body concerned. The Vice-President and Dean of a Faculty will appoint Authorised Signatories within the relevant Faculty Office, but may delegate this role to the Director of Faculty Operations.

- 3.3. All authorised signatories must be members of the University. This will allow the following to undertake the role of authorised signatory:
 - paid members of staff;
 - non-paid members of staff who hold honorary contracts of employment; and,
 - other individuals that are determined as members of the University. Authorised signatories in the first and second category must hold letters of appointment.

The Board (who may delegate this role to Finance Committee) will determine the third category, or an appropriate Committee and authorised signatories in this category shall be few in numbers and approved by the Registrar, Secretary and Chief Operating Officer. Heads of School must inform the Director of Finance whenever an authorised signatory ceases to be a member of the University.

- 3.4. Budget holders must be paid members of staff. Any variation to this requires prior approval by the Director of Finance. In the normal course of events the only reason for seeking approval for the appointment of an accounting officer who is not a paid member of staff will be where the number of staff in a school is so small that it would not be practicable to use a paid member of staff. The role of an accounting officer is to ensure that appropriate financial records are maintained, that appropriate financial reconciliations are undertaken and to act as the first point of contact for the Finance Directorate.
- 3.5. Heads of Schools shall be aware that they are delegating authority and responsibility and that the staff to whom such duties are ascribed shall be given sufficient time to acquire the necessary training.
- 3.6. All requests for the creation of authorised signatories must be in the prescribed format. A copy of the relevant form may be obtained from the Finance Directorate.
- 3.7. In accepting the role of an authorised signatory the individuals concerned must familiarise themselves with the Financial Regulations and Financial Procedures and ensure compliance thereto.

ELECTRONIC SIGNATURES

- 3.8. The use in the Financial Regulations and Financial Procedures of the term “authorised signatory” shall encompass electronic as well as written signatures.
- 3.9. The term “electronic signature” means data in electronic form which are attached to or logically associated with other electronic data and which serve as a method of authentication. Electronic signatures must only be used in such circumstances and for such transactions as have been approved in advance by the Director of Finance.
- 3.10. All such electronic signatures shall take such form and technical specification as required by the Director of Finance. In all cases, electronic signatures must be:
- a. uniquely linked to the signatory;
 - b. capable of identifying the signatory;
 - c. applied using means that the signatory can maintain under his or her sole control; and,
 - d. linked to the data to which it relates in such a manner that any subsequent change of the data is detectable.
- 3.11. Staff are reminded that the misuse of electronic signatures, including using the signature of another person, is forbidden with regard to electronic signatures as it is for written signatures. In both cases, misuse may lead to disciplinary action. Cases may also be reported to the police.
- 3.12. It is forbidden for a member of staff to apply another person’s signature, whether written or electronic, even if this is done at their request. In such cases, both persons are at fault and may face disciplinary and / or criminal sanctions.

SECURITY

- 3.13. Staff must keep computer terminals, passwords, bank swipe cards etc. secure and report any loss or compromise without delay. Computer anti-malware systems must be kept up to date and any possible breach or hacking incidents reported to IT Services.

SEGREGATION OF DUTIES AND CONFLICTS OF INTEREST

- 3.14. It is of particular importance that an authorised signatory must **never** sign:
- both a requisition (or a purchase order) and the resulting invoice(s);
 - their own claim form (see Financial Regulation 3.3) for fees and expenses;
 - a requisition, purchase order, invoice, fees or expenses claim form, Frequent Traveller Credit Card or purchasing card log, or any similar document where there is any conflict of interest. This may include, for example, a claim form from a spouse, partner or other close relative, or an invoice from a company in which the signatory has an interest. (See Financial Regulations 3.4, 10.24, and Sections 10.57 to 10.64 below).

Failure to comply with the above requirements may result in the removal of status as an authorised signatory and/or appropriate disciplinary action.

Expenses claims and the other documents listed above must always be signed by a person of higher grade or professional rank to the claimant, usually their line manager. Claims by Heads of Schools must be authorised by the Faculty Dean.

The word “sign” includes the authorisation of payments on a computerised or electronic system, including those used for ordering and payment for goods and services, Egencia and other travel management systems and expenses claims.

- 3.15. All authorised signatories are expected to undertake training as required by the Director of Finance. Failure to undertake such training will result in the removal of status as an authorised signatory.
- 3.16. Authority to sign cheques, authorise standing orders or direct debits, accept contracts, agree loans and give other financial guarantees is laid down in the Financial Regulations. Only the signatories approved as required by Financial Regulations 3.12 and 3.13 can deal with such matters. This includes the opening of accounts with PayPal, and any other electronic payments system that requires giving the University’s bank account details.
- 3.17. A Memorandum of Understanding with an outside organisation must be signed by the relevant primary budget holder. Before signature, all Memoranda of Understanding must be reviewed as prescribed in Financial Regulation 5.5.
- 3.18. If a Principal Investigator has a conflict of interest in a particular transaction, but is the only person recognised by a funding body or client to authorise expenditure on a project, the Head of School or other colleague of equal or higher grade or professional status must also sign to authorise the transaction.

Section 4

INCOME AND BANKING

- 4.1. The Director of Finance is responsible for the prompt collection, security and banking of all income received by the University, and for ensuring that appropriate procedures and systems are in place to enable the University to receive all income to which it is entitled. Staff are reminded that the unauthorised diversion of University income for their own use or transfer to a third party constitutes theft. In such cases, appropriate disciplinary action will be taken. Cases may also be reported to the police.

BANKING ARRANGEMENTS

- 4.2. Details concerning the appointment of bankers and banking arrangements for the University can be found in Sections 4.2 to 4.4 of the Financial Regulations. These require that the Board shall approve appointment of the University's banker(s) on the recommendation of the Finance Committee.
- 4.3. As described in Financial Regulations 3.12 and 3.13, only the Director of Finance and such individuals as have been approved by the Finance Committee shall be authorised to sign cheques, authorise the electronic transfer of funds, or approve standing orders and direct debits on behalf of the University.
- 4.4. Only the Director of Finance may open or close bank accounts with the University's current bankers. If this involves a significant variation of the University's contract with the bankers, the prior advice of the Head of Procurement shall be obtained.
- 4.5. All requests to the University's bankers to open or close a bank account shall be in writing and signed by both the Director of Finance and one other individual authorised under Financial Regulation 3.12 to sign cheques.
- 4.6. In the case of a subsidiary company, as defined in Ordinance IX, the Memorandum of Understanding between the company and the University (see Financial Procedure 10.16 below) shall describe responsibility for the company's bank accounts.

CASH RECEIPTS (RECEIPT OF INCOME)

General Issues

- 4.7. The Income Office in the Finance Directorate has overall responsibility for recording and banking of all income due to the University. Where income is banked by other areas (such as the Refectory, Library and Halls of Residence) this shall be done in compliance with the Financial Regulations and Financial Procedures and any other guidance issued by the Director of Finance.
- 4.8. Schools are responsible for raising and despatching sales invoices and credit notes to their customers. Invoices and credit notes must be raised using the Oracle Financials system, or such other systems as have been approved by the Director of Finance.
- 4.9. In order that income can be collected on a prompt basis and to ensure that the level of bad debt is minimised, schools must issue sales invoices to their customers on a timely basis, and in compliance with the terms and conditions of contracts.

- 4.10. Schools are responsible for maintaining adequate financial records including where relevant VAT information. (See Financial Procedures 2.39 to 2.41 above).
- 4.11. All invoices and credit notes must be issued in the standard format approved by the Director of Finance using the Oracle Financials system, or such other systems as have been approved by the Director of Finance.
- 4.12. All invoices/credit notes raised must include the following:
- a school sequential invoice/credit note number in the standard format prescribed by the Finance Directorate (the Oracle system produces this automatically);
 - date of invoice/credit note;
 - customer name and address
 - delivery address;
 - any references required by the customer to facilitate payment of the invoice;
 - European based customer VAT registration number if applicable;
 - name and telephone number of the School issuing the invoice/credit note, plus e-mail address for the person issuing the invoice;
 - description of goods/services being provided;
 - itemised cost, VAT and total;
 - purchase order number or name of the person ordering the goods or service;
 - VAT code;
 - the number of days from the date of issue that payment falls due. The policy on payment deadlines shall be as defined by the Director of Finance;
 - that all payments must be made to the “The University of Manchester”, and state the University’s bank details; and,
 - that payment shall be sent directly to the Income Office, unless the invoice is raised by an area that is responsible for their own banking (see Section 4.7 above).
- 4.13. All credit notes raised must, in addition to the above, include the reason for issue and a cross-reference to the original invoice and any supporting documents.
- 4.14. All invoices and credit notes must include a remittance advice section with the following information:
- sequential invoice/credit note number in the standard format prescribed by the Finance Directorate;
 - total amount due; and,
 - customer name.
- 4.15. Any invoice raised incorrectly must be cancelled via a credit note. All credit notes must be approved by an authorised signatory not involved in raising the original invoice, after verification by the Head of School Finance or Head of the Faculty Finance Office. See also Financial Regulation 4.14 regarding credit notes in excess of £50K.
- 4.16. Schools are responsible for including the appropriate VAT charge/credit on the invoice/credit note. In cases of doubt guidance may be sought from the VAT Office.
- 4.17. Schools are liable for any retrospective VAT charges levied for failure to impose an appropriate VAT charge on services provided and/or failure to keep/provide relevant records or documentation. This may include penalties levied by HMRC.

Internal sales

- 4.18. Sales made to one School by another must be recorded using the appropriate internal sales procedures, available from the Systems Office in Finance.
- 4.19. VAT compliance may still be relevant and guidance may be sought from the VAT Office.

Payment of sales invoices by cheque, postal orders, cash etc.

- 4.20. It will be normal for payments for goods and services provided by Schools to be sent direct to the Income Office in the Finance Directorate. However if cheques, cash and postal orders etc. are sent to Schools rather than the Income Office, they must be recorded and then forwarded immediately to the Income Office (see section 4.27 below), unless the area concerned (such as Food on Campus, Library and Halls of Residence) is responsible for its own banking. Schools should make every effort to reduce the amount of cash that they receive locally.
- 4.21. School records of income received directly by the School must include
- date income received;
 - payer;
 - if the payment was made by cash, cheque or debit or credit card;
 - cheque number etc., (if relevant);
 - amount;
 - invoice number (or, if no invoice was issued, the nature of the goods or services provided); and,
 - the date that payment was forwarded to the Income Office.
- 4.22. Cheques, postal orders and similar payment methods may be forwarded by post. Cash payments must not be sent through the post.
- 4.23. Delays in crediting income received to a School's account can be avoided by ensuring that all payments forwarded to the Income Office include the appropriate remittance advice slip.
- 4.24. Receipts may not be issued for large batches of cheques delivered to the Income Office, by hand. Where cheques represent sales ledger receipts Schools will already have been credited with the income and it is not considered essential that a receipt need be issued.
- 4.25. To avoid allegations of money laundering, Schools must ensure that they are aware who they are dealing with (see sections 4.50 to 4.53 and the Money Laundering Policy below). Schools are responsible for ensuring that any cash they accept is legal tender.
- 4.26. Areas that do their own banking (such as Food on Campus, Library and Halls of Residence) must create a receipt using the Oracle Financials system, unless the Director of Finance has approved an alternative system or system failure requires the use of a manual receipt. Where the payment is in settlement of an outstanding invoice, this will match the payment to the invoice.
- 4.27. Where possible, Schools shall direct individuals wishing to settle debts in cash to the Income Office in the John Owens Building. If the School, Residence or other Unit

accepts the cash itself it must issue a receipt. The receipt must include the following information:

- invoice number (or, if no invoice was issued, the nature of the goods or services provided);
- payer;
- date payment received;
- if the payment was made by cash, cheque or debit or credit card;
- the amount; and,
- the name (and signature, if a manual receipt) of the member of staff issuing the receipt.

4.28. A copy of the receipt must be retained for School records. In all cases, the member of staff who accepts the cash payment must include their name (and sign a manual receipt).

4.29. Cash should be handed into the Income Office on a daily basis. If, in exceptional circumstances, this has not been possible, all cash must be held by the School in a lockable container or safe. To reduce risk and comply with the University's insurance cover, the following limits apply:

- Sums up to £1,000 may be held in lockable containers that are not easily removable.
- Sums over £1,000 must be held in a safe suitable for the holding of the required sums.
- Where holdings in any safe may exceed £3,000, the Insurance Office must be advised in advance of this sum being exceeded.

Whenever premises are left unattended, the keys and/or combination for the safe or other container must be kept in a locked drawer or cabinet in a different room from the container or safe, unless other arrangements have been agreed with the Insurance Office.

Amazon and similar shopping vouchers (which may be used for the payment of research volunteers, see Financial Procedures 7.20 and 7.21 below) must be treated with the same level of care and security as if they were cash.

4.30. To reduce risk and comply with the University's insurance policy, the following limits apply when moving cash across the campus or between buildings:

- Bank notes in transit must be carried on the person(s) and not in a bag or case.
- A minimum of one adult is required to transport amounts of cash up to £2,500 in total.
- A minimum of two adults are required to transport cash amounts between £2,500 and £5,000 in total.
- A minimum of three adults are required for cash amounts between £5,000 and £10,000 in total.
- An approved security carrier must be used for cash amounts exceeding £10,000.

4.31. Staff must seek the advice of the University's Security Services on issues relating to the secure custody and transportation of cash and other valuables.

COLLECTION OF DEBT OWED TO THE UNIVERSITY

- 4.32. When invoices are posted to the Finance Ledger, the School is credited immediately with the income it is due to receive. The Credit Control Office, in consultation with the School, is responsible for collection of the debt. Debt enforcement action, which may include reminder letters, use of a debt collection agency or legal action (in consultation with the Office of the General Counsel) shall be taken as appropriate. Schools should notify the Credit Control Office of any issues regarding overdue debt. The Credit Control Office may involve the School at each stage of doubtful debt recovery and tracing or legal costs will usually not be incurred without prior consultation with the Head of School. However, the Director of Finance may instigate doubtful debt procedures without the prior approval of a School. In such instances any associated costs would be borne centrally and the School would not be expected to meet them. Detailed procedures for commercial and student debt are set out in the Credit Control Policy.
- 4.33. The Director of Finance shall set limits below which University would not normally use a tracing agency or incur legal costs unless the University's total doubtful debt with the customer exceeds this sum. This shall be the total debt owed to the University, rather than the value of individual debts or sums owed to a particular School. To avoid the University continuing to deal with customers who persistently fail to clear their debts, a report of customers with unpaid invoices is available to Schools. The Director of Finance has the right to instruct Schools not to deal with specified potential customers.
- 4.34. Heads of School, or their nominees, must provide the Credit Control Office promptly with all the information necessary to pursue a debt. Any member of staff with a conflict of interest, for example, where a debtor is a spouse, partner or other close relative or a company in which they have an interest, must declare it and take no part in the debt collection process. (See Financial Regulations 3.4 and 10.24, and Sections 10.57 to 10.64 below).
- 4.35. The decision to take legal action, to recover a doubtful debt, will be determined on a case-by-case basis by the Credit Control Office in consultation with the School and the Office of the General Counsel.
- 4.36. Only the Director of Finance may approve the writing off of doubtful debts below the threshold approved by the Finance Committee (see Financial Regulation 4.13). The Finance Committee must consider debts above this threshold.

CARDHOLDER NOT PRESENT PAYMENTS

- 4.37. To comply with regulations on data protection, the University no longer permits Schools, Residences or other Units to receive and manually record "cardholder not present" credit or debit card payments. (These payments required the card-holder to give their card details on a form, over the telephone or by fax. These were recorded for completion later using a card terminal in the Income Office).
- 4.38. Such information, if lost or misappropriated, could be used to facilitate fraud. The University may be liable to pay substantial damages in such circumstances and could also face action under the Data Protection Act and the Payment Card Industry (PCI) Data Security Standards (DSS).

- 4.39. Credit or debit card details must not be recorded, copied or noted in any way. This covers both paper and electronic records, including email. Disciplinary action may be taken against staff who breach this rule.
- 4.40. Any unsolicited card details that are received, and any card details that are located on old records must be shredded and disposed of as confidential waste immediately. Computerised records must be fully deleted and non-recoverable. The requirements of the Payment Card Industry (PCI) Data Security Standards (DSS) must be complied with at all times.
- 4.41. The University accepts payments by credit or debit cards through three methods:
- Through the On-line Shop system, where the customer enters their card details on their own computer; or
 - Where a customer gives their card details to a member of the Credit Control staff over the telephone, and the details are immediately entered onto the University's computerised income system. This system makes the payments but does not retain card numbers and other sensitive information; or
 - By use of a PIN Entry Device (PED) terminal (previously known as electronic point of sale (EPOS)).
- 4.42. Instructions from companies providing credit/debit card payment terminals must be complied with. The terminals must be kept securely at all times, and must be checked regularly to ensure no unauthorised hardware has been installed.

INTERNET PAYMENTS

- 4.43. All systems for receiving payments over the internet or via other electronic systems must be approved by the Director of Finance.
- 4.44. The internet payment systems must comply with accepted standards for security, data protection, prevention of money laundering and ensure the existence of a full audit trail.

RECONCILIATION BETWEEN SCHOOL AND FINANCE DIRECTORATE LEDGERS

- 4.45. Records of all transactions (income and expenditure) processed against a School's accounts on the University's finance ledger are available on the Oracle Financials systems. Where other systems are in use, Schools must check these details against their own records on a timely basis and investigate any discrepancies with the appropriate section in Finance. Any queries on income may be raised with the Income Office, while queries on payment for goods and services can be raised with the Accounts Payable Office.

STUDENT FEES

- 4.46. The Director of Finance is responsible for ensuring that all student fees due to the University are received.
- 4.47. University Ordinance XVI requires that Students shall pay such fees representing charges due for admission, registration, tuition, accommodation, programmes of

study, examinations, conferment of degrees and otherwise, including payment of money owed to the University in respect of loans, books or other equipment or materials at such times, and in such manner, as may be fixed from time to time by the Board. No person shall be registered as a student of the University until:

- a. sessional fees have been paid in full, or arrangements have been made which are acceptable to the University for the payment of sessional fees for the current academic year by instalments. Unless otherwise sanctioned by the Senate, a student shall cease to be a registered student if arrangements for payment by instalments are not fulfilled; and,
- b. if applicable, all other fees and sums due to the University incurred in the previous academic year have been discharged in full.

General Regulation XII states that no student shall be admitted to any assessment unless he or she has paid such fees as may have been prescribed by the Board for the purposes of assessment. The President and Vice-Chancellor shall have the power to direct that the assessment result for any student who has not paid in full all fees, loans, charges or other sums due to the University shall not be published, nor submitted to the Senate for confirmation, until all such debts have been paid in full.

Finance Committee has approved the Recovery of Student Debt Policy:

<http://documents.manchester.ac.uk/DocuInfo.aspx?DocID=23629>

GIFTS, BENEFACTIONS AND DONATIONS TO THE UNIVERSITY

- 4.48. The Director of Finance, together with the Deputy President and Deputy Vice-Chancellor, the Registrar, Secretary and Chief Operating Officer and the Deans of Faculties, is responsible for maintaining financial records, including details of any restrictive terms and conditions, in respect of gifts, endowments, benefactions and donations made to the University and initiating claims for recovery of tax where appropriate. The Board has approved a Gift Acceptance Policy covering these areas (see Appendix D).

The Merged Endowment Funds Spending Policy has been approved by the Board to govern expenditure from the merged endowment funds (listed in Appendix 1 of the Policy). The Policy is available online:

<http://documents.manchester.ac.uk/DocuInfo.aspx?DocID=31003>

Further information on use of these funds is available in the Merged Endowment Funds Spending Procedure and Guidance:

<http://documents.manchester.ac.uk/DocuInfo.aspx?DocID=31005>

- 4.49. The President and Vice-Chancellor, who may delegate this responsibility to the Deputy President and Deputy Vice-Chancellor or one of the Vice-Presidents, in consultation where appropriate with the Registrar, Secretary and Chief Operating Officer and the Director of Finance, shall be responsible for financial and other issues associated with gifts, benefactions and donations to the University. In practice, the Development and Alumni Relations Division will usually handle such matters on a day to day basis.

MONEY LAUNDERING

- 4.50. The University shall comply at all times with the Proceeds of Crime Act (2002), the Money Laundering Regulations (2007), the Bribery Act (2010) and all other regulations on, or related to, suspected money laundering and related offences. If staff have cause to suspect that any transaction with the University may be a cover for such activity, they must inform the Director of Finance, or, in the case of suspected bribery, the Director of Compliance and Risk, without delay. Money laundering is defined as **any** transaction which involves handling the proceeds of crime, and is a serious criminal offence. It is also a serious crime to “tip-off” a suspected money launderer. The laws against money laundering are binding on individual staff as well as the University as an institution.
- 4.51. The University’s Money Laundering Policy must be complied with at all times. The Policy is reproduced below as an Appendix and is also available online:
<http://documents.manchester.ac.uk/display.aspx?DocID=17993>
- 4.52. The Money Laundering Policy and any additional rules issued by the Director of Finance (or approved nominee) requiring the vetting of potential donors, customers and suppliers are binding on all staff.
- 4.53. The Director of Finance shall report all suspected incidents of money laundering to the competent authorities.

