

UNIVERSITY OF SOUTHAMPTON FINANCIAL REGULATIONS

To conduct its business effectively and to ensure that resources are properly applied to its primary purposes, the University needs to ensure that it has sound financial management systems in place and that they are strictly adhered to. Part of this process is the establishment of financial regulations which set out the financial policies of the University and the proper communication of the regulations across the University.

The financial memorandum between the Higher Education Funding Council for England (HEFCE) and the University makes it a condition of grant that an institution ensures that it has a sound system of internal financial management, and control and financial regulations are a core component of such a system. Similarly, the HEFCE Assurance Service is required to give an assurance that institutions have fully documented financial procedures in place and HEFCE may withhold grant where this cannot be shown to be the case. HEFCE has further highlighted the need for institutions to “publish financial regulations which govern the conduct of all their financial affairs” in its publication *The Financial Health of Higher Education Institutions in England: A Report on Good Practice*.”

The financial regulations will regularly refer to University policies which govern particular activities within the University. These policies must be read in combination with the financial regulations.

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Financial Regulations

FRAMEWORK

1 Financial Management

- 1.1 The University was incorporated by way of the University of Southampton Act (1952). The University Charter, Statute and general regulations are published in the University Calendar at <http://www.calendar.soton.ac.uk/index.html>. These describe the governance of the University and the powers and responsibilities of University Committees, including the University Council. The University's principle regulator in terms of the 2006 Charity Act is the Higher Education Council for England (HEFCE).
- 1.2 The Vice-Chancellor is the University's designated Accounting Officer and may be required to justify any University financial matters to HEFCE and the Public Accounts Committee of the House of Commons. The Director of Finance is responsible to Chief Operating Officer and the Vice-Chancellor for the preparation of annual capital and revenue budgets and financial plans, and for the administration of the University's finances irrespective of the sources of funding or income. The University's Financial Statements are published following the approval of Council and are available as public documents at <http://www.soton.ac.uk/finance/central/accounts.html> or in paper format.
- 1.3 The University in general establishes budgets and financial performance targets at the level of Faculties and Professional Services groupings¹. Certain specific activities and expenditures are held centrally and are not managed or reported through Faculties or Professional Services. Financial management controls are then based on responsibilities devolved to Deans of Faculties or the Registrar or the Chief Operating Officer (as appropriate). University Council receives reports on the financial performance of Faculties and Professional Services and the University as a whole from the Chief Operating Officer. Normal monitoring reports will have already been scrutinised by the University Executive Group (UEG). Budget holders must consult with the Director of Finance on any financial commitment into which they wish to enter which is liable to affect their ability to operate within the resources available to their group.
- 1.4 The University Council acting on the advice of the UEG shall set a revenue budget annually consistent with the University's strategic aims, operational needs and requirement to establish long term sustainability for the institution. Inevitably, this will be constrained by the likely availability of funding in the short to medium term. The overall budget will be translated into financial targets for Faculties and Professional Services, which may be expressed in terms of a balance of income and expenditure or in terms of expenditure limits.
- 1.5 Budget holders will be advised by the Director of Finance or his/her staff on the discharge of their financial responsibilities by way of these Regulations and Finance Circulars issued from time to time. Requests for guidance on specific financial policy issues not covered in these Regulations should be addressed to the relevant Faculty or Professional Services Finance Manager (who is a member of the Director of Finance's staff) in the first instance. The Director of Finance will also supervise and approve the financial systems operating within budgetary groups including the form and manner in which financial statements and accounts are kept.

¹ See appendix 1 for listing of current budgetary units

- 1.6 Where Faculties and Professional Services groupings comprise a number of lower level units, the Dean or Registrar or Chief Operating Officer retains overall responsibility for the financial performance of the group and any heads of unit operating within budgetary groups must operate within any procedures laid down by the overall budget holder. These responsibilities encompass all transactions, whether or not they are financed from central budget allocations. The Dean or Registrar or Chief Operating Officer is responsible for all financial transactions passing through their area and is responsible for ensuring adequate systems of financial control and probity, seeking the advice of the Faculty/Professional Services Finance Manager/ Director of Finance where appropriate.
- 1.7 In all financial activities, all staff whether working in Faculties or Professional Services are required to act and be seen to act in a way which maintains the highest standards of probity and accountability for the funds received from all sources, and to ensure that the University receives good value for money on the expenditure of its funds. These regulations set the framework by which staff can demonstrate their commitment to standards of proper use of funds and act with proper responsibility within the authority allotted to them. In all activities whether the regulations cover them specifically or not staff must act in support of these overriding principles.
- 1.8 Whenever any matter arises which appears to involve irregularity in financial or other resource related transactions in any area of the University, including discrepancies in stores, the Officer responsible shall immediately report the matter to the appropriate Dean or Registrar or Chief Operating Officer, who must immediately inform the Director of Finance. After an initial review of the evidence, the Internal Auditor (as at August 2010, this is PricewaterhouseCoopers) may be engaged to investigate further. The University will take disciplinary action against staff where fraudulent behavior is proved. The University anti-fraud, corruption and bribery policy (including issues raised by the Bribery act 2010) is set out at <http://www.soton.ac.uk/finance/central/anticorruption.html> .
- 1.9 The University aspires to meet the expectations of legal & ethical codes for the conduct of its business, including the protection of those members of staff who consider that attention should be drawn to certain aspects of the University's work (a practice which is commonly known as „Whistle Blowing“).The University policy on „Whistle Blowing“ is set out at <http://www.southampton.ac.uk/hr/working/policies/whistleblowing.html>.
- 1.10 For the avoidance of any doubt, the Financial Regulations apply to all University transactions relating to income of all sources and expenditure of all types, irrespective of funding source.

2 Accounting

- 2.1 Financial records shall be maintained by the Finance Department in a manner which enables financial statements to be prepared in a format consistent with the current Further and Higher Education Statement of Recommended Practice, and accounts directions periodically issued by HEFCE or other relevant bodies including the Charity Commission. The requirements of the Companies Acts must be followed in relation to the subsidiary companies of the University, and subsidiary company activities will be incorporated into the University Group Accounting statements as required by generally accepted accounting practice.
- 2.2 The University provides several other returns to our stakeholder groups which may have significant financial implications. These must be completed in an appropriately professional manner to the deadlines set by the body to which the return is to be made. Advice and guidance may be sought as necessary from the relevant Faculty or Professional Service Finance Manager in the first instance.
- 2.3 All financial transactions submitted to the Finance Department for processing shall be coded according to the conventions published from time to time by the Finance Department. A full description of the University's coding structure will be supplied on request by the Financial Accountant in the Finance Department. Advice on individual transaction coding should be obtained

from the relevant Faculty/Professional Service Finance Manager.

- 2.4 New financial codes used within the University must be approved by the Financial Accounts section of the Finance Department, via the Faculty/Professional Services Finance Managers. Any codes used by departments not set up on the Finance system will be rejected on input and the mis-coded documents may be returned to the originating department. Training will be given as necessary for the retrieval of information from within the core financial system.
- 2.5 The University's accounting year closes on 31 July each year. The University has a statutory responsibility to publish final accounts and send them to HEFCE within a defined timetable. Failure to do this would mean that the University will be in default of its Financial Memorandum with HEFCE. It is the responsibility of all members of the University to comply with the actions required of them according to the timetable laid down by the Finance Department for the completion of their input towards the final accounts.
- 2.6 The financial statements of the University are subject to independent audit by the external auditors who are appointed annually by University Council (currently Mazars). The financial statements are scrutinised by the Audit Committee who also receive the report from the external auditors and who may consult with the external auditors privately without University officers present. The financial statements are formally adopted by University Council, and are signed by the Vice-Chancellor (as Accounting Officer), the University Treasurer and the Director of Finance

3 Budgets

- 3.1 The University operates a policy of devolution of financial resources to Faculties or Professional Service groupings (Chief Operating Officer & Registrar). Budgetary allocations are made annually by Council (see 1.3 above), having first been considered by UEG. The Deans or Registrar or Chief Operating Officer as primary budget holders may devolve some of their responsibilities for individual projects or areas of activities to other responsible officers. In these cases, while ultimate responsibility lies with the Dean or Registrar or Chief Operating Officer, those to whom budgets have been devolved must ensure that all regulations are complied with and that the primary budget holder is kept informed of financial affairs, and that all financial information is included in financial reports at the level of the budgetary group. The financial responsibilities of a Faculty or Professional Service group encompass all sources of income and expenditure and groups are expected to manage their affairs on a whole economy basis. The control of expenditure, however funded, is the ultimate responsibility of the primary budget holder and Heads of other units are responsible to the primary budget holder for the proper control of resources put at their disposal.
- 3.2 During the year the expected financial outturn of Faculty /Professional Services groupings against their total available resources is monitored regularly by UEG with reports to Council at each business meeting.
- 3.3 Any problems regarding compliance with agreed budget targets must be reported in the first instance to the Director of Finance. Significant overspends on the total economy budget will be addressed by UEG in the first instance, and appropriate reports and recommendations made to Council.
- 3.4 The University accounting systems will identify excesses of income over expenditure (a surplus) or excesses of expenditure over income (a deficit) at Faculty and Professional Service grouping budgetary levels, and these will be aggregated from year to year. Rules for the carrying forward of surpluses and deficits will be explained as part of the annual budgeting round.

4 Audit

- 4.1 The University is subject to audit by the National Audit Office, the Department for Business Innovation and Skills, HEFCE, the University's External Auditors and the University's Internal Auditors. Additionally, specific audits covering such topics as Research Grants and Contracts, VAT, income tax and National Insurance may be undertaken at the request of relevant stakeholders.
- 4.2 The University Audit Committee, which is a Committee of Council, meets regularly at least three times a year. The Committee receives reports from Internal and External Auditors, considers management responses to audit reports and makes recommendations and rulings to the University community on audit matters. The Audit Committee makes an annual report on its activities to Council, and gives its opinion on the control environment in the University on the basis of the Committee's work during the year. The Audit Committee has the right to consult with the University auditors without the presence of University officers.
- 4.3 The External Auditor is an independent firm of accountants who have the professional competence (recognised by the Institute of Chartered Accountants in England and Wales) to conduct independent audits of financial statements. The External Auditor is appointed on an annual basis by Council on the recommendation of Audit Committee, and is required to report on the audit of the University financial statements.
- 4.4 Internal Audit arrangements are agreed by Council on the recommendation of the Audit Committee. The service may be provided by employees of the University or by a firm of accountants. The Internal Auditor has access to all records, assets and personnel within the University including those of University subsidiary companies where the University has a holding requiring the consolidation of the transactions of the company in the University group financial statements. They are entitled to require such information and explanations as are necessary to enable them to carry out his responsibilities. The University may ask either auditor to undertake investigations within the Students' Union, but in addition the Union may at any time decide to commission its own internal audit investigations. The University Director of Finance shall be kept informed of the reasons for any such investigation and of the outcome.
- 4.5 As at August 2010, the External Auditor is Mazars LLP of Poole and the Internal Audit service provider is PricewaterhouseCoopers LLP of Southampton. Changes to these appointments will be notified by Finance Circular to relevant senior managers and published on the Finance website.

