

Financial Regulations

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1. Introduction

- 1.1. The financial regulations provide the University with a financial control framework which ensures resources are used with due regard to propriety, regulation and value for money in the context of achieving the University's strategic plan. They define authorities, and requirements for all those staff within scope of the financial regulations in respect of the sound financial management of the University. They help ensure that financial sustainability is maintained, that assets are protected and that loss from any source including fraud is avoided.
- 1.2. There are three principles underlying the financial regulations:
 - 1.2.1. Regularity – to ensure funds are used only for the purposes for which they are given, and in compliance with any terms and conditions attached.
 - 1.2.2. Propriety - meeting high standards of conduct, openness and transparency, mindful of the public funding and charitable status contexts of the University.
 - 1.2.3. Value for money - meeting the need for efficiency, economy, effectiveness and prudence in the administration of resources, to secure value for students and public money in relation to funding received.
- 1.3. The financial regulations and the related procedures listed in this document cannot cover every eventuality. Regulations more relevant to personnel matters can be found in the People Services policies, procedures and guidance documents. Any matters of doubt concerning the financial regulations must in the first instance be discussed with the Senior Finance Business Partner before any financial commitment is made.

2. Scope and Definitions

- 2.1. These Financial Regulations have been issued by the Council of The Open University as the controlling authority of the University. Council, on the advice of Finance Committee, is the body responsible for regulating and controlling the finances of the University in accordance with the University's Charter and Statutes and with the requirements of legislation.
- 2.2. The financial regulations apply to all staff, consultants, committee members and directors of the Open University Group: The Open University, Open University Worldwide Limited and Open University Student Budget Accounts Limited.
- 2.3. The regulations apply to all income and expenditure of the Open University Group and provide the basis for the efficient management and control of all finances and the safeguarding of all assets.
- 2.4. These Regulations should be read in conjunction with the University's Financial Procedures. The Regulations set down the principles that must be followed and the Procedures set down the way in which the principles should be applied.
- 2.5. Where authority definitions and limits are defined in management and governance body terms of reference, or in job descriptions of designated roles within the University, they are not duplicated within this set of financial regulations.
- 2.6. These Financial Regulations shall be effective from 1 August 2019. It is the responsibility of the Chief Financial Officer to maintain a continuous review of the Regulations and to seek to update them periodically through Council approval on the advice of Finance Committee. The Chief Financial Officer shall ensure that these Regulations and any changes are communicated effectively.

3. Roles and Responsibilities

- 3.1. **The University Council** has the overall responsibility for the financial affairs of the University. The Vice-Chancellor is the University's chief academic and administrative officer and is designated 'accountable officer'.
- 3.2. **Finance Committee**, on behalf of Council, oversees and reviews financial matters and makes recommendations to Council. The Treasurer is chair of Finance Committee.
- 3.3. The **Chief Financial Officer (CFO)** is responsible for the financial management, reporting and controls of all activities within the University Group. The CFO reports to the Vice-Chancellor.
- 3.4. **Planning and Resource Officers (PROs)** allocate and review resources in their area of responsibility, direct corrective action in the use of resources as required and represent resource matters at the Vice-Chancellor's Executive. PROs are appointed by the Vice-Chancellor.
- 3.5. **Budget Holders** are often a Head of Unit. They are accountable for use of resources identified to them and for incurring expenditure. A budget holder may only incur expenditure against the budget for which he/she has responsibility.
- 3.6. Budget holders may delegate the authority to incur expenditure within their budgets to a **Delegated Budget Holder**, subject to the review of such arrangements by the Chief Financial Officer. The budget holder remains accountable for control of income and expenditure. References in the financial regulations to 'Budget Holder' apply equally to 'Delegated Budget Holder' where such arrangements have been applied.
- 3.7. **Senior Finance Business Partner** leads the team responsible for providing a professional finance, procurement and commercial support service to each faculty and business unit.

4. Code of Conduct

- 4.1. All those in scope as defined in paragraph 2.2 are responsible for acting honestly and with integrity and must have due regard to all relevant compliance, anti-fraud and whistleblowing policies:
<http://intranet6.open.ac.uk/governance/anti-fraud/ou-policies>.
- 4.2. When staff or students raise concerns about any reasonable suspicions they may have concerning irregularities in the running of the University or of activities of colleagues within the University, this

should be handled within the policy and guidance set down by the University in its Whistleblowing policy statement.

- 4.3. Members of Council and Council Committees and Officers of the University are required to disclose interests in the University's register of interests maintained by the University Secretary and to ensure that entries relating to them are kept up to date. Further information about governance roles can be found on the University's governance website: <http://www.open.ac.uk/about/main/governance-ou>.
- 4.4. Resources must not be utilised for unauthorised personal use.

