

NORTH HERTFORDSHIRE COLLEGE

POLICY, PROCEDURES & GUIDANCE FOR FINANCE & ADMINISTRATION

(“Financial Regulations”)

Compliance with these regulations is mandatory for all staff. Failure to comply will lead to disciplinary review and may give rise to the dismissal of the staff member concerned.

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SECTION 1

INTRODUCTION AND GENERAL

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INTRODUCTION AND GENERAL

1. Introduction

- 1.1 North Hertfordshire College (The College) was formed in April 1991 by the merger of Stevenage and North Herts Colleges as part of the restructuring of Further Education within Hertfordshire.
- 1.2 A further education corporation, called North Hertfordshire College Further Education Corporation, was created on October 1992 under the Further and Higher Education Act 1992 with responsibility for running the affairs of the College from 1 April 1993.

2. General

- 2.1 The North Hertfordshire College Corporation has exempt charitable status and is governed by the provisions of:
 - a The Education Acts (as defined in section 578 of the Education Act 1996) and any subsequent Education Acts
 - b The Further and Higher Education Act 1992, as modified by the Learning & Skills Act 2000.
 - c The Instrument and Articles of the Corporation (Appendix A)
 - d The Learning & Skills Council (LSC) financial memorandum (Appendix B)
 - e The Standing Orders of North Hertfordshire College
 - f These Financial Regulations

In the event of any conflict between the above regulations, the latter regulations are subordinate to the earlier regulations e.g. (c) is subordinate to (b) which is subordinate to (a).

The College is accountable to the LSC through its Board of Governors (The Corporation) which has ultimate responsibility for the College's management and administration.

The LSC Financial Memorandum with the College sets out the terms and conditions on which grant is made. The Board of Governors is responsible for ensuring the conditions of grant are met. As part of this process, the College must adhere to the LSC audit code of practice which requires it to have sound systems of financial and management control. These financial regulations form part of this overall system of accountability.

3. Status of Financial Regulations

These Financial Regulations set out the College's policies relating to financial control and supersede all earlier issues. This document was approved by the Board of Governors on 16 December 2002. They apply to the College and all its subsidiary undertakings. A schedule of amendments, and the date each amendment was agreed by the Board of Governors, is given after the index.

As well as being subordinate to the Instruments of Governance referred to at 2.1, these financial regulations are subordinate to the LSC's Audit Code of Practice.

Compliance with these Financial Regulations is compulsory for all staff connected with the College. A breach of these regulations is a disciplinary matter which may lead to the dismissal of the staff concerned. It is the responsibility of all Line Managers to ensure that their staff are made aware of the existence and content of the College's Financial Regulations and that they are posted on the College intranet.

The Finance and Property Committee may receive reports from the Clerk to the Governors, the Director of Resources, the College Auditors and members of the Senior Management Team on matters which may give rise to a review of these regulations. However it is the responsibility of the Finance and Property Committee for maintaining a continuous review of the Financial Regulations and advising the Board of Governors of any additions or changes necessary.

The College's detailed financial procedures set out precisely how the regulations will be implemented and are contained in separate manuals available in relevant departments, dealing with:

- HR & Payroll Procedures
- Student Records Office Procedures
- Finance Procedures
- IT Standard Operating Procedures

It is the responsibility of the Clerk to the Corporation to ensure that the Rules for Conduct of Corporation Business (contained in Standing Orders) and the Financial Regulations are kept in line with one another.

SECTION 2

DELEGATION, MONITORING AND VIREMENT ARRANGEMENTS

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DELEGATION, MONITORING AND VIREMENT ARRANGEMENTS

1. Responsibility for the Affairs of the College

1.1 The Corporation (Board of Governors)

The members of the Corporation (also known as the Board of Governors, Governing Body or Board) have the ultimate responsibility for the affairs of the College.

1.2 Responsibility of Governors

The financial responsibilities of the Board are:

- ensuring the solvency of the College and the safeguarding of the College assets.
- ensuring that the financial planning and other management controls , including controls against fraud and theft, applied by the College are appropriate and sufficient to safeguard public funds
- approving the appointment of External Auditors and an Internal Audit service
- securing the efficient, economical and effective management of all of the College resources and expenditure, capital assets and equipment and staff so that the investment of public funds in the college by the LSC is not put at risk
- ensuring that appropriate financial considerations are taken into account at all stages in reaching decisions and in their execution
- planning and conducting its financial and business affairs so that its total income is not less than sufficient, taking one year with another, to meet its total expenditure
- approving an annual budget before the beginning of the financial year

1.3 Committees of Governors

The Board of Governors has created the following Committees with delegated authority for the specific areas stated. Ultimate responsibility for these areas still remains with the Board of Governors.

Finance and Property Committee

The Finance and Property Committee undertake monitoring of the College's financial position and financial control systems. The committee will examine annual estimates and accounts and recommend their approval to the Board of Governors. It will ensure that short-term budgets are in line with agreed longer term plans and that they are followed. It will consider any other matters relevant to the financial duties of the Board of Governors and make recommendations accordingly. The committee will also ensure that the Board has adequate information to enable it to discharge its financial responsibilities.

This Committee undertakes consideration of the College's medium term and strategic plans. It is responsible for ensuring that all the financial implications of such plans are taken into account before their approval by the Board of Governors. In addition, it is responsible for considering the College's capital programme before it can be recommended to the Board of Governors for approval. Similarly, it considers and makes recommendations to the Board of Governors on the allocation of resources between academic and non-academic areas.

The composition and terms of reference of the Finance and Property Committee are set out in Appendix D.

Human Resources Committee

The preparation of a framework for pay and conditions of service for all staff (except senior post holders) is undertaken by the Human Resources Committee for approval by the Governors. Its responsibility for personnel issues includes the monitoring of staff expenditure against target by consideration of reports from the Senior Management Team.

The composition and terms of reference of the Human Resources Committee are set out at Appendix E.

Remuneration Committee

The Remuneration Committee is responsible for the preparation of a framework for pay and conditions of service of Holders of Senior Posts for approval by the Governors. It will advise the Corporation on the remuneration of the Senior Management Team (including Holders of Senior Posts) and other issues concerning their employment.

The composition and terms of reference of the Remuneration Committee are set out at Appendix F.

Audit Committee

Colleges are required by the Financial Memorandum with the LSC and by the LSC Audit Code of Practice to appoint an Audit Committee. The committee is independent, advisory and reports to the Governors. It has the right of access to obtain all the information it considers necessary and to consult directly with the internal and external auditors. The committee is responsible for identifying and approving appropriate performance measures for internal and external audit and for monitoring their performance. It must also satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness.

The composition and terms of reference of the Audit Committee are set out at Appendix G.

Search Committee

The Search Committee is responsible for keeping under review requirements for appointment or reappointment of governors and changes in the number and composition of the Governing Body and making recommendations thereon to the Corporation.

It also maintains oversight of Board Performance and Training.

The composition and terms of reference of the Search Committee are set out at Appendix H.

Curriculum and Quality Committee

The Curriculum and Quality Committee is responsible for setting targets for student

recruitment, retention and achievement, and for the overview of the Quality System which ensures their achievement.

The composition and terms of reference of the Curriculum and Quality Committee are set out at Appendix I.

Marketing & Business Development Committee

The Marketing & Business Development Committee is responsible for advising the Board on the development of the strategic plan and on college marketing and collaboration with other parties.

The composition and terms of reference of the Marketing & Business Development Committee are set out at Appendix J.

1.4 Management of College

The Board of Governors and Members of the Committees, being non-executive, cannot undertake the day-to-day management of the College and this has been delegated to the Principal, Senior Management Team (SMT) and the Clerk to the Corporation.

1.4.1 Clerk to the Corporation

The Clerk is appointed by the Board of Governors and is responsible for:

- Arranging meetings of the Board of Governors or Committee, maintaining a record of those meetings and decisions taken and for providing a certified copy to anyone requiring it.
- Maintaining a register of Governors interests and making this available for inspection by anyone requiring to do so.
- Advising the Board of Governors on all matters regarding their procedures and ensuring compliance with the statutory and LSC regulations and Codes of Practice.