Appendix: Money Laundering Policy

1. Introduction

The Proceeds of Crime Act 2002, The Terrorism Act 2002 and the Money Laundering Regulations 2007, impose obligations on the University in respect of money laundering and associated activities. The definition of money laundering activities under the above legislation is wide and all companies and institutions, including the University, are subject to the legislation. Non-compliance with this legislation carries financial and reputational penalties for both the University and its staff.

The purpose of this policy is to ensure that the University and its staff comply with the legislation, and are aware of their respective obligations.

2. What is money laundering?

Money laundering is defined as:

- (i) concealing, disguising, converting, and/or transferring criminal property or removing it from the UK;
- (ii) entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person; and/or
- (iii) acquiring, using or possessing criminal property.

Money laundering is taken to encompass activity relating to terrorist financing including the handling of funds used for terrorist purposes as well as proceeds from terrorism.

A number of associated offences are also specified in the legislation:

(i) the due diligence offences of:

- failure to apply customer due diligence;
- failure to apply ongoing monitoring of business relationships and customer due diligence;
- failure to comply with timing on verification of clients and any beneficial owner;
- failure to apply enhanced customer due diligence and monitoring where required;
- failure to keep required records; and/or
- continuing with a business relationship where unable to apply due diligence.

(ii) the disclosure offences of:

- making a disclosure to a person which is likely to prejudice a money laundering investigation (“tipping off”);
- failure to disclose money laundering or associated offences; and/or
- prejudicing an investigation.

3. What types of transactions are covered?

The Money Laundering Regulations apply to all cash and monetary transactions. The Proceeds of Crime Act applies to all transactions and can include dealing with agents, third parties, property or equipment, cheques, cash or bank transfers.

In the context of the University, activities such as the payment of fees by students, gifts and donations, or agreements and contracts with commercial organisations may fall within the legislation.

4. What are the University’s obligations?

Within the University, the Director of Finance is responsible for instituting controls to prevent and detect money laundering through the University’s accounts, and for ensuring the University complies with the Proceeds of Crime Act 2002, the Money Laundering Regulations 2007, and all other relevant legislation.

The Director of Finance is the appointed Money Laundering Reporting Officer for the University, and, as such, receives, considers and reports, as appropriate, on any disclosure of suspicious activities by staff.

5. What are the obligations on University staff?

Money laundering legislation applies to both the University and all its staff. A failure to comply with the legislation could result in civil action against the University and criminal action, and a personal liability to prosecution for its staff, which could result in up to 14 years imprisonment or a large fine.

Any member of staff could be potentially committing an offence if he or she suspects money laundering, becomes involved in some way, or does nothing about it. Disciplinary action under the University's procedures may be taken against any member of staff who fails to comply with this policy.

All staff should have in mind the following when carrying out their day to day work:

(a) Due diligence

All rules issued by the Director of Finance (or approved nominee) requiring the vetting of potential donors, customers and suppliers are binding on all staff. It is important that the University gathers knowledge about its students, agents, suppliers, customers, donors, and third parties and other organisations, before entering into a business relationship.

The Director of Finance (acting through the Procurement Office) must appraise requests for new suppliers and, if approved, implement them on the Oracle Financial system. This may involve seeking clarification that potential suppliers are solvent and comply with legislation concerning money laundering.

The Director of Finance, together with the Deputy President and Deputy Vice Chancellor, the Registrar, Secretary and Chief Operating Officer and the Deans of Faculties, is responsible for maintaining financial records, including details of any restrictive terms and conditions, in respect of gifts, endowments, benefactions and donations made to the University. The Board has approved a Gift Acceptance Policy which includes appropriate due diligence, and is linked to the diligence outlined below.

To enable due diligence to be carried out, the following information should be obtained from all students, donors, agents, suppliers, third parties and other organisations:

- (i) the identity of the individual or organisation;
- (ii) the purpose and nature of intended relationship with the University;
- (iii) source of funds;
- (iv) the nature of individual or organisation, where the organisation is not a company whose securities are listed on a registered market; and
- (v) where an organisation:
 - who owns it (including beneficial owners); and
 - who controls it.

Evidence should be sought on the above, so that an appropriate audit trail can be put in place. Such evidence may include:

- (i) valid passport, national ID card, birth certificates;
- (ii) public record searches in the UK and overseas;
- (iii) documentary evidence from government departments;
- (iv) documents filed at Companies House or the overseas equivalent;
- (v) documents issued by businesses regulated by the FSA or overseas equivalent;
- (vi) certified copies of original documents; and/or
- (vii) annotated documents such as internet printouts with the detail of who obtained the evidence and when it was obtained.

In addition, any internet payment system used by the University must comply with accepted standards for security, data protection, prevention of money laundering and ensure the existence of a full audit trail.

Much of the due diligence outlined above will be achieved through compliance with the Financial Regulations, and Financial Procedures, and the policies and procedures put in place within the organisational framework, but all staff should ensure that appropriate checks have been carried out.

Faculties, Schools and central departments must maintain records for at least six years of identification evidence and any financial transactions carried out. Such information is often also required for tax purposes.

(b) Possible signs of money laundering

Staff should be alert to money laundering at all times. Possible signs of money laundering include:

- (i) a person or company makes a large cash payment to the University, but fails to provide proper evidence to confirm their identity and address;
- (ii) a person or company doing business with the University lacks proper paperwork. (Examples may include invoices that exclude VAT, fail to quote a VAT number or invoices issued by a limited company that lack the company's registered office and number. Such information can be verified on the Companies House website: www.companies-house.gov.uk);
- (iii) a person or company attempts to engage in "circular transactions", where a payment to the University is followed by an attempt to obtain a refund from the University's accounts. (This may occur where a student pays a significant sum in fees, and then withdraws and seeks a refund);
- (iv) unusual or unexpected large payments are made into the University's accounts; and/or

- (v) a potential supplier submits a very low quotation or tender. In such cases, the business may be subsidised by the proceeds of crime with the aim of seeking payment from the University in “clean” money.

This list is not intended to be exhaustive and money laundering can take many forms. If you are uncertain as to whether an activity may fall within the definition of money laundering you should seek advice from the Director of Finance as soon as possible.

(c) Reporting irregularities

The Director of Finance must be informed, as soon as is practical, in writing of any irregularity or suspected irregularity concerning financial matters, including any cause to suspect that a transaction with the University may be a cover for money laundering activity. As much information as possible should be provided including:

- (i) details of the people and or organisations involved;
- (ii) full details of the transaction and nature of each person’s involvement in the transaction;
- (iii) suspected type of money laundering activity or use of the proceeds of crime with detailed reasons for your suspicions;
- (iv) dates, times, place and methods of any transactions undertaken and the likely amounts of money or assets involved; and
- (v) any other relevant information.

To avoid committing the offence of tipping off, once reported to the Director of Finance, staff should not make further enquiries into the situation, nor should they discuss their concerns with others unless instructed to do so by the Director of Finance.

6. Investigation

The Registrar, Secretary and Chief Operating Officer is ultimately accountable for the investigation of all such matters, but will usually delegate to the Director of Finance the responsibility for setting up such investigations.

The Director of Finance will note and acknowledge any disclosure received and advise the individuals involved as to when a response can be expected. The Director of Finance shall then undertake such further enquiries as necessary to investigate the matter. Inquiries will be carried out in such a way as to avoid the appearance of any tipping off of those involved. The Director of Finance shall report all suspected incidents of money laundering to the competent authorities. Under the Proceeds of Crime Act, this requires a suspicious activity report to be forwarded to the National Crime Intelligence Service. The Director of Finance shall use his or her discretion in deciding whether to suspend a transaction whilst any report to the competent authorities is made.

All disclosures and relevant documents will be retained in a confidential file by the Director of Finance for a minimum of six years.

If you have any queries about this policy please contact Laurence Clarke for further information.

Document control box	
Policy/Procedure title:	Money Laundering Policy
Date approved:	June 2013
Approving body:	Board of Governors
Version:	1.0
Supersedes:	N/A (new policy)
Previous review dates:	N/A (new policy)
Next review date:	June 2016
Related Statutes, Ordinances, General Regulations:	<ul style="list-style-type: none"> • XI - Corporate, financial and estate management • XIII - Academic and Academic-Related Staff: Dismissal, Discipline, Grievance Procedures and Related Matters • Ordinance VIII- Arrangements for Effective Governance and Internal Management and Financial Control
Related policies:	<ul style="list-style-type: none"> • Financial Regulations • Bribery Policy • Gift Acceptance Policy
Related procedures:	<ul style="list-style-type: none"> • Financial Procedures
Related guidance and or codes of practice:	
Related information:	
Equality relevance outcome:	n/a
Policy owner:	Director of Finance
Lead contact:	Laurence Clarke, Internal Control Accountant (ext. 52139) Laurence.A.Clarke@manchester.ac.uk

Section 5

RESEARCH GRANTS AND CONTRACTS

5.1. This Section sets out the relevant procedures concerning research grants and contracts. Further information is available from the Directorate of Research and Business Engagement Support Services.

<http://www.staffnet.manchester.ac.uk/services/rbess/>

See Financial Regulations 5.2 and 5.3 for a definition of Research Grants and Research Contracts. The administration of Research Grants (including European funding) is provided by the Research Support Services (RSS), which has been devolved to the Faculties. The Directorate of Research and Business Engagement Support Services supports the ongoing development and implementation of strategy and policy for research, business engagement and graduate education, in accordance with the strategic objectives established by the University. The Directorate provides expert professional services in areas of research funding and business development, including research contract negotiation. If uncertainty exists as to whether a project qualifies as “research”, staff must obtain advice from the Directorate.

5.2. When approaches are made to outside bodies for support for research projects or where contracts are to be undertaken on behalf of such bodies, it is the responsibility of the Head of School to ensure that the financial and academic implications have been appraised adequately. Individual project appraisal is normally undertaken, in the first instance, by the relevant local Research Support Services Delivery Team.

5.3 The Head of School is responsible for ensuring every application for research funding is appropriately examined and that:

- Adequate provision of resources exists to meet all commitments, and
- The full economic cost of all Research Grants and Contracts must be established in line with University guidance on Full Economic Costing:

See: <http://documents.manchester.ac.uk/DocuInfo.aspx?DocID=7419> , and

- All applications must comply with the University’s Costing and Pricing Policy for Research: <http://documents.manchester.ac.uk/display.aspx?DocID=31336>

Please note that this policy is commercially confidential and must not be circulated outside the University, and

- Any possible conflicts of interest must be identified and resolved.

5.4 All research grants and contracts with a total value in excess of £5 million must be approved by the President and Vice-Chancellor, Deputy President and Deputy Vice-Chancellor or the Vice-President for Research. Those with a value between £2 million and £5 million may be approved by the Dean of the Faculty.

5.5 The advice of the Contracts Team in the Directorate of Research and Business Engagement Support Services must be obtained for Research Contracts (where the terms and conditions are negotiable). It is essential that the Contracts Team examines the terms and conditions of contracts supplied by external bodies, as they are not

always acceptable to the University. The Contracts Team will enter into negotiations with the external body, on behalf of the University, when necessary. Staff must not negotiate or agree to any contractual terms and conditions orally or in writing without advice from a member of the Contracts Team, and in particular, must not sign any agreement (an oral contract is just as legally binding as a written contract).

- 5.6. The Head of School shall accept all Research Grants on behalf of the University. The Registrar, Secretary and Chief Operating Officer (or approved nominee, usually the Director of the Directorate of Research and Business Engagement Support Services) shall accept all Research Contracts on behalf of the University.
- 5.7. The Director of Finance shall maintain all financial records relating to Research Grants and Contracts and undertake the initiation of all claims for reimbursement from sponsoring bodies by the due date.
- 5.8. Each grant or contract will have a named Principal Investigator (PI) and will be assigned to a specific School or Schools, who must exercise full control of expenditure. The Head of School may delegate day to day control of the accounts to the PI, but any overspend or under recovery of the Full Economic Cost will be the clear responsibility of the Head of School with any loss being a charge on School funds.
- 5.9. Financial Regulations 7.12 and 7.13 describe the arrangements for payments to members of staff, in addition to their normal salary payments, that arise from work associated with a research grant or contract. All payments must comply with the terms and conditions set by the funding body.

IPR (INTELLECTUAL PROPERTY RIGHTS) AND PATENTS

- 5.10. Full details of the policies and procedures concerning IPR and Patents are described in the Intellectual Property Policy. This is available on the University web-site. The Directorate of Research and Business Engagement Support Services can advise on such matters in relation to applications for research grants and contracts.
- 5.11. The University has appointed University of Manchester I3 Limited (UMI3) as its agent to deal with the protection and commercialisation of intellectual property and expertise. UMI3 will offer advice to the University in relation to IPR and its exploitation (see www.umi3.co.uk).

Section 6

EXPENDITURE

The Financial Regulations explicitly state that it is the responsibility of the Director of Finance to make payment for the supply of goods and services to the University. The procedures set out below details on this matter.

AUTHORITIES AND AUTHORISED SIGNATORIES

- 6.1. The procedure to create authorised signatories is shown in section 3 above.
- 6.2. For the purposes of the Financial Regulations and Financial Procedures *bona fide* expenditure is defined as any expenditure which results from the normal course of University business. Value for money and sustainability must also be considered when making procurement decisions. Staff are reminded that the unauthorised purchase of goods or services using University funds for their own use or transfer to a third party constitutes theft. In such cases, appropriate disciplinary action will be taken. Cases may also be reported to the police.

PETTY CASH

- 6.3. The Director of Finance is responsible for issuing petty cash floats to Schools and other Units. The University is aiming to minimise the level of cash held in petty cash floats.
- 6.4. Petty cash floats will be issued on an imprest basis; this is based on the Director of Finance specifying a maximum float that might be held in a School at any one time and replenishing the float to the prescribed maximum.
- 6.5. Petty cash shall only be used for small cash payments (£50 maximum), to pay for *bona fide* university expenditure (as defined in section 6.2 above). It must not be used to purchase goods or services that can be obtained through the main procurement system (see below). Petty cash must never be used for cashing cheques.
- 6.6. Heads of Schools must ensure that procedures are in place, within their school, to record all petty cash transactions. Records kept must include:

Income

- the date and amount of the initial imprest float issued by the Income Office to the School;
- the date of requests by the school to the Income Office for reimbursements to the imprest float; and,
- the level of reimbursement issued by the Income Office to the School.

Expenditure

- the date petty cash was issued, the name of the responsible officer in the School and the name of the member of staff to whom it was issued;
- full and complete details of the reason for each petty cash claim made by the member of staff (e.g. claims for taxi fares must include locations to/from and the reason for the journey, as well as an original receipt);

- the total amount claimed; and,
 - the finance code against which the expenditure is to be charged.
- 6.7. Requisitions for re-imburement must be sent to the Director of Finance, before the total amount held has been expended, in order to retain a working balance pending receipt of the amount claimed. School floats can only be replenished by the completion of a petty cash imprest request and a petty cash reimbursement form. These forms must be accompanied by supporting original petty cash receipts and vouchers.
- 6.8. The imprest request and the petty cash reimbursement forms must be approved by an authorised signatory and then taken to the Income Office. If all the documentation is in order, the Income Office will issue the required amount to bring the school float back to its imprest level.
- 6.9. An original receipt from the supplier must support each item of petty cash expenditure. A standard petty cash voucher recording the nature of the payment must be completed and signed by the officer issuing the cash and by the recipient as evidence of the cash exchange. The supporting receipt must be attached to the petty cash voucher and the reimbursement form.
- 6.10. Each petty cash float must have a nominated member of staff who is personally responsible for its safe keeping. Petty cash must be locked in a secure place in compliance with the requirements of the University's insurers when not in use, and will be subject to periodic checks by the Head of School or another person nominated by him or her.
- 6.11. It is the responsibility of the Head of School to inform the Director of Finance as soon as practical of any apparent loss associated with petty cash allocations.
- 6.12. At the end of each financial year, a certificate of the balances held must be completed by the member of staff responsible for the petty cash and accounts signed by an authorised signatory in the school and/or the Head of School.

REQUISITIONING, ORDERING AND PAYMENT FOR GOODS AND SERVICES

- 6.13. Orders for goods and/or services must not be placed unless an approved budget exists to cover the anticipated expenditure. It is the responsibility of the Head of School, (which they may delegate to authorised signatories within their school) to ensure that there are sufficient uncommitted funds before any order is placed.
- 6.14. Official requisitions and purchase orders must be prepared for all goods and services. In the case of genuine emergencies, a supplier may be informed of a written order over the telephone, but the requisition must be approved and a written purchase order must still be completed and sent to the supplier. The authorised signatory must approve any such action in advance.
- 6.15. The University payment terms are thirty days from the date of invoice, and any variation to this policy requires prior approval from the Director of Finance. Further details may be found in section 6.69 below.
- 6.16. All credit application forms must be forwarded to the Accounts Payable Office for approval. Schools must not enter into credit agreements without prior approval from

the Finance Directorate.

Purchasing Procedures outside the Directorate of Estates and Facilities

- 6.17. Where the cost of goods or services are expected to exceed £100,000 (exclusive of VAT), the Procurement Office **must** be informed of the proposed purchase **before** the purchasing procedure commences. The Procurement Office will then advise the School as to whether the Public Procurement Regulations (EU Directives) must be followed and will agree a procurement plan with the School.

Where the cost of goods or services is likely to exceed £5,000 (excluding VAT), three competitive quotations must be obtained prior to placing a purchase order, unless the purchase is made under a University contract or other public sector procurement contract recommended by the Procurement Office. If the lowest quotation is not accepted, or if it is not possible to obtain three quotations, the details must be documented and retained for reference. Sections 6.65 to 6.72 provide further information on this matter. Suppliers must be treated equally, fairly and openly in respect of all procurement undertaken on behalf of the University regardless of value.

- 6.18. The Head of Procurement or his/her nominee (acting on behalf of the Director of Finance) must review and approve **all** requisitions that exceed £25,000 (excluding VAT) **before an order is placed**. This is to ensure that good procurement practice has been followed and that the University's terms and conditions of contract apply to the order. For the avoidance of doubt, any order which is expected to result in a series of payments over time (such as lease or rental payments) that exceed £25,000 (excluding VAT) in total is covered by this requirement.
- 6.19. A single purchase must never be divided artificially into two or more separate orders so that individually they fall below the various expenditure limits quoted in the paragraphs above.
- 6.20. Requisitions sent for approval by the Head of Procurement must be signed (either electronically or manually) on behalf of the School by an authorised signatory and be supported by copies of the quotations, tender documents or an explanation acceptable to the Head of Procurement (and signed by the authorised signatory) as to why such documentation cannot be provided.
- 6.21. All orders must comply with the University Procurement Policy and other policies on purchasing and tendering and in addition, where relevant, Public Procurement Regulations (EU Directives). Further details are shown in Sections 6.64 - 6.92 below and are available from the Procurement Office. The Procurement Policy is available at: <http://documents.manchester.ac.uk/display.aspx?DocID=11843>
- 6.22. Separate purchasing procedures apply within the Directorate of Estates and Facilities. These are shown in the Annex at the end of this section.

Placing orders with suppliers

- 6.23. The Oracle Financials system must be used to requisition, order and pay for all purchases of goods and services, except for purchases made with petty cash (see above). All requisitions must normally be in the approved electronic format. However, during a transitional period, paper requisitions may continue to be used with the consent of the Director of Finance.

- 6.24. The procurement to payment system shall have five distinct stages:
1. Raising the requisition on Oracle. Information required includes details of the goods or services, the price and quantity, the financial code to be debited and the name and address of the supplier.
 2. Approving the requisition – this shall be done, with an electronic or manual signature, by the budget holder for the financial code that is to be debited.
 3. Issuing the purchase order to the supplier – this will be done only after the requisition has been raised and approved.
 4. Recording that the goods or services have been received.
 5. Matching the invoice to the requisition to allow payment of the supplier. This must be done by the Accounts Payable section of the Finance Directorate.

Segregation of Duties

- 6.25. To ensure full segregation of duties, three separate people are required to carry out the procurement to payment process above. These are
- the requisition raiser (stage 1);
 - the requisition approver, who must be the budget holder (stage 2); and
 - the invoice matcher in Accounts Payable (stage 5)

The member of staff who raises a requisition (stage 1 in Section 6.24 above) must never authorise that requisition (stage 2) or pay the invoice (stage 5). There are no exceptions allowed to this rule.

- 6.26. If the person raising the requisition is also the budget holder, they must obtain the written (e-mail) consent of the Head of School (or person to whom this responsibility has been delegated), before approving the requisition. For the avoidance of doubt, this applies to orders for air and rail tickets and other travel related items, if the budget holder is the traveller.

