



# ***South Birmingham College***

## ***Code of Conduct For Corporation Members***

# **SOUTH BIRMINGHAM COLLEGE CORPORATION**

## **CODE OF CONDUCT FOR CORPORATION MEMBERS**

### **1. INTRODUCTION**

1.1 This Code is intended as a guide, to indicate the standards of conduct and accountability which are expected of governors and senior managers, to enable them to understand their legal and ethical duties and to assist them both in carrying out those duties and in their relationship with the Corporation and Principal as the Chief Executive. This Code therefore is aimed at promoting effective, well informed and accountable college governance, and is not intended to be a definitive or authoritative statement of the law or good practice.

1.2 In addition to this Code, governors and senior managers are recommended to familiarise themselves with the following:

1.2.1 the College's Instrument of Government;

1.2.2 the College's Articles of Government;

1.2.3 the Corporation procedures and terms of reference of the corporation and its committees;

1.2.4 the Financial Memorandum entered into by the College with the Council;

1.2.5 the College's Mission Statement and corporate objectives;

1.2.6 the College's Strategic Plan;

1.2.7 the strategic plan of the College's local Council;

1.2.8 the principles laid down by the Committee on Standards in Public Life (Nolan Committee) for those holding public office, namely:

- selflessness;
- integrity;
- objectivity;
- accountability;

- openness;
- honesty; and
- leadership.

An extract from the report of the Nolan Committee setting out these Principles in more detail is set out at Appendix 1;

- 1.2.9 the Audit Code of Practice issued by the Council;
- 1.2.10 the Combined Code on Corporate Governance;
- 1.2.11 the Good Governance Standard for Public Services published by the Independent Commission on Good Governance in Public Services (Good Governance Standard).

An extract from the Good Governance Standard setting out the six core principles of good governance is set out at Appendix 2;

- 1.2.12 ‘The College Governor’ issued by the Council as an advisory document or its equivalent; and
- 1.2.13 The Governor Training Materials’ (2002) issued by the Council as advisory documents or their equivalent.

Appendices 1 (the Seven Principles of Public Life), 2 (Six Core Principals of Good Governance), 3 (Responsibilities of governors and senior managers), 4 (Responsibilities of the Principal), 5 (Financial Memorandum of the Council) and 6 (Powers of the Governing Body) are attached to this Code for reference.

They should not be read as an exhaustive statement of duties, powers or provisions, and governors and senior managers should refer to the source documents listed above. If a governors and senior managers is in doubt about the provisions of this Code or any of the source documents, the Clerk should be consulted and, if necessary, professional advice should be obtained. However, ultimate responsibility for the appropriateness of conduct as a governors and senior managers of the College and for any act or omission in that capacity rests with the individual Governor.

- 1.3 This Code applies to every committee or working party of the Governing Body\*and to every subsidiary company or joint venture of the College to which Governors may be appointed.

1.4 By accepting appointment to the Governing Body, each governor and senior manager agrees to accept the provisions of this Code.

## 2. INTERPRETATION

In this Code:-

2.1 'College' means South Birmingham College

2.2 'College Mission Statement' means the statement at paragraph 3.1 of this Code or such other mission statement as may be agreed by the Governing Body from time to time;

2.3 Governors and senior managers means the further education corporation which was established for the purpose of conducting the College;

2.4 'Governor and senior manager', 'Chair', 'Principal' and 'Clerk' mean respectively the Member of the Corporation of the College, the Chair of the Governing Body, the Principal of the College and the Clerk of the Governing Body;

2.5 all other definitions have the same meanings as given in the College's Instrument and Articles of Government; and

2.6 words importing one gender import any gender.

## 3. AIMS AND VALUES

### 3.1 Mission

This mission of South Birmingham College is to provide outstanding education and training which is primarily vocational, in response to the needs of learners and employers.