1.4.2 The Principal and Chief Executive

The Principal (and Chief Executive) is the College's designated accounting officer and is responsible for the financial administration of the College's affairs. As the designated officer the Principal may be required to justify any of the College's financial matters to the Public Accounts Committee of the House of Commons.

1.4.3 The Director of Resources

Day to day financial administration is controlled by the Director of Resources. The Director of Resources is responsible to the Principal for:

- consolidating departmental annual capital and revenue budgets and financial plans and providing advice to departmental budget holders on their preparation
- preparing accounts, management information, monitoring and control of expenditure against budgets and all financial operations
- preparing the College's annual accounts and other financial statements and accounts which the College is required to submit to other authorities
- ensuring that the College maintains satisfactory financial systems and records

- providing professional advice on all matters relating to financial policies and procedures
- overseeing the work of the HR Manager, the Property Manager and the Director of CIS.

1.4.4 Other Members of SMT comprise:

Deputy Principal
Director of Teaching & Learning
Director of IT
Director of CIS

1.4.5 Budget Holders

Budget holders are responsible to the Principal and their Director for financial management in their own areas. The Director of Resources advises them in executing their financial duties.

Directors, together with budget holders, are responsible for establishing and maintaining clear lines of responsibility within their department for all financial matters.

2. Access to Information

In order to perform the responsibilities imposed above and also to comply with statutory provisions, access to the documents and records of the College shall be available to:

- a. Any Governor, Principal, Clerk to the Governors or Members of the SMT.
- b. Any properly appointed auditors whether internal or external.
- c. Any properly authorised official from the following external bodies:
 - i. Inland Revenue
 - ii. Customs and Excise
 - iii. Police
 - iv. LSC
 - v. Local LSC
 - vi. ESF
 - vii. British or European Courts
 - viii. DHSS
 - ix. Any other official or person authorised by the Governors.

3. Monitoring

3.1 Budgets

Budgets for Revenue and Capital Expenditure will be set (see section 4).

The Board of Governors only may approve revisions of the total budgets following recommendations from the Finance and Property Committee with the exception of capital expenditure supported by specific ("ring fenced") grant aid when SMT may approve and incur such expenditure and subsequently report it to Finance & Property Committee.

3.2 Virement

- 3.2.1 It is not the practice of the Governors to permit changes to the budget or virement between main account heads without the express approval of the Finance and Property Committee.

3.3 Management Information and Reporting

3.3.1 General Responsibilities

Each budget holder shall be responsible for ensuring that they achieve their budgets by staying within their budgeted expenditure levels and by achieving their income levels.

Members of the SMT shall be responsible for ensuring that their overall Responsibility Centre budgets are achieved by monitoring the performance of the Cost Centres within their Responsibility Centres. A Responsibility Centre comprises the aggregation of the Cost Centres under the control of the Principal, the Deputy Principal or a Director i.e. a member of SMT.

The overall responsibility for the achievement of the total College budget is the responsibility of the Principal.

3.3.2 Reporting

a Cost Centre Budget Holders

Cost Centre Budget Holders are provided by Central Finance with a Budget Summary of their Cost Centre on a monthly basis through their Responsibility Centre Director. A detailed Budget summary report showing detailed transactions is provided if requested. These reports compare budget with Income and Expenditure to date.

b SMT

Central Finance provides Income and Expenditure Accounts to each member of the SMT in respect of the Responsibility Centres for which they are responsible.

A complete set of these reports, including College Totals, is provided to the Principal, Deputy Principal and all Directors.

In addition each Responsibility Centre Director receives an Income and Expenditure printout comprising his Responsibility Centre providing a more detailed breakdown of information shown under each heading of the Income and Expenditure Reports.

The results are discussed at SMT and any remedial action required to correct variances is agreed.

c Finance and Property Committee

Each month the Finance and Property Committee receives an Income and Expenditure Report on the College overall performance measured against budget and also against the previous year, together with a commentary on the results from the Director of Resources.

The Committee will also receive:

- i Measurement of performance against Revenue and Capital Budgets.
 - ii Responsibility Centre Report of Variances.
 - iii Balance sheet as at the end of the month to which reports relate.
 - iv Cash Flow report comparing actual against Projections based on the budget.
 - v. Short Term cash flow forecast for the following 3 months.
 - vi. Long Term cash flow forecast to 31 July of the following Academic Year.
- d Governors
A quarterly report will be presented to the Governors from the Finance and Property Committee detailing the results of the previous quarter compared to budget and previous year, together with a commentary.

SECTION 3

PROCEDURES FOR ACCOUNTING, STATISTICAL INFORMATION, TAXATION, AUDIT AND RETENTION OF RECORDS

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PROCEDURES FOR ACCOUNTING, STATISTICAL INFORMATION, TAXATION, AUDIT AND RETENTION OF RECORDS

1. Accounting Procedures

- 1.1 Accounts will be prepared on an accruals and prepayments basis.
- 1.2 Accounts will be prepared on the historical cost basis of accounting and in accordance with applicable accounting standards.
- 1.3 Accounts will be prepared in the format required by the LSC and in accordance with the provisions of the Companies Act 1985.
- 1.4 The Director of Resources will be responsible for preparing year-end consolidated financial accounts for audit by the external auditors. He/she will draw up a timetable for their preparation which meets Corporation and LSC requirements and advise staff and external auditors accordingly.
- 1.5 The Accounts will be submitted to the Finance and Property Committee who will be responsible for recommending their final approval by the Board of Governors.
- 1.6 The Accounts will be reviewed by the Audit Committee only in the context of the audit management letters and internal audit reports, having particular regard to the Corporate Governance Statement on the System of Internal Financial Control and the Statement of Responsibilities of the Members of the Corporation.

2. Statistical Information

- 2.1 Other returns and statistical information may be required from time to time by funding agencies. Completion for such returns will be the responsibility of: -
 - a. For Strategic Planning Returns: - Deputy Principal
 - b. For Budgets, Financial and Cash Forecasts: - Director of Resources
 - c. For Student Numbers and Other Student Information: - Director of CIS

Following completion, returns, if so required by the body to whom the return is made, shall be authorised for submission to the bodies by the appropriate Committee and the Governing Body; otherwise such returns shall be reported to the appropriate committee and the Governing Body

3. Taxation

The Director of Resources is responsible for advising Heads of Departments and Budget Holders in the light of guidance issued by the appropriate bodies and relevant legislation as it applies, on all taxation issues. Therefore the Director of Resources will issue instructions to departments on compliance with statutory requirements including those concerning VAT, PAYE, National Insurance, corporation tax and import duty.

The Director of Resources is responsible for maintaining the College's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

4. Audit

4.1 Audit Requirements

4.1.1 The audit requirements of the College are set out in the LSC Audit Code of Practice (Appendix K) and supplemented by the Guidance for Audit Committees on the Audit of Individualised Student Records (ISR) Data and Final Funding Unit Claims at Colleges of Further Education.

4.1.2 Internal auditors, external auditors and ISR auditors shall have authority to:

- access College premises at reasonable times
- access all assets, records, documents and correspondence relating to any financial and other transactions of the College or of any subsidiary or associate of the College
- require and receive such explanations as are necessary concerning any matter under examination
- require any employee of the college to account for cash, stores, or any other College property under his/her control
- access records belonging to third parties, such as contractors, when required.

4.2 Internal Audit

4.2.1 The Audit Committee shall be responsible for developing an internal audit procedure which may be carried out by outside appointees or by development of a specialist internal audit team. If an outside appointee, the internal auditor shall be appointed annually each year by the Board of Governors on the recommendation of Audit Committee. The Audit Committee shall consider and recommend to the Board of Governors each year an updated Strategic Plan and annual operating plan for Internal Audit

4.2.2 The Internal Auditors shall be independent from the Finance Function and have no line management responsibility within the College, reporting directly to the Audit Committee. The Internal Auditors shall have direct access to the Board of Governors, the Principal, and Chairman of Audit Committee and all staff of the College or of subsidiaries or associates.

4.2.3 The Financial Memorandum with the LSC requires that the College has an effective internal audit function. The main responsibility of internal audit is to provide the Board of Governors, the Principal and senior management with assurances on the adequacy of the internal control system.

4.2.4 The Internal Auditors shall be responsible for ensuring that the College acts in accordance with the provisions of the various regulations set out at paragraph 2.1 of the Introduction and General Paper of these Financial Regulations (Section 1).