Requisitions

- 6.27. The budget holder for the budget concerned must approve all requisitions, either electronic or written. Additionally, if the cost of a requisition exceeds the limit set in Financial Procedure 6.18, it must also be approved by the Director of Finance (who may delegate this responsibility to the Head of Procurement). Only after a requisition has been both approved and entered onto the Oracle Financials system may a purchase order be issued.
- 6.28. Requisitions must never be sub-divided artificially to evade the need for approval of high value orders by the Director of Finance.
- 6.29. When preparing a requisition and purchase order for goods and services using the Oracle Financials system, all requested information must be supplied. This includes the following details:
- All written purchase orders must be headed “The University of Manchester” together with the School’s full name and address;
 - provide the delivery address;

- state that invoices must be sent to Accounts Payable in the Finance Directorate;
 - include the full name of the person placing the order;
 - show the description of the goods or services;
 - indicate the quantity of goods being ordered;
 - provide the price of the goods and/or services; and,
 - include the account code to be debited.
- 6.30. Every requisition must be approved by the budget holder (stage 2) before an order is issued (stage 3); this confirms that the purchase is *bona fide*, paid for from an approved budget and does not breach Financial Regulations and Financial Procedures.
- 6.31. All supporting documentation, such as quotations and tendering information (see Section 6.83 below) must be kept by the School.

Purchase Orders

- 6.32. No purchase order may be issued without the prior existence of a valid authorised requisition (stage 3 above). The purchase order shall agree with the requisition in all details. However, producing and sending out the purchase order (stage 3 above), is viewed as essentially a clerical operation, and so may be done by the person who does either stage 1 or 2.
- 6.33. Where there is more than one valid requisition for goods from a single supplier, they may be consolidated so that a single purchase order is issued. However, such an order must never include any goods or services not already covered by a valid requisition.

Payments in Advance of Delivery

- 6.34. The University does not normally make payments in advance for goods or services. However, particular circumstances may require such payments. Examples include:
- Complex items of equipment that have to be individually made or adapted, where the supplier requires payment in advance; or
 - The terms and conditions imposed by a funding body require expenditure by a particular date, but delivery is not possible within that deadline.

Payment in advance of delivery shall only take place if all the following conditions are met:

1. The Head of School and the Head of Faculty Finance have both approved the payment in advance; and
2. All University and EU requirements on competitive tendering have been met; and
3. A requisition and purchase order have been authorised and issued

For all payments in advance of delivery exceeding £25,000 (excluding VAT), in addition to the rules above:

- A suitable guarantee must be obtained, ensuring that the University will be protected if the supplier fails to deliver on the contract or goes out of business; and
- The Faculty Dean and the Director of Finance (who may delegate this role to the

Head of Procurement) must approve the arrangements in advance.

Receipt of goods and services from suppliers

- 6.35. Where possible, schools must specify that goods be delivered to one location where they will be physically inspected and agreed to the supplier's delivery note. Goods must be delivered to a University location, not to the private home address of staff.
- 6.36. The delivery note must be signed and dated by the individual receiving the goods. If only part of an order has been delivered this must be indicated on the delivery note. Where it is not possible to inspect the goods at the time of delivery the person receiving the goods must write "Goods unchecked" on the delivery note before signing for the receipt of the goods. The goods must then be checked to the delivery note as soon as possible thereafter. Delivery notes must be retained until the delivery has been fully recorded on the system.
- 6.37. Once checked against the goods or service, the delivery must be recorded on the Oracle Financials system (stage 4 above). Until this is done, invoices must not be paid. Any discrepancies or damaged or unsatisfactory goods must be noted and taken up with the supplier immediately.

Payment of supplier invoices for goods and services

- 6.38. All invoices received for payment by the University must comply with the Financial Regulations. Payment will not be made in the following cases:
- if the invoice for payment is not the original or a certified copy: statements are not accepted for payment;
 - if the invoice is not addressed to "The University of Manchester";
 - if the invoice exceeds £25,000 (excluding VAT) and Oracle Financials does not record that the requisition was approved by the Head of Procurement; and
 - if the invoice cannot be matched to a previously approved requisition and purchase order made for such goods or services.
- 6.39. The procedures for requesting all payments shall be in a form specified by the Director of Finance, who is also responsible for adopting the most appropriate method of payment for each category of invoice. Payments to UK suppliers will normally be made through the Bankers Automated Clearing System (BACS). In exceptional circumstances the Director of Finance will prepare cheques for urgent payments. The Director of Finance must approve in advance any request to make payments by standing order or direct debit: this will only be allowed in exceptional circumstances. All such payments must be supported by information to allow the identification of payments made from the University's bank account.
- 6.40. Suppliers must be instructed by the School/budget holders to submit invoices for goods or services to the Accounts Payable office within Finance and that all invoices must be addressed to the University of Manchester.
- 6.41. Budget holders (including Heads of Schools) are responsible for ensuring that expenditure within their area of responsibility does not exceed the approved budgetary constraints. (See also Financial Regulations 2.9 to 2.11 and 6.3).

- 6.42. The University will only make payment against invoices that match the details of the approved requisition as recorded on the Oracle Financials system. The invoice must agree with the requisition in terms of both the price and description of the goods and services.

Matching of Invoices

- 6.43. The Oracle Financials system must be used for the payment of all invoices, unless the use of another system has been authorised by the Director of Finance. This process involves the matching of the invoice to the requisition and order details that have previously been entered onto the Oracle Financials system.
- 6.44. All invoices are matched for payment by the Accounts Payable section of the Finance Directorate.
- 6.45. Before paying an invoice, Accounts Payable must ensure that the invoice details are correct and have been reconciled to the requisition and purchase order placed and goods/services received as recorded on the Oracle Financials system.
- 6.46. If an invoice differs materially, in price, quantity or otherwise in the context of the expenditure, from the original requisition, it must not be paid without the approval of the budget holder who initially approved the requisition or the Head of School. The Director of Finance shall define what constitutes a material variation and shall issue procedures to be followed in such cases.
- 6.47. Staff whose duties involve the payment of invoices must never be authorised to act as a budget holder and approve requisitions. The Financial Regulations (see Regulations 3.3 and 6.11) are explicit on the segregation of duties for requisitioning and payment of goods and services.
- 6.48. All invoices must be matched for payment as soon as possible after they are received. The University's finance system is set up to generate payment 30 days after the date of the invoice. Any invoices received by Schools must be forwarded to the Accounts Payable Office without delay, to ensure that the Finance ledger reflects the true amount owed to its suppliers at any one time and so that the University can benefit from any prompt payment discounts available.
- 6.49. The person paying the invoice must confirm on Oracle that:
- the goods are recorded as having been received, examined and approved with regard to quality and quantity, or that services rendered or work is satisfactory;
 - the invoice is matched to the previously approved requisition and purchase order made for such goods or services;
 - invoice details (such as quantity, price and discount) are correct;
 - the invoice is arithmetically correct;
 - the invoice has not previously been passed for payment;
 - where appropriate, an entry has been made on a stores record or School inventory; and,
 - an appropriate financial code is quoted. This must be one of the financial codes included in the budget holder's areas of responsibility and must correspond with

the types of goods or service described on the invoice.

- 6.50. If an invoice is received that appears not to be related to a valid requisition, this must not be paid without authorisation by the authorised signatory for that financial code or the Head of School. In all such cases, the invoice must be signed manually (not electronically) by the budget holder to authorise payment. Please note that such invoices may be the consequence of fraud or error, and accordingly they must never be paid without investigation and confirmation that the goods or services charged for were validly ordered and received by the University.
- 6.51. The above procedure must be followed in all cases of an invoice received without a pre-existing valid requisition. Post facto requisitions or orders must never be used to pay such invoices.

Payment of rents, licence fees and other property related items

- 6.52. The Director of Finance shall be permitted to make payments in respect of rents, licence fees and other property related costs that fall under the terms of leases, licences and other property contracts without the need for an invoice. This dispensation arises because the majority of leases provide that payments are due whether they are, or are not, demanded.
- 6.53. A register of rents, licence fees and other property costs, which is maintained by the Director of Estates and Facilities, setting out the details shown below will form the basis of the payment system. The Director of Estates and Facilities shall update the register as required. The register will include the following:
- details of the properties concerned;
 - the rentals, licence fee or other costs due;
 - the dates payments are due; and,
 - any other relevant information to expedite payment.

Standing Orders and Direct Debits

- 6.54. Standing orders and direct debits may be used only in exceptional circumstances as a method of payment, and with the prior approval of the Director of Finance. This includes the opening of accounts with PayPal and other payment systems that require details of the University's bank account. As stated in Section 3.13 of the Financial Regulations, only the Director of Finance and other approved cheque signatories may authorise such payments. See also Section 3.16 above.

Purchasing Cards

- 6.55. The University runs a Purchasing Card system, issued by RBS, which may be used to purchase goods and services where this is not practical through the normal procurement route. The Purchasing Card may be used to purchase goods or services for University purposes face to face, by telephone or using the internet. The Card must not be used for suppliers which are set up on Oracle. In all such cases, the normal procurement route must be used. The internet must be used only where it is evident that secure encryption of the card details is in place. PayPal and other systems that require details of the University's bank account must not be used (see sections

3.16 and 6.54 above). Cards will be issued by the Director of Finance at the request of the Head of School, directed in the first instance via the relevant Finance Operations Manager.

- 6.56. All expenditure with a Purchasing Card must be for *bona fide* University purposes (section 6.2 above) and where an approved budget exists (section 6.13 above). The University's normal procurement rules apply to all purchases using the Card (see especially sections 6.17 to 6.21 above). The card must never be used for personal purchases, or to gain personal benefit from cash-back sites and discounts (section 6.92 below). The Card Administrator issues detailed regulations for the management and use of the Cards. All staff responsible for managing or using a Purchasing Card must familiarise themselves with these regulations and comply with them in full at all times. Cardholders must maintain a log of card purchases with the email or written request from the requestor. The log must record a valid finance code for each purchase and be reviewed and signed as approved monthly by the Head of School or Directorate or another authorised signatory delegated by him/her, who must be of higher grade or professional rank to the cardholder (see section 3.14 above). Under no circumstances may the Cardholder also authorise the monthly log.

Rules for control of expenditure using the Purchasing Card:

1. All purchases must be requested on the correctly authorised form. In all cases of doubt, the Card holder must check with their Finance Operations Manager.
2. Card holders must enter all card spend details on the RBS on-line database by the 25th day of the month.
3. Documents must be completed and retained securely locally, and may be required for audit purposes. As prime documents, they must be stored safely for **at least** six years after the financial year when they were produced. See Financial Procedures 2.39 to 2.41 above.
4. All spend must be reviewed and queried if there appears to be any discrepancies or unusual patterns.
5. Repeated non-compliance related to card use or controls will result in the Card being withdrawn. The University may take further action, including disciplinary action and reporting incidents to the police.

Staff responsible for managing or using a Purchasing Card must comply in full with all regulations issued by RBS (or any other company providing a card), as well as those imposed by the University. Details of all relevant regulations are available from the Card Administrator.

Frequent Traveller Credit Card and Cash Passport

- 6.57. The Frequent Traveller's Credit Card is a RBS MasterCard issued to members of staff with the approval of the Director of Finance, or his/her authorised representative. Requests for a card are to be made in writing using the prescribed form to the FTCC system administrator. The Head of School and Faculty Dean must endorse all requests for a card.

The Cash Passport is a MasterCard which may be issued to staff and students who are

travelling away from the University on business, where they will incur out of pocket expenses. The Cash Passport is administered by HR Services for staff, and the International Office for Erasmus students. The appropriate claim form must be completed by the member of staff or student and signed and approved by the authorised signatory for the School. All expenditure with the Cash Passport must be for *bona fide* University purposes and where an approved budget exists. The University's normal procurement rules apply to all purchases using the Cash Passport (see especially sections 6.17 to 6.21 above). The card must never be used for personal purchases, or to gain personal benefit from cash-back sites and discounts. HR Services issue detailed regulations for the management and use of the Cash Passport - all cardholders must familiarise themselves with these regulations and comply with them in full at all times.

- 6.58. The FTCC card will be issued by the system administrator, who will set a limit for individual transactions, total value of transactions per month and the authorised purchases. Each user must sign the FTCC User Agreement before the card is issued.
- 6.59. All staff issued with a FTCC must comply with the rules below at all times, together with the User Guide and other rules for the card issued by the Finance Directorate:
- The FTCC must be used only by the authorised person, whose name will appear on the card.
 - The FTCC must be used to purchase only goods and services that are *bona fide* University expenditure (see section 6.2 above), and where an approved budget exists (see section 6.13 above). All expenditure must comply with the HMRC rule that it be wholly, necessarily and exclusively for work purposes.
 - The University's normal procurement rules apply to all purchases using the FTCC – see especially Financial Procedures 6.17 to 6.21 above.
 - The FTCC must not be used for purchasing goods and services (such as office furniture, computers and software) that can be ordered and paid for by.
 - The FTCC must not be used for suppliers which are set up on Oracle. In all such cases, the normal procurement route must be used.
 - The individual and monthly transaction limits set for the FTCC holder must not be exceeded. It is forbidden to split purchases artificially to remain under the individual transaction limit.
 - HMRC's rules on business entertainment must be followed, and the appropriate form for Entertainment and Business meals submitted (see Sections 7.29 to 7.35 below).
 - If air miles are gained by use of the FTCC, these must be used wherever possible for future travel on University business. (See Section 7.53 below).
 - The card must never be used for personal purchases. Any such purchases made in error must be refunded without delay.
 - The card must never be used to gain personal benefit from cash-back sites and discounts. See Section 6.92 below.

- Only those staff who have been explicitly authorised may use the card to obtain cash.
- Original receipts must be obtained for **all** purchases, including those made using cash obtained with the card. Please note that Card vouchers **do not** qualify as receipts – see also Section 7.17 and 7.18 below.
- All requirements of the company issuing the card must be complied with in full.
- Cardholders must keep a log, using an approved form, listing all the transactions that they have approved during the month. This log must show the reasons for all transactions, and demonstrate that they are *bona fide* University expenditure and meet all other requirements set out above.
- In the case of travel and accommodation costs, the exact reason for each journey must be stated clearly. “University purposes”, “meeting”, “academic conference” and similar vague statements are not acceptable.
- All transactions processed will appear on Smart Data On-Line (SDOL) within a few days of the transaction. All cardholders will be given access to the RBS Smart Data On-Line (SDOL) system and are required to enter valid finance code(s) against each transaction. The SDOL system is available at all times anywhere in the world with internet access. Cardholders must review each entry for accuracy against their log. It is the Cardholder’s responsibility to check that all the data is correct.
- The monthly logs must be completed and sent to the Treasury Office in the Finance Directorate within 25 days (see below), the log having been signed by an authorised signatory, who must not be the card user. The authorised signatory must be the Head of School or a person appointed by him/her, and must be of higher grade or professional rank to the card user, usually their line manager (see Financial Procedure 3.13 above). The cardholder cannot be an authorised signatory for their own card. (See Financial Regulations 3.3 to 3.6).
- By signing the log, the authorised signatory is confirming the following:
 1. The log states clearly why each item of expenditure was incurred;
 2. Each item of expenditure was wholly, necessarily and exclusively incurred for *bona fide* University purposes;
 3. Each item of expenditure is in line with other University policies;
 4. The expenditure is being charged to a valid budget;
 5. Each item of expenditure was genuinely incurred and is supported by an original receipt. A form PR1B has also been submitted for each occasion the card was used to pay for business entertainment; and,
 6. There is no tax liability arising from the use of the FTCC.
- Itemised receipts must be attached to the transaction log and statement of account and passed for authorisation as any other expenses claim (see Section 7 below). When submitting statements for departmental authorisation it must be made clear which finance code(s) are to be recharged.

- The signed log and receipts must be received by the Treasury Manager within 25 days of the date of the statement. If the cardholder is away from the University when the statement is due, the Treasury Office may, in exceptional circumstances, allow a deferment period of up to one month from the original statement date. This must be requested in advance by the cardholder with the Treasury Manager.
- Repeated non-compliance related to card use or controls will result in card being withdrawn and the charges may be deducted from the holder's salary.
- The card holder must keep the card safely and inform RBS at once of lost or stolen cards. The company will cancel the card and issue a replacement. The FTCC system administrator must also be informed as soon as possible.
- The card user must keep the card details confidential and not pass them to any unauthorised person.
- The FTCC systems administrator must be informed when a card user leaves the University, and the card returned without delay.
- The following actions of misuse will lead to immediate revocation of the card -:
 1. Splitting of charges to avoid the single purchase limit;
 2. Giving the card details to another employee for use;
 3. Failure to submit charges for payment;
 4. Using the card for personal purchases; and,
 5. Using the card for cash withdrawal (unless specifically authorised).
- The University may take additional action if misuse of the card occurs. This can include deducting expenditure direct from cardholder's salaries, taking disciplinary action and reporting incidents to the police.

BUILDING CONTRACTS

6.60. Any commitment to expenditure on building contracts will require the approval of the Director of Estates and Facilities, who will determine the procedures with respect to such matters in consultation with the Director of Finance. Full details are available from the Directorate of Estates and Facilities.

PROCUREMENT AND TENDERING POLICIES: PUBLIC PROCUREMENT REGULATIONS (EU DIRECTIVES),

6.61. The University has established a Procurement Policy, which aims to:

- obtain for and supply the University, Schools, Units etc. with goods and services of optimum quality and quantity at the time they are required, at the lowest delivered prices consistent with meeting these requirements, and to maintain the highest standards of impartiality and probity in purchasing activities;
- establish that all goods and services purchased, stored and distributed throughout the University meet operational requirements and that the techniques employed in all stages of the purchasing process are aimed at maximising the level of value for money obtained;

- develop awareness of the importance of obtaining value for money at all levels of purchasing activity;
- provide all schools, units etc. with relevant and up to date information and advice on current purchasing policy, supplier information (see the Procurement website), special agreements and any other information deemed necessary to promote and ensure good purchasing practice;
- establish and promote techniques for evaluating and improving purchasing performance;
- encourage and develop, over the entire range of purchasing interests, the strategies which make full use of existing technical and purchasing expertise within the University;
- consolidate and rationalise existing central purchasing facilities and, where desirable, to develop and extend a co-operative purchasing philosophy involving a greater degree of co-ordination of purchasing arrangements where advantages can be demonstrated;
- foster and develop co-operative purchasing relationships via the University's representatives on the North West Universities Purchasing Consortium, any associated National University purchasing facilities, the University's Commodity Group representatives of the NWUPC, and those involved in purchasing at School level;
- manage all stocks to provide the best possible services to users at lowest cost, including holding stocks at the lowest level consistent with fulfilling requirements;
- reduce and rationalise the University's supplier base to ensure effective concentration of purchasing power;
- maintain good supplier relationships through a policy of impartial selection of suppliers, a hard but fair attitude to negotiation, and ensuring payment of invoices; and,
- ensure that all suppliers are treated equally and fairly and ensure compliance with all legal requirements, including the obligations accepted under the Treaty of Rome (and any subsequent treaties), irrespective of the value of the items being procured.

Authority to purchase

6.62. Authority to purchase goods and services rests, subject to the delegation outlined in Section 2 of the Financial Regulations and Financial Procedures, with Heads of Schools. Purchases of goods and services must comply with all relevant Financial Regulations and Financial Procedures as outlined in the paragraphs above.

However, the procurement of certain goods and services is excluded from delegation by the University's Financial Regulations and Financial Procedures. A summary of

excluded items is given below:

The Board is responsible for the appointment of the following service providers:

- bankers (Financial Regulation 4.2);
- external auditors (Statute XIV and Financial Regulation 2.2); and,
- internal auditors (Financial Regulation 2.2)

The purchase, sale, lease or rent of land, buildings or fixed plant must only be undertaken through the Director of Estates and Facilities. (See Financial Regulation 8.1). The Director of Finance must advise on matters relating to funding methodology, such as mortgages, loans and leasing. The Directorate of Research and Business Engagement Support Services will advise on the appointment of patent agents.

Procurement of the goods and services below is reserved to the officers listed and is not delegated to Heads of Schools. The officer listed is responsible for their procurement, subject to the approval where required of the Board or Finance Committee.