5 Conflict of Interest

- 5.1 A conflict of interest arises or may be seen to arise where a member of staff is in a position to influence a decision by the University which may benefit him or her personally (or indeed any close personal associate including relatives and business partners) in their direct or indirect private financial or non-financial interests. The University has established policies for members of staff having outside interests, including staff acting as independent consultants to third parties. The University's policy on Conflicts of Interest is set out at <http://www.soton.ac.uk/ris/policies/conflicts.html>
- 5.2 The Registrar shall maintain a register of interests and code of conduct of members of Council and its Committees and Working parties. It is the responsibility of relevant staff to respond promptly and accurately to requests made of them. A standing item at the beginning of Council meetings shall allow Members of Council to draw attention to any potential conflicts of interest in relation to the agenda of the day.
- 5.3 Staff in senior management positions should make appropriate declarations of interest to the Registrar on at least an annual basis or immediately upon the identification of a new potential conflict. The Deans and the Registrar and the Chief Operating Officer shall require their own relevant staff to complete a declaration of interest and shall maintain these on a confidential basis. Deans and Director of Finance shall confirm to the Registrar that the register is being maintained and is up to date on an annual basis. The Registrar shall periodically review locally held declarations.
- 5.4 If it becomes apparent that any such interest could be leading towards an actual or potential conflict with the University's interests, the following action should be taken:

5.4.1 Trading relationships

- If a company in which a member of staff has a significant interest (as director or owner or major shareholder, but not including minor investment shareholdings (less than 1%) in publicly quoted companies), or partnership in which a member of staff is a partner, or a member of staff trading as a sole trader undertakes any sort of financial relationship with the University - as a supplier or as a procurer of goods, or intellectual output - the member should immediately write to their Dean, the Registrar or Chief Operating Officer as relevant reporting such an interest. In the case of Deans or the Registrar or the Chief Operating Officer identifying such a personal conflict, this should be reported to the Vice-Chancellor.
- The member of staff should thereafter take no part in the relationship on behalf of the University, except as explicitly requested by the Director of Finance or Vice-Chancellor. In all cases, any ordering of services from the company, invoicing to it, contract negotiations etc., should be dealt with by another member of the Faculty/department of at least equal seniority. This should not, however, stop the member of staff from playing a full part in any academic work involved.
- Any other situation which arises and may adversely affect the relationship between the company, the member of staff and the University must be reported to the Registrar.
- If the Director of Finance reports that the company concerned has run up a significant level of debt with the University and that this is not being repaid within normally accepted trading time-scales, he/she should first of all bring it to the attention of the Dean of the Faculty involved, and then the Vice-Chancellor should the position not be rectified.
The Vice-Chancellor shall, if he/she deems it appropriate, be empowered to instruct the member of staff to sever all interests in the company, if the continuation of the link is detrimental to the performance of their Universities duties.

5.4.2 Competitive Relationships

- If a company in which a member of staff has a significant interest (as director or owner or major shareholder, but not including minor shareholdings (less than 1%) in publicly quoted companies) is involved in any contractual negotiations with the University, or in potential competition with the University (e.g. but not only, for research contracts) the member should immediately write to the Director of Finance reporting such interest.
- The member of staff should also write to the secretary of the company, with a copy to Director of Finance, reporting such interest and stating that in the circumstances they will take no part in the company's actions or deliberations concerning the particular contract.
- On behalf of the University, the member of staff can continue academic involvement in any contract, but all financial and contractual matters should, as above, be dealt with by another member of the department, of at least equal seniority.

5.4.3 Other matters

- It is not possible to cover every situation in these notes, but in any situation where conflicts of interest might arise, the potential conflict should be notified to the Director of Finance and appropriate action taken, within the spirit of sections above, to avoid any problems which might ensue. Where a conflict of interest arises involving a member of staff in respect of the exploitation of intellectual property rights owned by the University, the member of staff shall also notify the Director of Research and Innovation Services.
- The use of any University addresses, telephone numbers (including mobile telephones) or email addresses either for outgoing business dealings, or where an offer or enquiry is sent in, must be taken to imply that the matter is of legitimate interest to the University. It follows that it is not permissible for members of staff to divert enquiries addressed to the University to any outside company or organisation in which they may have an interest.
- Where a member of staff is operating as an independent consultant consistent with University policies, the member of staff must ensure that the third party understands that their contractual relationship is with the member of staff as an individual not with the University. To avoid any

confusion, the member of staff must not use University addresses, telephone numbers or email addresses in correspondence relating to their work as an independent consultant.

- Where a member of staff is working with the University to develop a spin out company, or where the company exists and the member of staff is a director or major shareholder of the company, the member of staff should not represent the University in discussions relating to the company, and should not be involved in discussions about the charging of University services to the company.

5.5 Nothing in these sections will be taken to override other regulations or statutory obligations on undertaking consultancy work, directorships, etc. All appropriate permissions from Deans and/or Vice-Chancellor must be obtained.

6. Receipt of Gifts or Hospitality

6.1 University staff should discourage offers of personal gifts or hospitality outside normal working practices (e.g. working lunch) from potential customers or suppliers which are essentially of a social nature (e.g. attendance at a sporting event). However, it is likely that on occasions it would be to the University's benefit to develop links with external bodies, and the following rules must be followed.

6.2 The receipt of personal gifts with an estimated value of more than £25 should be notified to Dean or Registrar or Chief Operating Officer, together with a suggested use for the item. If the use is solely for the private benefit of the member of staff, then the member of staff should make an appropriate payment to the University Staff Hardship Fund via the Director of Human Resources.

6.3 The receipt of hospitality of a social nature (e.g. attendance at a sporting or cultural event) outside normal working practices or outside the normal working day or week should be reported to the Dean, Registrar or Chief Operating Officer. Where there is no direct business reason for the attendance, and if the value of such hospitality is estimated as being above £100, then the member of staff should make an appropriate payment to the University Staff Hardship Fund via the Director of Human Resources.

6.4 Any offer of gift or hospitality with an estimated value above £150 should be declined, unless the member of staff is instructed by the relevant Dean or Registrar or Chief Operating Officer (as appropriate) to accept the gift.

6.5 Any personal gift or hospitality outside normal working practices or outside the normal working day or week offered solely to the Chief Operating Officer, and/or the Director of Finance and/or the Head of Procurement will be declined, unless the Vice-Chancellor instructs its acceptance.

6.6 Any member of staff who considers that a gift or offer of hospitality is being made as an inducement to influence the use of University funds must decline the offer and report the offer at once to their Dean or the Registrar and the Chief Operating Officer.

6.7 Guidance relevant to all University staff on the Bribery Act 2010 is available from the University Corporate Services Department.

7 Authority to make Contractual Commitments

7.1 An outside organisation may be able to enforce contractual commitments against the University if the member of University staff making the commitment had the apparent authority (in the view of the outside organisation) to make such a commitment. It is essential that all members of staff take great care not to enter into contractual commitments with outside bodies unless they are fully authorised to do so. This extends beyond contracts of a purely financial nature, for example, non-disclosure agreements for research work. Any member of the University who has concerns in this area should consult with the relevant Faculty/Professional Services Finance Manager, or the Director of Research and Innovation Services or Director of Corporate Services as appropriate.

- 7.2 Staff must not contract the University to deliver goods or services beyond their own authority (see Appendix 2), but should also seek to ensure that work being done for third parties is adequately costed and contracted for to avoid the possibility of uncertainty or dispute at a later stage. This may require approval by a University body or committee e.g. UEG or Council. Deans may have their own guidelines which clarify contractual authority of individuals in their own area. Limits which are set for authorisation should be interpreted as totals of groups of related transactions e.g. the total of a scheme to offer a number of bursaries, or a research project undertaken for a number of partner sponsors.
- 7.3 Staff are advised that committing the University contractually where they are not authorised to do so will be a disciplinary matter. In addition, they may be held personally liable by the University if they cause financial or other loss to the University by acting beyond their authority. The authorisation of expenditures and contractual commitments through purchase orders will be built into University financial system.

Financial Regulations

INCOME

8 Income - General

- 8.1 All income due to the University for work or services provided must be recorded in the University's financial records. The collection of all monies due to the University including Residence Fees and all receipt forms, books, tickets, or other official financial documents shall be in a manner approved by the Director of Finance.
- 8.2 The Director of Finance shall be responsible for ensuring that all grants due to the University are claimed in a timely manner, received and recorded in the University Accounts.
- 8.3 Income from non-primary charitable purpose (education) activities may be subject to Corporation Tax. The Director of Finance is responsible for establishing structures consistent with guidelines from HM Revenue and Customs and any particular agreements relating to Higher Education and agreed by sector representative bodies. The Director of Finance will advise the Vice-Chancellor or UEG of action necessary to minimise the impact of any such tax consistent with approved guidelines and for instructing all parts of the University of any such action which must be taken to implement the decisions. Such instructions must be followed.
- 8.4 Income from any source received by the University may attract Value Added Tax if the University is deemed to be undertaking a standard-rated activity. Advice must be taken from the Finance Department, before contractual commitments and transactions are completed, to ensure the proper tax liability of the University is determined.
- 8.5 It is the responsibility of the accepting Faculty or Professional Service Group to ensure that a prospective sponsor will meet any payments required under the contract. When entering into a contract of significant value within the context of their finances with a procurer or supplier, departments/academic units should gain an understanding of the financial position of the company through a credit check, which can be arranged by the Income Officer within the Accounts Receivable Section. This facility should especially be used where a budgetary group is likely to incur significant costs or other financial commitments in advance of any income being received. Any decisions on credit-worthiness, whether or not informed by credit checks, remain the responsibility of the budgetary group, and the relevant primary budget holder should be prepared to justify their decision to accept or reject a contract on this basis.