4.2.5 The Internal Auditors shall also be responsible for reviewing the financial controls and procedures of the College and reporting whether or not they are being correctly followed and are adequate for their purpose. They should also recommend improvements to the controls and procedures if appropriate. The above includes the security and operation of the computer systems used by the College to record transactions.

4.2.6 The Internal Auditors shall report to the Audit Committee with a review of their

findings at least three times a year. In the event of the Internal Auditors wishing to report their findings more urgently they may convene a meeting of the Audit Committee which must meet within 14 days of such a request.

4.2.7 The Internal Auditor will follow the Guidance Note on the College Internal Audit Service set out in the LSC Audit Code of Practice. The Internal Auditor will also comply with the Auditing Practices Board's Auditing Guideline "Guidance for Internal Auditors".

4.3 External Audit

4.3.1 The Audit Committee shall appoint a firm of External Auditors in accordance with the procedures laid down by the LSC. The appointment will take place annually and is the responsibility of the Board of Governors who will be advised by Audit Committee.

4.3.2 The primary role of external audit is to report on the College's financial statements and to carry out such examination of the statements and underlying records and control systems as are necessary to reach their opinion on the statements and to report on the appropriate use of funds. Their duties will be in accordance with advice set out in the LSC audit code of practice and the Auditing Practices Board's auditing standards.

4.3.3 The External Auditors shall report to the audit committee with a review of their audit at least annually following the completion of the audit.

4.4 ISR Audit

4.4.1 The Department for Education & Skills requires the LSC to take responsibility for the external audit of ISR returns at colleges. The contract for this audit is let and managed centrally by the LSC. Appointments are subject to annual re-appointment by the LSC dependent on satisfactory performance of the contract.

4.4.2 The Local Learning & Skills Council (LLSC) is responsible for receiving and processing contractor's audit reports and management letters and briefing contractors about funding matters at colleges.

4.4.3 There is no direct contractual relationship between the College and the ISR auditor but the LSC requires its contractors to liaise with, and report by way of a management letter to the Audit Committee.

4.5 Other Auditors

4.5.1 The College may, from time to time, be subject to audit or investigation by external bodies such as LSC, National Audit Office, European Court of Auditors, HM Customs and Excise and the Inland Revenue. They have the same rights of access as the Internal, External and ISR auditors.

5. Retention of Records

5.1 Access

As set out in Section 2, Delegation, Monitoring and Virement, paragraph 2, all auditors shall have unrestricted access to all records, documents, minutes etc. of the College as they require.

5.2 Records

5.2.1 Financial Records

All records are to be kept by financial year for three years at a secure location (i.e. until July of the second year following).

Hard copy of the following are to be stored in College Financial Archive, Walsworth House at the end of three years:

- a) Nominal Ledger, Purchase Ledger, Sales Ledger
- b) Purchase Orders
- c) Purchase Invoices
- d) Sales Invoices
- e) Bank Statements
- f) Payroll Records
- g) Part-time Lecturer Contracts

These documents will be kept until the July of the sixth year following the relevant year.

Viz: Records for Financial year 97-98 - Kept locally until July 2000; archived until July 2004.

It shall be the responsibility of the Director of Resources to ensure the retention of the above.

5.2.2 Examination Results

All records are to be kept (by academic year) in a secure local location, until the July of the fifth year following the relevant year.

viz: Exam records 97-98 - Kept locally until July 2003.

5.2.3 Student Enrolment Cards

Hard copy is to be kept in the Student Records Office for two years only.

5.2.4 Student Record

Students Registration Records to be retained for five years either on hardware or in a backup form.

5.2.5 Registers

Registers are contemporary records. Every teacher is responsible for ensuring that they are kept properly and made available for audit during the period of their use. At the end of the course the cover details should be completed and forwarded to Student Records Office.

5.2.6 Corporation Meetings

All minutes of Corporation meetings and committee meetings are to be archived (in

the Corporation Archive at the Stevenage Centre) at the year-end, and retained until the July of the twentieth year following the relevant year.

Other Committees (Academic Board; Health & Safety Committee; College Council; Departmental Fora) - To be kept locally for three years.

5.2.7 Personnel Records

All personnel records are to be kept by Human Resources Office for seven years after termination of appointment (i.e. until July of the second year following).

5.2.8 Supervision of Archive

Records stored in Archives must be clearly labelled.

Keys to the Archives will be the responsibility of the appropriate Senior Manager.

The location and responsibility for College Archives is as follows:

Record	Retention Period	Location	Responsibility
Minutes of Corporation and Committees	Indefinite	Room122Stevenage	Clerk
Agenda Papers of Corporation and Committees	6 years	Room122Stevenage	Clerk
Finance Records incl. Payroll	6 years	Basement Walsworth House	Director of Resources
Personnel Records	7 years after termination	Hitchin	Director of Resources
Exam Records	5 years	Outbuilding Adjacent to Exams Office	Director of CIS
Student Enrolment Cards/Registers	2 years	W010/012/016/006 Walsworth House	Director of CIS
Student Registration Data	5 years	IT Dept	Director of CIS

SECTION 4

REVENUE AND CAPITAL BUDGET

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REVENUE AND CAPITAL BUDGET

1. Introduction

- 1.1 The Governing Body will establish the overall criteria by which the College is to achieve its financial planning and budget setting process in accordance with the Strategic Plan.
- 1.2 The Director of Resources is responsible for preparing annually a three-year Financial Plan for approval by the Governing Body on the recommendation of Finance and Property Committee and for preparing financial forecasts for submission to the LSC. The Financial Plan, including the financial objectives, should be consistent with the Strategic Plan and Accommodation Strategy approved by the Governing Body.
- 1.3 The Director of Resources is responsible for preparing the Annual Budget comprising a Revenue Budget and Capital Budget for consideration by Finance and Property Committee before submission to the Board of Governors. To enable proper consideration of all facts by the Governors the budget papers submitted to the Governors should include
 - a) Revenue Budgets
 - b) Capital Budgets
 - c) Cash Flow Projections based on a) and b)
 - d) Reconciliation between a), b) and c) above.
- 1.4 The Director of Resources must ensure that detailed budgets are prepared at cost centre level in order to support the resource allocation process and these are to be confirmed with budget holders as soon as possible following approval of the final budget by the Board of Governors.
- 1.5 The final budget will be presented by the Principal to the SMT before being presented to the Governors for their approval.
- 1.6 The budget will be built by individual cost centres using a mix of historical and zero based budgeting for expenditure. The individual cost centre budgets will then be consolidated to produce the total College budget.
- 1.7 Preliminary budgeting is essentially a process of establishing facts and realistic forecasts and formulating general axioms. (Some guidance on these is to be found at item 2 of the paper.) At its completion the College should have a 'feel' for the situation which will influence attitudes in establishing the draft budget. The prevailing attitude during preliminary budgeting should be analytical (in identifying sound criteria for activity), rigorous (towards unneeded or wasteful activities and expenditure), but open minded (towards new developments).
- 1.8 The preparation of draft budgets is a process of progressively firming up the preliminary budgets for each cost centre, by calculating money values, and by confirming their coherence. The retention of items at this stage must be judged against a more robust perception of what can be afforded.
- 1.9 Setting the Final budget is a process of trimming budget lines to reflect latest estimates of 'inflatons', and to achieve exactly a desired level of surplus or deficit according to criteria specified by the Governors.

2. Budget Setting

2.1 Budget Period

The budgets each year will be for a 12-month period from 1 August to 31 July.

2.2 Corporation Guidance

At their meetings around February each year the Finance and Property Committee will set the following guidelines:

- a) An overall surplus for planning purposes on continuing operations after depreciation of assets at valuation and before tax. The committee reserves the right to reset the target should any significant events occur before the completion of the budget setting process.
- b) Any volume change relating to LSC Recurrent Grant funding to achieve the required budget surplus and to conform to the strategic plan.
- c) Indication of capital equipment expenditure over the next three years necessary to achieve the strategic plan and budgeted programmes based on SMT recommendations.
- d) Indication of net capital expenditure over the next three years on properties (expenditure less proceeds of disposals) necessary to achieve the strategic plan and accommodation strategies based on SMT recommendations.