<i>Officer</i>	<i>Item</i>
Registrar, Secretary and Chief Operating Officer	Legal Services (in consultation with the General Counsel) Internal Audit (FR 2.2)
Director of Finance	Banking (FR 4.2) Cash handling Debt Collection (FR 4.12) External Audit (Statute XIV, FR 2.2) Investments Payroll services Payment services
Director of Compliance and Risk	Insurance (FR 10.5)
Director of Estates and Facilities	Purchase, sale, disposal or lease of land, buildings and fixed plant. (FR 8.1) New buildings and adaptations to buildings Maintenance of buildings and building services Electricity, gas and other fuel supplies Water and sewerage services Waste disposal and recycling Catering Services
Director of Human Resources	Pension Provision (FR 7.6) Recruitment advertising

Quotations, Tenders (outside the Directorate of Estates and Facilities) and Contracts

- 6.63. Staff must obtain advice and assistance from the Procurement Office when purchases are being considered, to ensure that advantage is taken of favourable national/regional agreements and local experience in relation to suppliers and trading terms.
- 6.64. All orders shall be placed at the lowest cost consistent with meeting requirements for quality, quantity, and delivery. Competitive tendering must be used for all purchases, except where this is not possible due to restricted sources of supply or other circumstances such as low cost items. Reasons for taking single tender action must be stated on the authority to purchase. Single tender action must only be taken in cases where:
- there is clear evidence of absence of competition; or
 - it is necessary (and advantageous) to extend, repair or refurbish equipment already installed; or
 - when only one valid tender has been received from a number of tenderers invited, and time does not permit re-tendering.
- “Shortage of available time” will not normally be regarded as a justification for single tender action, but it is recognised that in emergency cases there may be no alternative. In such cases the justification must be included on file, kept for reference and made available to auditors.
- 6.65. Competitive quotations/tenders must be sought whenever possible (note the exceptions in Section 6.64 above) regardless of the source of funds. A minimum of three quotations must be obtained where practicable for those items above £5,000 (excluding VAT). If however, an existing University, NWUPC or other public sector purchasing agreement is available, and it is advantageous to the University, then that agreement may be employed without obtaining a further quote from that source. Where appropriate purchases shall be defined by specifications designed to achieve optimum price benefits within School needs.
- 6.66. Whenever possible purchasing contracts made available by the various public sector agencies shall be used where they are advantageous to the University. These include arrangements made by the NWUPC, and National University agreements with major suppliers, and government agencies. Individual School purchasing arrangements shall be made available to all other Schools wishing to participate in the purchase of similar goods and services.
- 6.67. Evaluation of quotations and tenders for goods and services shall take into account the following factors:
- their acquisition;
 - their installation;
 - their operation;
 - the requirement for any maintenance services;
 - their performance; and,
 - their disposal.

Other important aspects, which must be considered, are:

- capital costs;
 - firmness of price;
 - foreign exchange costs and risks;
 - terms of payment;
 - warranties;
 - operating costs;
 - any resource implications i.e. space, building or service alterations; and,
 - sale of or the scrap value.
- 6.68. Co-operative and co-ordinated ordering arrangements are to be used wherever possible to concentrate purchasing expertise in meeting University requirements and maintaining supplier relationships.
- 6.69. Purchases must be placed on the University's standard Conditions of Contract. Any variation requires the prior approval of the Director of Finance or his or her nominee. In such cases staff must contact the Procurement Office for advice. A Supplier's conditions of contract must only be accepted on the advice of the Director of Finance or his or her nominee, in cases where the University's conditions are clearly inappropriate. Particular attention must be paid to clauses on:
- terms of payment;
 - delivery;
 - rejection of defective goods/unsatisfactory services;
 - insurance of the goods; and,
 - termination provisions.
- 6.70. The University has formulated several sets of Conditions of Contract, covering both general and more specific situations. For details, please contact the Procurement Office. The consent of the Director of Finance, or his or her nominee, must be obtained before these Conditions are modified in any way. The requirements of Section 5.5 above regarding the appraisal of contracts by the Contracts Team in the Directorate of Research and Business Engagement Support Services must also be followed before any contract is signed.
- 6.71. Staff must be aware that cancellation of a contract may make the University liable to pay compensation and possibly other costs. Once an order for goods or services has been placed with a supplier, it constitutes a legally enforceable contract. No contract shall be cancelled without first seeking approval from the Procurement Office.
- 6.72. No purchase order or contract shall be cancelled without first consulting the Procurement Office. The prior consent of the Director of Finance or his or her nominee is required if the costs of extending, varying or cancelling a contract exceed £5,000. Where appropriate, Section 5.4 also applies in these circumstances.
- 6.73. Purchasers must ensure that the requirements of the Health and Safety at Work Act 1974 (and any related and subsequent legislation) and regulations issued by the Health and Safety Executive are fully complied with. Where necessary, advice must be sought from the University Safety Officer.

- 6.74. Tendering procedures must ensure that, where applicable, all requirements of the Public Procurement Regulation (European Union directives) on public authority procurement are complied with in full. Advice must be sought from the Head of Procurement in cases of doubt.
- 6.75. Separate purchasing procedures apply within the Directorate of Estates and Facilities. These are shown in the Annex at the end of this Section 6.

Use of Electronic Auction Systems

- 6.76. The University has access to a variety of contracts and negotiated agreements (local, regional and national) covering a wide range of products and services, and staff shall normally make use of these. Central contracts offer value for money and an assurance that purchasing risks have been mitigated. However, electronic auctions (E-bay and similar) may be used where goods cannot be obtained through existing contracts or where suppliers make exclusive use of this marketplace. They must not be used to evade existing University contracts as this constitutes bad practice and exposes the University to unnecessary risk.
- 6.77. Bids may only be made for amounts up to £2,000 (excluding VAT, but including postage and similar costs) and following the approval of the Head of School, who may delegate his authority to a budget holder or the Head of Faculty Finance. Purchases must not be divided artificially to evade the £2,000 limit. As with all purchases, the budget holder must ensure that funds are available to cover the total cost of the purchase.
- 6.78. There are significant risks in bidding on an electronic auction website when compared to placing orders through agreed suppliers, and these risks are the responsibility of the School and individual making the purchase. Particular risks include non-delivery or items not being as advertised. The purchase of stolen goods or pirated software may make both the University and the individual purchaser liable for both criminal and civil legal action.
- 6.79. Further guidance on the specific risks and additional verification required for purchases through electronic auction sites is available on the Procurement Office section of the University web-site.

Setting up New Suppliers

- 6.80. The Director of Finance (acting through the Procurement Office) must appraise requests for new suppliers and, if approved, implement them on the Oracle Financial system. This may involve seeking clarification that potential suppliers are solvent and comply with legislation concerning money laundering.
- 6.81. Self-employed people may only be set up as suppliers if the Directorate of Human Resources has confirmed that they meet the tests set by HMRC to qualify as self-employed. In all other cases, payment must be made via the payroll with income tax and NIC deducted at source. Staff employed by the University cannot be set up as suppliers. If staff do additional work for other Schools, then they must be paid through the payroll, with income tax and NIC deducted. Staff must not seek to evade this rule by undertaking work and seeking payment through a limited company. All payments to suppliers defined under HMRC rules as Personal Services Companies must be made net of income tax and NICs by the Payroll Office in Human Resources.

(See paragraph 7.2 below). This applies despite the Requisitions and Purchase Orders to such suppliers being raised and approved as per the rules above.

Standardisation

- 6.82. Where appropriate purchasers must liaise with the Head of Procurement and other interested Schools to achieve standardisation of those products which will produce benefits in negotiating the most competitive terms, achieve value for money, and simplify arrangements for repairs/services.

Retention of documents

- 6.83. Quotations and tenders must be kept for a minimum of two years after the end of the financial year in which the purchase was made and the action taken (giving reasons) must be adequately documented by an authorised signatory. The Freedom of Information Act (2000) and the University's policies on the retention and disposal of documents must also be complied with. Further details are available from the University's Records Management Office.
- 6.84. Historical information accurately collected over a period of time must be made available on request to the Procurement Office, to assist policy decisions relating to the purchasing activity for both the purchaser and management overview.

Major User Purchasing

- 6.85. Where goods and services are to be purchased and used by more than one School, but the supply is not organised through a University central arrangement then Schools must identify and agree the major user who has authority to negotiate on behalf of the University in consultation with other users.

Monopoly Suppliers

- 6.86. Where goods and services are only available from a limited number of suppliers or from appointed agents where a manufacturer controls the price structure, competition shall be encouraged by actively inviting potential suppliers to enter the market, adjusting specifications where possible to assist this goal.

Maintenance and Repair of Equipment

- 6.87. Maintenance arrangements must where possible be arranged to take advantage of supplier's ability to undertake work on all equipment of a similar nature, with a view to reducing overall costs.

Letters of intent

- 6.88. Letters of intent must not be sent to suppliers without prior consultation with the Head of Procurement. They must also comply with the requirements of Section 5.4 above.

Code of conduct for staff involved in purchasing activities

- 6.89. In addition to the general guidance shown in Section 10.57 and subsequent paragraphs below, all staff shall observe the University's Procurement Policy (see Section 6.21 above) when engaged in the procurement of goods or services. This code is intended to protect interests of both the University and those involved in purchasing. Members

of staff must respect the confidentiality of information received in the course of duty and specific details of suppliers' offers must not be divulged to competitors. Information given in the course of duty must be true and fair and never designed to mislead and must never be used for personal gain.

- 6.90. Any arrangement, which might, in the long term, prevent the effective operation of fair competition, must not be implemented.
- 6.91. Personal inducements to employees from suppliers are forbidden and must be refused. Any instances of such inducements being offered must be immediately advised to the Registrar, Secretary and Chief Operating Officer and the Head of Procurement. See Financial Regulation 10.24 on the Code of Conduct for staff and Financial Procedures 10.57 to 10.76 below.
- 6.92. All staff engaged in purchasing, including holders of procurement and FTCC cards, must not use cash-back sites or seek discounts, special offers or free gifts for their personal use or financial gain. Discounts, free gifts and similar benefits must either be declined or used only for the benefit of the University. See also Section 7.53 below.

STOCKS AND STORES

Internal requisitioning

- 6.93. Where stocks are held in a central store or School stores, items must be requisitioned internally as the sole source of supply.

Stockholding

- 6.94. Centralised or School stores are only to hold stock complying with the following criteria:
- essential goods: only those items whose immediate availability is considered essential to maintain a University service; and,
 - bulk purchased supplies: items of sufficient demand in common use which offer a reduction in cost over direct supply taking account of stockholding costs.

Stock procedures

- 6.95. Stock processes must be operated for the regulation of stock movements and levels to provide adequate management information to the Director of Finance (see Section 8, and Sections 8.15 - 8.18 below).
- School Stock: stock held at or near the point of use shall be identified and regularly examined with a view to eliminating overlaps with other stores, e.g. stationery stocks.
 - Stock Review: shelf life, stock level and rate of consumption shall be reviewed regularly to reduce wastage, stock holding, capital invested and space.

Donations by the University

- 6.96. The following exceptions to the general rule that, as a registered charity itself, the University does not donate directly from its own funds to other charities are recognised:

- with the consent of management, staff may be allowed to take time away from their duties to participate in fundraising for registered charities or approved “good causes”; and,
- the Board may approve donations to specific charities in order to assist in achieving other University policies and objectives (for example, a small donation for every reply to encourage involvement in the staff survey); and
- goods owned by the University but no longer required for University purposes, may, with the consent of management, be donated to suitable charities. Examples include old textbooks and computers. However, all such disposals must comply with both the rules for the disposal of assets (see Section 8 below), and any waste disposal regulations relating to computers and other electronic equipment.

Annexe to Section 6: Purchasing Procedures within the Directorate of Estates and Facilities

1. Staff within the Directorate of Estates and Facilities must comply with all the specific requirements of the Financial Regulations and Procedures, except insofar as the procedures below set out separate rules for the Estates and Facilities Directorate on approval and procurement thresholds and procedures. Suppliers must be treated equally, fairly and openly in respect of all procurement undertaken on behalf of the University regardless of value.
2. All transactions relating to petty cash within Estates and Facilities shall be in accordance with the Financial Procedures in sections 6.3 to 6.12 above. The only authorised holders of petty cash within Estates and Facilities report to the Head of Events and Hospitality, who retains a list of Petty Cash holders.
3. All orders for goods and/or services within Estates and Facilities must be placed using official ordering procedures through the corporate finance system. Such orders may be replaced by contracts, but to ensure commitments can be recorded properly, every requisition for work must have a corresponding order on the finance system regardless of whether the document is actually issued to the supplier.
4. Where the cost of works, goods or services to be purchased by Estates and Facilities is below £5,000, including VAT, one written quotation shall be obtained prior to placing an order. Quotations shall be returned to and retained by the relevant authoriser.
5. Where the cost of works, goods or services to be purchased by Estates and Facilities is likely to exceed £5,000, including VAT, but less than £10,000, including VAT, three competitive written quotations shall be invited prior to placing an order. Quotations shall be returned to and retained by the relevant authoriser.
6. Where the cost of works, goods or services to be purchased by Estates and Facilities is likely to exceed £10,000, including VAT, but less than £25,000, including VAT, three written quotations must be invited prior to placing an order. Quotations shall be returned to the requisitioner and must then be approved by the relevant Group Manager.
7. Where the cost of works, goods or services to be purchased by Estates and Facilities is likely to exceed £25,000, including VAT, but is below £150,000 including VAT, at least three competitive tenders must be invited. All tenders shall be returned to the Director of Estates and Facilities. In such cases, the Director or Deputy Director in the presence of at least one witness will open tenders. The person inviting the tender may be present at the tender opening but does not qualify as a witness.
8. Where the cost of works, goods or services to be purchased by Estates and Facilities is likely to exceed £150,000, including VAT, four competitive tenders must be invited. All tenders will be returned to the Director of Estates and Facilities. In such cases, the Director or Deputy Director in the presence of at least one witness will open tenders. The person inviting the tender may be present at the tender opening but does not qualify as a witness.
9. The Directorate of Estates and Facilities locally publishes detailed tendering procedures.
10. All projects undertaken by Estates and Facilities must obtain the necessary financial

approval.

The project manager shall request financial approval from the Director of Estates and Director of Finance.

The project manager shall indicate the funding source(s) and codes. Once processed the project manager will be advised of the funding value and expenditure code.

The Director of Finance will monitor the volume and value of financial approvals submitted to the Finance Directorate

This process will apply where:

- funds are part of agreed Estates and Facilities Revenue or Capital Budget / Programme;
 - funds have been authorised in writing from a contributing University Faculty or University Company (see Section 10 below, sections 10.2 to 10.20); and,
 - all other unfunded, or corporately funded requests must be referred to the Director of Finance for Financial Approval. This may also be provided via the Capital Planning Sub-Committee who may approve a works programme or individual project funding. (See Appendix B below and Financial Regulation 2.14 and Financial Procedures 2.25 to 2.30 above).
11. Letters of intent shall not be sent in advance of obtaining financial approval. All letters of intent must be issued and signed by the Director of Estates and Facilities (or the Deputy in his or her absence).
 12. If the works, goods or service is to be carried out under a formal contract, this must be prepared and signed without delay following financial approval.
 13. Only firms that have been financially (viability & insurance issues) and technically vetted (e.g. qualified, competent, health & safety compliant etc.) shall be allowed to tender. The requisitioner must be fully satisfied that all relevant conditions are met.
 14. Where applicable the relevant EU procurement regulations on tendering will take precedence, in respect of services requested, thresholds and procedures.
 15. Arrangements for work carried out via Measured Term Contracts (MTC's) shall be treated separately from the rules set out above. Maintenance and small project work up to £50,000 (including VAT), can be implemented using the MTC schedules of rates without further tendering. Where such work is funded from budgets under the control of the Director of Estates and Facilities no further financial approval is required, but where work is funded from outside Estates and Facilities financial approval shall be obtained in the normal way.
 16. Contractors and consultants can be appointed from Framework Agreements (established by the Directorate of Estates and Facilities and approved by the Finance Committee) without further tendering in accordance with the Major Contracts and Partnering Frameworks.

Tendering Procedures within the Directorate of Estates and Facilities

17. The project manager responsible for inviting the tenders may use the University's electronic tendering system or a manual system for all tender processes. In all circumstances Part 1 of the Tender Record Form must be submitted to the Director of Estates and Facilities' Secretary who will maintain the register of all tenders.
18. Tenders are due by an appointed time on the date submitted by the project manager. The Director or Deputy Director have discretion to vary this in exceptional circumstances, but all tenders must be opened (electronically or otherwise) at the same time and all tenderers must be advised of any change to the submission deadline.
19. Tenderers shall be instructed to return their tenders via electronic or manual systems. If a manual process is employed it must be returned in a plain envelope using the Estates and Facilities return label only and completed in full. This includes tenders invited by external project managers / quantity surveyors. Tenderers must not mark their envelope with their stamp or any other identifying mark.
20. Tenderers shall be instructed that marked tenders, late tenders or faxed tenders will not be considered.
21. Late tenders will be opened only to determine the sender and returned to the tenderer.
22. After tenders have been opened, the Director's Secretary shall pass all tender documentation, whether electronic or manual (which may include return envelopes and the Tender Record Form) to the project manager for evaluation.
23. On completion of the evaluation, the project manager shall complete Part 2 of the Tender Record Form and return the original (or an auditable electronic copy), in a timely manner, to the Director's Secretary for retention in the register.
24. Generally, the lowest tender, or that demonstrating the best value to the University shall be accepted except where this is found to have a material error or qualification. However, the project manager may recommend acceptance of another tender but approval must be obtained from the Director of Estates and Facilities, or in the absence of the Director, the Deputy Director and the reasons must be documented clearly in the project file and on the Tender Record Form.
25. In exceptional circumstances it may not be possible to obtain competitive quotations or tenders, in which case prior permission to seek a single quotation or tender must be obtained. For works, goods or services valued up to £25,000, including VAT, a Group Manager or Deputy Director shall give approval. For works, goods or services valued over £25,000, including VAT, the Director of Estates and Facilities in consultation with the University's Purchasing Consultant shall give approval. The reasons for single action quotations/tenders must be documented for future audit checks.

Section 7

SALARIES AND WAGES, OTHER PERSONAL PAYMENTS AND TRAVEL

SALARIES AND WAGES

- 7.1. The Financial Regulations (Section 7) set out the general policies for appointment and re-appointment of staff. Detailed procedures are available from the Human Resources Directorate.
- 7.2. The responsibility of the Human Resources Directorate for salaries, wages and other approved personal payments is to ensure that all staff appointed by the University receive the appropriate payment, as laid down in their contract of employment and that in making such payments the University complies with all relevant statutory legislation. Human Resources are also responsible for making payments, net of income tax and NICs, to companies defined under HMRC rules as Personal Service Companies (see paragraph 6.81 above).
- 7.3. Heads of School are responsible for ensuring that sufficient funds exist to cover the total cost of any appointment (including NI, superannuation and any other costs associated with the post). Schools must contact the Human Resources Directorate before they initiate the appointment process e.g. placing adverts etc. This does not obviate the need to follow appropriate procedures for the approval of the post. Details of such procedures are available from the relevant Dean. Schools are responsible for ensuring that the Human Resources Directorate is informed of all staff who are leaving the University.

FEES, EXPENSES AND OTHER PERSONAL PAYMENTS

General Issues

- 7.4. The regulations and procedures for fees and expenses payments take account of the statutory policies imposed on the University by external agencies, including HMRC. Expenses claims shall comply with the HMRC policy that they must be “wholly, necessarily and exclusively” incurred by staff whilst fulfilling the duties of their employment within the University. The words “wholly” and “exclusively” have their normal meaning; for example, HMRC rules do not allow the University to pay for travel or any other costs when staff plan to take a holiday before or attending a conference, even if the conference is a legitimate event and the holiday would not increase the travel costs paid by the University.
- 7.5. HMRC, other statutory bodies and the University in its regulatory framework covering fees, expenses and other similar personal payments does not distinguish between the sources of funding for any expenditure and all payments, irrespective of the funding must comply with the procedures outlined below. Payments to staff must comply with the PAYE taxation rules. Full details of these tax rules are available from HMRC. The University's Tax Office is HM Inspector of Taxes, Manchester Office, Albert Bridge House, 1 Bridge Street, Manchester, M60 9AF - Telephone 0845 3021477. (Please quote the tax reference and NI number – see your payslip).
- 7.6. HMRC has granted the University a dispensation from the obligation to complete P11D forms for all employees earning greater than £8,500. The terms of the

dispensation are such that the University has to assess all payments and ensure that they are supported by proof of *bona fide* business expenditure or that the correct deductions are made for tax and NIC. Without a dispensation, the University would be faced with the major task of completing annual P11Ds and individuals would have to deal directly with HMRC to prove that the items included were correctly classed as business expenses.

Other Untaxed Income

- 7.7. Staff are reminded that all UK citizens and residents are required by law to inform HMRC (see section 7.5 above) of any additional income, including many benefits in kind, that have not been taxed at source under the PAYE scheme. This includes income such as consultancy fees, publishing income and royalties.
- 7.8. Staff must also be aware that HMRC may regard gifts (such as those from students) received by University staff as taxable and also subject to National Insurance contributions. A crucial test is that the gift arises from a person's employment. The fact that a person's employer has not provided the gift is irrelevant.