### Vision

The vision of South Birmingham College is to continue to develop and be recognized as an outstanding educational and economic resource by learners, staff, employers and the wider community.

### Organisational Values

#### South Birmingham College:

- Believes that its learners are the most important members of the College and that it is the responsibility of all college staff to help them achieve their full potential
- Is proud of the fact that it is a multi racial, multi cultural and socially inclusive college.

- Is opposed to all forms of violent, abusive and discriminatory behavior.
- Is proud of the fact that it is an inclusive learning organization and believes that all learners, staff and governors are entitled to respect and parity of esteem and are entitled to work and study in a welcoming, safe and non threatening environment
- Values its staff and governors, will help them develop their skills and expertise, and will do its utmost to provide a good working environment.

## Strategic Goals

Within the LSC planning framework the strategic goals of the college are as follows:

To:

- Provide excellent teaching and learning to all learners and put learners at the heart of all we do
- Ensure that learners achieve their full potential
- Be responsive to the education and training needs of learners, staff, employers and local communities
- Be responsive to the education and training needs of employers both at local and regional level
- Achieve high overall success rates for learners
- Ensure financial robustness and stability and safeguard the College's assets
- Promote equality in all that we do
- Provide excellent physical accommodation and learning resources for our learners
- Ensure a safe working environment for our learners and staff
- Work collaboratively with other organizations and companies where this is the interests of our learners and the local workforce
- Develop provision for overseas students to generate income
- Proactively promote the Every Child Matters agenda

3.2 The College Mission Statement together with the strategic goals of the College agreed by the Governing Body from time to time seek to encapsulate the core purposes and aims of the College. Governors and senior managers, should have due regard to these purposes and aims when conducting the business of the Governing Body and considering the activities and proposed activities of the College.

3.3 The Governing Body recognises its obligations to all those with whom it and/or the College have dealings, including students, employees, suppliers, other educational institutions and the wider community. In particular, the Governing Body is committed to combating any discrimination within the College on the grounds of race, ethnic or national origin, religion, belief, age, disability, gender or sexuality and to the principles set out in the DfES's Charter for Further Education and in the College's own Charter, copies of which are available from the Clerk.

3.4 The Governing Body is also committed to ensuring that it conducts its business in accordance with the highest ethical standards as set out in more detail in this Code.

#### 4. **DUTIES**

- 4.1 Governors and senior managers owe a fiduciary duty to the College. This means that they should show it the highest loyalty and act in good faith in its best interests. Each governor and senior manager should act honestly, diligently and (subject to the provisions appearing in paragraph 10 of this Code relating to collective responsibility) independently. No governor or senior manager shall be bound in speaking and voting mandates given to him by any other body or person. The actions of governors and senior managers should promote and protect the good reputation of the College and the trust and confidence of those with whom it deals.
- 4.2 Decisions taken by governors and senior managers at meetings of the Governing Body and its committees must not be for any improper purpose or personal motive. Decisions taken must always be for the benefit of the College, its students and staff and other users of the College and must be taken with a view to safeguarding public funds. Accordingly, governors and senior managers must not be bound in their speaking and voting by mandates given to them by other bodies or persons.
- 4.3 Governors and senior managers must observe the provisions of the College's Instrument and Articles of Government and in particular the responsibilities given to the Governing Body by the College's Articles of Government. Those responsibilities, including a list of "reserved" responsibilities which are so important that they must not be delegated, are set out in Appendix 3.
- 4.4 Governors and senior managers should comply with the Corporation Procedures and terms of reference of the Governing Body and its committees to ensure that the Governing Body conducts itself in an orderly, fair, open and transparent manner. Governors must keep those Corporation Procedures and terms of reference under periodic review.
- 4.5 Governors and senior managers should also have regard to the different, but complementary, responsibilities given to the Principal as the College's Chief Executive. The responsibilities given to the Principal by the College's Articles of Government are set out in Appendix 4. Whereas it is the Governing Body's function to decide strategic policy and overall direction and to monitor the performance of the Principal and any other senior postholders, it is the Principal's role to implement the Governing Body's decisions, and to manage the College's affairs within the budgets and framework fixed by the governors and senior managers should work together so that the governors and senior managers and the Chief Executive perform their respective roles effectively.