5. Compliance

- 5.1. Compliance with the Financial Regulations is compulsory for all those in scope as defined in paragraph 2.2, and non-compliance may be considered a disciplinary matter.
- 5.2. If a budget holder appears not to be taking steps to avoid overspending or not demonstrating appropriate consideration of value for money in the use of the budget, the Chief Financial Officer, after consulting the relevant Planning and Resource Officer, may give notice that the budget holder shall not incur or authorise further expenditure until adequate evidence has been given that appropriate action is being taken to protect the University's financial position.

6. Budgets and budgetary control

- 6.1. Budget holders are responsible for making themselves aware of, and observing, the conditions accepted by the University relating to sources of funding.
- 6.2. Budget holders are responsible for the proper use of the budgets made available to them, ensuring economy, efficiency, effectiveness and driving value, where appropriate, for students. All expenditure must be incurred solely in support of the objects of the University as specified in its Charter and Statutes.
- 6.3. Budget holders must use the systems, tools and processes defined by Finance and Business Services to ensure proper management of the resources under their control, and are required to adhere to the requirements as set out in these Regulations and Financial Procedures.
- 6.4. Budget holders must not authorise or incur expenditure that will cause an unauthorised overspend of their overall budget.
- 6.5. Budget holders may manage staff expenditure within the total staff budget allocation and non-staff expenditure within the total non-staff budget allocation, whilst ensuring there is no overall increase in the expenditure for the unit as a whole. There must be no increase in staff budget requirements without the approval of the relevant Planning and Resource Officer. Any new expenditure in the current budget year that commits to expenditure in future years, such as staffing, must be managed within future year budget allocations in line with the Financial Regulations.
- 6.6. Budget holders must report to their Senior Finance Business Partner any significant changes in forecast income and expenditure as they become aware and not wait until the next forecasting period.
- 6.7. Budget holders must ensure that resources allocated for specific initiatives and projects should be utilised only for those initiatives and projects in accordance with the conditions attaching to the allocation.

7. Ordering, tendering and contracting

- 7.1. The ordering of goods and services shall be in accordance with the University's procurement policy.
- 7.2. The Head of Procurement acts on behalf of the Chief Financial Officer as the authorised contracting officer for the purchase of goods and services, except for those for which specific alternative arrangements have been authorised by the Chief Financial Officer.
- 7.3. Orders should be placed using the University's official purchase order process as approved by the Head of Procurement. Only in cases approved by the Head of Procurement may orders be placed without use of an official purchase order.

- 7.4. Goods or services may not be purchased by individuals and subsequently reclaimed except in accordance with the Travel and Expenses policy. The Chief Financial Officer reserves the right to deny an application for reimbursement of expenses.
- 7.5. The purchase of certain types of equipment or items may require approval from specialist departments in accordance with procurement processes.
- 7.6. Credit Cards must only be issued and used with the approval of the Chief Financial Officer. The cards must be used for valid business expenses only within the parameters set by the Chief Financial Officer on issue, and the Chief Financial Officer has authority to withdraw any card issued.
- 7.7. All non-expenses payments to staff shall be made through the Staff Payments Office.
- 7.8. No guarantee or letter of comfort shall be issued other than by the Chief Financial Officer within limits approved by Finance Committee.
- 7.9. Ex-gratia payments shall only be made with the approval of either the University Secretary or the Chief Financial Officer, and in the case of students with the approval of the Director, Academic Services.

8. Travel, subsistence and hospitality

- 8.1. The travel and subsistence policy should be used to determine the business expenses that may be incurred, whether through advance booking or through retrospective reclaim.
- 8.2. Flights, rail, ferries, car hire and accommodation shall be booked in advance utilising the travel management company currently contracted by the University. By exception, where this is a justifiable business reason, staff may incur the expense personally and reclaim through the travel and subsistence expense system.
- 8.3. Travel and expenses reclaims must be made using the expenses claim processes, and within two months of the expense being incurred.
- 8.4. International travel must be used in accordance with the International Travel processes and shall be approved in advance by the Head of Unit or nominee who will be satisfied as to the value for money aspect of the journey.
- 8.5. The level of hospitality offered to staff and external guests at University expense must conform to the guidance given in the Manual of Personnel Policies and Procedures.
- 8.6. Hospitality and gifts must only be accepted in accordance with the hospitality and gifts policy.

9. Fee waivers and discounts

- 9.1. Fee waivers and discounts may only be applied in accordance with schemes approved by the Chief Financial Officer. In exceptional circumstances, such as in response to student complaints, the Director, Academic Services may grant fee waivers or discounts.

10. Grants and contracts

- 10.1. All bids for grants and contracts (research and non-research) shall be prepared in accordance with the University's set procedure for their compilation and submission. No submission shall be made, or commitment entered into, before the completion of this approval procedure.
- 10.2. Contracts shall be signed only by the Vice-Chancellor, University Secretary, Chief Financial Officer, Director of Treasury Services, Deputy Finance Director, or Commercial Legal Services Manager or such other person approved by the Chief Financial Officer.