General policies for Fees and Expenses

- 7.9. All claims for fees and expenses must be submitted in a format that satisfies University and statutory requirements. The process that is adopted is also subject to scrutiny by HMRC.
- 7.10. All fee and expense claims must be made using the electronic claim forms on the Staff Net portal or the appropriate claim form. The method used is at the discretion of the Directorate of Human Resources. For further details, see the relevant section of the University website:
- <http://www.staffnet.manchester.ac.uk/employment/pay-pensions/expenses/>
- 7.11. All claims must be made as soon as possible. The University reserves the right not to pay claims submitted more than three months after the expenditure was incurred. Claim forms must be fully completed, and the date(s), place(s) and reason(s) for fees and expenses must be stated clearly on all claims. The Payroll Office cannot process claims that do not include the relevant information and will return these to the relevant Head of School for appropriate action.
- 7.12. The School shall send the original claim to the Payroll Office and retain a copy for reference. All claims **must**:
1. include a current and appropriate finance code(s) in the appropriate section of the form;
 2. be signed by an authorised signatory to confirm that the claim is valid and correct (see below); and,
 3. be supported by original receipts (see below).

The authorised signatory must be of higher grade or professional rank to the person making the claim, and usually their line manager (see Financial Procedure 3.14 above). Claims must never be approved for payment by the person making the claim, or by the claimant's spouse, partner or other close relative.

By signing the claim, the authorised signatory is confirming the following:

1. the claim states clearly why and by whom each item of expenditure was incurred;
2. each item of expenditure was wholly, necessarily and exclusively incurred for *bona fide* University purposes, and is demonstrated to be so by the documentation;
3. each item of expenditure is in line with the Financial Regulations and Procedures and other University policies;
4. the claim is being charged to a valid budget;
5. each item of expenditure was genuinely incurred and is supported by an original receipt, and where appropriate was approved before it was incurred; and,
6. any tax liability arising from the claim is correctly indicated.

For external fees and expenses claims, the PR7 form must be signed by both the budget or grant holder, who is confirming that the claim is genuine, and the authorised signatory, who is accepting the Expense is for *bona-fide* University business and the other points listed above. If the authorised signatory is also the budget holder, such as a conference organiser or research grant holder, and is able to confirm from personal knowledge that the claim is genuine, then they may sign in both capacities. All other University rules regarding authorised signatories apply to such claims (see Financial Procedure 3.14 above and Section 3 of the Financial Regulations, especially Financial Regulations 3.3, 3.4, 3.5 and 3.6).

- 7.13. Staff can only claim for expenses or fees that they have directly incurred. Staff cannot claim for personal payments that they have made to another individual to cover that individual's business expenses. All expenses must have been paid for by cash, cheque, credit or debit card or similar means. The University cannot reimburse expenses originally paid for by vouchers, Nectar Points or other loyalty card schemes. Where both methods were used for a single transaction, only the actual cash paid will be reimbursed.
- 7.14. All fee payments to individuals, including those not employed by the University, are subject to tax and NIC. Individuals who believe that their claim is entitled to self-employed status must contact the Directorate of Human Resources for advice. The University will follow HMRC's rules on employment status, and will use the tests prescribed by HMRC to decide this. In all other cases, income tax and NIC will be deducted from payments. See Financial Procedure 6.81 above and guidance at: <http://documents.manchester.ac.uk/DocuInfo.aspx?DocID=11011>
- 7.15. All fee payments to employees of the University are made through the salary and wages system. Awards to post doctorate students may be paid via the fees system.
- 7.16. Employees of the University may waive a fee payable to them in favour of their School. The individual must notify the Payroll Office prior to a claim for the fee being submitted.
- 7.17. All claims for expenses must be fully supported by original receipts. The only proof of any *bona fide* business expenditure is an original receipt and any claim not supported in this way is deemed to be an amount payable at the discretion of the University. A full explanation of why receipts are missing must be provided, and tax regulations may require that payments are subject to deduction of income tax and NIC. Receipts must show the date of issue, the supplier's name and be fully itemised.

Restaurant receipts must list all the meals and drinks claimed for. Handwritten receipts may not be accepted.

- 7.18. Photocopies of receipts, bank statements, cheque stubs, credit card slips and counterfoils and credit card statements are not, for the reasons outlined in the paragraph above, acceptable as supporting documentation.
- 7.19. Staff are reminded that the deliberate claiming of fees or expenses to which a person is not entitled constitutes theft. In such cases, appropriate disciplinary action will be taken. Cases may also be reported to the police.

Payments to Research Volunteers and Participants in Clinical Trials

- 7.20 Research volunteers and participants in clinical trials who take part in tests, submit to measurements or are interviewed may be paid a small sum to cover out of pocket expenses and as compensation for the time spent. HMRC have agreed that these payments are unlikely to fall within the definition of “earnings” for PAYE or NI purposes. HMRC are entitled to ask for details of payments to non-employees at their discretion; but do not routinely ask for details for small payments such as these. No tax or NIC liability will arise if the sums received do no more than reimburse the individual’s reasonable costs of participating in the trial or research, including costs of travel and subsistence.

See: <http://www.hmrc.gov.uk/manuals/eimanual/EIM71105.htm>

- 7.21 All such payments must comply with HMRC’s rules. The name and address of each recipient must be recorded, and they must sign a form to acknowledge receipt of the payments. Such payments may be made in the form of Amazon or similar vouchers. However, such vouchers must not be used for any payments that may be liable for income tax or National Insurance without the prior consent of the Director of Human Resources. Full records of all such payments, whether made by cash or voucher, are prime documents and must be retained for at least six years, or longer if required by the grant awarding body. (See Financial Procedures 2.39 to 2.41 above). For University guidance on the payment of research/teaching volunteers, lay participants and participants in clinical trials, see:

<http://documents.manchester.ac.uk/DocuInfo.aspx?DocID=29417>

Exchange Rates

- 7.22. Expenses incurred in a foreign currency will be converted to Sterling at the rate prevailing at the date of the original transaction. Where an individual has *bona fide* proof (an original receipt) which clearly shows the exchange rate at the time of exchange, this should be accepted. However, if such evidence is not available, the Payroll Office will use the exchange rates as published on www.xe.com or a similar website. As foreign exchange can be obtained free of commission charges at most UK banks, the Post Office and some supermarkets, the University will not normally reimburse such costs.

Visiting Lecturers: University tax rules for travel and subsistence expenses

- 7.23. Since 1996, HMRC have instructed all Universities to deduct tax and NIC from expenses claimed by visiting lecturers for travelling to the place of work to deliver their lecture. In other words, a visiting lecturer being paid a fee for their work is

regarded as an employee. Their fee is subject to PAYE and HMRC deem any travel to the University as home to work. The claim for travel expenses is therefore taxable as a benefit in kind.

- 7.24. If a visiting lecturer does not receive a fee as part of their contract of employment with the University they will not be regarded as a PAYE employee and any claim for travel expenses will not be subject to tax or NIC. The relevant box on the claim form must be ticked if an individual falls into this category.
- 7.25. Visiting lecturers who can demonstrate that they are recognised as self-employed by HMRC will be treated as such by the University. Queries about self-employed status for visiting lecturers must be directed to the University's Tax Office (see Section 7.5 above).

Cash Passport

- 7.26. The Cash Passport is a MasterCard which may be issued to staff and students who are travelling away from the University on business, where they will incur out of pocket expenses. The Cash Passport is administered by HR Services. See Section 6.57 above for further details.

Advance claims for expenses

- 7.27. In exceptional circumstances the University permits claims from paid staff or students for payments in advance of anticipated expenses. Examples of such circumstances include where an individual is working abroad and requires a significant sum, or a student is away from the University on a field trip. Once the expenditure has been incurred, original receipts supporting the claim must be submitted to the Payroll Office within one month of the end of the trip, or the whole advance may be deducted from the next month's salary payment.

Both the advance claim and the final return must be made on separate forms available from the Payroll Office. No further advance will be made if a member of staff has failed to submit a final return and receipts more than one month after a previous trip. Except as provided above, the University does not pay claims for expenses in advance.

Entertaining and Subsistence Expense Claims

General issues

- 7.28. The employee and the University must be able to demonstrate that, to comply with HMRC rules and legislation and the Financial Regulations, all payments under this heading are not made to individuals without properly being subjected to tax and NIC deductions. The rules below must be followed to prevent financial liabilities being imposed by HMRC on the University and its employees.
- 7.29. HMRC's rules categorise entertaining and subsistence expenses as follows:
- subsistence and working events;
 - business entertaining; and,
 - non-business entertaining

Expenses associated with subsistence and working events

- 7.30. Staff who, as part of their employment make business journeys greater than five miles from their normal place of work or are away from work for a period of more than five hours, are entitled to claim subsistence costs. This will typically include meals and accommodation costs.
- 7.31. Staff who, as part of their employment, make business journeys of less than five miles from their normal place of work or are away from work for a period of less than five hours can only claim subsistence costs if the event is classed as a working event.

Expenses incurred whilst Business entertaining

- 7.32. The University allows members of staff to entertain external “customers”. HMRC state that, for their purposes, such expenses will normally be allowable if the purpose was to discuss a particular business project. They may also be allowable if the purpose was to maintain an existing business connection or to form a new one, even though no business was actually done. However, expenses are not allowable if entertaining is really for social and not business reasons, even if some business topic happens to be discussed.
- 7.33. In a University context, a “customer” may be defined as an external adviser, student, sponsor, a colleague from an external organisation involved in collaborative work, but as stated above, the purpose of the “entertainment” must be to foster new business or to continue existing business contacts. One test that HMRC may use to identify legitimate business entertainment is where the ratio of customers to staff is, or, exceeds 1:1 in favour of the customers. If the ratio of staff to customers exceeds 1:1 in favour of staff then the University is required to calculate tax on the amount spent and pay this over to HMRC. However, staff are warned that HMRC may seek further proof, such as names of attendees, or apply other tests to confirm that an event was for genuine business purposes. The entertainment of existing students is unlikely to qualify as business entertainment. A paid visiting lecturer (see Section 7.3 above) is treated for tax purposes as a University employee.
- 7.34. Any non-business expenditure payable by a School on invoice will also be subject to tax. The tax liability will be charged to the relevant School account.
- 7.35. The Finance Directorate must be able to distinguish accurately between business and non-business entertainment. The relevant sections of the electronic expenses claim form must be completed. All requests for payment under this heading made via supplier invoices (Accounts Payable), petty cash (Income Office) or payments effected by internal journal transfer must be accompanied by a fully completed Entertainment and Working Meals Form. This form must be completed before the entertainment takes place, and signed by an authorised signatory, who must be of higher grade or professional rank to the organiser, and usually their line manager. The organiser of the event cannot authorise the form.

Non-business entertaining

- 7.36. Non-business entertaining is described as events paid for from University funds (irrespective of their source), which take place primarily for the benefit of members of staff. This would include, for example, meals with colleagues, retirement functions and school parties. Leaving functions etc., funded entirely by voluntary contributions

from members of staff are outside the scope of the University's finances and are not therefore classed as University entertaining of any type. In the majority of cases non-business entertainment is subject to tax. Schools may contact the Payroll Office for details of any exceptions.

7.37. A working lunch may only be reclaimed without deduction of tax and NIC if the refreshments are:

- light, for example sandwiches, biscuits and non-alcoholic drinks; and
- taken in the place where the meeting is held. (In other words, the meal is only a break in the meeting).

Meals held in a restaurant or with alcoholic drinks therefore do not qualify as working lunches and are liable for tax. Please contact the Payroll Office for further guidance.

7.38. Staff are expected to pay for their own refreshments (tea, coffee, milk etc.) while at work. The University will normally only provide refreshments for formal meetings or those with outside visitors, or as part of a formal agreement with the Trade Unions approved by the Director of Human Resources.

7.39. The University has approved a Non-Business Staff Entertaining Policy to provide a consistent approach to the funding of staff entertainment, together with HMRC guidance regarding the tax and NI implications. The full policy is at:

<http://documents.manchester.ac.uk/DocuInfo.aspx?DocID=17960>

The Policy allows each School/Faculty/Directorate or Department to contribute a fixed amount, currently set at **£15 per head per annum**, towards annual staff events at Christmas. This funding is not an entitlement and only applies to staff who attend the approved event.

Telephone and Internet expenses

7.40. The University does not reimburse the cost of personal telephone, mobile phone, fax or similar telecommunication charges.

7.41. The cost of connection and other periodic rental charges will not be paid unless they are for a telephone or internet connection that is:

- provided solely and exclusively for business use; and
- is used by a member of staff who is required to work from home and does not normally have access to University facilities. Costs will not be reimbursed for staff with access to telephone and internet facilities at the University but who choose to work from home.

7.42. The cost of telephone calls made on University business by staff from home or with a mobile phone may be claimed, but all such claims must be supported by an annotated itemised bill. Staff who need to use a mobile phone extensively for University purposes must obtain one from IT Services. As this service is available, subscriptions to mobile phone services will not be paid. Skype and similar services must be purchased by the University and not the employee.

Travel Expenditure: Introduction

7.43. Expenditure on travel, including rail and air fares, car and bicycle mileage and hotel accommodation, is no different to all other University spending (see Financial Regulations 6.2 and 6.3). It must therefore be:

- for *bona fide* University purposes; and
- approved in advance by the relevant budget holder; and
- budgeted funds must be available to meet the full costs.

The rules outlined below apply to all members of University staff unless stated otherwise in their contract of employment.

7.44. Travel related costs such as train fares, flights, hotels and conference bookings are to be booked using the Travel Management System (Egencia), if available in a School, or if not, via the Procure to Payment (P2P) system, or a Procurement or Frequent Traveller card. Hotels and venues in Manchester can be booked via:

<http://www.conference.manchester.ac.uk/accommodation>

7.45. The University will not meet any costs relating to the spouse, partner or child of an employee who accompanies the employee on a business trip. Such costs must be paid directly, and cannot be charged to the University and then reimbursed.

7.46. The University is committed to sustainability and is a signatory to the Talloires Declaration. Reducing the environmental impact of travel is an important part of ensuring sustainability and protecting the environment. When travel is necessary staff must assess their different journey options and give full consideration to the issues of the “Three C’s:” Cost, Convenience and Carbon Dioxide.

7.47. The expenses claims system is intended to reimburse actual expenditure incurred by staff while on University business. Accordingly, the University does not pay a daily subsistence rate or similar system.

Rail Travel

7.48. Rail travel must always be by the most economical method, usually economy class, and approved in advance by the member of staff’s budget holder or Head of School.

7.49. In order to secure lowest fares, rail booking should be made at the earliest opportunity after the decision to travel has been made. Travel must normally be booked at the cheapest ticket type available for the journey to be made and staff should use Saver and Day Return fares whenever possible.

7.50. First class rail fare may be claimed, with the prior approval of the Head of School, so long as any time-tabled journey exceeds two hours (including all journeys from Manchester to London). A Head of School must have the prior approval of the Faculty Dean. Prior approval of first class travel is not required if it can be demonstrated that a first class ticket costs less than that of a standard return fare.

Air Travel

7.51. Staff who need to travel by air should normally travel tourist or economy class, taking advantage of any reduced rates such as APEX. However:

- business class air travel may be reimbursed for any journey outside Europe, with the prior approval of the Head of School; and
- air travel within the United Kingdom must have the prior approval of the Head of School.

In both the above cases, travel by a Head of School must have the prior approval of the Faculty Dean.

- 7.52. Business class air travel and first class rail travel will also be permitted where the journey is for work funded by an outside sponsor, who has agreed specifically to refund the full costs without subsidy from any other aspect of the project.
- 7.53. If air miles are gained as a result of University funded travel, these must be used wherever possible for future travel on University business. Staff must not book flights with a more expensive airline to gain personal benefits such as air miles. See also Section 6.92 above.

Travel to Work

- 7.54. The University will reimburse any excess business travel costs to a temporary place of work. An employee must go there only to perform a task of limited duration or for a temporary purpose. For travel by car, the University will normally reimburse the full distance from an employee's permanent place of work (usually the University campus) to a temporary place of work. However, if a journey starts from the employee's home address then this trip must be claimed if it is shorter than the distance from the University campus. The cost of business travel by train or bus may be reclaimed in full. The University will apply HMRC rules on the taxation of payments for staff travel and other expenses. To satisfy HMRC rules, basic information (such as the purpose of the trip) must be provided so it can be demonstrated that business travel is wholly, necessarily and exclusively for work purposes.
- 7.55. The University, unless stated to the contrary in a member of staff's contract, does not reimburse the costs of travel from home to the permanent place of work, except in special circumstances such as emergency out of hours call outs. In those cases where a contractual obligation exists the University will comply with HMRC regulations on such payments and will apply the appropriate deductions.

Claims for mileage

- 7.56. Car mileage claims are only permitted when rail or bus travel is impractical. Claims for home to work mileage will not be reimbursed, except in special circumstances such as emergency out of hours call outs (see above).
- 7.57. Staff may travel by car if they claim only the (lower) train fare for an equivalent journey. They must complete the appropriate electronic form (see Section 7.61 below), and cost this at the standard mileage rate, write on the form that they are claiming a smaller amount, the cost of a train fare for a similar journey, and support this by a print-out from the train company's website, showing the quoted fare.
- 7.58. The University will also reimburse valid claims for:
- Cycle mileage for business journeys

- Car share mileage rate per passenger for private car business mileage claims (in addition to the standard mileage rate)

The University will also reimburse a guaranteed lift home facility for car sharers (within an agreed limit and specified criteria).

- 7.59. A hire car may be a more economic option for longer journeys. These should be booked through the recommended supplier.
- 7.60. Financial Regulation 10.7 requires that staff using their own vehicles must hold a valid driving licence and appropriate insurance cover for business use. Vehicles must be taxed, roadworthy and have a valid MOT certificate. The University will not reimburse insurance premiums for business use of vehicles owned by staff, or costs if staff are involved in accidents while on University business.
- 7.61. Claims must be submitted on the appropriate electronic form, and must include:
- the reasons for the mileage claim;
 - details of all journeys undertaken including the start and end points; and,
 - the total mileage undertaken.
- 7.62. Mileage claims may be checked in the Payroll Office using specialised software. Any mileage figure that is found to be excessive will be reduced. Deliberate falsification of a mileage claim, or any other expenses claim, may constitute fraud and so result in disciplinary action. Cases may also be reported to the police.
- 7.63. The Finance Sub-Committee will decide the current mileage rates that can be claimed from the University, and the Payroll Office will notify Schools of the rate in force.

Taxis

- 7.64. Where transport is required for local journeys (at the University or destination of travel), staff are encouraged to utilise public transport. Taxis should only be used where issues of time, convenience or personal safety would make public transport impractical.
- 7.65. Taxi fares should normally be reclaimed through petty cash. All claims and petty cash vouchers must record the date, persons travelling, start and destination and the reason for the trip.

Hotels and Restaurants

- 7.66. The University will reimburse only those hotel costs that are wholly, necessarily and exclusively required for University purposes.
- 7.67. The University will pay for one alcoholic drink per person per night when staff are on University business, a “drink” being no more than a single glass of wine or pint of beer. This rule applies regardless of the source of funds and covers all types of University business, including subsistence (when staff are away on University business) and business entertainment (when non-University staff are present). While overseas, staff must comply with all local laws on the consumption of alcohol.
- 7.68. Service charges automatically included in a restaurant bill may be reclaimed and reimbursed tax free. Tips and similar gratuities up to 10 per cent of the bill (15 per cent in the USA) are also eligible for reimbursement. Any amount over and above this

must be borne by the member of staff.

Other Travel Related Costs

- 7.69. Staff must ensure that they have the appropriate vaccinations, visas, passport etc. necessary for the trip. Common vaccinations may be obtained from the University's Occupational Health Service. Any fees incurred in obtaining other vaccinations and visas for business travel can be paid by the University.

It is expected that employees have passports for their personal use and so the initial cost of a passport is not an allowable expense. However, if a replacement passport is required due to extensive travel on University business, this additional cost may be reimbursed at the discretion of management. As HMRC regard this as a taxable benefit, it will be paid net of tax. The University is not responsible for the cost of replacing lost or stolen passports.

- 7.70. The University will reimburse the standard cost of the Tier 2 (General) visa for staff recruited from overseas who have been awarded a Certificate of Sponsorship under the UK Home Office Points Based System. In addition the University will offer an interest free loan for these staff to pay the cost of immigrant health surcharges for themselves any dependant's visas and their surcharges up to a maximum of £8,000. See the Visa Loans Policy and relevant forms:

<http://documents.manchester.ac.uk/DocuInfo.aspx?DocID=24202>

- 7.71. The University will not pay for avoidable penalties incurred by staff whilst on University business. These include, for example, parking fines and other traffic penalties, hotel cancellation fees for non-arrival (unless reasonable attempts have been made to cancel the booking or reclaim the fee from the travel insurance policy), and penalty fares imposed for travelling by train without the proper ticket.