## **5. STATUTORY ACCOUNTABILITY**

- 5.1 Governors and senior managers are collectively responsible for observing the duties set out in the Financial Memorandum which the College has entered into with the Council as a condition of receiving public funds. A summary of some of the more important requirements of the Financial Memorandum is set out in Appendix 5.
- 5.2 Although the Council is the main provider of funds to the College, governors and senior managers should note that they are also responsible for the proper use of income derived from other sources, such as the Higher Education Funding Council for England (HEFCE) and the European Union (EU) and for the control and monitoring of expenditure of such income, in order to meet the requirements of the relevant funding body and public audit.
- 5.3 As accounting officer for the Council, its Chief Executive is directly responsible and accountable to Parliament for ensuring that the uses to which the Council puts its funds are consistent with the purposes for which the funds were given and comply with the conditions attached to them. The Principal, as accounting officer for the College, is also directly responsible and accountable to Parliament, through the Committee of Public Accounts, for the effective stewardship by the College of public funds. The Principal may be required to appear before the Committee of Public Accounts, alongside the Chief Executive of the Council, to give an account of the use made by the College of such funds. The Governing Body is accountable to Parliament for ensuring the financial health of the College, and to the Courts for ensuring that the College is conducted in accordance with the Education Acts and the general law.

## **6. PUBLIC SERVICE VALUES**

Public service values are at the heart of the further education service. High standards of personal and corporate conduct, based on the principles set out in paragraph 1.2.7 and Appendix 1 of this Code, and the recognition that students and other users of the College's services come first, are a requirement of being a governor and senior manager and should underpin all decisions taken by the Governing Body.

## **7. SKILL, CARE AND DILIGENCE**

A governor and senior manager should in all his or her work for the College exercise such skill as he or she possesses and such care and diligence as would be expected from a reasonable person in the circumstances. This will be particularly relevant when Governors act as agents of the College, for example, when functions are delegated to a committee of the

Governing Body or to the Chair. **Governors** should be careful to act within the terms of reference of any committees on which they serve.

## 8. **POWERS**

Governors are responsible for taking decisions which are within the powers given to the Governing Body by Parliament under sections 18 and 19 of the Further and Higher Education Act 1992 as amended by the Learning and Skills Act 2000. A summary of those powers is set out in Appendix 5. If a Governor thinks that the Governing Body is likely to exceed its powers by taking a particular decision, he or she should immediately refer the matter to the Clerk for advice.

## 9. **CONFLICTS OF INTEREST**

9.1 Like other persons who owe a fiduciary duty, Governors and senior managers should seek to avoid putting themselves in a position where there is a conflict (actual or potential) between their personal interests and their duties to the *Governing Body*. They should not allow any conflict of interest to arise which might interfere with the exercise of their independent judgement.

9.2 Governors are reminded that under the College's Instrument of Government they must not take or hold any interest in any property held or used for the purposes of the College or receive any remuneration for their services (save as a member of the College's staff) without the written approval of the Secretary of State for Education and Skills.

9.3 Governors are reminded that under the College's Instrument of Government they must disclose to the Governing Body any direct or indirect financial interest they have, or may have, in the supply of work or goods to or for the purposes of the College, or in any contract or proposed contract concerning the College, or in any other matter relating to the College or any other interest of a description specified by the Corporation in any matter relating to the College, or any duty which is material and which conflicts or may conflict with the interests of the Governing Body.