11. Sales and Income

- 11.1. Any asset, including intangible assets such as intellectual property, may only be disposed of by contract and must be in accordance with the procedure set down by the Head of Procurement.
- 11.2. All sales contracts shall be on standard terms unless authorised by the Chief Financial Officer. Contracts must be agreed before any commitment is made or resources committed.
- 11.3. Financial Procedures for costing, pricing and recovery of direct and indirect costs must be followed.

- 11.4. The financial arrangements for any other income-generating activity (e.g. conferences) shall be checked with the relevant Senior Finance Business Partner to ensure it is adequately priced, collection arrangements are appropriate and legal and tax implications are considered.
- 11.5. Fund-raising initiatives should only be undertaken with the approval of and under the guidance of the Director of Development, who shall consult the Chief Financial Officer on the appropriate accounting treatment for the income.
- 11.6. University sales invoices may only be issued under the authority of the Chief Financial Officer. Units or individual members of staff must not issue their own invoices.
- 11.7. Any income received should be banked intact into an official University bank account as soon as possible and recorded on a timely basis. No payments shall be made directly out of cash received.
- 11.8. Collection processes and systems must only be operated with the prior approval of the Chief Financial Officer.

12. Debt collection, write-off and losses

- 12.1. The Director, Academic Services is responsible to the Chief Financial Officer for the collection of tuition fees under the delegated authority of the Chief Financial Officer. Any decision whether to pursue recovery of a fee debt may only be made under this authority.
- 12.2. Budget holders shall inform the Senior Finance Business Partner immediately of any information which might affect recovery of sums due.
- 12.3. Stock may only be written off or written down in value by agreement between the Director, LDS and the Chief Financial Officer.
- 12.4. Heads of Unit must notify immediately the Insurance Officer in Finance and Business Services of the loss of any asset, stock or stores under their control caused by theft or damage.

13. Banking and Financing

- 13.1. No member of staff should enter into communication with the University's bankers without the prior approval of the Chief Financial Officer.
- 13.2. Bank accounts shall only be opened with the prior approval of the Chief Financial Officer.
- 13.3. Mandates for the operation of the bank accounts shall be approved by Finance Committee.
- 13.4. All cheques shall be ordered only on the authority of the Chief Financial Officer, who shall ensure proper arrangements for their safe custody.
- 13.5. Direct debit arrangements, whether collections or payments, must only be entered into under the authority of the Chief Financial Officer.
- 13.6. The Chief Financial Officer shall approve the holding of imprest accounts. Such accounts shall only be operated where there is a need on the grounds of administrative convenience and efficiency. The account shall only be used for minor expenditure of an occasional and trivial nature.
- 13.7. No borrowing or any other form of financing can be obtained unless authorised by the CFO.

14. Assets

- 14.1. Only the Director of Estates can acquire, dispose, tax, insure, meet legal compliance requirements and maintain University vehicles, except where the Director of Estates chooses to delegate these responsibilities.
- 14.2. University vehicles shall only be used by persons and for purposes authorised by the Head of Unit. Those responsible for managing vehicles must be satisfied that the appropriate University insurance cover is in place for the use being made and for the age, qualifications and licence limitations of the intended driver. In cases of uncertainty, the University's insurance office in Finance and Business Services should be consulted.
- 14.3. Acquisition of equipment and furniture shall be in accordance with the regulations set out in sections 6 (Budgets and budgetary control) and 7 (Ordering, tendering and contracting).

14.4. Heads of Units are responsible for the assets within their unit and are required to maintain an inventory (which need not include furniture). This should be available at all times and used annually to update insurance cover. Inventories shall include computer software and shall be capable of being reconciled to software licence permissions held.

15. Insurance

- 15.1. All contact with insurers and insurance brokers shall be through the Director of Treasury Services (or nominee), where advice can be provided on the University's insurance arrangements.
- 15.2. Heads of Units must advise the Director of Treasury Services (or nominee) of any significant change in the level or nature of risks as soon as they are identified.

16. Taxation

- 16.1. External professional taxation advice shall only be sought with the approval of the Chief Financial Officer.
- 16.2. Units should consult their Senior Finance Business Partner at the earliest stage possible on the tax implications of any new activity.

17. Subsidiary and related undertakings

- 17.1. A related undertaking is "any undertaking, including companies, spin-out arrangements and other corporate entities, over which the University has control or exercises a substantial degree of influence in relation to that company's activities". Authorisation for the creation of a related undertaking must only be given by Council, acting on the advice of Finance Committee and the Chief Financial Officer.
- 17.2. All appointments as directors and company secretaries shall be approved by the University Secretary who shall submit an annual report to Council on persons appointed or retired during the year.