- 7.72. The University holds a general insurance policy covering staff and students for most overseas travel on University business. Staff should confirm with the Insurance Office if a particular trip is covered. Details of the cover are available at:

<http://www.staffnet.manchester.ac.uk/services/insurance/travel/>

If additional insurance cover is required, it will usually be most cost-effective for the Insurance Office to arrange this through the University's brokers. Accordingly, claims for travel insurance will be paid only if the Insurance Office has approved them in advance.

Claims for the Purchase of Goods and Services

- 7.73. The University will usually refuse to reimburse expenses claims for goods or services (e.g. computers, software, travel, furniture, books, components etc.) that can be requisitioned, ordered and paid for using the procurement system. Purchases of goods and services may only be reclaimed through the expenses systems if there is a genuine reason whereby they could not be procured via the normal school procurement or purchase card system. All such claims must be accompanied by:

1. a full explanation why the goods or services were not purchased in the normal way; and

2. original receipts for all items; and
 3. a fully completed requisition form signed by the budget holder. If the claimant is the budget holder then another authorised signatory, of higher grade or professional rank and usually their line manager, must sign.
- 7.74. Any claims lacking the above supporting documents will be returned unpaid. Goods must be delivered to a University location, not to a personal home address. Purchases of IT equipment must comply with all policies regarding University IT.
- 7.75. All goods bought with University funds remain the property of the University. All items such as computers and other equipment paid for by University funds (including research grants or commercial sponsors) must be returned when no longer required or if an employee leaves the University. Failure to do so will be regarded as theft. Employees may buy such items, with the agreement of the School, in accordance with Financial Procedure 8.8, although any such disposals must also conform to the Waste Electrical and Electronic Equipment (WEEE) Regulations. All confidential information must be deleted permanently as required under the Data Protection Act.

Section 8

ASSETS

8.1. This Section covers issues concerning the assets of the University. Details on insurance will be found in Section 10 of the Financial Regulations and Financial Procedures.

INVENTORIES (ASSET REGISTERS)

8.2. The purchase, sale, lease or rent of land, buildings or fixed plant must be in accordance with Financial Regulations 8.1 and 8.6.

8.3. Heads of Schools are responsible for the maintenance of records of all assets and equipment that has been obtained by their School.

8.4. The Finance Directorate maintains a central register of all capital assets across the University. This provides a description of each asset, together with a note of its location. Copies of the register are circulated to Faculties and Schools each month.

8.5. The central register must be updated as and when assets are acquired or disposed. Schools must inform Finance whenever a capital asset is ordered, acquired or disposed of. Schools should assume that all equipment costing in excess of £50,000 will be capitalised. This includes donated assets worth in excess of this sum and capital assets (such as scientific equipment) made in-house by University staff. The Director of Finance shall prescribe capital accounting policies, including a detailed definition of which assets qualify as capital, their expected useful economic life, depreciation and related matters. In the case of disposal a note must be made on the register of the date and how the asset was disposed and any income that was received. The policy on the disposal of assets other than land and buildings is shown below.

8.6. The Head of School shall, at least on an annual basis, check and retain a copy of the central register entries relating to their School. This checklist must include the following:

- the period covered by the check-list;
- a description of the asset with the date of its purchase;
- the value when purchased;
- the date of disposal if relevant; and,
- the reason for disposal if relevant.

8.7. Schools must maintain registers of assets that do not qualify for the central register. These are required for purposes such as security, insurance and electrical testing. All assets held in schools worth between £10,000 and £50,000 must be recorded on a suitable register which is updated regularly. These include (but are not limited to) computers, scientific equipment, plant, furniture and stores. Details noted must include a brief description, location, date of purchase, original cost and, where applicable, the serial number. It may also be helpful to record the funding source. Much of this information may be available in electrical testing schedules and other

databases, although these should not be regarded as substitutes for maintaining a proper record.

ASSET DISPOSAL

8.8. Disposal of land, buildings and assets held in trust can only take place with the authority of the Board. Queries must be addressed to the Director of Finance in the first instance. The disposal of other assets must adhere to the following guidelines:

- the disposal of assets where, at the time of the intended disposal, the higher of market value or net book value does not exceed £5,000 may be made at the discretion of the Head of School. In such circumstances, the Head of School must amend the records and inform, as soon as possible, the Director of Finance of the disposal so the Central Register can be updated; and
- the disposal of assets where, at the time of the intended disposal, the higher of market value or net book value exceeds £5,000, can only be made on the prior approval of the Director of Finance (or approved nominee).

An asset must never be divided artificially so that individually each part falls below the £5,000 valuation limit quoted above.

8.9. In disposing of assets, Heads of Schools must follow the guidance issued by the Procurement Office. All disposals of electrical and electronic equipment must comply with the Waste Electrical and Electronic Equipment (WEEE) Regulations. Any confidential or personal data must be deleted from computers before they are disposed of – advice is available from IT Services.

<http://www.itservices.manchester.ac.uk/aboutus/sustainability/disposal/>

8.10. It is the responsibility of Heads of Schools to check the ownership of any asset, which they wish to dispose; this may be particularly important if an item of equipment is jointly held between Schools. The ownership of grant funded assets and any sale restrictions imposed by the funding body must also be confirmed. In addition, care must be taken to ensure that, where relevant, any VAT is levied. Advice can be obtained from the VAT Office in Finance.

8.11. The transfer of assets to another School must follow the procedure in Sections 8.8 - 8.10 above. This applies also to the transfer of assets to licensees, including spin-out companies and subsidiary companies.

ASSETS ON LOAN

8.12. Assets may only be loaned to staff, students and other members of the University in association with that individual's work. In all cases it is the responsibility of the Head of School to determine whether assets might be used away from their normal place of work.

8.13. A full and proper record must be maintained of all equipment loaned and shall include the following:

- description of the item on loan;
- name of the borrower;

- details of the location of where the item will be held;
- period of the loan, with return date;
- details of insurance arrangements;
- signature of borrower; and,
- the date when item is borrowed and returned.

Care must be taken to ensure that the individual borrowing the equipment is aware of any special requirements placed on its use (e.g. the need for insurance, health and safety restrictions etc.) and the potential for inspection by University Officers and auditors where the loan is likely to be of a long-term nature. Attention is drawn to Section 2.5 above on the right of access to University premises and their definition.

TREASURY MANAGEMENT (INVESTMENT, SHORT-TERM LOANS AND BORROWINGS)

- 8.14. All executive decisions concerning borrowing, investment or financing (within policy parameters) are delegated to the Director of Finance who shall report as required to Finance Committee. All borrowing must be in the name of the University and shall conform to any relevant Funding Council requirement. Loans to external bodies as part of the treasury management process shall be made in accordance with the Treasury Management Policy approved by Finance Committee (see Appendix below). The regulatory framework for loans other than part of the treasury management process may be found in Section 9 below.

STOCK AND STORES

- 8.15. Stock takes must take place at least one a year and where continuous stock records are not maintained this must be at 31st July each year. In practice this places on Heads of Schools a requirement to produce for the Director of Finance a stock figure for the cost of stock held at 31st July each year.
- 8.16. The stock figure must be produced by carrying out a full stock count by a nominated officer, or by maintaining continuous stock records which have been undertaken on a cyclical basis. Such counts will be subject to audit checks. The Director of Finance must approve any method other than that outlined above, of valuing stock.
- 8.17. Stocks shall be valued at the lower of cost or net realisable value on an item by item basis.
- 8.18. Stock must be reconciled to School and University financial records.

NON-UNIVERSITY ASSETS

- 8.19 The University does not accept liability for the personal property of staff, students and visitors.

Appendix

Short term Treasury Management Policy (2016)

Note: The Treasury Management Policy was approved by the Financial Committee on 10 November 2016

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TREASURY MANAGEMENT POLICY STATEMENT

This statement sets out the policies, practices and objects of The University of Manchester treasury management activities, as agreed by Finance Committee.

1. The University of Manchester follows the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice.
2. The University of Manchester in accordance with the CIPFA Code of Practice, defines its treasury management activities as:-

The management of the institution's cash flows, its banking, money-market and capital market transactions, with effective control of the risks associated with those activities, whilst pursuing optimum performance, consistent with those risks.

3. The University of Manchester regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
4. The University of Manchester acknowledges that effective treasury management will provide support towards the achievement of its business objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

TMP1 Risk Management

General Statement

The Director of Finance will design, implement and monitor all arrangements for the identification, management and control of treasury management risk. The Director of Finance will report at least annually to the University's Finance Committee on the adequacy/suitability thereof, and will report, as a matter of urgency the circumstances of any actual or likely difficulty in achieving the institution's objectives in this respect, all in accordance with the procedures set out below in *TMP6 Reporting requirements and management information arrangements*. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out.

(a) Credit and Counterparty Risk Management

The University of Manchester regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty list is constructed with security in mind, but with a reasonable spread to make the most of market conditions. The list will be reviewed on a continuing basis and at least annually. The University will limit its investment activities to the instruments, methods and techniques referred to in TMP4. Its formal counterparty policy and investment parameters are set out in S1.1.

The overriding principle guiding the investing of surplus cash balances is the preservation of the capital value of the institution's resources. The Director of Finance has delegated authority, from the University's Finance Committee, to invest the surplus funds of the institution in accordance with the annual financial strategy and in accordance with this statement. He is authorised to deposit or invest funds only with those organisations meeting the University's credit worthiness selection criteria.

The Director of Finance is responsible for monitoring the creditworthiness of approved deposit takers when arriving at a joint list of counterparties. The University relies on the ratings provided by its Money Broker (Tradition UK Ltd).

(b) Liquidity risk management

The University of Manchester will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business objectives.

(c) Interest rate risk management

The University of Manchester will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues while maintaining the security of the invested funds. It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.

(d) Exchange rate risk management

The University of Manchester will retain funds in currencies only to the extent that payments are due to be made in these currencies. Currency receipts surplus to this will be transferred into sterling at the best rate achievable.

(e) Inflation risk management

The University of Manchester will manage its exposure to varying levels of inflation, insofar as they can be identified as impacting directly on its treasury management activities, as an integral part of its strategy.

(f) Legal and regulatory risk management

The University of Manchester will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. Prior to entering into any borrowing or investment transaction, the Director of Finance will ensure that the proposed transaction(s) does not breach any statute, the University's financial regulations or standing orders, the requirements of the HEFCE financial memorandum or any terms and covenants concerning borrowing.

(g) Fraud, error and corruption, and contingency management

The University of Manchester will aim to identify the circumstances which may expose it to risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to meet these ends.

- Investment transactions are subject to clearly established internal check procedures, as well as in-house authorisation and signing limits, which are carried out in conjunction with the University's bankers
- Payments for Money Market transactions are generally made by CHAPS (using the University's Banking on-line system) and subject to laid down authorisation procedures, which are hierarchical, based on administrator, inputter and authoriser levels.
- Contingency plans exist with the University's bankers to download opening bank balances and make same day payments in the event of a computer failure.
- The Treasury Management operation is subject to annual review by Finance committee, external audit and regular review by Internal audit.

(h) Market risk management

The University of Manchester will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to mitigate the effects of such fluctuations by using appropriate and authorised instruments details in TMP4.

TMP2 Best value and performance measurement

The University of Manchester is committed to the pursuit of best value in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of regular examination of alternative methods of service delivery, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria as recommended by the CIPFA Code of Practice.

TMP3 Decision making and analysis

The University of Manchester will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in Schedule S3 to this document.

TMP4 Approved instruments, methods and techniques

The University of Manchester will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in schedule 3 to this document, and within the limits and parameters defined in TMP1 *Risk Management*. The University does not preclude the use of any of the mainstream investment instruments or types of investment vehicle, subject to satisfactory prior research and advice being undertaken and given.

TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements.

The University of Manchester considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the University of Manchester intends, as a result of a lack of resources or other circumstances to depart from these principles, the Director of Finance will ensure that the reasons are properly reported in accordance with TMP6 and the implications properly considered and evaluated.

The Director of Finance will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Director of Finance will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

TMP6 Reporting requirements and management information arrangements

The University of Manchester will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function. As a minimum, Finance Committee will receive:

- an annual report on the strategy and plan to be pursued in the coming year.

- an annual report on the performance of the treasury management function during the year, including the reasons for and the effects of any changes to the strategy set at the beginning of the year.

TMP7 Budgeting, accounting and audit arrangements

The Director of Finance will prepare, and the Board of Governors will approve and, if necessary, from time to time will amend, an annual budget which will include income and costs associated with treasury management activities. The Director of Finance will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 *Reporting Requirements and Management Information Arrangements*.

The University of Manchester will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

The University of Manchester will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

TMP8 Cash and cash flow management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of The University of Manchester will be under the control of the Director of Finance, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Director of Finance will ensure that these are adequate for the purposes of monitoring compliance with TMP1(b) *liquidity risk management*.

- A Cash flow overview for the year ahead is prepared annually and thereafter updated monthly.
- Cash flow forecasts affecting the University's capital payments are also kept and 'estimates' and 'actuals' compared on monthly basis and presented to the Director of Finance.

TMP9 Money laundering

The University of Manchester is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present banking arrangements are detailed in the University's Financial Regulations.

TMP10 Staff training and qualifications

The University of Manchester recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will, therefore, seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Director of Finance will recommend and implement the necessary arrangements.

TMP11 Use of external service providers

The University of Manchester recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements are set out in the Schedule to this document

TMP12 Corporate governance

The University of Manchester is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The University of Manchester has followed the key recommendations of the CIPFA Code of Practice. This, together with the other arrangements detailed in the Schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the responsible office will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

**UNIVERSITY OF MANCHESTER
SCHEDULES TO THE STATEMENT OF THE TREASURY MANAGEMENT
PRACTICES**

S1 RISK MANAGEMENT

1. CREDIT AND COUNTERPARTY LISTS

The University of Manchester will use the credit list provided by its Money Broker (Tradition UK Limited) to identify approved investment counterparties. The credit list, which is continually updated, uses the short and long term credit ratings provided by Fitch, Moody's and Standard and Poor's. The University requires a counterparty to have a minimum Fitch long-term rating of A and short term rating F1.

The Director of Finance is responsible for monitoring closely the credit standing of approved counterparties. Where there is reason to believe that a counterparty's credit standing is or may become impaired, our exposure should be assessed immediately, and where necessary should be reduced at the earliest opportunity.

The Director of Finance is authorised to deposit the surplus funds of the institution with any of the organisations listed below, to ensure achievement of the best returns available.

Counterparties	Limit	Tenor
University's Bankers	£80m	Up to 18 months
Lloyds	£80m	Up to 18 months
Goldman Sachs, Close Brothers	£80m	Up to 18 months
Other UK Banks	£40m	Up to 18 months
Overseas Banks	£35m	Up to 18 months
Building Societies with total assets in excess of £5 billion	£10m	Up to 6 months
Building Societies with total assets in excess of £1 billion	£5m	Up to 6 months
Nationwide Building Society	£20m	Up to 18 months
Challenger Banks	£50m	Up to 12 months

Challenger banks aggregate exposure of £50m, with a maximum individual exposure of £10m. It should be noted that challenger banks and some building societies do not have an official credit rating, however they are deemed an acceptable risk due to the size of the related asset base.

The limits set out above may be amended only with approval of the University's Finance Committee.

2. LIQUIDITY

The University's policy is to maintain minimum cash balances equivalent to one month's operating and payroll costs. The Director of Finance is authorised to arrange short-term overdraft facilities with the University's bankers

2.1 Investment Managers

Benchmarks and reporting requirements as set out in Agreement with the Investment Manager.

3. EXCHANGE RATE EXPOSURE POLICY

The University's policy is to avoid exposure to exchange rate variations. Therefore receipts and payments in the same currency should be netted where possible, with any difference in value being converted into sterling at a competitive exchange rate.

The Director of Finance is authorised to buy and sell currencies with any of the organisations listed below

Institution	Limits
University's Bankers	No limit
Other UK Clearing Banks	£15m equivalent
Financial Brokers (registered by the FSA)	£15m equivalent

S2 DECISION MAKING PROCESS

1. In making key decisions regarding its treasury management activities the University will ensure that proper consideration is given to all relevant factors. These will include

- The risk appetite of the University
- The powers of the University's regulatory requirements
- The budgetary constraints and financial covenants with which the University operates
- Prevailing economic conditions and interest rate and economic forecasts
- The bank and capital funding market conditions
- Available investment and treasury management instruments and funding options

2. Any key decisions will be made with the benefit of an appropriately detailed report compiled by the Director of Finance for consideration and decision by Finance Committee.

S3 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

INVESTMENT AND DEPOSIT OF SURPLUS FUNDS

The over-riding principle guiding the investment of surplus funds is to achieve satisfactory return while reducing the risk to a level acceptable.

The University has appointed external fund managers to manage the investment of endowments funds.

Term cash balances may be invested as follows:

- Deposits with approved banks.
- Deposits with approved Building Societies.
- Certificates of Deposit issued by approved banks.

Overnight and operational cash balances may be invested in liquidity funds in both Sterling and currency.

All liquidity fund counterparties will have a minimum credit rating (or equivalent) to Fitch Long-term A / Short term F1. The Funds will be administered by a minimum of 2 Fund Managers, achieving a balanced and secure portfolio of funds, with immediate or T+5days notice.

The rate of return associated with liquidity funds varies each day and is not guaranteed. This additional risk enhances the return available above the traditional bank deposit. This risk is deemed to be acceptable.

FOREIGN EXCHANGE

The Director of Finance is authorised to undertake hedging techniques to include the following:
Forward Contracts, no longer than 12 months in maturity.
Currency Options, no longer than 12 months in maturity.
Individual contracts should be no more than £5m notional

Total combined hedging should not exceed more than 70% of overall annual exposure, after netting.

S4 ORGANISATION, SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS.

RESPONSIBILITIES OF TREASURY MANAGEMENT POSTS

1. FINANCE COMMITTEE

Approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices.

Budget consideration and approval.

- Approval of the division of responsibilities.
- Receiving and reviewing reports on treasury management policies, practices and activities.
- Approving the selection of external service providers and agreeing terms of appointment.

2. AUDIT COMMITTEE

- Receiving and reviewing external audit reports and acting on recommendations.

3. DIRECTOR OF FINANCE

- Recommending clauses, treasury management policy/practices for approval, reviewing them regularly, and monitoring compliance.
- Submitting regular treasury management policy reports.
- Submitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function and promoting best value reviews.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit, and liaising with external audit.
- Recommending the appointment of external service providers.

4. TREASURY MANAGER

- Execution of transactions.

- Adherence to agreed policies and practices on a day-to-day basis.
 - Maintaining relationships with third parties and external service providers.
 - Supervising treasury management staff.
 - Monitoring performance on a day-to-day basis.
 - Submitting management information reports to the Director of Finance.
 - Identifying and recommending opportunities for improved practices.
-

S5 REPORTING REQUIREMENTS.

The following matters should be included in the reports to committees.

1. Annual Report to Finance Committee

- Commentary on treasury operations for the year.
- Actual activity compared with budget and commentary on variances.
- Annual financial strategy for the next financial year.
- Proposed amendments to the treasury management policy statement.
- Matters in respect of which the treasury management policy statement has not been complied with.

2. Periodic Reports to Finance Sub Committee

- Analysis of currently outstanding loans, deposits and investments by instrument, counterparty, maturity and interest rollover period.
- Commentary on treasury operations for the period.
- Actual activity compared with budget and commentary on variances.
- Commentary on continued applicability of annual financial strategy and proposals for amendments thereto.
- Proposed amendments to list of approved counterparties.
- Proposed amendments to treasury systems document.
- Matters in respect of which the treasury management policy statement, the annual financial strategy systems document have not been complied with.

Section 9

LOANS TO AND BY THE UNIVERSITY

- 9.1. The Financial Regulations are explicit on the regulations around the taking up and making of loans (excluding those made as part of the treasury management process), and guarantees of funds to and from the University. All University borrowing and letters of intent and loans and guarantees must be appraised by the Director of Finance. All borrowings and loans in excess of £500K must be approved by the Finance Committee. Further information and advice on this matter is available from the Director of Finance.
- 9.2. Heads of Schools must also consult with the Head of Procurement before issuing letters of intent. In the majority of cases these will apply particularly to the purchase of goods and services, and Schools must not send letters of intent which may give rise to financial penalties. Staff must contact the Head of Procurement at an early stage to ensure that such penalties do not occur. Letters of intent must also comply with the requirements of Section 5.4 above.

Section 10

OTHER AREAS

- 10.1. This Section sets out the Procedures in relation to a number of areas including University Companies, Risk Management, Insurance, Taxation matters, Security, Security of documents, Contracts, Continuing Education and Training (CET), Consultancies and Services Rendered, the Code of Conduct for Staff and members of the Board, Declaration of Interests, Entertainment and Hospitality, Gifts received by Staff from Students, the Students' Union, Use of the Common Seal of the University, Trust and Endowment Funds, Gifts and Benefits in Kind and Collection Accounts.