9 Fees and Other Charges to Students

- 9.1 Except where set by statutory regulations, tuition fee rates are recommended by the UEG. The collection of all fees shall be undertaken in a manner approved by the Director of Finance.
- 9.2 Due dates for tuition fees payments are set annually by the Director of Finance, including any period in which a prompt payment discount may apply. These dates will be published on the University web site and students will be informed of the dates. The timing of payments from private sponsors, Local Education Authorities or the Student Loan Company shall be determined by individual agreements or by national policy relating to students able to defer the payment of their fees until after graduation.
- 9.3 In specific cases of hardship and/or significant changes in the students ability to pay their fees, the Director of Finance in consultation with the Director of Student Services, may authorise an arrangement for the payment of tuition fees over a longer period.
- 9.4 A student who, for any reason, withdraws during the session will be liable for fees unpaid or for a refund of fees paid in line with the University's published policy (see http://www.soton.ac.uk/study/feesandfunding/ug_feesrefundpolicy.html).
- 9.5 The Director of Finance and the Director of Student Services acting together have the power to approve minor changes or clarifications to tuition fee charges during the year.
- 9.6 The collection of Residence Fees shall be the responsibility of the Director of Finance although this may be delegated to the Director of Student Services. The sums due from students shall be collected by direct debit from approved UK bank or building society accounts or through recurring credit card payments unless the Director of Finance has agreed another method in exceptional circumstances. Such fees are payable in advance in accordance with the payment dates detailed in the Offer of Accommodation at the University of Southampton" start of each term. Late payments may be subject to additional charges.
- 9.7 Any student who has not paid an account for tuition fees owing to the University shall not be awarded a degree or any diploma, certificate or qualification from the University until all outstanding debts have been cleared. The name of such student shall not be included in any pass lists until the outstanding account has been settled in full.
- 9.8 The University Calendar contains full regulations regarding the non- or late payment of fees, including reference to solicitors or other debt collecting agents, termination of courses and refusal of re-registration or permission to sit examinations.

10 Research and Externally Funded Projects

- 10.1 In the discussion of the external sponsorship of research and externally funded project work Deans must ensure that the financial implications have been assessed and approved by appropriate members of the Finance Department, and that the Dean is aware of the Full Economic Cost (FEC) of the work. The FEC will be calculated in accordance with the methodology in force at the time in relation to work for UK Research Councils. The FEC of the proposed work is confidential management information and should inform pricing policy, but the price of the work negotiated with the sponsor need not be strictly related to the FEC of the work.
- 10.2 The University must not be committed to a contract unless and until the signature of the Director of Finance or his/her delegated staff and the Dean (if appropriate) have been obtained. The Director of Finance allows delegated authority for the acceptance of contracts on their behalf as follows

Contract Value	Delegated Officer
Any research grant or contract with total value £250,000 or less	Deputy Head of Faculty Finance Manager or other Finance Department staff identified by Faculty Finance Manager
Any research grant or contract with total value £400,000 or less (see Research Councils below)	Relevant Head of Faculty Finance Manager
UK Research Council grant or contract costed under FEC methodology with total value £500,000 or less	Relevant Deputy/ Head of Faculty Finance or other Finance staff identified by the Head of Faculty Finance
UK Research Council grant or contract costed under FEC methodology with total value £1 million or less	Head of Faculty Finance Manager
Any grant or contract above the values set out above	Director or Assistant Director of Finance or Registrar or Chief Operating Officer

- 10.3 Where contracts are negotiable and the contract value is over £100,000 and / or the University would be exposed to significant liabilities by undertaking the contract, the support and advice of the Research and Innovation Services must be sought in good time in negotiating acceptable terms, although the ultimate responsibility for accepting contracts remains with the Faculty undertaking the work. Significant risks and liabilities can be created from low value contracts and agreements, and great care must be taken to protect the University's position.
- 10.4 The relevant Faculty Finance Manager (or designated staff) must examine every formal application for grants and contracts to ensure that adequate provision is contained therein to meet all financial commitments. It is University policy to maximise the financial contribution earned by each grant or contract. The offer of the price to external organisations may be subject to sector-wide agreements or may be freely negotiated, and advice should be taken at an early stage on the pricing of work from the relevant Faculty Finance Manager and the Research and Innovation Services. In dealing with industrial and other third party sponsors, University costs should be treated as commercially confidential and not be disclosed, unless specifically required by the funding rules of the sponsor.
- 10.5 The Director of Finance will maintain all financial records relating to research grants and externally funded contracts and initiate all claims for reimbursement from sponsoring bodies.
- 10.6 All consumables and items of equipment procured out of income arising from research or other work for outside bodies or provided without charge by a sponsor shall remain the property of the University unless the terms of the agreed contract specifically state otherwise.
- 10.7 Staff employed on research grants and externally funded contracts shall be appointed by the University and no commitment to employ any person or vary terms of existing employees shall be undertaken without proper authority, in line with any system of approvals operating within the

University from time to time (see section Expenditure – General).

- 10.8 Deans are responsible for ensuring that staff carrying out work on a research grant or externally funded contract are aware of all contractual obligations relating to each award, e.g. reporting, confidentiality, publication, timesheets, research facilities, restrictions on types of expenditure or specific procurement procedures etc. and that these obligations are adhered to. The Director of Finance is responsible for the submission of financial claims within contracted time scales although financial claims will often depend upon the completion of work to agreed milestones and/or the delivery of academic reports. Any failure to meet the terms of the grant or contract is likely to lead to delays in the claiming of funds.
- 10.9 Certain sponsors of research projects may require adherence to the sponsor's regulations in the use of resources for the project. This is acceptable to the University subject to the requirements meeting the minimum standards set out in these regulations. Requirements of sponsors which differ from these regulations must be approved by the Director of the Research and Innovation Services.
- 10.10 Research projects sponsored by eligible bodies (as defined in VAT Act 1994) are exempt of VAT. Eligible bodies include UK Charities, Government Departments, Research Councils, Health and Local Authorities, Schools and Universities and other bodies whose constitutions prevent them from distributing profits. Research projects sponsored by other UK organisations will normally attract VAT at the standard rate. Research projects sponsored by organisations outside the European Union will normally be outside the scope of UK VAT. Where there is a doubt over the status of the sponsoring body, the Faculty must consult with the Faculty Finance Manager in the first instance for clarification. The Dean must ensure that appropriate clauses relating to VAT are included in all contracts. This is a complex area, on which advice should be sought from the Faculty Finance Manager. The VAT regulations carry statutory force, with serious penalties for avoidance or mistakes.
- 10.11 Where Faculties are charged VAT on purchases (input VAT) directly related to contracts subject to standard rated VAT, the input VAT can be reclaimed by the University. Faculties should seek advice from their Faculty Finance Manager or the Head of Accounts Payable in the Finance Department.
- 10.12 In the course of negotiation and the pursuit of grants and contracts, all University staff must act to protect the value or potential value of the intellectual property arising from the research. Every effort must be made to protect the University's interest in the intellectual property. Contracts should normally retain ownership of intellectual property rights for exploitation by the University and all arrangements involving the creation of or for the assignment or licensing of these rights must have the specific signed approval of the Director of Research and Innovation Services and the Chief Operating Officer in accordance with the University's Intellectual Property Regulations.
- 10.13 Any deficit on an externally funded project will be charged back to the relevant Faculty. Upon request, the Dean must provide the Director of Finance with a written explanation of the reasons for any such deficit.

11 Intellectual Property and Patents

- 11.1 The University Intellectual Property and Patents (IPR) regulations are published in the Calendar (see <http://www.calendar.soton.ac.uk/sectionIV/ipr.html>) and apply to all staff of the University. Throughout the process of discovery and creation of IP, staff must exercise great care to ensure that their position and that of the University is not compromised by early disclosure or collaboration not governed by appropriate confidentiality agreements.
- 11.2 Members of staff shall identify intellectual property rights arising from their work which could be protected and shall report their existence to their Dean and to the Director of Research and Innovation Services using the Invention Information Form available from the Research and Innovation Services. Research results which are potentially exploitable must not be publicly disclosed before the Director of Research and Innovation Services has evaluated them for formal

protection. The Director will bring the invention to the attention of Southampton Asset Management Limited („SAM“), in accordance with Council resolutions about the interaction between the University and SAM.

- 11.3 In consultation with the researcher and, where applicable, the Dean and SAM, the Director of Research and Innovation Services will determine whether the University wishes to become involved in the exploitation process.
- 11.4 In the event of the University and/or SAM deciding to become involved in the exploitation process, the matter shall then proceed in accordance with the IPR Regulations issued by the University, and any policy decisions taken by Council concerning the operation of SAM.
- 11.5 The Regulations apply equally to intellectual property generated in the course of externally funded research work, except where alternative terms are agreed with the University and are specifically stated in the contract determining the scope and funding of the work.
- 11.6 Payments made to members of staff under the terms of the IPR regulations will be treated in accordance with HMRC rules. Where the payment is treated as income, then income tax, employee and employer national insurance payments will be deducted from the gross amount payable as appropriate.

12 Credit Income (i.e. where money is due to the University but cash or cheques have not yet been paid)

- 12.1 Unless otherwise specified in the contract for goods or services, all invoices should be issued on a monthly basis and under no circumstances should the invoice for work be delayed by more than a month after the completion of the work or the delivery of the service. No work should be started without a duly authorised formal order or a contract from the purchasing organisation, and the order or contract reference must be quoted in all invoices from the University. The Faculty or Professional Service must be able to produce backup evidence of order/contract from the customer and of the work performed to back up any claim against the customer in case of dispute.
- 12.2 All invoices should show the correct VAT treatment and if there is any doubt, clarification must be sought from the relevant Faculty/Professional Services Finance Manager.
- 12.3 Invoices must be sent out as soon as possible following the supply of goods or services. Invoices must make clear the payment terms i.e. the due date for payment. The due date for payment will be 30 days from the date of invoice unless specifically varied by the contract terms. It is the responsibility of the Faculty Finance Manager or his/her delegated staff to authorise all invoices via Agresso workflow, which will then appear on the finance system.
- 12.4 All invoices will show a unique invoice number automatically generated by the finance system.
- 12.5 Where any customer seeks to pay for goods and services received in arrears, then a credit check will be made to establish the appropriate level of credit to be made available to the customer. In cases where customers have an unsatisfactory credit record or have no credit history, then payment in advance of receiving the goods or services must be made.
- 12.6 The Head of Income and Credit Control must be notified of all debts to the University under agreements prepared, including contracts, leases, tenancy agreements, sales of property, and any other agreements which involve the receipt of money by the University.
- 12.7 Cheques and accompanying documents received by the Faculty or Professional Service in respect of any invoices shall be redirected without delay to the Income and Credit Control Office in the Finance Department.
- 12.8 Transfers of goods, services, or materials between or within Faculties or Professional Services should be recharged by raising a General Ledger Journal via Agresso. Wherever possible, income

and expenditure should be correctly coded at the time of the transaction and not put into accounts which require later re-allocation.

- 12.9 The Director of Finance may arrange for certain debts to be collected by an external firm on behalf of the University if this represents appropriate value for money and leads to a reduced risk profile for the University. In such cases the relevant Faculty or Professional Service will be informed that such a process is being started. The additional costs of collection of difficult debts requiring third-party action will be added to the invoice to be collected, but in the event of non-payment will be charged to the Faculty or Professional Service earning the relevant income.
- 12.10 Any request to write off a debt, must be referred in writing to the Director of Finance, together with a reason for the proposed write off. The Assistant Director of Finance or Director of Finance are authorised to write off debts of up to £20,000 as long as neither officer has been involved in the provision of the goods or services underlying the debt, and all other debts must be submitted to the University Treasurer for approval. Under no other circumstances may sums due to the University be written off. The cost of the write-off will be charged to the Faculty or Professional Service which received the original credit income. Where the University has failed to deliver the goods or service and an invoice has been raised in error, the Deputy Director of Finance or Director of Finance should satisfy themselves that the University has no claim for the payment of the debt and agree to the cancellation of the original invoice. The invoice will be cancelled against the Faculty or Professional Service which received the benefit of the original invoice.
- 12.11 If a Faculty/Professional Service has to issue a credit note, this should be raised via the Agresso system and subject to workflow authorisation.
- 12.12 No settlement of debt by payment in kind must be accepted before discussion with the relevant Faculty/Professional Service Finance Manager about the acceptability of such set-off and the accounting and VAT implications.