9.4 If an interest of any kind (including an interest of a spouse or partner of a Governor and senior manager or of a close relative of the Governor and senior manager or his or her partner or spouse) is likely or would, if publicly known, be perceived as being likely to interfere with the exercise of a Governors and senior managers independent judgement, then the interest, financial or otherwise, should:

9.4.1 be reported to the Clerk; and

9.4.2 be fully disclosed to the Governing Body before the matter giving rise to the interest is considered.

Governors should withdraw from that part of the meeting at which the matter giving rise to the interest is considered, and on no account may vote in relation to the matter nor be counted in the quorum.

9.5 For the purposes of clause 9.4 “close relative” includes but is not limited to a father, mother, brother, sister, child, grandchild and step-father/mother/ brother/sister/child.

9.6 Governors and senior managers must not receive gifts, hospitality or benefits of any kind from a third party which might be seen to compromise their personal judgement or integrity. Any offer or receipt of such gifts, hospitality or benefits should immediately be reported to the Clerk.

9.7 The Clerk will maintain a Register of Governors and senior managers’ Interests which will be open for public inspection. Governors and senior managers must disclose routinely to the Governing Body all business interests, financial or otherwise, which they may have, and the Clerk will enter such interests on the Register. Governors and senior managers must give sufficient details to allow the nature of the interests to be understood by enquirers. Governors and senior managers should inform the Clerk whenever their circumstances change and interests are acquired or lost. In deciding whether an interest should be disclosed, Governors and senior managers should have regard to the meaning given to “interest” in paragraphs 9.4 and 9.5 of this Code.

## 10. **COLLECTIVE RESPONSIBILITY**

10.1 The Governing Body operates by Governors taking majority decisions in a corporate manner at quorate meetings. Therefore, a decision of the Governing Body, even when it is not unanimous, is a decision taken by the Governors collectively and each individual Governor has a duty to stand by it, whether or not he or she was present at the meeting of the Governing Body when the decision was taken.

10.2 If a Governor disagrees with a decision taken by the Governing Body, his or her first duty is to have any disagreement discussed and minuted. If the Governor strongly disagrees, he or she should consult the Chair and, if necessary, then raise the matter with the Governing Body when it next meets. If no meeting is scheduled, the Governor should refer to the power of the Chair or any five Governors under the College’s Instrument of Government to call a special meeting and, if appropriate, exercise it, requesting the Clerk to circulate the Governor’s views in advance to the

other Governors. Alternatively, as a final resort, the Governor may decide to offer his or her resignation from office, after consulting the Chair.

## 11. **OPENNESS AND CONFIDENTIALITY**

- 11.1 Because of the Governing Body's public accountability and the importance of conducting its business openly and transparently, Governors should ensure that, as a general principle, students and staff of the College have free access to information about the proceedings of the Governing Body. Accordingly, agendas, minutes and other papers relating to meetings of the Governing Body are normally available for public inspection when they have been approved for publication by the Chair.
- 11.2 There will be occasions when the record of discussions and decisions will not be made available for public inspection; for example, when the Governing Body considers sensitive issues or named individuals and for other good reasons. Such excluded items will be kept in a confidential folder by the Clerk, and will be circulated in confidence to Governors. Some confidential items are likely to be of a sensitive nature for a certain period of time only (for example information relating to a proposed commercial transaction or collaboration with another institution). The Governing Body should specify how long such items should be treated as confidential or, if this is not possible, such items should be reviewed from time to time to consider whether the confidential status should be removed and the item made available for public inspection. When considering such issues the Governors must also consider the College's publication scheme issued under the Freedom of Information Act 2000. Available on the College Intranet.
- 11.3 However, staff and student Governors have no right of access to minutes dealing with matters in respect of which they are required to withdraw from meetings under the College's Instrument of Government.
- 11.4 It is important that the Governing Body and its committees have full and frank discussions in order to take decisions collectively. To do so, there must be trust between Governors with a shared corporate responsibility for decisions. Governors should keep confidential any matter which, by reason of its nature, the Chair or members of any committee of the Governing Body are satisfied should be dealt with on a confidential basis.
- 11.5 Governors should not make statements to the press or media or at any public meeting relating to the proceedings of the Governing Body or its committees without first having obtained the approval of the Chair or, in his or her absence, the Vice Chair. It is unethical for Governors publicly to criticise, canvass or reveal the views of other

Governors which have been expressed at meetings of the Governing Body or its committees.