UNIVERSITY COMPANIES

General Comments

- 10.2. The University may, in certain circumstances, decide to establish a company to undertake services on its behalf. The Financial Regulations set out, in broad terms, the role of the Board and the Finance Committee.
- 10.3. Whilst the University is a legally independent corporate body, it is expected to comply with the requirements placed on it by HEFCE, through the Memorandum of Assurance and Accountability, and other legislation to report on companies which the University has established. The HEFCE document "*Related companies: guidance for higher education institutions*" (Ref 2005/48) sets out guidance on the use of companies.
- 10.4. The University sets up subsidiary companies only in particular circumstances; these are usually tax, legal or governance reasons. These may include protecting the institution's charitable status.
- 10.5. The University's Financial Regulations and Financial Procedures apply in full to all University owned companies (see Financial Regulation 1.5).

Process for Setting up a Company

- 10.6. The decision to form a related company must be made with care. It commits the University to a time-consuming course of action and will involve considerable direct and indirect costs, both initial and on-going. It is essential, therefore, to consider fully the commercial, legal and constitutional issues and any potential tax or other implications (advantageous or otherwise). The following process must be followed when establishing a company:
1. In the first instance, any person wishing to set up a company must discuss this with their Head of School and Head of Faculty Finance.
 2. Once provisional agreement has been obtained, the matter must be referred to the Head of Corporate Accounts and the Director of Finance. Advice may also be sought from the Office of the General Counsel, where appropriate.
 3. Once internal approval has been secured, the Business Plan and New Company Checklist (see below) must be submitted to the PRC Finance Sub-Committee, and ratified by either the Finance Committee or Subsidiary Undertakings Sub-

Committee (SUSC).

4. The final New Company Checklist must be re-submitted to either the Finance Committee or SUSC, once all legal, taxation and other documentation have been completed, for final approval.

Preliminary Business Plan

- 10.7. The reasons for forming or acquiring a company must be carefully evaluated, weighing up all the facts and options. Factors for consideration must include the objectives of the University and the company, the financing arrangements, the potential risks, taxation and the way in which the investment will ultimately be realised. These issues will be addressed in the Preliminary Business Plan. This must include a profit and loss account, balance sheet and cash flow forecast for the first five years post-formation. These will allow appraisal of the working capital requirements and funding needs. Templates for the Business Plan and New Company Checklist are available from the Head of Corporate Accounts.
- 10.8. The Preliminary Business Plan must also address the additional costs that a company will impose on the University centrally, including audit and compliance with the Companies Acts.
- 10.9. The University must satisfy itself that the creation of a company is the best way to achieve its objectives. There may be alternatives to forming a company, for example, the University itself could carry out the activity, or a joint venture or partnership may be appropriate. Such an analysis, and the final decision, is a matter for the Board (delegated as described above).

Tax Considerations

- 10.10. A company may enable the University to take advantage of tax planning opportunities both in terms of direct and indirect taxation.
- 10.11. The University is generally exempt from corporation tax to the extent that it applies its resources for charitable purposes. Similarly, because the University supplies education services it is generally exempt from VAT on such supplies. Commercial activities that are carried out by the University, and are otherwise than for our primary purpose, may (irrespective of statutory issues) incur tax liabilities. The risk of a tax liability may be reduced and in some cases eliminated if such activities are undertaken through a properly constituted related company.
- 10.12. There are several methods whereby profits from related companies can be yielded up to the University in a tax-efficient manner, a common method being by gift aid, provided the company has sufficient distributable reserves. Once the Head of School, Dean and the Director of Finance have agreed in principle that a company should be established, professional advice must be obtained on all tax related matters. Only the Director of Finance (acting through the Head of Corporate Accounts) is authorised to appoint tax advisors.

Nominated Officer and Memorandum of Understanding

- 10.13. The link between the University and the company is critical. An officer must be nominated to be responsible for reporting on the performance and activities of the

Company and to represent the University, as shareholder, in Extraordinary and Annual General Meetings. It will be the duty of the Nominated Officer to ensure that the interests of the University are properly represented and to make decisions on its behalf, where necessary.

- 10.14. The Nominated Officer must be an employee of the University and the Board will approve the appointment. The Nominated Officer must be free of conflicts of interest and responsible only to the University, so cannot be a director, officer or shareholder of the company.
- 10.15. All University companies must by law have a constitution and this must be approved by, or on behalf, of the Board. In some cases this may be achieved, particularly for those limited by shares or guarantees, by a Memorandum and Articles of Association. In the case of a joint venture, or any other company where the University is not the sole shareholder, a shareholders' agreement is also required.
- 10.16. The Board requires the production of a Memorandum of Understanding. This Memorandum will provide a clear and unambiguous interface between the company and the University, and will aim to ensure good practice in finance, procurement and other areas. The Memorandum will be governed by the general law of contract. The Board must approve Memoranda of Understanding relating to University companies.
- 10.17. Key issues, which will be relevant in the establishment of a University company, will have to be addressed. These include:
 - issues concerning capitalisation and working capital of a company;
 - the composition of the Board, including the identity of the Chair, the member of the Senior Leadership Team who serves on the Board and whether there will be any non-executive directors;
 - shadow directorships and the personal liability that might result from, for example, fraudulent trading and wrongful trading under the Insolvency Act 1986; in such cases the shadow director(s) will be treated in the same way as an appointed director.
 - matters affecting conflicts of interest between the company and the University;
 - potential for the misuse of funds which might put at risk the charitable status of the University;
 - legal requirements in the establishment of the company and the need to comply with relevant legislation.
 - control structures that enable the University to monitor the performance of the company and to ensure that the company performs with the best interests of the University in mind;
 - the level of funding, if necessary, to be invested by the University, in the company and the need to follow the University procedures to seek approval for such investment; and
 - the company's banking arrangements (see Financial Procedure 4.6 above).

- 10.18. The University, via the Nominated Officer, will receive regular reports on the company, which will be forwarded to the Subsidiary Undertakings Sub-Committee (a sub-committee of the Finance Committee). In all cases, an annual report will be required for consideration at a time in each year determined by the Sub-Committee.
- 10.19. The company shall make no decision that will dilute or otherwise materially reduces the value of the University's shareholding without the prior consent of the Director of Finance.
- 10.20. The University has appointed University of Manchester I3 Ltd (UMI3) as its managing agent for intellectual property commercialisation, including the establishment of "spin-out" companies. The University's Director of Finance, on the recommendation of the UMI3 Chief Executive or Commercial Director and following approval by the UMI3 Investment and Project Progress Committee where applicable, has authority to approve the sale or transfer of investments valued at up to £1 million in spin-out companies. Finance Committee must approve the sale or transfer of investments in floated companies and those worth in excess of £1 million.

RISK MANAGEMENT

- 10.21. The Financial Regulations set out the general guidance on this matter; fuller details are available from the Director of Compliance and Risk.

INSURANCE

- 10.22. Financial Regulation 10.5 makes the Director of Compliance and Risk responsible for the procurement and administration of all types of insurance cover. These responsibilities will be exercised through the Insurance Office.
- 10.23. Deans and Heads of School must notify the Insurance Office promptly of the following:
- any potential new risks and additional property or equipment that may require insurance and any alterations affecting existing cover. In particular, the Insurance Office must be notified of the acquisition or disposal of property where the net change in reinstatement cost exceeds £250,000, or of removals between buildings of property valued in excess of £250,000; and
 - any event that may lead to an insurance claim, or that results in loss or damage to property that may exceed £10,000. In particular, any letter or other document containing a claim against the University, or indicating that a claim may be made, must be forwarded to the Insurance Office without delay.

The Director will notify the University's insurers and, where appropriate, prepare or defend a claim in conjunction with the Dean or Head of School.

- 10.24. The Director of Compliance and Risk, acting through the Insurance Office, will keep a register of all insurance taken by the University and the property and risks covered. He or she shall report to the Finance Committee details of any identified insurable risks that are not insured or covered fully.
- 10.25. The Director of Estates and Facilities is responsible for maintaining records of any buildings and plant, such as lifts, hoists and pressure vessels, that are subject to

inspection by or on behalf of insurers or other bodies, and for ensuring that any required inspections are carried out in the period prescribed.

- 10.26. Schools must assess the risks associated with the activities they undertake and property and other assets they hold to determine, in consultation with the Insurance Office, the need or otherwise for insurance cover. The assessment of insurable risks will be particularly important if an activity or item of equipment is used to generate income. In such circumstances, any business plan produced must include relevant provision to cover enhanced insurance costs.
- 10.27. All staff using their own vehicles for University business purposes must hold a valid driving licence and maintain appropriate insurance cover for business use. Vehicles must be taxed, roadworthy and, where required by law, have a valid MOT certificate. If required, staff shall produce their driving licence, MOT and insurance documents to their line manager to demonstrate compliance with these requirements. The University will not reimburse insurance premiums for business use of vehicles owned by staff, or costs incurred if staff are involved in accidents or breakdowns whilst using their vehicles on University business.
- 10.28. Detailed advice on insurance matters is available from the Insurance Office in the Compliance and Risk Office.

SECURITY OF ASSETS AND DOCUMENTS

- 10.29. Financial Regulation 10.13 requires that key documents are kept in a secure, fireproof place and copies kept at a separate location. “Key documents” include all documents:
- of major constitutional or historical significance to the University;
 - whose loss may involve the University in significant expenditure (including staff time) to arrange replacements; or
 - whose loss may endanger the institution’s legal rights to any asset, or expose the University to significant risk of legal action.

TAXATION

- 10.30. The Director of Finance is responsible for the payment of all tax to the relevant Government agencies. However, the Director of Human Resources is responsible for the deduction of income tax and NI under the PAYE scheme.
- 10.31. The Payroll Office will handle all matters in relation to PAYE and National Insurance imposed by HMRC. The Corporate Accounts section of the Finance Directorate will handle all matters in relation to all other taxes imposed by HMRC and any overseas tax authorities and will be the primary contact with both HMRC and overseas tax authorities.
- 10.32. Guidance on tax issues, including VAT, can be obtained from the Director of Finance (acting through the Head of Corporate Accounts and the VAT Section). VAT, its payment and recovery is crucially dependent upon appropriate charging by Schools for services they provide and the maintenance of correct records. Any liability that results from the failure to impose VAT or the failure to maintain correct records will be a charge on the relevant School accounts.

CONFERENCES, CET AND SIMILAR ACTIVITIES

General issues

10.33. CET (Continuing Education and Training) activities are defined as any education undertaken following a break after initial education. CET includes short-term activities including any event (course, conference, workshop, seminar etc.) lasting less than nine months of full-time study, or part-time equivalent and may or may not be award-bearing. The activity undertaken may take place on the University campus or be of a distance learning nature. It also covers certain grants and contracts where the nature of the activity being funded is to provide training, such as. activities funded by the European Social Fund.

Conferences

10.34. Conferences may be classified into two broad headings:

- a conference which is hosted, administered and financially the responsibility of a School or similar Unit of the University; or,
- a conference which is hosted and administered by a School or a similar Unit of the University, but which is financially independent.

10.35. The key difference between the two categories is the financial liability that may be borne by the University. Essentially in the case of a conference which is hosted and administered by a School but which is financially independent, with no liability to the University, the University is acting as an agent receiving income and paying invoices etc. which arise. In such cases an account will be opened for the conference which will be closed once the final accounts for the event has finished. The income and expenditure will not be reported through University accounts.

10.36. Heads of Schools must consult their Head of Faculty Finance for advice whichever type of conference is being administered. When conferences are to be held financially under the aegis of an external body, Schools must ensure that appropriate protection is secured against any financial or other liabilities.

10.37. VAT and other taxes arising from conferences must be correctly charged and accounted for. Appropriate advice must be obtained in advance from the VAT Office.

10.38. All payments to persons assisting at a conference must comply both with the Financial Regulations and Procedures and HMRC's rules regarding the deduction of income tax and NIC.

10.39. Heads of School are responsible for the preparation and approval of business cases in respect of all conferences. Business plans for conferences that will be run by the School concerned, and therefore form part of the University Accounts, must be scrutinised and approved by the Head of Faculty Finance.

10.40. In the case of conferences which are the responsibility of an external body, the business plan must be approved by the Head of the "hosting" School after appraisal by the Head of Faculty Finance.

10.41. Conferences that are the responsibility of a School must conform to the following with respect to costing, pricing and other matters outlined in the paragraphs below.

Irrespective of the type of conference, full adherence to Finance Regulations and Procedures in respect of income and expenditure is mandatory.

Costing and pricing of CET activities

- 10.42. Financial Regulations require that the price charged for external services must have regard to the full economic cost of the provision of that service. Subsidies from other income must be avoided.
- 10.43. The cost must include all the direct and indirect expenditure associated with the event. Direct expenditure is defined as the costs that can be directly assigned to the activity and indirect costs are those which inevitably arise from the activity, e.g. the use of staff time whose salary costs are charged elsewhere, space, etc.
- 10.44. A cost schedule must be produced so that a break-even point can be calculated which will give the minimum price to ensure that the event does not make a loss.
- 10.45. The price charged for the event shall be that price which the market can bear and will depend on market forces operating in the activity concerned. Market research is important in establishing the appropriate pricing level.

Overheads on CET activities

- 10.46. Unless stated to the contrary overheads levied on CET activities will use the general policy that is applicable in the University. Overhead policies for individual Faculties or Schools may be agreed by the Dean and Head of School with the Director of Finance.
- 10.47. For short term activities, a higher overhead rate may be applied to activities held on campus. Overheads may not be levied on the costs of overnight accommodation for delegates attending an event.
- 10.48. Overheads are not usually levied on conferences and similar activities which are 'hosted' on behalf of an external body, providing all costs associated with hosting the event are paid by the external body (see details in sections 10.34 to 10.41 above concerning conferences). Heads of School must determine in advance whether they are willing to absorb any costs of such activities if any arise from the 'hosted' event.
- 10.49. Deans of Faculties may decide, in addition to the overheads charged above, to levy additional charges on CET activities.

Approval by the School and Faculty

- 10.50. A business plan must be prepared for all CET activities, which takes account of the full economic cost, price, overheads and other relevant information. This must be scrutinised and endorsed by the Head of Faculty Finance, before being approved by the Head of School and confirmed, subject to the delegatory framework set in the Faculty, by the Dean. In approving the plan, the Head of School and Dean of the Faculty are accepting responsibility for any financial liability that might occur. Once approval has been given, appropriate account codes will be created.

Estimates and Year-end Accounts for CET activity accounts

- 10.51. The Head of Faculty Finance, on behalf of the Head of School, will prepare annual

estimates of income and expenditure, including CET, according to an agreed timetable. The Head of Faculty Finance will prepare the financial year-end income and expenditure accounts for all CET accounts that have been active during the financial year. The Finance Directorate will consolidate all financial information for CET activity within the University for inclusion into relevant external returns.

Completion of CET Activity

10.52. When a CET activity has been completed it is the responsibility of the Head of School to ensure that all income and expenditure has been accounted for and that the CET Office has been notified that:

- the activity has been completed and that no further transactions will occur in the University ledger;
- appropriate overheads on CET activities have been deducted; and,
- the account can be closed.

The relevant Head of School is responsible for any accumulated surplus or deficit once a CET account has been closed.

Contracts

10.53. Only the Registrar, Secretary and Chief Operating Officer (or approved nominee: see below) may accept contracts for the purchase or receipt of goods or services on behalf of the University. The only exclusion to the provisions under the relevant Regulations and Procedures are for those areas covered under procurement and research grants and contracts which are covered in Sections 5 and 6 above.

10.54. The Registrar, Secretary and Chief Operating Officer has devolved responsibility for advising on and evaluating terms and conditions of such contracts to the Contracts Team in the Directorate of Research and Business Engagement Support Services (for research and sales) and the Procurement Office (for purchases). All relevant contracts must be approved by the appropriate Office prior to signature. In particular, the Procurement Office must approve the terms and conditions of all contracts for the purchase of goods or services, and will liaise with the Contracts Team and/or the Office of the General Counsel where appropriate.

10.55. No contract shall be approved for the supply of goods or services to a third party without completion of the relevant form. Deans of Faculties and Heads of Schools must confirm, in addition to the provision of any business case, that the contract conforms with the strategic objectives of the Faculty and School. The Head of School must also confirm that Quality Assurance is satisfactory, and the Head of Faculty Finance will review the adequacy of costings and all other financial information. Contracts shall be authorised as follows:

- The Directorate of Research and Business Engagement Support Services shall authorise all contracts with a total value of less than £500,000 (excluding VAT).
- The Registrar, Secretary and Chief Operating Officer (who may delegate this role to the Director of Finance) shall authorise contracts between £500,000 and £1 million (excluding VAT).

- The University's Senior Leadership Team (who may delegate this role to the Vice-President for Research and Innovation) shall approve contracts in excess of £1 million (excluding VAT) prior to authorisation by the Registrar, Secretary and Chief Operating Officer.

The sums quoted above refer to the expected value over the whole life of a contract.

Notwithstanding the limits above, the Board of Governors may authorise the Registrar, Secretary and Chief Operating Officer (or approved nominees within Professional Support Services) to sign specified contracts for the purchase or supply of goods and services by the University.

10.56. All contracts with external bodies must comply with both:

1. The University's Guidance on the Management of Major External Partnerships:

<http://documents.manchester.ac.uk/DocuInfo.aspx?DocID=8382>

2. The Contracts Governance Policy:

<http://documents.manchester.ac.uk/DocuInfo.aspx?DocID=7926>

CODE OF CONDUCT FOR STAFF AND MEMBERS OF THE BOARD

Registration and Declaration of Interests by Staff

10.57. All staff must adhere to the University's code of conduct contained in Ordinance XVIII and Financial Regulation 10.24, and observe ethical standards to protect the interests of both the University and staff conducting business on its behalf. Policies are reproduced below and further advice can be sought from the Registrar, Secretary and Chief Operating Officer, the Director of Finance and the Director of Human Resources. The guiding principle to be followed by all members of staff is that their conduct must not create suspicion of any conflict between their official duty and their private interest.

Declaration of Interests by Staff

10.58. Staff must declare any personal interest that may compromise or might be reasonably deemed to compromise impartiality, conflict with duty as an employee or could potentially result in a conflict of interests leading to private benefit.

10.59. Heads of Schools must maintain a Register of Interests where staff (including staff holding honorary contracts with the University: see Financial Procedure 1.3) shall declare all personal interests. The Registrar, Secretary and Chief Operating Officer will ensure Registers are maintained for Professional Support Service staff - this responsibility has been delegated to the Central Directorates. All staff on Grade 6 and above (and any staff on other grades with possible conflicts of interest) must complete an annual return (including nil returns) at the start of each academic year, and update the Register more frequently if their circumstances change. The Registers must be available for inspection by the Registrar, Secretary and Chief Operating Officer, other University staff as required in pursuance of their duties and the University's internal and external auditors. The University is introducing an online Register of Interests system. For further details, see: <http://www.finance.manchester.ac.uk/compliance/roi/>

10.60. Examples of personal interests that must be declared include:

- The receipt of gifts (except gifts of low intrinsic value as defined in Section 10.72 below), or hospitality over the value of £25 forthcoming as a result of their employment by the University;
- Any personal interest in University business or negotiations in which they are involved;
- Any personal interest in the appointment of staff and/or payment of fees and expenses or other personal payments to non-staff. (See also Financial Regulations 3.3 and 3.4); and
- Staff must also declare an interest in dealings with any company or outside body in which they have a material and personal interest. This includes spin-out companies in which they hold shares, act as a director or have other close involvement.

Please note that the above list is not exclusive, and personal interests may arise in other circumstances.

10.61. Registers of Interests must also include any third party pecuniary, family or other personal interests where it is considered that a conflict of interest could arise, or be perceived to arise. Staff must include where relevant known interests of spouses, partners or close family members.

10.62. Staff must notify their Head of School (or, for administrative staff, the Registrar, Secretary and Chief Operating Officer) of any substantive changes in such interests whenever they occur. Heads of School must remind all staff of this requirement on an annual basis. A Head of School must notify his or her own interests to the Faculty Dean, and the Registrar, Secretary and Chief Operating Officer shall notify the President and Vice-Chancellor.

Conflicts of Interest

10.63. A conflict of interest will arise when an employee's personal interests could result in them benefiting from decisions taken by the University, other than in relation to their direct employment. There are two types of conflict of interest, with alternative remedies:

A **minor conflict of interest** occurs when a member of the staff may be affected by a decision or subject of discussion in a way that is greater than for other members of the University, but will not gain any individual benefit. Examples of minor interests include:

- Where a Dean or Head of School is involved in University or Faculty wide decisions that may potentially affect his or her faculty or school.
- Overlapping institutional affiliations, such as membership of the University and a professional body.
- Decisions regarding relations with another University of which the member of staff is a graduate or former employee.

Where a minor conflict of interest occurs, the member of staff need not withdraw from the decision making process.

A **significant conflict of interest** occurs where a member of staff has an interest which an outside person with knowledge of the relevant facts would reasonably regard as likely to affect their decision on the matter. In all such cases, the only proper action is for the member of staff to withdraw from all involvement in the matter.