13 Income Received

- 13.1 All monies received within departments from whatever source must be recorded on a daily basis.
- 13.2 Cash and cheques received must be paid promptly into the Income and Credit Control Office, Finance Department, and custody of all cash holdings must be secure and satisfy the requirements of the University's Insurers and guidance issued by the Finance Department from time to time. Receipts must be obtained from the Head of Income and Credit Control for all cash paid in. All income paid in must identify the official invoice to which it refers or be shown against the correct income code.
- 13.3 No deductions may be made from any cash collected on behalf of the University prior to paying in to the Head of Income and Credit Control.
- 13.4 Where cheques are included in payments to the Head of Income and Credit Control, they must be separately identified on the remittance form.
- 13.5 Personal or other cheques must not be cashed out of money received on behalf of the University.
- 13.6 All persons and firms paying money to the University must be told that cheques must be payable to the „University of Southampton“ (or a University company where appropriate).
- 13.7 Official receipts must be issued to persons or organisations making payments to the University in person for all sums received unless some other form of accounting control has been agreed in writing with the Director of Finance. Official receipts for Faculty or Professional Service use are obtainable from the Director of Finance who will ensure that they are satisfactorily controlled.
- 13.8 Cash must not be forwarded to the Finance Department via the internal postal service. The University will not accept responsibility for loss of money forwarded in this way. Where large sums are involved, arrangements should be made at the expense of the Faculty or Professional Service for

secure transport of the money to the Income and Credit Control Office, where a receipt should be requested for Faculty/Professional Service records. The Income and Credit Control Office will advise and help make arrangements as necessary.

- 13.9 Where cash is collected on a regular basis, e.g. telephone coin boxes, collections must be made at least once a week and the cash paid in immediately to the Income and Credit Control Office in the Finance Department.

14 Gifts, Benefactions, and Donations for University Use

- 14.1 Bequests or correspondence (usually with solicitors) about potential bequests are matters dealt with by the Registrar who may delegate matters to the Director of Development. All approaches should be referred immediately to the Registrar.

- 14.2 Any significant gifts or potential donations for use by the University (with a realisable value of £10,000 or more) shall be reported promptly to the Registrar who will consult with the Director of Development. All such gifts shall be formally accepted by the Registrar or the Director of Development or in exceptional cases (because of their value or conditions attached) the Vice-Chancellor. There may be VAT or income tax (gift aid) implications for any gift and care must be taken to ensure the proper treatment of the gift. The donation of high value tangible assets must be notified to the Insurance Manager as they may require changes to our insurance cover.

- 14.3 Smaller gifts or donations should be treated as follows.

Deans may accept small gifts of equipment on behalf of the University, provided that there are no conditions attached, and any liabilities are properly understood and accepted at the time of the gift.

Gifts of equipment to which conditions are attached, or of a value in excess of £5,000, must be reported to the relevant Faculty Finance Manager prior to acceptance on behalf of the University. There may sometimes be VAT implications from the acceptance of gifts of any sort, and any case of doubt should be referred to the Finance Department.

Gifts of money, from whatever source of less than £10,000 must be reported to the Director of Finance in the first instance. The use of Covenanting and Gift Aid arrangements may be advantageous to the University and the donor, and the Director of Finance should be consulted about the possibility of increasing donation income in this way. The Director of Finance shall promptly inform the Director of Development of such gifts.

- 14.4 Before a formal approach is to be made to a charitable trust or foundation for financial support (other than support for research using normal application procedures), the relevant correspondence must be agreed with the Director of Development. A central record of all such submissions will be maintained to prevent competing bids being submitted to the same charity. The Vice-Chancellor shall decide on the course of action to pursue if there is the possibility of competing bids.

- 14.5 The Director of Finance shall maintain all the financial records in respect of each gift, benefaction or donation, and shall initiate claims for the recovery of tax where appropriate where the gift is made to the University. Where the gift is made to the Development Trust, the responsibility lies with the Director of Development to ensure the transfer of the gift to the relevant University account.

- 14.6 The Director of Finance and the Director of Development (if appropriate) shall be consulted immediately in the event of specific conditions attached to a gift, benefaction, or donation becoming inoperable.

15 Short Courses, Conferences and Services Rendered

- 15.1 Courses, conferences or services rendered activity organised by members of staff must be costed and agreed with the relevant Faculty/Professional Services Finance Manager before any commitments are made. Provision must be made for charges which at least cover both direct and appropriate indirect costs. The price charged for services should seek to maximise the return to the University

and this may be above the FEC of the activity. Indirect costs will be recovered in line with the Faculty/Professional Service Policy.

- 15.2 The budget holder will be responsible to the Dean/Head of Professional Service for the day to day financial management of the activity, and will provide the Dean/Head of Professional Service with a final financial statement as soon as practicable after the activity finishes.
- 15.3 Any deficit against the costs of these activities will be charged to the relevant Faculty or Professional Service, and consequently will reduce available funds for other activities across the relevant budgetary group. Any surplus over the agreed cost will be dealt with as agreed by the Dean or Head of Professional Service in line with the Faculty/Professional Service Policy.

Financial Regulations

EXPENDITURE

16 Expenditure - General

- 16.1 The Director of Finance shall control the payment of all monies due from the University and all procedures for payment shall be in a form specified by him/her.
- 16.2 All expenditure made by the University must be directed at providing proper and necessary benefits to the University and be made in the most efficient and effective manner. Irrespective of the source of funding for any particular item of expenditure, all staff must be seen to act in a manner to safeguard the University's reputation as a responsible institution whose financial transactions meet the highest standards of public probity and accountability and deliver good value for money in helping the University achieve its objectives.
- 16.3 Deans and the Registrar and the Chief Operating Officer are responsible for ensuring that expenditure including commitments does not exceed the funds available to their budgetary group. The Director of Finance should be consulted if there is any likelihood of a deficit arising on the whole economy or on specific earmarked contracts or other activities where overspends may not be recovered.
- 16.4 Staff appointments are approved through a dedicated system for new or replacement staff posts which must be completed by Dean/Registrar /Chief Operating Officer confirmed by the relevant Faculty/Professional Service Faculty Finance Manager as having expenditure effects which together with all other expenditures of the budgetary group do not exceed available funds for the foreseeable future (at least the current and the next financial year). The post proposal will then be ratified or further justification will be sought.
- 16.5 Expense claims made by staff must conform with the Expenses and Benefits Manual published by the Finance Department, (and available on the web site at <http://www.soton.ac.uk/finance/central/index.html>) which provides the framework and specific limits for most items of expenditure which may be claimed for, and details the extent to which income tax (if any) will be payable on the expenses paid.
- 16.6 Some units of the University exist primarily or wholly to provide internal services to other areas of the University. These units raise charges for their goods and services which are normally processed by the Finance Department without the approval of the charged Faculty or Professional Service (except usually for the originators order authority). It is vital that receiving Faculty or Professional Service implement controls to restrict order placing to authorised individuals and enable them to check that the charges are as expected. For its part, the providing Faculty or Professional Service

must aim to provide timely and correct billing and information as part of the service provision. As protection, the Finance Department may reverse any charges which can be shown to be in error or subject to serious challenge pending resolution of the matter by the providing and receiving Faculty or Professional Service.

- 16.7 The University should always ensure that it receives a valid tax invoice from suppliers who are VAT registered. If a request for payment is presented in another way, the tax invoice should be received before payment is made. Where payment is necessary before the receipt of goods or production of the tax invoice, the Faculty or Professional Service should refer to their Faculty/Professional Service Accountant for advice and guidance.
- 16.8 The Director of Finance shall issue circulars from time to time, with the approval of UEG, setting limits to the levels of expenditure which can be committed or authorised by different categories of staff. The current limits are set out in Appendix 2 to these regulations. It is the intention that these limits should be applied to expenditures consistently, irrespective of the source of funding for the expenditure and that they apply to authorisation at each stage from the point of commitment to the transaction e.g. before an order is placed, when an invoice or expense payment is authorised. The limits set out in Appendix 2 will also generally apply to authorisation levels for University Procurement Cards, except that the expenditure limits for approved capital projects shall not be allowed via Procurement Cards. Deans, the Registrar and the Chief Operating Officer must ensure that each member of staff understands their relevant authority and emphasise that they must act within the limits recommended to and approved by the Director of Finance. In addition the person certifying items for payment must be different from the person signing the original order and must not have a close personal relationship with that other person.

17. Payroll Expenditure

- 17.1 The Director of Finance shall be responsible for all payroll payments to staff.
- 17.2 No payments of any kind are to be made to persons working for the University other than via the Finance Department, whether or not the University contractually employs the persons concerned.
- 17.3 The Director of Finance shall be responsible for all payments to non-employees and for informing the appropriate authorities of such payments.
- 17.4 The Director of Human Resources shall be responsible for keeping the Director of Finance informed of all matters relating to personnel for payroll purposes. Sufficient segregation of duties shall be agreed between the Director of Human Resources and Director of Finance such that the instruction to pay shall be divided from the transaction of payment.
- 17.5 The Director of Finance shall be responsible for keeping all records relating to payroll, including those of a statutory nature. The Director of Finance shall hold lists of staff with authority to approve payments to staff for work done. These shall be approved by Deans/Registrar /Chief Operating Officer, who will inform the Director of Finance promptly of any changes.
- 17.6 Fees may be paid to students for demonstrating work and in certain other circumstances in accordance with University rules. Claims for such fees must be on the appropriate form and shall be forwarded to Payroll and Pension Services in the Finance Department for processing.
- 17.7 Claims for fees payable to external examiners, visiting lecturers or researchers and individuals providing a service shall be made on the appropriate form and authorised in accordance with the rules on authorisation in section 16 above. Such claims shall be forwarded to Payroll Services in the Finance Department for processing. Fees may be subject to deductions for Income Tax and National Insurance in accordance with the rules laid down by the HM Revenue and Customs (HMRC).
- 17.8 The treatment of expense claims and benefits in kind is explained in the University Expenses and Benefits Manual available from the Head of Accounts Payable in the Finance Department and on the web at <http://www.soton.ac.uk/finance/central/index.html>. This will be updated from

time to time and Faculties or Professional Service will be informed of any new requirements. Employees who consider that they receive other benefits in kind which are not covered by the Manual should contact the Head of Accounts Payable.