## **12. COMPLAINTS**

In order to ensure that the affairs of the College are conducted in an open and transparent manner and that the College is accountable for its use of public funds but also to its employees, its students and the community it serves, it is important for there to be appropriate complaints procedures in place and for these to be well publicised. Governors are reminded of their specific responsibility under the Articles of Government to make rules specifying the procedures in accordance with which employees may seek redress of any grievances relating to their employment, of the importance of having formal complaints procedures in place to handle issues raised by students, former students and third parties and of the legal requirement to have a whistle blowing procedure in place. Under the Charter for Further Education, students, employees and other third parties have a right to make a complaint to the Council in respect of the College or of any of its decisions .

## **13. ATTENDANCE AT MEETINGS**

A high level of attendance at meetings of the Governing Body is expected so that Governors can perform their functions properly. The Corporation will review the continued membership of governors and senior management of the Corporation of any governor who does not attend for more than 6 months.

## **14. ELIGIBILITY**

Governors must inform the Clerk immediately if they cease to be eligible as a member of the Governing Body as specified as under clause 8 of the Instrument of Government and their terms of office will cease as at the date they become ineligible.

## **15. GOVERNANCE DEVELOPMENT**

15.1 The Governing Body shall seek to ensure that all Governors are appointed on merit, in accordance with an open selection procedure carried out by the Governing Body's, Search Committee, and are drawn widely from the community which the College serves so as to be representative of that community, having regard to provisions relating to the membership of the Governing Body in the College's Instrument of Government, the need to combat discrimination and to promote equality, and the need to ensure a range of appropriate skills and interests.

- 15.2 Governors must obtain a thorough grounding in their duties and responsibilities by participating in the College's governance induction and training programmes, including regular refresher workshops.
- 15.3 In order to promote more effective governance, Governors will carry out an annual review of the performance by the Governing Body of its duties and responsibilities, as part of a continuing and critical process of self evaluation.

**AS A GOVERNOR/SENIOR MANAGER OF SOUTH BIRMINGHAM COLLEGE CORPORATION I AGREE TO OBSERVE THIS CODE OF CONDUCT TO THE BEST OF MY ABILITIES.**

**Name of Governor:** .....

**Signature:** .....

**Date:** .....

## **APPENDIX 1**

### **The Seven Principles of Public Life**

The following is an extract from the Second Report of the Nolan Committee on Standards in Public Life, May 1996

#### **SELFLESSNESS**

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

#### **INTEGRITY**

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

#### **OBJECTIVITY**

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

#### **ACCOUNTABILITY**

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

#### **OPENNESS**

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

#### **HONESTY**

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

#### **LEADERSHIP**

Holders of public office should promote and support these principles by leadership and example.

## APPENDIX 2

### Six Core Principles of Good Governance

The following is an extract from the Good Governance Standard for Public Services published by the Independent Commission on Good Governance in Public Services, January 2005

1. **Good governance means focusing on the organisation's purposes and on outcomes for citizens and service users**
  - 1.1 Being clear about the organisation's purposes and its intended outcomes for citizens and service users;
  - 1.2 Making sure that users receive a high quality service;
  - 1.3 Making sure that taxpayers receive value for money.
2. **Good governance means performing effectively in clearly defined functions and roles**
  - 2.1 Being clear about the functions of the governing body;
  - 2.2 Being clear about the responsibilities of the non-executives and the executive, and making sure that those responsibilities are carried out;
  - 2.3 Being clear about relationships between the governors and the public.
3. **Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour**
  - 3.1 Putting organisational values into practice;
  - 3.2 Individual governors behaving in ways that uphold and exemplify effective governance.
4. **Good Governance means taking informed, transparent decisions and managing risk**
  - 4.1 Being rigorous and transparent about how decisions are taken;
  - 4.2 Having and using good quality information, advice and support;
  - 4.3 Making sure that an effective risk management systems is in operation.