2.3 Budget Centres

SMT will agree at their meetings the financial targets to be achieved by Responsibility Centres the totals of which will conform to the target set by the Governors. These targets are also before any special factors that may arise during the detailed budget planning which may necessitate adjustments to individual areas which will be subsequently agreed by SMT.

The budgets for the Responsibility Centres are to be provided by the consolidation of the individual operating Cost Centres making up the respective Responsibility Centres.

2.4 Student Numbers

The Student number targets agreed with the Deputy Principal by the Director of Teaching and Learning will form the basis for funding and income calculations.

2.5 Budget Construction

Budgets must be constructed by the responsible Director or Deputy Principal in consultation with their departmental staff and where necessary from information provided by other departments.

Each budget must be constructed on a monthly basis aggregated to provide annual totals.

Each budget will commence with a list of the Income and Expenditure assumptions used in the computation of the budget.

In compiling budgets the following cross college inflators/deflators will be supplied by the

Director of Resources:

- a) Payroll cost increases for academic and support staff which are normally effective from 1 August.
- b) Incremental changes which occur for Academic and Support Staff who have completed 6 months service on 1 August.
- c) Increases for travel allowances which will be in line with the Inland Revenue limits.
- d) Rates and Water Rates.
- e) Gas and Electricity charges.
- f) Other expenditure headings.

The most important category of cost is salaries and wages. The curriculum offering will obviously impact on the wages and salary costs together with class sizes and lecturer hours. It is vital that each department considers carefully the likely costs of salaries and wages to provide staffing at the best possible ratios to generate the assumed income. The essence here is to build the staffing levels from the bottom up and then to determine whether the current staff levels are adequate and contain the right mix of skills. If too low, new staff need to be built into the budget and if too high redundancies need to be considered and the costs identified and built into the budget. It may well be that if the skill mix is wrong there maybe a need to consider both additional staffing and redundancies. Any such inclusions in the budget should be set out in the assumptions. This of course is where the performance indicators agreed by SMT become important. If there is a significant variance in the budget to the performance achieved in the past it is important that this is explained in the assumptions in order that the SMT and Corporation can be satisfied that the budgeted figures are capable of achievement.

Other costs of providing the offered curriculum need to be carefully considered and budgeted on a realistic basis, including inflation. The opportunity should also be taken to determine whether it is possible to reduce costs.

Following the approval of the Revenue Budget by the Board of Governors, the Principal is authorised to incur expenditure in accordance with the Financial Regulations.

2.6 Capital Expenditure Budget

- 2.6.1 Along with the Revenue Budget a Capital Budget is required. This should itemise both additions to and disposals of land and buildings and expenditure on equipment, furniture and fittings that departments deem will be necessary during the forthcoming budget period. In addition a broad outline of capital requirements thought to be needed in each of the following two years in order to meet the strategic plan should be produced.
- 2.6.2 The requests will be considered by the SMT. Once approved by this forum the Capital Expenditure budget is submitted to the Governors as part of the overall college budget.
- 2.6.3 Note that approval of the capital expenditure budget does not provide approval to purchase. It is purely an indication that the submission of a capital expenditure request to the appropriate body for an item in the budget is likely to be approved provided the College is achieving or beating its budgets and cash flow projections.

3. Budgets Timetable

- February - Finance and Property Committee recommend NHC Targets
- March - SMT Preliminary Discussion
 - a. Strategic Issues
 - b. Responsibility Centre built up by Cost Centre and Account Code
 - c. Agree Departmental Surplus/Deficits
 - d. Capital Expenditure - Requests/Prioritisation
 - e. Budget Briefing
- April-June - SMT Budget Meeting
- July - Final Budgets etc. submitted to Finance and Property Committee for consideration and recommendation to the Corporation (or reference back)
- July - Corporation Meeting - Budget submitted for consideration and recommendation to the Corporation (or reference back)

4. Budget Monitoring

Budget monitoring is undertaken by means of the reporting procedures set out in Section 2 Delegation, Monitoring and Virement Arrangements.

SECTION 5

HUMAN RESOURCES AND PAYROLL

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HUMAN RESOURCES AND PAYROLL

1 Human Resources Arrangements

- 1.1 The Director of Resources has overall responsibility for the Human Resources function within the College.
- 1.2 The Human Resources Manager is responsible for ensuring that the Human Resources Department is managed effectively and that the full range of Human Resource functions are carried out.
- 1.3 The Human Resources Department will ensure effective strategic planning for human resources, by assessing human resource needs in the light of organisational changes and demands as identified in the College strategic plan. The Human Resources Department will ensure that the College Human Resource Strategy is implemented and is continuously reviewed and updated.
- 1.4 The Human Resources Department is committed to implementing a culture of change, based on the business needs of the College.
- 1.5 The Human Resources Department will direct the implementation of policies approved by the Human Resources Committee of the Governors and procedures to maximise potential of staff by ensuring that posts needed to carry out the organisational aims are filled with people of the highest possible quality and experience.
- 1.6 The Human Resources Department will devise and implement staff training and development programmes based on the needs of the strategic plan, operational and development plans, the staff development plan and the professional needs and career objectives of the individual.
- 1.7 The Human Resources Department will provide guidance and advice on all personnel, HR and development matters including terms and conditions of service and remuneration.

2 Human Resources Systems

- 2.1 The Human Resources Department will be responsible for the development and implementation of systems and procedures to be used within the Department and by College managers for:

- Personnel records
- Establishment control
- Job Evaluation
- Recruitment and selection
- Security checks (including Criminal Records Bureau disclosures)
- Employee development
- Induction of new staff
- Pay grading structures
- Government pay initiatives
- Probationary reviews
- Staff Appraisal
- Absence recording and monitoring
- Occupational health service referrals
- Administering maternity leave, paternity leave and adoptive leave

- Administering parental leave
- Administering other leave arrangements
- Staff welfare
- Employee relations
- Collective and local bargaining
- Working with Employment Agencies who provide temporary staff
- Agency staff records
- Human Resource Information
- Legal Aspects of Employment
- Human Resource Policies and Procedures
- Monitoring Equal Opportunities
- Termination and Redundancies
- Exit and leavers
- Providing information required by Pension providers
- Providing information required by relevant bodies, such as the LSC

2.2.1 The Human Resources Department is responsible for ensuring that all procedures referred to in 2.1 above, together with any guidelines, will be contained in the Human Resources Guidelines and Procedures Manual. The Manual will be regularly updated and issued to College managers.

3 Human Resources Policies and Procedures

3.1 The Human Resources Department will ensure that HR Policies and Procedures are available to all staff including:

- Public Interest Disclosure Procedure
- Equal Opportunities Policy
- Disciplinary Procedure
- Grievance Procedure
- Capability Procedure
- Conduct and Capability Procedure for Probationary Employees
- Policy on Harassment in the Workplace
- Sick Leave and Sick Pay Policy
- Management of Occupational Stress Policy
- Maternity, Paternity and Adoption Policies
- Parental Leave Policy
- Special Leave Policy
- Policy for Relocation of Staff between Centres
- Code of Practice on Freedom of Speech
- Policy and Guidelines for Computer, E-mail and Internet Usage

3.2.1 The Human Resources Department will ensure that any amendments to the policies and procedures listed in 3.1 above are distributed to College staff and that any new policies which are developed, or become necessary due to changes in legislation, are made available to College staff.

3.2.2 The Human Resources Department will ensure that the application of the policies and procedures listed in 3.1 is consistent and will provide College managers with appropriate advice, guidance and training.

4. Health & Safety

4.1 The Corporation shall approve the College's Health & Safety Policy with the objective that all work is performed in the safest practicable manner, consistent with good

practice. The Health and Safety of all employees and all those likely to be affected by the Corporation's operations is the responsibility of the Principal.

- 4.2 The Director of Resources is responsible to the Principal for the implementation, monitoring and review of all matters affecting Health and Safety.
- 4.3 The Property Manager (in his capacity as Health & Safety Manager) will assist the Director of Resources on a day-to-day basis and he is authorised to obtain information and investigate working practices to ensure compliance with the Health and Safety requirements. He is authorised to require the immediate cessation of unsafe activities where he considers it necessary, subsequent to which he must make an immediate report to the Director of Resources.
- 4.4 The HR Manager is responsible for staff development and training in Health and Safety matters.