- 17.9 The University will not provide personal taxation advice, and it is the responsibility of the individual member of staff to manage their taxation affairs. Payments from the University payroll will deduct income tax and national insurance contributions at the appropriate rate, in accordance with the current rates of tax or contribution prevailing, and the personal tax allowance of the recipient member of staff.

18 Additional Payments for Work to Staff

- 18.1 Consultancies or other paid outside work may not be accepted without the consent of the relevant authority as specified below.

The following are specifically excluded from the rules in this section:

- external examining and reviewing
- the writing of books or other published matter
- occasional lectures

In addition separate regulations operated by the Faculty of Medicine Health and Life Sciences apply to private medical practice.

The University Consultancy Policy is published at <http://www.soton.ac.uk/ris/consultancy/index.html>

- 18.2 Written permission must be obtained and recorded before work is undertaken:
- in the case of Faculty staff from the Dean or a nominated deputy
 - in the case of staff in professional services from the Registrar or the Chief Operating Officer (as appropriate)
 - in the case of Deans from the Provost and in the case of other members of UEG from the Vice-Chancellor
- 18.3 The Deans/Registrar/Chief Operating Officer/Vice Chancellor will keep the granting of permission under review, as appropriate. Sufficient records must be kept to ensure permission has been requested/granted and that the volume of work can be monitored.
- 18.4 For Academic staff, permission will normally be given provided that the work is to the advantage of a member of staff in relation to the teaching or research mission of their subject and that the total commitment of any member of staff to outside paid work (either as a private individual or as fees payable on a contract placed with the University) is unlikely to exceed 30 days per annum. Permission will not be provided if the external commitment is considered to be to the detriment of the member of staff's duties to the University in the areas of teaching, research and administration. More than 30 days may exceptionally be permitted if the work is of particular relevance to the University.
- 18.5 Where the work is private, the member of staff must ensure that the external party placing the consultancy or other paid work understands that the contract for work is with the member of staff acting in a personal capacity and that they have no contractual relationship with the University. To avoid any potential misunderstandings, no correspondence relating to such work must be made on University headed notepaper, invoices, order forms, or other documentation nor should the University's address be used for mailing purposes or the University be used as a place to meet the client. A specimen letter is available from the Director of Research and Innovation Services suitable for explaining the private nature of the work to potential clients.
- 18.6 The use of University assets to assist in personal consultancies or other paid work is not permitted.

- 18.7 The University insurance policies do not extend to cover personal consultancies or other paid work. The individual concerned must seek his/her own insurance.
- 18.8 Nothing in these rules shall detract from the provisions on Conflict of Interest in these Regulations. In particular, members of staff wishing to form their own companies or to become directors of existing companies are subject to these general requirements. It is important that permission is sought at an early stage in order that a potential clash of interest between the University and the company in question may be identified and, if possible, resolved. Commitment to any share-holding or creation of a new legal entity may not be made without the consent of UEG or the Board of University of Southampton Holdings Limited or SAM.
- 18.9 No amounts in addition to contractual salary will be payable to staff for work within the teaching and / or research remit of the Faculty which employs the staff member (including administration duties) or on Conferences carried out by the University. A procedure of rewards to staff by ex-gratia payments is well-established and can be used to reward staff making abnormally high contributions to the activities of the University.
- 18.10 Additional payments may be made to staff who have contributed to consultancy activities via the monthly payroll. The decision to make a reward over and above normal salary lies with the Dean. In all cases the University will recover its full costs including indirect costs before any payment shall be made to staff.
- 18.11 Many staff choose to forego extra payments to themselves as individuals and choose to have the money reapplied to their department (which may therefore not be subject to income tax). This has to be undertaken before the individual is paid the money if the individual is not to be liable to tax on any such amounts; information is available from the Head of Payroll and Pensions Services in the Finance Department on request.
- 18.12 The difference in potential for staff to earn money from work must not be used as a criterion in classifying the work. The classification is determined by type of work and customer (in accordance with definitions set out by HEFCE) and affects funding including Research Assessment Exercise/Research Excellence Framework funding. The ruling of the Director of Finance on classification will be binding.

19 Procurement

- 19.1 Every order or commitment entered into for the procurement of goods or services on behalf of the University must comply with these Financial Regulations. No exemption from their provisions shall be granted except with the prior written agreement of the Director of Finance.
- 19.2 Official University orders must be issued for any goods required or work to be performed. Nominated suppliers (as specified in University systems maintained by the Procurement in the Finance Department) must be used wherever possible and the advice of the Head of Procurement should be obtained where appropriate. Specific University policies, such as those for personal computers, photocopiers and print, must be adhered to at all times (see <http://www.soton.ac.uk/finance/procurement/suppliers/index.php>)
- 19.3 The issuing of orders and the accounting for goods and services received shall be in a manner prescribed by the Director of Finance. This will in all cases include proper disclosure of the University's Terms and Conditions of trade available from Procurement (see <http://www.soton.ac.uk/finance/procurement/terms.html>)
- 19.4 The Faculty or Professional Service is responsible for the probity and accuracy of all orders emanating from their activities. Every order must be produced through the core finance system and may be transmitted electronically to suppliers (this facility will be restricted within the system only to those with authority to order goods and services). This should be done even where orders have had to be placed by phone, fax or the internet, (subject to proper local controls) in order to demonstrate compliance with the regulations. Authorisation for payment must be made by someone

other than the person creating the order. In cases where there is a close personal relationship between persons involved in ordering and procurement, alternative authorisation must be sought within the budgetary group from a member of staff empowered to authorise such expenditure. In the case of travel commitments (including travel overseas) where a reasonable estimate of the total cost of the trip is over £2,000 per person per trip, the University requires specific steps be taken to justify the expenditure. The Dean or authorised deputy must approve a written justification of a case of support for the trip, which should include the purpose and benefits to the individual and University of the trip and an estimate of total cost. Records should be retained for audit by the Internal Auditors for a period of three years. No additional authorisation is required in the case of SPECIFIC trips abroad relating to SPECIFIC individuals e.g. to conferences, where the case for the trip was justified in a successful application for external funding already agreed by the Dean.

- 19.5 Only staff authorised by their Deans/Registrar /Chief Operating Officer may place or authorise orders or invoices. A list of staff authorised to sign invoices and requisitions for payment is maintained in the Accounts Payable Section of the Finance Department. Deans/Registrar /Chief Operating Officer are responsible for notifying changes to the Finance Department and for maintaining lists of authorised signatories of orders and their limits. Authorised signatories of orders and invoices must satisfy themselves at the time of issue that the expenditure is a proper charge on funds for which they are responsible and that the cost can be met from within the relevant approved budget. They must also assure themselves that the goods and services are fit for the purpose expected of them
- 19.6 Orders must indicate clearly the nature and quantity of goods or services required and any contract or agreed prices relating thereto. The most advantageous price must be obtained in relation to the quantity and quality of the goods or services required, and advantage should also be taken of terms negotiated and notified by the Head of Procurement.
- 19.7 Telephone or oral orders/contracts should not generally be made, but where their use is unavoidable, the supplier must be told that the order is placed subject to confirmation and subject to terms to be sent in writing; such orders must be confirmed by the issue of an official order not later than the next working day.
- 19.8 The Director of Finance may refuse to pay invoices in respect of supplies obtained other than by the official ordering process and in accordance with these Financial Regulations and Standing Orders. In such cases the individual who has ordered the goods may be personally liable for payment.
- 19.9 Payment in advance of goods or services being received is allowed only in exceptional circumstances, with the agreement of the Director of Finance. Any such request should be referred initially to the Head of Accounts Payable in the Finance Department.
- 19.10 A member of the University having a personal pecuniary interest in a contract, requisition for procurement or a proposed payment must report that interest to their Dean or the Registrar or Chief Operating Officer (as appropriate) consistent with the requirements of section 5 above at the earliest opportunity and certainly before any transaction is entered into. This also applies where there is a close personal relationship with those involved in the transaction.
- 19.11 The Director of Finance is responsible for ensuring that systems are in place to check goods received are in accordance with the order and that goods are stored safely and securely.
- 19.12 The University seeks to achieve good value in all its purchasing and has established competitive tendering and quotation rules to identify the best market price for the appropriate goods or services. The University must also comply with legal requirements on tendering for certain contracts. The overall objective of the measures for procurement for amounts below the EU tender limit is to be able to demonstrate to interested third parties that the procurement decision has been made according to a justifiable rational process. The use of University or other approved contracts is necessary to show compliance with this principle. Where large amounts of like procurements are not covered by contracts, departments are encouraged to involve the Head of Procurement to set up suitable contracts. The Head of Procurement must be consulted at an early stage where Faculties or

Professional Services consider that greater value may be achieved for the purchase of goods or services outside established University contracts.

19.13 The following rules apply to the market testing/tendering of prices for University purchases:

- Competitive quotations are to be sought for all supplies of goods and services for order values over £1,000 unless an order is being placed under centrally negotiated contracts including arrangements made by the Southern Universities Purchasing Consortium (SUPC) or similar sector agreements which define the prices at which departments can order goods. Documentation on approved contracts may be obtained from the Assistant Director of Finance – Transactions & Procurement.
- Where competitive quotations are required, the steps to be undertaken before placing an order depend on the estimated value of the goods or services excluding VAT. In calculating the value of an order, the full life cost of the goods or service must be calculated; the Assistant Director of Finance – Transactions & Procurement is available to advise on the full life cost. Among other considerations the estimated cost includes the total cost of related items (e.g. a series of procurements of gases or chemicals) or items procured as a direct result of another procurement (e.g. equipment capital cost and the servicing, spares and upgrades required). Action to be taken by band of estimated cost are as follows:
 - For items up to and including £5,000, one quotation must be obtained (it is advised that this is a written quotation).
 - For items over £5,000 and up to £25,000 – at least two written quotations must be obtained (unless ordering on a call-off contract from a nominated supplier).
 - For items over £25,000 up to the European Tender limit (£164,176 as at January 2016 for supply and service contracts) a competitive tender process in conjunction with the Procurement team is required.
 - The EU Public Procurement Thresholds have changed with effect 1 January 2016:
 - Supply and service contracts - £164,176
 - Light touch regime contracts (also known as Annex XIV contracts) - £589,148
 - Work contracts - £4,104,394
 - Deans/ /Chief Operating Officer must notify the Assistant Director of Finance – Transactions & Procurement if it is likely that a series of procurement contracts or orders for similar items, originating from that Faculty/Professional Services Division over a 12 month period, is likely to exceed the European Tender Limit threshold, even though the value of each individual order may be small.

19.14 In certain circumstances (e.g. an upgrade of a piece of equipment or software) there may only be one possible supplier for the goods and services required. In such circumstances, the Head of Procurement must be involved in the negotiation process if the value of the goods in any one order exceeds £10,000.