5. Good governance mean developing the capacity and capability of the governing body to be effective
  - 5.1 Making sure that appointed and elected governors have the skills, knowledge and experience they need to perform well;
  - 5.2 Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group;
  - 5.3 Striking a balance, in the membership of the governing body, between continuity and renewal.
6. **Good governance means engaging stakeholders and making accountability real**
  - 6.1 Understanding formal and informal accountability relationships;
  - 6.2 Taking an active and planned approach to dialogue with accountability to the public;
  - 6.3 Taking an active and planned approach to responsibility to staff;
  - 6.4 Engaging effectively with institutional stakeholders.

## **APPENDIX 3**

### **Summary of Main Responsibilities of Governors under the Articles of Government Responsibilities**

Under the College's Articles of Government 3(1) Corporation shall be responsible:

- (a) for the determination and periodic review of the educational character and mission of the institution and the oversight of its activities;
- (b) approving the quality strategy of the institution
- (c) the effective and efficient use of resources, the solvency of the institution and the Governing Body and for safeguarding their assets;
- (d) approving annual estimates of income and expenditure;
- (e) the appointment, grading, suspension, dismissal and determination of the pay and conditions of service of the holders of senior posts and the Clerk including, where the Clerk is, or is to be, appointed as, a member of staff, the Clerks appointment, grading, suspension, dismissal and determination of pay in the capacity of a member of staff; and
- (f) for setting a framework for the pay and conditions of service of all other staff; and

“Senior Post” means the post of Chief Executive and such other senior posts as the Governors and senior managers may determine for the purposes of the Articles.

### **Responsibilities which must not be delegated**

The Articles of Government S.9 prohibit the Governing Body from delegating the following:-

- (a) the determination of the educational character and mission of the institution;
- (b) the approval of the annual estimates of income and expenditure;
- (c) the responsibility for ensuring the solvency of the institution and the Corporation and for safeguarding their assets;
- (d) the appointment of the Principal or holder of a senior post;
- (e) the appointment of the Clerk (including, where the Clerk is, or is to be, appointed as a member of staff the Clerk's appointment in the capacity as member of staff); and

(f) the modification or revocation of these Articles

The Governing Body may, from time to time, resolve to add other functions which must not be delegated to this list of “reserved” responsibilities.

## **APPENDIX 4**

### **Summary of main responsibilities of the Principal under the Articles of Government.**

Under the College's Articles of Government S.3(2) the Principal shall be the Chief Executive of the institution and shall be responsible for the following functions:

- (a) making proposals to the Corporation about the educational character and mission of the institution and implementing the decisions of the Corporation;
- (b) the determination of the institution's academic and other activities;
- (c) preparing annual estimates of income and expenditure for consideration and approval by the Corporation, and the management of budget and resources within the estimates approved by the Corporation;
- (d) the organisation, direction and management of the institution and leadership of the staff;
- (e) the appointment, assignment, grading, appraisal, suspension, dismissal and determination, within the framework set by the Corporation, of the pay and conditions of service of staff, other than the holders of senior posts or the Clerk, where the Clerk is also a member of the staff; and
- (f) maintaining student discipline and, within the rules and procedures provided for within these Articles, suspending or expelling students on disciplinary grounds or expelling students for academic reasons.

## APPENDIX 5

### Summary of Main Provisions of the Financial Memorandum of the Council

The Department for Education and Skills (DfES) requires the Council to enter into an agreement set out in a financial memorandum with the College for the purpose of regulating its relationship in financial and related matters and setting out the terms and conditions on which public funds will be paid by the Council to the College.