5. Payroll Arrangements

- 5.1 All appointments full time, part time, temporary, fixed term and casual will be made through Personnel on the authority of the Director of Resources or the HR Manager based on budgeted staff levels.
- 5.2 All College staff will be appointed to the salary scales approved by the Governing Body and in accordance with appropriate conditions of service. All letters of appointment or variations in conditions of service must be issued by the Director of Resources or HR Manager.
- 5.3 The Director of Resources or HR Manager are responsible for the maintenance of all personnel records and the provision of information to enable all salaries, wages, pensions and other emoluments to be paid. Payroll changes will be authorised by the Director of Resources or HR Manager before being notified to the Payroll section.
- 5.4 The Director of Resources is responsible for all payments of salaries and wages to all staff including payments for overtime or services rendered.
- 5.5 The Director of Resources is responsible for payments to non-employees and for informing the appropriate authorities of such payments. All casual and part-time employees will be included on the payroll.
- 5.6 Preparation of the payroll is undertaken in-house in the payroll section of the College. The processing of the payroll is contracted out to Centrefile.
- 5.7 The Director of Resources is responsible for keeping all records relating to payroll, including those of a statutory nature.
- 5.8 All payments must be made in accordance with the College's detailed payroll financial procedures and comply with Inland Revenue regulations.
- 5.9 An overview of Payroll Procedures is given at item 5. Detailed Payroll instructions are contained in the departmental manual.
- 5.10 Terms and conditions of Employment including arrangements regarding Superannuation Schemes, SSP, OSP, SMP, SPP, OMP, SAP Disciplinary Procedures, Gifts and Gratuities Receivable, are either included in the Staff

Handbook or with the HR Policies & Procedures which are available on the College intranet.

6. NHC Payroll Section Procedures

6.1 Overview

The College uses an external Payroll Bureau for processing the Payroll. The Payroll will be run monthly for all staff employed by the College. The normal pay date is the last working day of the month, but staff will be informed of any changes to these arrangements in advance.

There must be strict segregation of duties between staff who authorise payments (Personnel and Budget Holders) and staff who make payments (Payroll Section).

6.2 Suppliers of Payroll Data

Input to the Payroll must be authorised by the appropriate officer and sent to the Payroll Section for updating the computer system. Input may also be received from statutory authorities e.g. Inland Revenue and Court Orders. NHC providers of payroll information are informed in advance of the final date for receipt of changes.

6.3 Payroll Section Responsibility

- To ensure that all input is correctly authorised
- To input the information received accurately on to the computer system
- To check all input entered against the Trial Run report
- To check the calculation of payments and deductions, including statutory deductions, made by the computer by control totals and random sampling to ensure that the payroll rules are being correctly applied
- To maintain the integrity and confidentiality of the Payroll data.

6.4 Payroll Output to be produced will include:

- Payslips and P60's will be sent to staff
- Management information will be sent to the appropriate Director
- Schedules to support payment of deductions to third parties by Central Finance
- Statutory Annual return information and Control Totals to the Finance Manager
- The Finance Manager/Assistant Accountant will post journal entries and verify that amounts debited to the College's bank account agree with payroll totals.

7. Superannuation

7.1 The Governing Body is responsible for undertaking the role of employer in relation to appropriate pension arrangements for employees.

The Director of Resources is responsible for:

- * paying contributions to various authorised superannuation schemes
- * preparing the annual return to various superannuation schemes

7.2 Day to day superannuation matters are the responsibility of the HR Manager.

SECTION 6

PURCHASING & COMPETITIVE TENDERING

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- II Procedure for Cheque with Order
- III Instructions to Suppliers

PURCHASING & COMPETITIVE TENDERING

1. Introduction

The College, through the computerised accounting system, will maintain financial control over purchasing.

North Hertfordshire College is striving to promote a reduction in suppliers registered on the system. It aims to identify preferred suppliers for particular goods and services in exchange for placing North Hertfordshire College business with them.

All contracts should be negotiated by or in consultation with the Principal, Deputy Principal or Vice Principal. .

An employee of the North Hertfordshire College having a monetary interest in a contract, requisition for purchase or proposed payment should disclose the fact and state the nature of his/her interest to the Clerk to the Governors at the earliest opportunity.

Unsolicited goods, vouchers or payments received from suppliers or their agents as a result of an official order being placed, belong to the College and not to the person placing the order.

Suppliers are required to send their invoices to the Central Finance Office where the authorisation procedure is followed. (See Appendix I).

The cost centre budget holder is responsible for ensuring that goods have been received or services performed satisfactorily and that prices are in accordance with the contract or order. The cost centre budget holder may delegate this task to another member of his/her staff within his/her cost centre provided it is for purchases not exceeding his/her own authorisation limit and such delegation has the prior approval of the relevant SMT member. The member of staff authorising payment must sign the Central Finance stamp on the invoice and return it to Central Finance without delay.

If there is any reason to stop/withhold payment, Central Finance must be informed immediately. The paperwork should be returned to Central Finance who will withhold payment until notified that the invoice is able to be paid.

Private purchases through College or cost centre channels are not permitted.

Payment to suppliers before goods have been delivered or services performed is allowed only in exceptional circumstances. This would normally be done by the use of a procurement card (See 2.6). If another form of payment is required follow the instruction within Appendix II.

Suppliers will be paid in accordance with the College's Payment and Conditions. (See Appendix III).

The Central Finance Office should be consulted at an early stage in the event of goods being subject to import or export, so that matters of duties payable, insurance etc., can be determined.

The College does not normally enter into Direct Debit or Standing Order arrangements. If this is required it will need the prior approval of the Vice Principal Finance and Estates. Purchase orders and the invoices will still be required.

2. Procedures

2.1 Legal and Professional Expenses

Litigation

Any litigation action (including Planning and Employment Appeals) initiated by the college (except for small debt recovery at County Court) requires the prior approval of the Chair of the Corporation, and shall be reported to the next meeting of the Finance & General Purposes Committee.

The cost of legal advice or assistance commissioned by the college in defence of litigation by other parties shall be reported to the next meeting of the Finance & General Purposes Committee.

If the cost of legal assistance in any matter of litigation is expected to exceed £5,000, or if any matter is transferred to the High Court, the Chair of the Corporation must be notified, and the matter reported to the next meeting of the Corporation, or to a Special Meeting of the Corporation, as the Chair may decide after consultation with Principal and Clerk.

Commercial Property Advice

The cost of legal and other consultancy fees in respect of property or other commercial transactions should be authorised as part of the overall authorisation for the project (by the Finance & General Purposes Committee or Corporation as required by procurement regulations)

Advice on Personnel issues or other matters

These costs (other than litigation costs referred to above) should be contained within normal budgets and subject to the normal budgetary controls

2.2 Requisitions

Small purchases can be made with suppliers by using the purchasing card issued to authorised card holders.

The College, through the computerised accounting system, will maintain financial control over purchasing.

Cost Centre Budget Holders must ensure a Requisition is completed and authorised for the supply of goods and services. The exception to this is for Financial and Legal Advisors as agreed by SMT.

The Requisition is completed on the Ultimas computer system and will only be sent through to Central Finance once duly authorised. Once authorised the order will be transferred automatically to the finance system which will generate an official North Hertfordshire College order. Central Finance is responsible for issuing the order based on the instruction of the Cost Centre Budget Holder.

2.3 Order Limits

All purchases and supplies of goods and services (excluding examination fees) must be supported by a purchase order. The exception to this is for Financial and Legal Advisors as agreed by SMT. The agreement for the supply of regularly recurring goods and services must be approved by SMT and will set out the arrangements for the approval of invoices raised against that purchase agreement.

In the case of examination fees incurred by the college, the Examination Board Registration Form (EBRF) will replace the purchase order requisition form and purchase order as the official purchasing documents of the college.

Exam entry forms will be authorised by individual course tutors and forwarded to Learner Records for processing and submission to the appropriate examination board.

Learner Records will sign and stamp each EBRF with a unique reference number (a separate sub-system) submit the original to the examination board, and despatch copies of the coded EBRF to the Finance Department and the appropriate Head of Centre.