19.15 Tender documentation should be prepared by the Head of Procurement unless an alternative procedure is agreed in writing in advance by the Head of Procurement.

19.16 In all cases departments must keep written or computerised records sufficient to demonstrate to management and auditors that procurement procedures have been complied with.

19.17 The University may seek restitution from any person committing the University to expenditure when they are not authorised to do so. Authority to place future orders may be revoked from the defaulting individual.

19.18 The University has approved Conditions of Contract for supplies of goods and services which must be made known to the supplier by ensuring that appropriate terms are included with or on the reverse of the order form. It is the responsibility of all buyers to ensure that all contracts are negotiated upon these terms and, if in any doubt, to consult the Head of Procurement. Faculties or

Professional Services should avoid where possible the placing of verbal contracts; if this is unavoidable it is vital that the contract be placed with the words „upon University of Southampton terms” or with the proviso that the agreement is „subject to the terms of the written official order form to follow’. Where departmental order procedures allow the placing of other forms of order e.g. by email or fax it is vital that the terms of contract are also sent in legible format e.g. by faxing the reverse of the University of order, ensuring that it is of suitable quality at the suppliers end.

- 19.19 If a supplier acknowledges the order with different terms and conditions, then a legally binding contract will not exist until one party makes an offer which is accepted by the other party without qualifications. In cases where the supplier’s terms and conditions are not acceptable, the Faculty or Professional Service placing the order should confirm, in writing, receipt of the suppliers acknowledgement and make clear that the University of Southampton’s Conditions of Contract prevail. If the supplier subsequently challenges these Conditions of Contract then the Head of Procurement will negotiate acceptable changes to the terms and conditions or the order will be withdrawn. The Terms and Conditions of supply may only be varied if agreed in writing by the Head of Procurement.
- 19.20 An accepted order is a legally binding contract between a procurer and a seller and it is essential that the full consequences and costs of cancellation be evaluated before cancellation. A decision to cancel a procurement order must be made in writing, and a copy retained.
- 19.21 Employees must not accept personal inducements in any form from suppliers or potential suppliers. Any benefits derived there from or from suppliers’ discounts must accrue to the University and not the individual unless the discounts or other benefits are generally available to all staff and publicised as such.
- 19.22 All procurement of goods and services should generally be for University use only, and procured on behalf of individual members of the University are not normally allowed. However, equipment may be procured on behalf of individuals under the following conditions:
- The equipment must be capable of being used for purposes associated with the work of the research student or member of staff who wishes to procure it.
 - The University contract (or other arrangement) with the supplier must not in such cases prohibit the University from procurement on behalf of its staff or students.
 - Invoices for such procurement should generally be paid direct by the individual to the supplier. Where this is not possible, payment should be made to the University in advance for the full sum plus VAT and a 5% handling charge.
 - A copy of any procurement order made under this scheme must be forwarded to the Head of Procurement.
 - Any equipment procured under this concession may not be resold for a period of 12 months.
 - The Head of Procurement must approve any variation from the specified arrangements before any commitment is made.

20 Petty cash

- 20.1 The Director of Finance shall make available to Faculties or Professional Services petty cash floats necessary for the disbursements of petty cash expenses for which official orders are not required. Standard University Petty Cash Books are supplied by Director of Finance and must be used for the recording of all petty cash accounts.
- 20.2 Access to Petty Cash should be available only to individuals named and authorised by the Faculty/Professional Service Finance Manager. The member of staff granted the float is formally responsible for its safekeeping. The Petty Cash box must be kept locked and secured in a safe place in compliance with the requirements of the University’s insurers when not in use.
- 20.3 All expenditure reimbursed should obey the general principle of providing proper and necessary benefits to the University in the most effective and efficient manner. Petty cash floats are not to be used for the following purposes:
- making any payment of wage or salary payment or any other payment for services

- cashing cheques
 - making advances or loans
 - gifts to staff or students
 - provision of beverages other than to visitors
 - travelling and subsistence purposes except for de minimis arrangements to be agreed with the Director of Finance.
 - any other type of expenditure prescribed by the financial regulations
 - any income to the float should be recorded as such and not deducted from expenditure.
- 20.4 Items of expenditure from petty cash shall not exceed the maximum amount currently £25 or as subsequently notified by the Director of Finance and shall be supported by receipts or vouchers.
- 20.5 Requisitions for reimbursement should be sent to the Finance Department before the total amount held has been expended in order to retain a working balance pending receipt of the amount claimed.
- 20.6 Counts of petty cash and reconciliation to records should be carried out at least quarterly by someone independent of the maintenance of the float, usually the Faculty/Professional Service Finance Manager (or their staff), who should evidence the check by signing the reconciliation. The Director of Finance will require a signed certificate of balances held from each petty cash holder every six months. This is a requirement of the University's insurers.
- 20.7 The Director of Finance may provide departments with till floats to facilitate acceptance of payments for goods and services at the University. Money provided as till floats must be applied only to this purpose.

21 Authorisation of Invoices and Expense Claims for Payment

- 21.1 Suppliers should be instructed to submit invoices for goods or services (if VAT registered as a valid tax invoice) to the University Accounts Payable Section.
- 21.2 Faculties or Professional Service are responsible for the examination and certification of invoices submitted to them. The matters to be certified by the spending Faculties or Professional Service are as follows:
- the goods have been received, examined and approved as to quality and quantity, or that services rendered or work done is satisfactory.
 - the goods received are in accordance with specifications on the official order.
 - the price charged and the calculations are correct.
 - the invoice has not been paid previously.
 - the expenditure is reasonable and is a bona fide charge the University.
 - the expenditure is allocated to the appropriate expenditure head.
 - Where appropriate, an entry has been made on a stores record or local inventory.
 - Procedures in respect of marking off official orders and retention of suppliers' advice notes, as prescribed from time to time by the Director of Finance, have been complied with.
- 21.3 Faculties or Professional Service shall supply the Director of Finance with specimen signatures of those authorised to certify invoices for payment. The Director of Finance will maintain a register of the authorised signatories together with approved limits as set out in the section Appendix 2. Any change to the authorities to sign, including temporary additions to cover for the absence of an authorised signatory, must be notified to the Director of Finance immediately.
- 21.4 Except where invoices are certified electronically, the person certifying the invoice must be an authorised signatory and must sign in manuscript. In exceptional circumstances and subject to suitable controls decided by the Finance Department, payment may be made against copy invoices and/ or signatures. The person certifying the invoice for payment must be different from the person signing the original order and must not have a close personal relationship with the other person. The authorisation of expense claims and fee payments must follow the same procedure including independent authorisation.

- 21.5 Invoices shall be passed to the Accounts Payable Section as soon as they have been certified to avoid payment delays.
- 21.6 Due care shall be taken to ensure that discounts receivable are obtained if beneficial to the University, including those relating to prompt payment.
- 21.7 The Director of Finance shall carry out such checks to ensure confidence in the authorisation procedures, and that the expenditure is a proper charge against the University. If, after examination of any items submitted for payment, the Director of Finance is not satisfied, further investigations will be undertaken before deciding whether or not payment should be made.
- 21.8 Claims for travelling and subsistence must be submitted in the approved format, whether directly to the core finance system or by form, including the provision of original receipts. Authorisation of claims for reimbursement will be in the same manner as for other expenditure as set out in the section Expenditure General. Amounts claimed must be in accordance with current University approved policies and levels as specified in the Expenses and Benefits Manual, irrespective of the source of funding for the expenditure.
- 21.9 The travel and other expense claim of the Vice-Chancellor will be approved jointly by the Director of Human Resources and the Director of Finance, with reference (as appropriate) to the Chair of Council.

Financial Regulations

ASSETS AND LIABILITIES

22 Stocks and Stores

- 22.1 Faculties or Professional Service shall be responsible for establishing adequate arrangements for the custody, security and control of stocks and stores within their Faculty or Professional Service. Any system of stores accounting must be implemented to the satisfaction of the Director of Finance.
- 22.2 A delivery note should be obtained for each delivery of goods accepted into store. All goods must be checked with regard to quality and quantity at the time of delivery.
- 22.3 Where stocks require valuation in the University's Balance Sheet, the Faculty/Professional Services Finance Managers must certify that the particulars shown are correct. The Director of Finance may require that any particular stock holdings are valued for entry in the financial statements; in such cases the Director of Finance will provide guidance on the items to be counted and the basis of valuation - provision of the required information will be the responsibility of the Faculty or Professional Service concerned.
- 22.4 Significant differences or the write off of obsolete items must be notified to the Director of Finance and dealt with in accordance with procedures agreed with him/ her.
- 22.5 Faculty/Professional Services Finance Managers shall be responsible for ensuring that appropriate inspections and stock checks are carried out.

23 Contracts and Tenders for Maintenance and Construction Work

- 23.1 Procedures for dealing with contracts and tenders are set out in detail in the separate Standing Orders on Contracts for Buildings and Major Services. These procedures form part of the University's Financial Regulations and must be adhered to at all times.

24 Land, Buildings and Fixed Plant and Machinery

- 24.1 The Director of Estates and Facilities shall be responsible for maintaining the University's register of land, buildings and such fixed plant and machinery as is under the control of their unit.
- 24.2 The Director of Legal Services shall be responsible for the custody of all deeds of title.
- 24.3 Council shall be responsible for acquisitions and disposals of land, buildings and fixed plant (Statute 17). The practical responsibility is delegated to the Chief Operating Officer.
- 24.4 Where a third party or University subsidiary company is allowed to occupy part of the University's estate, a formal lease or license should be agreed which will include termination clauses, periods of notice and the rent to be charged. The lease or license shall be negotiated by the Director of Estates and Facilities or an appropriately delegated member of staff within Estates and Facilities.

25 Vehicles and Moveable Plant

- 25.1 Faculties or Professional Service shall be responsible for the use and security of all vehicles and moveable plant under their control, and a record of use, in the form of a daily log, shall be maintained.
- 25.2 Use of assets by staff for personal and private purposes shall be permitted only in circumstances agreed by the Dean/Registrar /Chief Operating Officer, and must be charged for at a rate which would be charged for external commercial use. Any such private use will be allowed only at times when the asset is not being used for University purposes. The charge for private use must include VAT at the appropriate rate, and staff may incur a liability to income tax on the benefit which the HM Revenue and Customs deems to have been provided.
- 25.3 Disposals shall be made in accordance with University policy and the Head of Procurement must be consulted at an early stage.
- 25.4 Disposal of vehicles and moveable plant with an original procurement price in excess of £5,000 must be reported to the Head of Procurement, whose help should be sought for obtaining the best price for disposal. (See section on Equipment Assets below).
- 25.5 Vehicle registration documents shall be lodged with the Insurance Services Manager (Finance Department) for safe keeping. All acquisitions/disposals of vehicles and moveable plant must be reported immediately to the Insurance Services Manager (Finance Department) since they will have implications for the University's policies.