A revised financial memorandum (FEFC Circular 99/48) was published and became effective in August 1999, and this sets out the framework of relationships and responsibilities between Colleges and the Council in Annex B.

The memorandum is divided into two parts. Part 1 contains the general terms and conditions under which the Council funds colleges. A summary of the main provisions of Part 1 appears below. Part 2 consists of any specific conditions which might apply to the College and is the subject of individual annual notification.

Important points to note in relation to Part 1 are as follows:-

(a) Responsibilities

The Governing Body is responsible for:

- determining the educational character and mission of the College and for oversight of its activities;
- ensuring the solvency of the College and the safeguarding of the College's assets, in particular the Governing Body must receive at least termly a report that reviews the College's financial position;
- appointing, grading, suspending, dismissing and determining the pay and conditions of service of the Principal and other senior postholders;
- setting a framework for the pay and conditions of service of all other staff;
- ensuring that the financial, planning and other management controls, including controls against fraud and theft, required by the College are appropriate and sufficient to safeguard public funds;
- approving the appointment of external auditors and an internal audit service;

- securing the efficient, economical and effective management of all the College's resources and expenditure, capital assets and equipment and staff, so that the investment of public funds in the College is not put at risk;
- ensuring that appropriate financial considerations are taken into account at all stages in reaching decisions and in their execution;
- planning and conducting the College's financial and academic affairs so that its total income is not less than sufficient, taking one year with another, to meet its total expenditure;
- making appropriate arrangements to appoint a Clerk with the necessary expertise to fulfil the duties of the post;
- approving an annual budget at the start of each financial year;
- determining tuition fees;
- approving rules and procedures relating to staff grievances, conduct, suspension, dismissal and appeals;
- approving the students' union constitution and rules relating to the conduct of students;
- acting within the powers given in sections 18 and 19 of the 1992 Act (see Appendix 5 to this Code).

Within this framework the Governing Body must require the Principal to take personal responsibility, which may not be delegated, for ensuring the proper and effective operation of the financial, planning and management controls of the College, and for giving effect to the Governing Body's policies for securing the efficient, economical and effective management of all the College's income, assets and expenditure.

With regard to the Clerk, the Governing Body should specify the procedures which the Clerk and the Governing Body should follow if the Governing Body acts inappropriately or beyond its powers.

**(b) Recurrent and Capital Funding**

Recurrent funds are intended to meet the recurrent costs of the College which include the routine maintenance of buildings and other assets. The College may transfer recurrent funds to capital funds but not vice versa.

(c) **Acquisition and Disposal of Land or Buildings**

In general, the Corporation must consult the LSC on all transactions affecting land or buildings involving capital sums of more than £100,000, if its maintenance is, or may be expected to become, a charge on LSC funds.

The financial memorandum sets out in an appendix the circumstances under which the College may retain proceeds of sale or rental income. The College may retain up to £200,000 or the proceeds of sale, provided that the LSC is told how the College proposes to use such proceeds and that the proceeds are spent on suitable projects within three years. The College may, with the approval of the LSC, retain up to 100% of such sale proceeds where they are to be used for:-

- replacements of existing facilities; or
- restructuring capital projects which meet the Treasury requirements on investment appraisal.

(d) **Borrowing and Leasing**

Under section 19 of the Further and Higher Education Act 1992 (see Appendix 3) the College must obtain the consent of the LSC to any secured or unsecured borrowing proposal. The LSC has given a general consent to certain categories of borrowing.

Therefore, the College may enter into unsecured borrowing at any time without reference to the LSC provided that such borrowing does not exceed 5% of the College's annual revenue as estimated in a manner prescribed by the LSC. However, the College must inform the LSC if the total of unsecured borrowing at any time exceeds 3% and it must obtain the prior written consent of the LSC if it proposes that the level of unsecured borrowing shall exceed 5%.