The unique reference number will serve as the official purchase order number of the College, to be quoted on invoices received from the examining board.

All requisitions in excess of £2,000 must be signed by the Head of the Responsibility Centre.

All requisitions in excess of £4,000 must be signed by the Vice Principal Finance & Estates or the Principal.

All requisitions in excess of £6,000 must be signed by the Principal (or in his absence his nominated deputy).

All requisitions for items of Capital Expenditure with a value in excess of £1,000 must be authorised by the Vice Principal Finance & Estates. Such authority will only be given where prior approval for the purchase has been given as part of the Capital Expenditure Budget approved by the Board of Governors or for amounts not exceeding £50,000 where the Finance and General Purposes Committee have given specific prior approval. Amounts in excess of £50,000, not included in the Capital Expenditure Budget approved by the Board of Governors, require the specific prior approval of the Board of Governors.

The Vice Principal Finance & Estates must support each capital requisition brought to Finance and General Purposes Committee for approval with such appropriate information as may be necessary.

The Vice Principal Finance & Estates is responsible for providing regular statements concerning all capital expenditure to the Finance and General Purposes Committee for monitoring purposes.

2.4 Equipment Leases

Equipment leases are regarded as Capital Expenditure. The terms of all such leases with a value not exceeding £60,000 or £5,000 per month should be reviewed by the Clerk to the Governing Body for the Principal's decision. In excess of this value leases must receive the prior approval of the Finance and General Purposes Committee.

2.5 Criterion for the Award of a Contract

The college follows the European Directives on Public Sector Purchasing: Criteria for the award of contract. This requires that the criterion for the award of contract shall be either:

- a) the lowest price only
- or
- b) the most economically advantageous tender.

It is college policy to place contracts which represent the best overall value for money, which is not judged solely on the basis of the lowest initial cost. In all cases, therefore, the option at 'b' above will be used.

The criteria for the award of contract must be stated in the Contract Notice or in the contract documents in descending order of importance and only those criteria may be used at the evaluation of tender stage.

2.6 Procurement Card Purchases

Card purchases are to be carried out by the authorised card holder only. A Procurement Card Log is to be completed on a monthly basis. Each procurement card transaction should be recorded on the log and authorised by the card holder, this should be coded and reconciled to the statement issued by the card issuer on a monthly basis. The log should then be signed by the card holder.

The Procurement Card Log and reconciled statement should be authorised by the Principal in the case of members of the Senior Management Team (SMT). All other card holders must be authorised by their SMT member. The Principal's card should be authorised by the Chair of Governors on a monthly basis.

The authorised paperwork should then be returned to Central Finance for processing onto the computerised accounting system. Payment will be collected by direct debit.

If a card holder needs to make a capital purchase then the following procedure must be followed:

- Complete purchase order and capital requisition, attaching Asset Addition form (plus, depending upon the value, alternative quotes)
- Ensure all forms are signed by the budget holder and, if appropriate, their SMT member
- Forward completed and authorised forms to Vice Principal Finance & Estates
- Once authority is given by the Vice Principal Finance & Estates, permission will be sent by email informing that that the purchase may now go ahead
- Once purchase is made copies of the receipt MUST be sent to Vice Principal Finance & Estates for attaching to the order

2.7 On-going Professional Appointments

These appointments are normally made after interviewing a number of firms from a list approved by the relevant committee. The appointment may be made for a specific project, for a period of years (not more than 5), or indefinitely. (In this latter case the appointment should be reviewed by the appropriate committee after market testing)

- Solicitors (indefinite; F&GP Committee)
- Bankers (indefinite; F&GP Committee)
- Financial Statements Auditors (indefinite; Audit Committee)
- Internal Auditors (five years; Audit Committee)
- Property Advisors (project; PDMG Committee)
- Clerkship (two to four years; Remuneration Committee)

3. Competitive Quotations / Public Tender/ Compulsory Competitive Tender.

3.1 Definition

i. "Competitive quotation" means that:

invitations to quote are sent to three or more reputable organisations known to offer such products, with the exception of orders with an estimated value of less than £10,000 as detailed at 3.2.1. of this section; or

quotations are invited by public advertisement.

ii "Public Tender" means that:

invitations to tender are sent to at least six persons; or

invitations to tender are sent to at least six persons responding to a public advertisement. If less than six persons respond, invitations shall be sent to all; or

tenders are directly invited by public advertisement.

iii Compulsory Competitive Tender means the procedure to advertise contracts above certain values throughout Europe in accordance with European directives.

iv "Public advertisement" means:

at least 10 days notice being given in one or more suitable publications having regard to the size and nature of the contract, including local newspapers where appropriate, describing the contract and stating the latest time for response. Similar notice may also be sent direct to appropriate persons.

3.2 Value of orders requiring Competitive quotations or Public Tenders or Compulsory Competitive Tenders.

3.2.1 For orders with an estimated annual value in excess of £5,000 but less than £20,000 (£800 per month to £1,600 per month for recurring expenditure), budget holders should seek at least two Competitive quotations in writing.

These quotations may be provided via local or central government buying consortiums.

- 3.2.2 For orders with an estimated value of £20,000 or more but less than £100,000 (£1,600 - £8,000 per month for recurring expenditure) three Competitive quotations must be invited.

These quotations may be provided via local or central government buying consortiums.

N.B. This requirement may be waived:

In the case of orders up to £100,000, by the Principal on the grounds that:

- i) the product or service is available only from one source
- ii) the order is for repairs or improvement to a product or system, given to the original supplier
- iii) the product is proprietary and sold only at fixed prices
- iv) the product is required so urgently that there is no time to seek more than one quotation
- v) other (specified) special circumstances make it undesirable to seek alternative quotations.

In all cases where the requirement is waived this must be reported to the next Finance & General Purposes Committee, include reasons and be minuted.

- 3.2.3 For orders with an estimated value in excess of £100,000 per annum (£8,000 per month for recurring expenditure), Public Tenders must be sought and the requirements in respect of Receipt Custody and Acceptance must be adhered to. It may be of assistance to use County Supplies and Contract Services (contactable through the Head of Estates) who are retained by the College to assist in the preparation and execution of the Tender Process.

Alternatively, at least three quotations must be obtained via local or central government buying consortiums.

N.B. This requirement may be waived by the appropriate Finance and General Purposes Committee of the Board of Governors on the grounds that:

- i) the product or service is only available from one source.
- ii) the order is for repairs or improvement to a product or system, given to the original supplier
- iii) the product is propriety and sold only at fixed prices
- iv) the product is required urgently and there is no time to seek more than one quotation
- v) other (specified) special circumstances make it undesirable to seek alternative quotations

In all cases where the requirement is waived, the necessary resolutions should include reasons and be minuted.

- 3.2.4. In each of the areas 3.2.1, 3.2.2 and 3.2.3. County Supplies and Contract Services could be asked to quote, tender etc. as they offer a wide variety of goods at competitive prices.

- 3.2.5. In certain situations it will be necessary for the College to comply with the European requirements Compulsory Competitive Tendering. The directives require that certain contracts have to be tendered throughout Europe if they exceed certain values. These values are reviewed every two years and are prescribed in Euros but the current sterling values, following their last revision with effect from 1 January 2002, are indicated below:

**EC CONTRACT THRESHOLD VALUES
NEW THRESHOLD VALUES EFFECTIVE FROM JANUARY 2008**

THRESHOLDS - PUBLIC SECTOR: APPLICABLE FROM JANUARY 2008			
PUBLIC SECTOR	SUPPLIES	SERVICES	WORKS
Public sector contracting authorities	£139,893 (Euro 206,000)	£139,893 (Euro 206,000)	£3,497,313 (Euro 5,150,000)

The splitting or undervaluing of contracts in order to avoid the requirements of the Directives is specifically prohibited. (Thresholds are net of VAT).

The Governors may not waive any of the terms of this heading. Should any of the SMT believe that they may be placing a contract which falls within these regulations they are advised to contact County Supplies and Contract Services (through the Head of Estates) who are retained by the College to assist with all Tendering processes. County Supplies and Contract Services will assist in producing the Tender, ensuring correct advertisements are placed in European Journals etc., that correct times scales for responses are adhered to and deal with all matters related to the receipt, custody, acceptance and rejection of the tenders.