Examples where a significant conflict of interest could arise include:

- The award of a contract to another organisation in which the employees has an interest (including a spin-out company: see Section 10.64 below) and from which they may receive a financial benefit; or
- The employment by the University of a spouse, partner or other close family member of an employee; or
- Any action by the University that may materially affect the value of any land, property, patent, shareholding or other asset owned by an employee or his family.

10.64. Staff who have a significant conflict of interest must declare the situation to their Head of School without delay, and record the matter in the Register of Interests. They must withdraw at once from all involvement in discussion and decision taking relating to the University's transaction or other business. In particular, no person shall be a signatory to a University contract where he or she also has an interest in the activities of the other party.

Staff with an interest in a spin-out company must be clear about when they are working for the company, and when they are working for the University. This is particularly relevant in terms of the ownership of any Intellectual Property that may be developed. Further complications arise where University students and facilities are being used to work on projects related to the company. Ideally, everything should be done on an "arm's length" basis. All such conflicts must be declared to the Head of School and so be "in the open". Both staff and schools may consider seeking advice from UMI3 on this situation.

Register of Interests of Board Members

10.65. Members of the Board must disclose interests in the University's Register of Interests of Members kept by the Registrar, Secretary and Chief Operating Officer (who may delegate this responsibility to the Deputy Secretary). As required by Ordinance XVIII, all members of the Board must be aware and take proper account of any conflict of interest which may arise from their membership of the Board (or of any Committee or Working Party established by the Board to advise it or act on its behalf) on the one hand, and membership of or association with external bodies on the other. This is achieved in two ways:

1. The Registrar, Secretary and Chief Operating Officer will keep and maintain a Register of Members' Interests in which any third party pecuniary, family or other personal interests may be registered if the member considers that a conflict of interest could arise, or be perceived to arise.

2. Members are asked to notify the Registrar, Secretary and Chief Operating Officer of any substantive changes in their registration whenever they occur, and the information held will be referred to members annually for confirmation or amendment.
- 10.66. The Register will be available for inspection by Officers of the University, other members of the Board and administrative staff having responsibilities for servicing Board meetings and its committees and sub-committees, and the internal and external auditors. The Registrar, Secretary and Chief Operating Officer may, at the request of those demonstrating a legitimate interest therein, make the Register available to other members of the University and to members of the public.

Declaration of Interests

- 10.67. Members of the Board, Senate and other University bodies are required to declare any personal interest, financial or otherwise, which they may have in relation to the business before the meeting for discussion and/or decision. A “personal” interest is one which arises out of circumstances not associated with their duties and responsibilities as a member of the Board or other body. Such a declaration may be made at the appropriate point during the meeting, or in advance to the Chair or to the Registrar, Secretary and Chief Operating Officer, who will advise the meeting accordingly.

Code of Conduct for Staff involved in Purchasing Activities

- 10.68. All staff (including those holding honorary contracts of employment) shall observe the Procurement Code of Conduct (obtainable from the Procurement Office) when engaged in the procurement of goods or services. This code is intended to protect interests of both the University and those involved in purchasing. Members of staff must respect the confidentiality of information received in the course of duty and specific details of suppliers’ offers must not be divulged to competitors. Information given in the course of duty must be true and fair and never designed to mislead and must never be used for personal gain.
- 10.69. Any arrangement, which might, in the long term, prevent the effective operation of fair competition, must not be implemented.

Gifts, Inducements and Hospitality offered to Staff

- 10.70. Personal inducements to employees from existing or potential suppliers of goods or services to the University are forbidden. The only exception is items of small intrinsic value as defined below. Accepting inducements may constitute bribery and corruption and will be treated as a serious disciplinary matter. Both the supplier and staff involved may also face criminal proceedings. All staff and suppliers must comply at all times with:
- the Bribery Act (2010); and
 - the University’s Statement on Integrity in Business Activities: <http://documents.manchester.ac.uk/DocuInfo.aspx?DocID=15635> and
 - the University’s Anti-Corruption and Bribery Policy: <http://documents.manchester.ac.uk/DocuInfo.aspx?DocID=17994>

- 10.71. Any instances of such inducements being offered must be immediately reported to the Registrar, Secretary and Chief Operating Officer and the Director of Finance (who may delegate this responsibility to the Head of Procurement). Any suspected breaches of the Bribery Act must be reported to the Director of Compliance and Risk, who is the University's Anti-Bribery Officer.
- 10.72. Items of small intrinsic value, for example, pencils, diaries, calendars, mouse-mats, office stationery, promotional mugs etc. may be accepted. All gifts of a higher value must be declined. If this is not possible, they must be declared and surrendered immediately to the Head of School or to the Registrar, Secretary and Chief Operating Officer.
- 10.73. The term "gifts" is deemed to include:
- goods (other than the type illustrated above) provided for personal or other private use;
 - personal services;
 - loans of equipment, vehicles etc. for personal use;
 - the provision of goods and/or services at preferential cost (including loans of money) for personal or other private use; and,
 - excessive hospitality (see paragraph 10.76 below).

Please note that the above is an indicative, not exhaustive, list.

- 10.74. The soliciting of gifts or hospitality by members of staff is prohibited and will be treated as a serious disciplinary matter.
- 10.75. Heads of School shall use their discretion in dealing with gifts from suppliers surrendered to them by staff. Items such as wine, chocolates or biscuits may be shared out amongst colleagues, possibly at a staff party. Electronic goods may be offered as a prize or gift to students. Alternatively, they could be donated to a suitable charity.
- 10.76. Modest hospitality is an accepted courtesy of business relationships. Recipients must not, however, allow themselves to reach a position whereby they might be, or might be deemed to be, influenced in reaching a decision by means that may cast doubt upon its propriety. All hospitality or gifts with a value in excess of £25 must be entered into the Register of Interests (see Sections 10.59 and 10.60 above).

Gifts, Inducements, Hospitality and Facilitation Payments made by Staff

- 10.77. University staff and anyone else (such as an agent or contractor) acting on our behalf, must not offer inducements to potential customers, students or public officials. This includes excessive hospitality and gifts (as defined in section 10.73 above), "kickbacks", "facilitation payments", "inducements", "commission" or bribes of any type. "Facilitation payments" are typically small, unofficial payments made to secure or expedite a routine government action by a government official. Such behaviour contravenes the Bribery Act and the University's Anti-Corruption and Bribery Policy (see Section 10.70 above).
- 10.78. If staff are asked to make a payment on behalf of the University, they must always be mindful of what the payment is for and whether the amount requested is proportionate

to the goods or services provided. Staff must always ask for a written receipt which details the reason for the payment. If staff have any suspicions, these must be raised with the University's Anti-Bribery Officer.

Gifts to Staff from Students

- 10.79. On occasion, staff may be offered gifts by students or their families. There is a risk that such gifts may be seen as leading to a potential conflict of interest, especially regarding examination results and degree classes. In contrast, to refuse a gift may cause offence.
- 10.80. University Ordinance XVIII and the rules above relating to acceptance of gifts and the declaration of interests are applicable to gifts from students or their families as well as from potential suppliers. However, the nature of the low value gifts that may be accepted could be slightly different, with, for example, a gift of chocolates or a single bottle of wine being regarded as being of "small intrinsic value". A value of £25 may be regarded as the top limit for a gift to be so regarded.
- 10.81. Above that value, any gifts must be reported without delay to the Head of School and recorded in the School's Register of Interests. Staff in the Central Administration must report gifts to the Registrar, Secretary and Chief Operating Officer. A series of small gifts must be regarded as a single large gift and be declared.
- 10.82. Gifts may sometimes take the form of handicrafts or souvenirs from a student's home country. Such gifts may be regarded as being of "small intrinsic value" unless the recipient has reason to believe that their value exceeds the £25 limit. However, staff must be careful to ensure that such gifts comply with the laws and rules on conservation (gifts made from endangered species) and the importation of antiquities.

Declaration of Interests

- 10.83. If the recipient of the gift is in a position to influence any matter relating to the donor, he or she must declare that they have an interest without delay. The best response is to withdraw from any involvement in the matter. Some possible situations where such conflicts may arise include:
- Marking or assessment (including moderation) in any "non-anonymous" examinations.
 - Discussions at meetings of Boards of Examiners.
 - Membership of oral examination panels, including those for PhD theses.
 - Membership of Student Complaints Panels, Programme Committees and any involvement with student discipline under University Regulation XVII, including membership of the Student Discipline Committee.
 - Any other involvement in University committees or decision making processes relating to the donor of a gift.

Time of Acceptance

- 10.84. In view of the above, staff are advised strongly only to accept gifts once a student has completed their final examinations and the member of staff's professional involvement with them has ceased. However, irrespective of when it is received, any gift worth over £25 must still be reported to the Head of School and recorded in the

Register of Interests.

- 10.85. Once a gift has been offered or promised, staff must act as if it has already been received. Staff must not try to evade the Code of Conduct by deferring actual receipt until after the final examinations are complete.

Tax Implications

- 10.86. Staff must also be aware that HMRC may regard gifts received by University staff as taxable and also subject to National Insurance contributions. A crucial test is that the gift arises from a person's employment. The fact that a person's employer has not provided the gift is irrelevant. All UK citizens and residents are required by law to inform HM Inspector of Taxes of any additional income, which may include gifts arising from their employment, that has not been taxed at source under the PAYE scheme.

- 10.87. The limit suggested above of £25, below which a gift is considered to be of low intrinsic value, is an internal University rule. HMRC may still regard such gifts as taxable. However, guidance from HMRC suggests that small **non-cash** gifts may be exempt from tax in certain circumstances:

- the gift is not provided by the employer, or a person connected with the employer;
- neither the employer, nor a person connected with the employer, directly or indirectly procured the gift;
- the gift is not made in recognition, or in anticipation, of particular services performed by the employee;
- the gift is not in cash or in vouchers or securities that can be converted into cash; or
- the total cost to the donor of all eligible gifts to the employee in a tax year does not exceed £250. The cost to the person making the gift includes any VAT paid, whether or not it is reclaimable.

- 10.88. Where the cost of a gift (or gifts) an employee receives from the same third party in a tax year exceeds £250, tax will be payable on the full amount of the gifts.

- 10.89. Staff are advised strongly to seek the advice of HMRC or a qualified professional advisor if they have any doubts regarding the taxable status of a gift. The Government may also vary or revoke the exemption above at short notice. Gifts may also affect entitlement to various benefits. Staff are urged to seek appropriate advice from the official body concerned.

THE STUDENTS' UNION AND THE ATHLETIC UNION

- 10.90. See Financial Regulations Section 10.25 for details of the constitutional position. The Students' Union is responsible for maintaining its own bank account and financial records and for preparing its own annual accounts and is therefore exempt from University Financial Regulations. The Students' Union must comply with the provisions of the Education Act (1994) Part II and the University's requirements as set out in the Finance Appendix of the Code of Practice on the Students' Union adopted by the Board. At the end of each financial year the Students' Union's accounts will be audited by a firm of auditors (who shall be qualified under the

Companies Act) appointed by the Students' Union and presented to Finance Committee.

- 10.91. The University of Manchester Athletic Union (UMAU) is an integral part of the University operating within the Directorate of Sport and as such is subject to all the Financial Regulations and Procedures of the University. The UMAU operates according to a constitution approved by the Board. In accordance with the constitution of the UMAU, individual clubs and societies may, upon payment of a fee, become affiliated to the UMAU and as such these are not a constituent part of either the UMAU or the University, but remain separate and independent bodies.
- 10.92. School accountants and other finance staff may receive requests from colleagues or students to provide financial administration (with or without the creation of a separate bank account) for activities which, whilst in some way connected to the University, are not in themselves University activities. These should be dealt with as described in Appendix C below.

GIFTS AND BENEFITS IN KIND TO MEMBERS AND EX-MEMBERS OF STAFF

- 10.93. See Financial Regulations Section 10.29 for details. The only exception to this Financial Regulation is in the case of expenditure on wreaths or similar tributes that might be made on the death of a member of the University (or a close relative of a member of staff). In such cases the expenditure must conform with the relevant Financial Regulations and Procedures.
- 10.94. Gifts to staff to celebrate events such as weddings, passing exams or retirement must be paid for by donations by colleagues. Gifts for official visitors can be obtained from the University Gift Shop.

APPENDIX A

Further information and copies of forms, guidance notes and policies may be obtained from the Finance Directorate section of the University web-site:

www.finance.manchester.ac.uk/

Information available includes a list of all sections of the Finance Directorate and the staff working there. For more general queries, contact the Finance Directorate Helpdesk on 62535 or email finance.helpdesk@manchester.ac.uk.

Payroll and Expenses form part of the Directorate of Human Resources:

HR Services

- Phone: 0161 275 4499
- Email: HRServices@manchester.ac.uk
- Reception: HR Services, 2nd Floor, Simon Building, Brunswick Street (building 59 on the [campus map](#))

Appendix B

Approval Process for Capital and Special Revenue Expenditure

2014

The Capital and Special Revenue Approval Process must be followed to comply with the requirements of Financial Regulation 2.14 and Financial Procedures 2.25 to 2.30.

These are available at:

<http://documents.manchester.ac.uk/DocuInfo.aspx?DocID=11819>

For further information see the Capital Expenditure Section of the Finance website:

<http://www.finance.manchester.ac.uk/compliance/capitalexpenditure/>

Appendix C: Administration of Miscellaneous Cash Balances

Introduction

From time to time, school accountants and other finance staff receive requests from colleagues (and occasionally students) to provide financial administration (with or without the creation of a separate bank account) for activities which, whilst in some way connected to the University, are not in themselves University activities. Typical examples include:

- Alternative student societies outside of University of Manchester Students' Union (UMSU) activities
- Social events (e.g. Summer balls)
- Overseas trips (which are not part of a University programme of study)
- Small grants awarded to groups or individuals (where the University is not receiving the award)
- Consortia and membership organisations which are not part of the University
- External publications which are again not a University-sponsored activity

Against this background, it is important to recognise that:

- The administration of funding which is not directly attributable to the University imposes an additional burden on Professional Support Services staff within Schools, Faculties and Directorates.
- External activities which may have a (nominal) connection with the University, but which are not part of the University, are not part of the University's funding. At the same time, the Financial Regulations and Financial Procedures apply to the University and all its subsidiary undertakings and to all funds, irrespective of their source, passing through University accounts. The resulting commitment of any expenditure of goods and services must be in accordance with the University's Financial Procedures and other purchasing guidance. For example, all purchase orders must be placed in line with the University's conditions of contract. This immediately creates a potential conflict as it may not be possible to spend the monies administered on behalf of others in the way in which they intended.
- External activities which do not have a formal relationship with the University are not covered by the various insurances held by the University.
- Monies collected by the University in such a way may be subject to taxation and other statutory requirements (for example, tickets sales for social events may be subject to VAT and Corporation Tax legislation). The determination of the correct accounting and taxation treatment can require time-consuming input from specialist staff within the finance directorate.

At the same time, it is recognised that there are activities for which it is reasonable for University staff to provide limited administrative support. These include the Junior Common Rooms (JCRs) and Residents' Associations (RAs) within the University's halls of residence. These bodies have an official relationship with the University including a written constitution

and governing body. All monies collected by the University on behalf of these bodies become their responsibility once they have been paid over.

Guidance for school accountants and finance staff

Student activities

School accountants and other finance staff should not accept or administer funds for non-University activity.

Where students wish to create a society, they should be guided towards UMSU which funds a wide range of societies within a well-established governance framework. See their web-site for more details:

<http://manchesterstudentsunion.com/societies>

Where the University wishes to support external activities, for example student events, it would be acceptable to provide sponsorship. There is no reason why the University cannot offer modest financial support for student activities, providing it satisfies the general rules requiring that all University expenditure is:

- For *bona fide* University purposes. This is defined as “any expenditure which results from the normal course of University business.”, and
- From an appropriate budget with sufficient funds available to meet the expected costs, and
- Approved in advance by the relevant budget holder

See Financial Regulation 6.3 and Financial Procedures 6.2 and 6.3 above.

<http://documents.manchester.ac.uk/display.aspx?DocID=1741>

All purchases would have to be requisitioned and approved through the *IProc* system. This would also cover the provision of food and drink by the University.

Grant and other funding

School accountants should not accept grant or other funding from external sources where there is no approved written contract in place between the University of Manchester and the external body.

Where accepting funding is considered by the Head of Faculty Finance (HoFF) to be in the best interest of students, for example, travel grants for individual students, advice should be sought from the VAT Section to ensure that these amounts are accounted for correctly.

Consortia, membership organisations and associations

Managing the finances of organisations which are not part of the University is a potentially onerous commitment which should not be assumed without proper consideration. **Appendix A** to the document sets out some general introductory guidance which gives an indication of the potential complexities inherent in dealing with both income and expenditure incurred on behalf of a third party.

Heads of School Finance should seek advice immediately from their Head of Faculty Finance (HoFF) before agreeing to administer funds for consortia, membership organisations or associations (especially the issuing of invoices to collect funding apparently on behalf of another organisation). There have been difficulties with these types of arrangements in the past (including issues around charitable status and whether they are part of the University's activities and therefore fall within its VAT registration) and the University does not wish to enter into any more of these types of arrangements. Where, by exception, a Head of School (or equivalent) still wishes to provide such support to an external organisation, formal approval should be sought from the Dean (or equivalent) and should adhere to the Contracts Governance policy and Contracts Approval Matrix.

Appendix: Managing the finances of other organisations

Due to the tax and legal complexities of accounting for other people's income and expenditure via the University's finance system, the Faculty (or appropriate School) must take ownership of any account specifically opened for this purpose. Basically, the University will be providing administrative support to the external organisation and accounts must be reconciled on a monthly basis to ensure that the University meets its obligations for VAT.

As the University will be buying in goods and services on behalf of third parties, these costs must be invoiced out regularly to those third parties on a University sales invoice; these may be cleared by funds held on the organisation's behalf by the Credit Control Office. The onward supply by the University will be different to the individual supplies made to the University e.g. they will be 'recharged' by the University as part of an overall service provision fee and will be VAT able. Any sums due to the organisation must be requested on the organisation's own headed paper. Such sums will be banked by the University via the miscellaneous receipts system; an external organisation whose activities are not covered by the University's VAT registration cannot use the University's sales ledger for its income nor use its e-store.

In addition, it must be made clear to organisers that the University is not responsible for an external organisation's liability to be registered for VAT. The University is merely providing admin services to the organisation on which VAT will be charged by the University as appropriate; and will not account for VAT on any sums banked on the organisation's behalf.

Please contact **Tony Fitzgerald** (anthony.fitzgerald@manchester.ac.uk) whenever such an account is opened and ensure that the person responsible for actually reconciling the account discusses the correct VAT treatment with James Gillen (tel. ext. 52165).

Appendix D: Gift Acceptance Policy and Processes

The University will accept financial donations and gifts-in-kind within certain limits and only where they are consistent with its guiding principles. The policy provides full details and information on our processes for the approval of certain gifts.

Owner: Development and Alumni Relations

The Policy is available on the University website:

<http://documents.manchester.ac.uk/DocuInfo.aspx?DocID=15157>

Document Control Box

Document Control Box	
Policy title:	Financial Procedures
Date approved:	19/06/2017
Approving body:	Finance Committee
Version:	2017
Supersedes:	Financial Procedures 2016
Previous review dates:	18/04/2016 and 10/11/2016
Next review date:	2019
Related Statutes, Ordinances, General Regulations:	Statute VI.7(d), Statute XI(a), Ordinance VIII Ordinance XVIII, Section 1. General Regulation VIII (Public Interest Disclosure)
Equality relevance outcome:	Medium
Related policies:	Financial Regulations Anti-Corruption and Bribery Policy Bribery Act statement Contracts Governance Policy Fraud Response Policy Gift Acceptance Policy Money Laundering Policy Policy on Outside Work and Consultancy Procurement Policy Recovery of Student Debt Policy
Related procedures:	Full Economic Costing Policy and Procedures Costing and Pricing Policy for Research Whistleblowing / Public Interest Disclosure
Related guidance and or codes of practice:	Handy Guides for Expenses Signatories and Claimants Guidance on Management of Major External Partnerships Handy Guide to the University's Financial Regulations and Procedures Handy Guide to Outside Work and Consultancy
Related information:	Summary of Changes to the Financial Procedures (2017)
Policy owner	Director of Finance (Stephen Dauncey)
Lead contact	Internal Control Accountant (Laurence Clarke)
Contact for Whistleblowing / Public Interest Disclosure	University Secretary
Contact for Contracts Policy	General Counsel (Mr Chris Petty)
Contact for Anti-Corruption and Bribery Policy	Director of Compliance and Risk (Dr David Barker)
Contacts for the Gifts Acceptance Policy	Director of Development (Kate White) Development Research Manager and Secretary of the Gift Oversight Group (Oliver Taylor)