The College's total annual level of repayment and servicing costs for secured and unsecured borrowing must not exceed 7% of its annual revenue as estimated in a manner prescribed by the LSC. Leases, other than operating Leases and those reimbursed by the LSC, will be assumed to be secured loans for the purposes of the 7% calculation.

(e) **Accounts and Financial Management**

There are limits set on the extent to which the Corporation can incur deficits. The Corporation will be expected to conduct its financial and academic affairs so that it achieves at least financial break-even. The Corporation may incur a deficit if it has reserves to cover that deficit. However, where reserves are insufficient to cover the deficit, a deficit shall not be incurred in more than two consecutive years. Any accumulated deficit must be cleared by the end of the third financial year in which the deficit began to accumulate.

(f) **Audit**

The Corporation is responsible for ensuring that the College has a sound system for internal control, has appointed an audit committee and has arranged for the provision of external and internal audit.

(g) **Major Changes**

In order to meet the requirements of Parliamentary accountability for public funds the Corporation is required formally to notify the LSC of major changes taking place which may impact on the College's control systems on which the LSC places reliance. Examples of what amounts to a "major change" are given in the financial memorandum – eg, the intention to carry forward a major change in the nature, structure, organisation or location of the College, and changes in the position of:-

- the Chairman
- Finance Committee Chairman
- Audit Committee Chairman
- Principal
- Finance Officer/Director of Finance

## **APPENDIX 6**

### **Summary of the Statutory Powers of the *Governing Body***

#### **PRINCIPAL POWERS**

Under section 18(1) of the Further and Higher Education Act 1992 a further education corporation may:-

- (a) provide further and higher education;
- (b) provide secondary education suitable to the requirements of persons who have attained the age of 14 years, or provide secondary education or participate in the provision of secondary education at a school (subject to the consultation with the appropriate local education authority); and
- (c) supply goods or services in connection with their provision of education.

These powers are known as the Corporation's "principal powers".

#### **SUPPLEMENTARY POWERS**

Under section 19 of the 1992 Act the Corporation may do anything which appears to it to be necessary or expedient for the purpose of or in connection with the exercise of any of the principal powers conferred by section 18 of the Act, including in particular the following:-

- (a) the power to acquire and dispose of land and other property;
- (b) the power to enter into contracts, including in particular:
  - (i) contracts for the employment of teachers and other staff for the purposes of or in connection with carrying on any activities undertaken in the exercise of the Corporation's principal powers; and
  - (ii) contracts with respect to the carrying on by the Corporation of any such activities;
- (c) subscribe for or otherwise acquire shares in or securities of a company. This power may not be exercised for the purpose of conducting an educational institution, or providing education funded by the LSC unless the LSC consents;
- (d) the power to borrow such sums as the Corporation thinks fit for the purposes of carrying on any activities it has power to carry on or to meet any liability transferred

to it under sections 23 to 27 of the 1992 Act (i.e. when the College achieved its corporate independence on 1st April 1993) and, in connection with such borrowing, the power to grant any mortgage charge or other security in respect of any land or other property of the Corporation. This power may not be exercised without the consent of the Council, which may give its consent for a particular borrowing or for borrowing of a particular class;

- (d) power to invest any sums not immediately required for the purposes of carrying on any activities the Corporation has power to carry on;
- (e) power to accept gifts of money, land or other property and apply it, or hold and administer it on trust for, any of those purposes; and
- (f) power to do anything incidental to the conduct of an educational institution providing further or higher education, including founding scholarships or exhibitions, making grants and giving prizes.

The Corporation may also provide facilities of any description (including boarding accommodation and recreational facilities for students and staff and facilities to meet the needs of students having learning difficulties) which appear to be necessary or desirable for the purposes of or in connection with the carrying on of the principal powers.

The powers conferred by section 19 of the 1992 Act are known as “supplementary powers”.