If purchasing through a local or central government buying consortium the College will obtain confirmation that the Consortium has complied with European requirements for Competitive Tendering.

3.3 Receipt, Custody and Acceptance of Tenders

Offers shall be returned to the Vice Principal Finance & Estates or County Supplies and Contract Services in a plain sealed envelope which has been securely sealed and bears the words "Tender" followed by the product or service to which it relates. Envelopes shall be kept in safe custody until the time appointed for opening.

Offers shall be opened and details recorded on a pre-prepared schedule at one time by the Vice Principal Finance & Estates or County Supplies and Contract Services together with one other member of staff or a nominated external advisor approved by the Principal.

- i. No offer received after offers have been opened shall be considered. An offer received after the time fixed for receipt but before other offers have been opened shall be considered provided there is evidence that it was posted or despatched early enough to be received in due time by the normal course of post or despatch. Any offer rejected for late delivery shall be immediately returned to the sender and no details of such offer shall be recorded or disclosed.
- ii. If an error in an offer is discovered, the offerer shall be given the opportunity of confirming or withdrawing the offer.
- iii. If a reply is not received from any of those invited to tender or is returned as

rejected, this fact shall be recorded on the schedule.

On completion of the tender opening, the Vice Principal Finance & Estates or County Supplies and Contract Services or External Advisor together with the other member of staff present shall both sign and date the schedule. The tender recording sheet shall be sent to the Head of Estates in all cases who will file this in a central register of tenders maintained by the Estates Office.

The contract will be awarded to the tenderer submitting the most economically advantageous tender unless information has been received in the period between despatch of invitation to tender and the tender opening which would, if known at the time invitations were despatched, have disqualified the tenderer from being invited to tender. The reasons for accepting the chosen tender shall be noted on the schedule for this decision. Where the tender evaluation is carried out by an external advisor and results in a recommendation to appoint a party with whom that advisor has some form of relationship, a second independent evaluation should be conducted to confirm the appointment.

PURCHASE INVOICES

Authorisation procedure of invoices for goods ordered and received.

1. All invoices will be received at the Central Finance Office. After the invoices are registered by finance onto the system, the invoices will be sent to the appropriate department for authorisation by the budget holder.
2. Upon receipt of the invoice, the invoice should be checked against the purchase order or a purchase agreement for the supply of regularly recurring goods and services as approved by SMT to ensure that all goods or services have been received and that prices are correct. If the invoice is complete and correct the authorisation box should be signed.
3. The other boxes stamped on the front or reverse of the invoices should be completed.
4. After authorisation the invoice should be returned to Central Finance for payment.
5. The Director of Resources shall maintain a register of authorised signatories. Any changes to the authorities to sign must be notified to the Vice Principal Finance & Estates immediately. Budget holders must supply the Vice Principal Finance & Estates with specimen signatures of those authorised to certify invoices for payment.

APPENDIX II

PROCEDURE FOR CHEQUE WITH ORDER

In certain circumstances some suppliers request a cheque with order if the item ordered is a one-off supply or minimal order value.

If this occasion arises the following procedures must be followed:

- Approval must be obtained from either the Head of Finance, Deputy Head of Finance or Senior Finance Officer and the supplier should be contacted and a proforma invoice requested for the goods that are being ordered.
- On receipt of the invoice or proforma a purchase order requisition must be completed and the invoice attached to the requisition.
- The requisition plus invoice should then be passed to the Senior Finance Officer and the cheque will be processed and sent to the supplier.
- When goods are delivered or services performed against proforma invoice and a paid invoice is received subsequently it must be passed to the Centre Finance Officer to complete the documentation.

INSTRUCTIONS TO SUPPLIERS

- 1a. Orders for NHC account should only be accepted if they are made on official NHC order forms and authorised by a finance office stamp and signed by the Purchase Office Supervisor. The exception to this is for Financial and Legal Advisors as agreed by SMT.
- 1b. In the case of certain food or other perishable or time sensitive supplies you may accept telephone orders from a named college contact(s) against a previously issued standing order instruction. The standing order instruction number and name of contact should be stated on all invoices.

The standing order will be in the same form and require authorisation, as in para 1a above. It will name the college contacts and the period covered.

Standing orders will normally only be valid for up to three calendar months, and to a limited maximum value.

2. Most orders will contain the delivery address of one of our centres.

Delivery may be made by post, or by delivery service between 9.00a.m. and 4.30p.m. on Monday to Friday to the College stores accessed via contact with the college reception desk. In a small number of cases orders will be for delivery to one of our smaller centres, and will be marked **for postal delivery only**. In these cases we shall be willing to pay any agreed costs which you have notified to us.

3. All deliveries not made by post should be acknowledged by college caretaking staff with an official college stamp.
4. In a large organisation, spread over the whole of North Hertfordshire, checking invoices for payment can be difficult. However, providing that the invoice is sent to Central Finance office at Hitchin we will guarantee to issue a cheque or officially query the account as follows: -

Invoice received between the 1st and 31st of any month and for which goods have been received or services performed will be paid on the last day of the following month, unless other arrangements have been previously agreed with the Vice Principal Finance & Estates.

5. Provided the college makes payments within this schedule any prompt payment discounts will be claimed
6. Where part of any invoice is outstanding or queried by the college, payment will be made for the remainder of the invoice within the schedule set out above.

SECTION 7

REIMBURSEMENT OF EXPENSES

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Appendices:

- I Car mileage rate

REIMBURSEMENT OF EXPENSES

1. Introduction

The College will reimburse staff for authorised petty cash expenditure.

The College will reimburse staff for travel and subsistence costs at rates authorised by the SMT and submitted on pre-prepared expense claim forms. Governors may claim expenses at the same rates as staff.

2. UK Travel and Subsistence

2.1 Journeys must be authorised by the Director or budget holder. Public transport must be used on all appropriate occasions. Staff must maintain an official record of their journeys, showing full particulars of and the reason for each journey, including the names of passengers carried when claiming car mileage rate. Staff making the same journey on the same business should arrange to travel together.

2.2 Payments may only be made within these approved rates. The claims must be:

- For the reimbursement of actual expenditure incurred on college business and be in accordance with the rates set by the SMT.
- Full particulars and reason for incurring the expenditure must be shown.
- Accompanied by supporting vouchers for the cost of travel, accommodation, food and other items of expenditure.
- In respect of vehicles which are adequately insured where an owner's vehicle is being used for travel on college business.
- Subsistence expenses will only be paid where the employee is required to be away from their normal place of work.

All claims must be checked and authorised before reimbursement can be made. No one shall authorise reimbursement of his or her own expenses. Claims must be approved by an employee senior to the claimant.

Claims for reimbursement of travel and subsistence are made by staff on form A74. Conditions for claiming car mileage rate are attached as Appendix I.

The current rates are available from Central Finance or Centre Finance Offices.

3 Relocation of staff between centres

3.1 Where a decision has been made to relocate staff to other centres they should be consulted on an individual basis at the earliest opportunity. This consultation should be carried out by the Line Manager after liaising with the Personnel section about current policy and procedures. Obviously an individual's personal circumstances will be taken into consideration as part of any relocation process.

N.B. It should be noted, however, that where staff are relocated and subsequently obtain a promotion, relocation costs will no longer be paid with effect from the date of promotion. (in addition, promotions which include a move to another centre, will not qualify for the payment of relocation allowance)

3.2 Relocation Allowance

This payment is made to staff whose journey from home to a new centre is greater than their previous journey from home to their old centre. It does not have a minimum mileage limit but is paid through payroll and is subject to PAYE and NI. The payment of additional travelling expenses requires the approval of the Director of Resources.

The relocation amount is paid as an annual allowance with effect from the date of transfer. The annual allowance will be based solely on the excess travelling costs i.e. the additional travelling costs incurred by the individual using the current College rates. This is payable monthly in arrears with salary. The allowance is paid for three years on an annual decreasing basis*. The allowance is also reviewed annually (1 August). The allowance is only payable for permanent transfers of centre.

*The allowance will reduce to 66% in year two and 33% in year three.

Allowances will be reduced for long-term sickness or other absences of duration in excess of one month.