26 Banking

- 26.1 The University's bankers are appointed by Council. The Director of Finance shall be responsible for implementation and maintenance of the banking arrangements in respect of monies belonging to the University. No other person shall open or operate an account either in the name of the University or in the name of any other Faculty or Professional Service or function in the University. No cash, cheques or other financial instruments due to the University for work or services given by the University shall be endorsed or credited in any other way to accounts not maintained by the Director of Finance, irrespective of the source of funding. The provision of banking services to the University shall be market tested at least every 10 years. The current bankers to the University (at 1st August 2010) are Lloyds Banking Group.
- 26.2 The Director of Finance shall be the officer authorised to deal with the University's bankers in all transactions affecting the University's funds, properties, and securities.
- 26.3 A list of persons authorised to sign cheques will be given to the University's bankers. Cheques shall normally bear the signature of the Director of Finance or the Deputy Director of Finance. Cheques in excess of a value to be determined and agreed from time to time by UEG shall require a second signature. In addition to the Director of Finance and Deputy Director of Finance, the Vice Chancellor, the Registrar, the Chief Operating Officer, and the Directors of Human Resources, Student Services and Corporate Services will be the officers authorised to sign.
- 26.4 The Director of Finance or Deputy Director of Finance shall have authority to arrange with the bank for advances to the University by way of overdrafts or any other arrangements, subject to approval by UEG, and if UEG considers the matter to be of sufficient importance, by Council. For loans with repayment terms of more than 12 months, quotations shall be sought from banks or similar institutions and the Director of Finance will make recommendations to Council or Standing Committee of Council about appropriate terms.

27 Investments and Treasury Management

- 27.1 The Director of Finance shall be responsible for controlling the investment of University funds,

which must be invested in the name of the University. This applies to funds arising from any activities of the University or its staff in the course of their employment.

- 27.2 The Director of Finance shall be responsible for maintaining records of investments, for ensuring safe custody of documents, and for reporting regularly to the Council.
- 27.3 Independent brokers and advisors shall be consulted as is prudent and necessary regarding the disposition of the University's investments.
- 27.4 The Finance Department shall be required to conform to the Treasury Management policy agreed by Council from time to time, regulating the placement of the University's investments with a variety of financial institutions and covering short and long-term deposits.

28 Equipment

- 28.1 Faculties and Professional Services shall be responsible for maintaining inventories of all equipment with a value in excess of £2,000 or of a portable or desirable nature, including items donated or held on trust.
- 28.2 Where Faculties or Professional Services have developed or fabricated assets themselves and these have a value above £2,000, these assets should also be included in the inventory. Self-fabricated assets or the growth of special collections over time with a replacement cost or market value in excess of £100,000 these must be notified annually to the Insurance Services Manager for inclusion under the University insurance cover.
- 28.3 Such inventories shall contain information on the following particulars:
- Description of equipment and when obtained
 - Value at time of acquisition
 - Location
 - Serial number if applicable
 - Date last checked, including safety checks where appropriate.
 - Disposal shall be in a format agreed with the Director of Finance and the Internal Auditor.
- 28.4 Assets with an expected useful life in excess of one year and a value in excess of £25,000 shall be separately identified in the financial system to a designated financial code and will be included in the University balance sheet as fixed assets and depreciated in accordance with University accounting policy.
- 28.5 Faculties and Professional Service are responsible for ensuring that inventories are checked at least annually. Updated copies of the inventory must be maintained by the relevant Faculty/Professional Services Finance Manager.
- 28.6 Disposal of equipment shall be in accordance with procedures agreed by the University in consultation with the Head of Procurement in order to ensure a reasonable price is obtained for the goods sold and that there are no residual liabilities with the University. Advice on VAT on equipment disposals is available from the Head of Accounts Payable in the Finance Department.
- 28.7 Inventories may be subject to inspection by auditors at any time.
- 28.8 Where equipment has been designated as a "research facility" for the purposes of accounting to research funders the Faculty must maintain a record of use, in the form of a daily log containing sufficient information to satisfy the conditions of funding.

29 Taxation and Value Added Tax

- 29.1 The Director of Finance shall maintain all records and make all returns to the relevant authorities for direct taxation including PAYE, National Insurance, Corporation Tax and Income Tax.

- 29.2 The Director of Finance shall maintain the VAT records of the University and shall make all VAT payments and receive all VAT credits as appropriate.
- 29.3 The Director of Finance will advise Faculties and Professional Service in writing when changes in VAT regulations take place which affect the University.
- 29.4 Any authorised signatory initiating expenditure shall ensure compliance with VAT legislation. Particular attention should be paid to goods for which special VAT conditions may apply (e.g. goods used for medical research purposes and charged to an eligible research contract account). In order to meet their obligations they should consult the Head of Accounts Payable in the Finance Department.
- 29.5 The University's charitable status and the nature of our work may allow some expenditure to be zero-rated. In such circumstances, the University must issue a zero-rate certificate to the supplier, in order to secure the zero-rating. Guidance on this issue will be provided periodically by the Finance Department.

30 Insurance

- 30.1 The Insurance Services Manager in the Finance Department is responsible for arranging all insurance cover, negotiating claims, and maintaining the necessary records.
- 30.2 All insurance policies are held by the Insurance Services Manager, who is responsible for dealing with the University's insurers and brokers. Faculties and Professional Services must respond promptly to reasonable requests for information from the Insurance Services Manager particularly where these will inform our policy cover.
- 30.3 Any persons negotiating contracts or agreements on behalf of the University must ensure that the legal liability of the University for any risks therein is covered by insurance as necessary, and must consult with the Insurance Services Manager to ensure this is the case.
- 30.4 Any person using their own vehicle on University business must hold appropriate insurance cover allowing them to use the vehicle for business purposes (i.e. Class 1 use providing they are the policy holder).
- 30.5 Any person using their own vehicle on University business must produce a valid certificate of insurance for inspection by the Dean/Registrar / Chief Operating Officer if so required.
- 30.6 The occurrence of any theft or malicious damage on University premises must be reported to the Chief Security Officer (see para. 31.1), regardless of whether a claim is to be made on the University's insurers, on the individual concerned, or on third parties.
- 30.7 All circumstances which could give rise to a claim on the University's insurances must be advised to the Insurance Services Manager immediately. Any claim correspondence received from a third party or their legal agents should be passed immediately to the Insurance Services Manager unanswered.
- 30.8 Members of staff with clinical responsibilities must also make special indemnity arrangements of their own in accordance with their terms and conditions of employment. The Insurance Services Manager should be contacted in any case of doubt.

31 Security (Includes Buildings, Property and Information)

- 31.1 The Chief Security Officer (a member of the Department of Estates and Facilities) is generally responsible for the University's physical security and will liaise with Faculties and Professional Service.
- 31.2 The Director of Finance shall be consulted whenever matters of security affect the finances of the University.

- 31.3 Adequate security shall be maintained over confidential records and information, particularly relating to personal details of staff or students. The requirements of the Data Protection Act must be satisfied in the use and storage of computerised information and manual records. The University's Data Protection Officer (the Director of Legal Services) should be consulted in any case where there is doubt.

32 University Seal

- 32.1 The Registrar shall be responsible for the security and use of the University Seal. All deeds and documents requiring to be sealed by the University shall be sealed in accordance with the Standing Orders of Council, currently by one of the Registrar or Chief Operating Officer in the presence of a member of Council.
- 32.2 A report shall be submitted by the Registrar to each meeting of Council listing the deeds and documents to which the Seal has been affixed since the previous meeting.

Financial Regulations OTHER BODIES

33 Students' Union

- 33.1 The Students' Union is a constituent part of the University and as such is responsible to Council. The requirements of the Education Act 1995 concerning the conduct of Student Union activities must be complied with.
- 33.2 Subject to any constraints introduced by the HEFCE or the government, the University shall make available to the Students' Union an annual grant to be determined by Council for the support of the Union in relation to its objectives.
- 33.3 The Students' Union shall maintain its own bank account and financial records and prepare its own annual accounts.
- 33.4 The Accounts of the Union shall, at the end of each University financial year, be audited by a firm of auditors approved by the University in accordance with the University Statutes. A copy of the Accounts signed by the Auditors shall be given to the Chief Operating Officer for presentation to Council.
- 33.5 The University Internal Auditors shall have access to records, assets, and personnel within the Students' Union, in the same way as other areas of the University.

34 University Companies

- 34.1 This section applies to all companies owned or partly owned by the University, whether directly or through holding companies („University companies“), where the University is deemed to have sufficient level of holding to incorporate the financial statements of the company in its consolidated accounts or where the University has the responsibility for accounting and financial management or where the University is otherwise in a position to significantly influence the policies and practices adopted.
- 34.2 No holding in any company (except for procurement of shares in quoted companies undertaken for investment purposes by the Director of Finance or agents of the University) shall be taken without the approval of UEG or the Board of University of Southampton Holdings Ltd. (USH) or SAM as appropriate. Shareholdings so taken shall be held as nominees for the University and not in any other name including department names. .
- 34.3 All staff involved with University companies and members of the Boards, whether or not they are employees, must ensure that in their areas of responsibility all statutory requirements affecting the companies are complied with and that the conduct of the companies is fully in accordance with the highest standards of probity. Unless incompatible with the statutory duties of directors the full Financial Regulations shall apply to all activity in University companies, with appropriate amendments to reflect the organisation of the company. Any doubts or queries must be addressed to the Director of Finance.
- 34.4 Each Board of Directors must confirm annually to the University as its ultimate shareholder that it has in place a set of operating rules and procedures consistent with the requirements of these Regulations, and also with statutory reporting requirements for companies.
- 34.5 All companies must conform to the requirements of Council, which has laid down Operating Instructions for each company.
- 34.6 University staff providing services to University Companies will not normally be paid for such work.

35 . University of Southampton Development Trust

- 35.1 The University of Southampton Development Trust (registered charity 295753) should comply with these regulations, together with its statutory obligations to the Charity Commissioners for any remaining activities.
- 35.2 The role of the Trust is diminished going forward as all future donations should be made direct to the University. The University is now the sole named Trustee.

University of Southampton Financial Regulations – Appendix 1 1st August 2010 – University Budgetary Units

Faculty of Business and Law

Faculty of Engineering and the Environment

Faculty of Health Sciences

Faculty of Humanities

Faculty of Medicine

Faculty of Natural and Environmental Sciences

Faculty of Physical and Applied Sciences

Faculty of Social and Human Sciences

Professional Service Group led by Registrar

Professional Service Group led by Chief Operating Officer

University of Southampton Financial Regulations – Appendix 2 1st August 2011 – Authorisation Levels for Expenditure

The limits below refer to orders and invoices. No individual can both order goods and approve the invoice relating to the order without a second approver of suitable authority also authorising one of the two transactions.

