FE Corporate Governance & Accountability

Adelaide House
39-49 Adelaide Street
Belfast
BT2 8FD

Via email
Chair of Governing Body and Principal/Chief Executive

2 October 2018

Dear Chair/Principal

UPDATED MANAGEMENT STATEMENT/FINANCIAL MEMORANDUM

Background

1. The purpose of the MS/FM is to provide the Department with a clear framework of strategic control for each of the six colleges in their capacity as Departmental NDPBs. In particular, the framework covers the operations, financing, governance, accountability and control of the NDPB and the conditions under which any government funds are provided.

Changes

2. FE Corporate Governance and Accountability Branch has undertaken a review of the Management Statement/Financial Memorandum (MS/FM) which exists between FE Division and each of the six FE colleges. The MS/FM has been updated to ensure that it accurately reflects recent changes in the governance and accountability arrangements with Colleges, including the introduction of the new corporate business planning and funding model, and that it fully aligns with the Department of Finance (DoF) model template. The MS/FM appendices have also been reviewed and updated as required. For completeness, we have also refreshed the accompanying appendices, some of which have now been superseded due to the requirement for colleges to comply with Departmental Governance and Accountability Notices which are issued to all NDPBs on a regular basis.

3. For ease of review, we have documented all changes in a 'changes log' - see Annex A. As part of the review process, we also sought the views of FE College Finance Directors on the updated MS/FM.

4. It is important to stress that this revised MS/FM does not constitute extensive change for colleges. Rather, the document aligns the way the sector operates at present with the accountability and reporting requirements determined by DoF for NDPBs. It is based on the model document outlined in Managing Public Money NI. In order to provide you with information on the extent of the changes, the Department has produced a "change log" – see Annex A, which outlines the revisions from the current MS/FM (December 2016) to the new MS/FM.

5. The final draft of this new MS/FM has recently been approved by DoF and the Department would like to introduce this document with effect from 1 October 2018.

Please note that that the MS/FM should be tabled for the information of GB members, annually, at a full meeting of the GB. Additionally, amendments/updates made to the MS/FM should also be brought to the attention of the full GB on a timely basis.

6. I would be grateful if the College could arrange for a hard copy of the document to be signed by the Principal (as Accounting Officer) and returned to FE Corporate Governance & Accountability by cop 19th October.

Yours sincerely,

David Conliffe
FE Corporate Governance & Accountability

cc: College Finance Director
Beverley Harrison
Niall Murray
Mark Cardwell
Jackie Smith

Annex A

The majority of updates made to the Statement/Financial Memorandum (MS/FM) are to make it closer to the DoF model template.

SUMMARY OF MAIN CHANGES MADE TO DOCUMENT

General:-

PfG targets changed to PfG Outcomes
Reference made to Sector Corporate Plan

Management Statement Updates:-

1.1 This Document New paragraph inserted to clarify the role of the Department:-
The Department is responsible for ensuring that the college has adequate governance arrangements in place to ensure compliance with the requirements of the MS/FM.

1.4 Classification Further clarification on NDPB status and requirements for National Accounts provided as follows:-

For policy/administrative purposes, the college is classified as an executive non-departmental public body. This means that it is overseen by a Board which is appointed by the Minister and that it employs its own staff and is allocated its own budget.

Also, new paragraphs included, taken from DoF Model:-

For National Accounts purposes the college is classified within the central government sector.

References to the college include, where they exist, all its subsidiaries and joint ventures that are classified to the public sector for national accounts purposes. If such a subsidiary or joint venture is created, there shall be a document setting out the arrangements between it and the college.

2.2 Objectives and Key Targets Clarification provided on requirement for a CDP:-

Each college is required by the 1997 Order to prepare and implement a College Development Plan (CDP) which sets out its objectives, targets and performance measures and shall be consistent with the Departmental Corporate Plan and the Department's Programme for Government Commitments (Section 4 below).

The CDP shall be approved by the Department.

3.1 The Minister New paragraph inserted, from DoF Model, to include the following responsibility:-

Approving the college's strategic objectives and the policy and performance framework within which the college will operate (as set out in this Management Statement and Financial Memorandum and associated documents);

3.2 The Accounting Officer of the Department Paragraphs have been removed as this process is dealt with as part of the budgeting process:-

> In addition, the Departmental Accounting Officer may suspend the payment of grant, either in whole or in part and either permanently or temporarily, if in his/her opinion, it is appropriate and reasonable to do so in order to safeguard public funds.
>
> The Departmental Accounting Officer also reserves the right to vary the offer of grant or to withhold payment of grant in the event of a failure to observe the terms of this MS/FM. The Department may also require the repayment of sums paid, in whole or in part, if any conditions subject to which the sums were paid are not fully complied with.

3.4 The College's Governing Body Updated to outline requirements for both the Governing Body (GB) and Individual GB members as set out in DoF Model.

3.5 The Chairperson of the Governing Body Updated to include more detail on the Chairpersons leadership responsibilities as set out in DoF Model.

3.7 The Chief Executive's role as Consolidation Officer Paragraphs inserted to provide details of the role (new requirement) as set out in DoF Model.

4.1 The Sector Corporate Plan and The College Development Plan Paragraphs inserted to explain requirements as set out in DoF Model.

4.5 Internal Audit: Updated to provide more detail provided as per DoF Model.

4.6 Audit and Risk Committee Updated to include Departmental requirements per DoF Model.

6.1 General Updated to provide further guidance on College requirements as set out in DoF Model.

7.1 Reviewing the Role of the College Inserted as guidance on the role of the Department in reviewing an NDPB as per DoF Model.

<u>Financial Memorandum Updates:</u>

II. THE COLLEGE'S INCOME AND EXPENDITURE - GENERAL

- **Procurement:** Clarification on procurement requirements as agreed with CPD.

III. THE COLLEGE'S INCOME

- **Grant-in-Aid:** Updated to take account of requirements as part of the new budgeting process.

IV. EXPENDITURE ON STAFF

- **Pensions; Redundancy/Compensation:** Updated to take account of latest requirements.

V. NON-STAFF EXPENDITURE

- **Public/Private Partnerships (or Private Finance Initiatives):** Following paragraph removed as no longer relevant:

  The college shall seek opportunities to enter into Public/Private Partnerships where this offers better value for money than conventional procurement.

VII. BUDGETING PROCEDURES

- **Setting the Annual Budget**: Wording updated to further reflect DoF Model

<u>Appendices Updates:</u>

Appendix A **End of Year Flexibility Scheme:** Removed as already embedded.

Appendix B **Governance Bulletin 5 – Approval of Losses Guidance and Delegated Limits Replaces Losses and Special Payments guidance:** Replaced with Delegated Limits for Losses and Special Payments. Note – delegated limits updated.

Appendix C **Procurement Notice 04/16:- Procurement Guidance Note 03/11 Award of Contracts without A Competition:** Removed – Departments provides separate guidance.

Appendix D **Procurement Guidance Note 04/12 Procurement Control Limits and Basis for Contract Awards:** Removed – Departments provides separate guidance.

Appendix E **Governance Bulletin No. 2:- Whistle blowing Guidance for Stakeholders External to the Department:** Removed – Departments provides separate guidance.

Appendix F **Updated Delegated Limits and link to Guidance:** Retained.

Appendix G **Consultancy Guidance:** Replaced with Consultancy Approvals Limits.

Appendix H **Procurement Guidance Note 01/13 - Integrating Social Considerations into Contracts:** Removed – Departments provides separate guidance.