Where it is considered that the authorisation limits are not appropriate for their activities, a case should be made to the relevant Faculty/Professional Services Finance Manager in the first instance. The levels below are set in relation to job levels or particular posts. Where describing a job level, this shall apply only to staff employed in specific roles at that level. All authorised signatories must be recorded in the Finance Department as set out in Section 21 of the Financial Regulations. All amounts quoted below are net of VAT

Expenditures Excluding Approved Capital Projects

Job Level or Job Title	Upper Limit of Authority £
Job level 2a, 2b or 3	2,000
Job Level 4 and above (not covered in specific descriptions below)	5,000
Academic Staff	15,000
Finance Department staff job level 4 and above or Professional Services Managers job level 5 or above.	20,000
Faculty/Professional Services Finance Manager	50,000
Dean or Associate Dean or Director of Professional Service or Assistant/Deputy Director of Professional Service.	100,000
Dean or Registrar or Chief Operating Officer or Director of Professional Service or Deputy/Pro Vice-Chancellor PLUS Director of Finance or Deputy Director of Finance or Assistant Director of Finance (NOTE to ensure the separation of duties, no more than one of the signatories shall be a member of the Finance Department)	200,000
Dean or Registrar or Chief Operating Officer or Vice-Chancellor or Provost PLUS Director of Finance or Deputy Director of Finance	No limit subject to UEG/Council approval

Capital Projects approved in the Capital Plan or Long Term Maintenance Projects approved by Estates Policy Committee

Job Title	Upper Limit of Authority £
Project Managers	20,000
Project Manager PLUS Designated Line Manager Line	30,000
Capital Accountant	50,000
Assistant Directors PLUS Named Senior Managers (3)	200,000
Director of Estates & Facilities	1,000,000
Director of Estates & Facilities or Chief Operating Officer PLUS Director of Finance or Deputy Director of Finance	No Limit subject to UEG/ Council approval

University of Southampton – Financial Regulations – Appendix 3

Standing Orders on Estates Contracts. Explanatory Note

1. Definitions

Contracts - Contracts for construction and major services carried within the remit of Estates & Facilities

Person – Person, firm, partnership, company or public body appointed by the University to deliver a contract

EU threshold – the EU dictates that where the value of a contract exceeds a certain amount, a publicly funded body must tender according to clearly defined procedures. The value is quoted in Euros and therefore changes year on year.

OJEU – Official Journal of the European Union

Value for money – maximise effectiveness and efficiency for the lowest cost. Consideration should be given to all aspects of the contract, not just the headline cost.

- whole-life costs of a supply or service
- materiality of expenditure and related costs of achieving best prices
- quality and performance of product/service
- reliability and service levels of supplier
- risk management implications- strategic impact of service/product/activity
- legal requirements (including Health & Safety, Environmental requirements)

CPPB – Capital Projects Programme Board

Single Source – A project manager uses their professional skill / experience to select a supplier to deliver work/services

Quotation – a written submission by a supplier to deliver a defined package of work for a fixed price

Tender - a written submission by a supplier to deliver a defined package of work for a fixed price, submitted under controlled conditions

2. Compliance with Standing Orders on Contracts

- 2.1 These Standing Orders, approved by the University's Audit Committee, provide a comprehensive and definitive manual of guidance for University staff and appointed consultants who become involved in the procurement of construction works or major services on behalf of the University.
- 2.2 The Standing Orders are mandatory, and must be strictly adhered to. If further explanation or clarification is required reference should be made to the Director of Finance or the Director of Estates and Facilities or their deputies. The Standing Orders are part of the University Financial Regulations and as such have the same status and force.
- 2.3 Every contract for construction and major services carried out by, or on behalf of the University, shall comply with these Standing Orders and with the University's Financial Regulations and shall normally be organised by Estates and Facilities. No exemption from their provisions shall be granted other than with the prior written approval of the Director of Estates and Facilities and the Director of Finance.
- 2.4 **Financial guidelines**
For works/services where the estimated value is less than £50k, formal tenders will not be required, but alternative quotations sought. For works where the estimated value is over £50k formal tenders will be required.

Value of contract (net of VAT)	Action
Estimated value of work up to £5k	Single source
Estimated value of work above £5k, but below £50k	At least two quotations
Estimated value of work above £50k, but below £250k	At least 3 tenders
Estimated value of work above £250k, but below the EU threshold	At least 4 tenders
Estimated value of work above the EU threshold	Public notice of contracts per EU guidelines

- 2.5 All quotations and tenders should be sought by Estates and Facilities with advice as required from the Head of Procurement. No other department of the University should undertake any expenditure on projects covered by these regulations without written authorisation from the Director of Estates and Facilities.
- 2.6 In certain circumstances, the Director of Estates and Facilities may authorise variations to the number of tenders required by this paragraph, having consulted the Head of Procurement or the Director of Finance.
- 2.7 At all times the persons undertaking the tender are responsible for checking the current levels of EU guidance.
- 2.8 A contract may be extended once, if valid reasons can be demonstrated, and only then with the authority of the Director of Estates and Facilities, having consulted the Head of Procurement or the Chief Operating Officer.
- 2.9 The University is not bound to accept the lowest tender, however value for money must be sought at all times in reviewing all contracts.
- 2.10 It shall be a condition of any arrangement between the University and persons (not being employees of the University) who are required to supervise a contract on its behalf, that they shall comply with the requirements of these Standing Orders as if an employee of the University.
- 2.11 All OJEU tendered or capital funded contracts must be recommended to CPPB for approval, or in certain circumstances authority may be delegated to the Chair of CPPB acting on the advice of the Director of Estates and Facilities and the Director of Finance.

- 2.12 In exceptional circumstances authority can be given to go to a single source for works/services. The reasons for this request must be clearly justified in writing, and will be authorised as follows:

Value of contract (net of VAT)	Action
Estimated value of work up to £50k	Director of Estates & Facilities
Estimated value of work above £50k, but below EU threshold	Director of Finance or Chief Operating Officer

The numbers of single source requests authorised will be reviewed on an annual basis.

3. Invitation to Tender

- 3.1 Every Invitation to Tender covered by these Standing Orders shall state:
- (a) that all tenders must be delivered in a sealed, plain envelope bearing the words “*Tender for*” and the title of the contract, but without any name or mark indicating the sender.
 - (b) That all tenders must be addressed to the Director of Estates and Facilities.
 - (c) That the University does not bind itself to accept the lowest tender price or, indeed, any Tender
 - (d) Where the supplier uses a courier to deliver the tender documents and the courier “s packaging displays the supplier’s details, the person taking receipt is to remove the courier “s outer packaging. If it is found that the tender documents are not placed inside a sealed plain envelope (as per (3.1(a)) the tender shall be invalid.
- 3.2 Tender envelopes shall remain unopened in the custody of the Director of Estates and Facilities, until the time appointed for their opening.

4. Receipt and Opening of Tenders

- 4.1 All tenders shall be opened together, (other than those specified in Standing Order 4.3) after the expiration of the time for tendering specified in the Invitation to Tender, by the Director of Estates and Facilities or his/her nominated deputies as appropriate. At least three people shall be present at the opening of any tender including a member of the Procurement Section of the Finance Department and, if possible, the person responsible for sending out the tender documents.
- 4.2 Each tender shall be serially numbered as it is opened, and the following details recorded:
- (a) the name and address of the company or person submitting the tender.
 - (b) the amount of the tender.
 - (c) any special conditions appertaining to the tender price, or other variations from the tender specification, which might render the bid invalid on a comparative basis with other tenders received.
 - (d) the names and signatures of the persons present and responsible for opening the tenders, and the date.
- 4.3 Any tenders received after the expiry of the stated deadline for tendering shall be returned to the tenderer, only being opened if necessary to obtain the name and address of the tenderer, or in conformity with Standing Order 4.4.

- 4.4 In the event of no tender received before the deadline being accepted, it shall be permissible - but only after the permission of the Chair of CPPB has been obtained - to consider any tenders received after the expiry of the tendering deadline and not previously opened.
- 4.5 In the event of the requisite number of tenders not having been received, with all reasonable steps having been taken to follow these standing orders, it shall be permissible for those tenders received to form the basis of judgement.
- 4.6 Once a successful tenderer has been notified and has signified their acceptance in writing, a letter shall be sent to the other tenderers who were considered to inform them that they were unsuccessful and listing the amounts of the bids received in ascending order, without the names of the other tenderers alongside.

The names of the other tenderers shall be disclosed in alphabetical order.

5. Acceptance of Tenders

- 5.1 The Director of Estates and Facilities shall be empowered to accept the lowest tender for works or services providing the tender is within that necessary to keep the cost of the project within the estimate approved by the appropriate Committee. Otherwise a report must be made to the CPPB.
- 5.2 Tenders, other than the lowest, can only be accepted where the tender is below the agreed budgetary estimate previously approved, or where value for money is clearly demonstrated. This must be approved by CPPB, or in cases of urgency, by its Chair.
- 5.3 For contracts worth more than £250,000 where tenders are above the budget, whether they are the lowest tender or not, the Director of Estates & Facilities has the authority to enter into the contract provided that the fund holder can confirm the additional funding, AND the contract is no more than the greater of 10% or £25,000 above budget. Otherwise, the contract must be referred to CPPB. For Capital Projects the fund holder will be CPPB.
- 5.4 For contracts worth less than £250,000 where tenders are above the budget, whether they are the lowest tender or not, the Director of Estates & Facilities has the authority to enter into the contract, provided that the fund holder can confirm the additional funding
- 5.5 Tenders accepted by the Chair under Standing Order 5.2 shall be reported to the next meeting of the CPPB.
- 5.6 The outcome of any OJEU tender must be reported to CPPB for their approval, before appointment.

6. Contracts to be in writing

- 6.1 Every contract shall be in writing.
- 6.2 Every contract shall be in a form approved by the Chief Operating Officer and shall either be:
- a) *Contracts over the EU threshold*: sealed with the Seal of the University,
 - b) *Contracts below the EU threshold*: signed on behalf of the University by the Director of Estates & Facilities, or such other person as he may authorise.

7. Sub-Contractors and Suppliers

- 7.1 For work packages to be procured by the Main Contractor, the main contractor will be expected to follow the principles set down in the University's standing orders.
- 7.2 Where the University wishes to nominate any sub-contractor or supplier, the process for letting this work should comply with the University's Standing Orders, herein. The terms of the invitation shall require an undertaking by the tenderers that, if selected, they will work to the requirements and obligations of the main contractor. The main contractor will retain responsibility in relation to the goods/services provided by the sub-contractor. The Director of Estates and Facilities shall nominate to the main contractor, the sub-contractor or supplier whose tender is successful under the provisions of this Standing Order.
- 7.3 As an alternative to the procedures in Standing Order 7.2 above, the Director of Estates and Facilities may specify a list of acceptable sub-contractors or suppliers to the main contractor for each relevant element of the work. The main contractor shall be expected to follow the same procedures set down in these standing orders when obtaining a tender price from the sub-contractors and shall be fully responsible to the University for the relevant sub-contract work and supplied items.