3.3 Procedure

1. The Line Manager will advise Personnel that it is intending to relocate a member of staff to another centre by completing form REL 1
2. Personnel will liaise with the individual to determine the amount of the allowance payable. This amount will be confirmed in writing to both the individual and the Line Manager.
3. Personnel will inform the Payroll Department via a copy of the confirmation letter. Personnel is responsible for entering the allowance on the system.
4. Personnel staff will monitor the annual adjustments to the allowance

4. Travel Overseas

(Note: The arrangements for travel overseas for staff accompanying students are set out in the Policy for Educational visits)

4.1 General

All staff travel overseas on college business requires the prior approval of the Principal in writing.

Travel overseas on college business of the Principal or any senior post holder requires the prior approval of the Chairman of Governors in writing.

Any overseas travel of a senior post holder or Governor on college business and the cost thereof shall be reported to the next Corporation meeting.

Wherever possible all travel and accommodation costs are to be invoiced to the College for payment, using the normal college procurement procedures

4.2 Mode of Transport

Overseas travel should be by the most advantageous and economic mode of travel available. Air travel will be by economy class unless the journey length makes it appropriate for the traveller to use club class or equivalent.

Exceptionally a member of staff, senior post holder or governor may use his or her own vehicle for travel overseas. The college will meet the direct costs of ferries/tunnel/tolls, and mileage at published college rates.

4.3 Accommodation and Subsistence

Direct costs of accommodation and subsistence (for which receipts are necessary) up to a maximum of £100 per day (unless otherwise approved by the Chair of Governors) will be reimbursed to staff, senior post holders or governors whilst overseas on college business. All expenses not associated with the business of the trip must be met by the traveller from their own resources.

5. Sundry Expenses Reimbursement ("Petty Cash")

Claims for the reimbursement of sundry expenses from petty cash are made on form FIN4. Payments from petty cash must be properly certified and will be limited to minor items of expenditure not exceeding £20 in any one case.

APPENDIX I

Car Mileage Rate

1. Staff requiring the use of motor vehicles for the efficient performance of their duties will be eligible to receive a mileage rate for the use of their cars on business only after being so authorised by the appropriate Director or budget holder.
2. The College does not make it a condition of employment that staff shall provide motor cars for official use unless there are valid reasons for this condition to apply. This will be included in job descriptions for recruitment purposes.
3. The College requires staff to carry official passengers without any additional payments.
4. Staff shall have included and maintain in their policy of insurance a clause indemnifying themselves for business use.
5. Form A74 should be completed following the steps detailed below and submitted to the Cost Centre Budget Holder for authorisation. The Centre Finance Officer then processes the payment.

Details that must be included: -

- i) Name and home address
- ii) Period of claim (From: + To:)
- iii) Enter all journeys and mileage showing full particulars and reason for each journey.
- iv) Mileage to be claimed from your workbase to destination - NOT FROM HOME TO DESTINATION.
- v) Enter details of car: Registration No/CC/make and details of Insurance Company (not Broker) then sign the form.

SECTION 8
STUDENT UNION

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12.0 Relationship with NHCFE Corporation Page 8.2

STUDENT UNION

The Student Union is now independent and the College has no direct responsibility for its activities.

APPENDIX I

Extract from the Student Union Constitution:

12.0 Relationship with the College

- 12.1 The College is not directly or indirectly responsible for the debts liabilities or obligations of the Union and the Executive for the time being is responsible for ensuring that the Union is able to meet its debts liabilities and obligations.
- 12.2 The College has no obligation to contribute to any winding up or dissolution of the Union
- 12.3 The Union shall state on all stationery, in all official communications, and, in all contracts that it is not legally a part of the North Hertfordshire College and that the College is not directly or indirectly responsible for its debts or liabilities.
- 12.4 Any funding provided by the College to the Union may be subject to such terms and conditions as the College may decide and may be subject to withdrawal or clawback if those conditions are not complied with.

SECTION 9

INCOME

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3.	Short Courses and Services Rendered	Page 9.2
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5.	Procedures for Collection of Income.....	Page 9.2

INCOME

1. General

- 1.1 The Director of Resources is responsible for ensuring that appropriate procedures are in operation to enable NHC to receive all income to which it is entitled. All receipt forms, invoice tickets or other official documents together with the relevant procedures for the invoicing, collection and banking of all income must have the approval of the Director of Resources.
- 1.2 The Director of Resources is responsible for ensuring that all grants notified by the LSC and other bodies are received and appropriately recorded in NHC's accounts. He/she is also responsible for ensuring that all claims for funds are made by the due date.
- 1.3 Levels of charges for services rendered, goods supplied and rents and lettings are determined by procedures approved by the SMT.
- 1.4 Authority to set fees tuition fees has been delegated to the SMT by the Governing Body.

Details of tuition fee tariffs will be notified to the Governing Body, normally as part of the budget.

Tuition fees are charged for:

- a) Higher Education funded via University of Hertfordshire
- b) Leisure Time Learning/Recreational Programmes
- c) LSC Funded Programmes
 - all FE leading to accreditation
 - all FE leading to a college certificate
 - part time HE leading to accreditation
 - some special needs provision which leads to progression to FE
 - Work Based Learning provision

Fee or other income may also be derived from:

- a) ESF Funded Programmes
- b) DFES Funded Programmes
- c) School Link Programmes.
- d) Programmes in partnership with another provider

2. Course Provision and Student Numbers

- 2.1 The planning and control of student numbers and course provision is the responsibility of the Principal who may delegate the day-to-day management of the process to the Deputy Principal.
- 2.2 The planning, registration, monitoring, control and reporting shall be carried out in accordance with the timetable of key events approved by the Principal annually each year at the commencement of the planning cycle.
- 2.3 Any departures from the timetable and variances between registrations and targets shall be reported to the Principal and the Governing Body advised accordingly at the

time the matter is first identified.

3. Short Courses and Services Rendered

A short course is any course that is run in under 20 hours. It will not normally attract any outside sources of funding.

Short courses are run and managed by the Business Development Unit. Any member of staff wishing to run a short course must refer it to the Assistant Director of Business Development.

Courses or conferences organised by members of staff must be costed and agreed with the Assistant Director of Business Development before any commitments are made. Provision must be made for charging both direct and indirect costs in accordance with the College's policy. All courses must be self-financing or surplus generating unless it is intended that a new course is to be launched as a loss leader. If that is the case, the reason for it must be specified and agreed by the Assistant Director of Business Development and the Principal.

The term "services rendered" includes testing and analysis of materials, components, processes and other laboratory services or the use of existing facilities in order to gain additional information.

The costing and pricing of such services must be in accordance with the College's costing and pricing procedures which are contained in the College's detailed financial procedures.

SMT will review the financial performance of short courses by means of the monthly variances arising on delegated budgets.

4. Other Income

Forms of other income may arise from sources such as:

- Restaurants
- Refectories
- Hair and Beauty Salons
- Crèches
- Sports Hall
- Educational Visits
- Room Hire and Lettings
- Rents, Receivable
- Exam Fees
- Donations/Sponsorships

5. Procedures for Collection of Income

5.1 General

Procedures for the main sources of income e.g. Restaurants, Refectories, Crèches, Hair and Beauty Salons are subject to the individual procedures which are in operation and it is the responsibility of the Heads of Centre controlling those operations to ensure that the procedures are followed.

5.2 Sales Invoicing

Sales invoices will be prepared centrally for all non cash fee enrolments (Firm to pay or students paying by instalments) and for lettings and sundry sales. (See also Section 11)

Preparation of Sales Invoices - Central

Sales invoice numbers use a system generated sequential number and are filed by reference to this number. Cancelled invoices are filed and cross-referenced with a credit note.

Student fee invoices are generated automatically as part of the enrolment process.

Invoices for other income are raised from a Short Course Generation Form or sales Invoice Requisition.

SECTION 10

EXTERNAL CONTRACTS

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EXTERNAL CONTRACTS

1. General

Where approaches are made to outside bodies for support for research projects or where contracts are undertaken on behalf of such bodies, it is the responsibility of the head of department to ensure that the financial implications have been appraised by the Director responsible for line management of the department.

A member of SMT is responsible for examining every formal application ensuring that the full cost is established after consultation with the Director of Resources.

The application must be approved by the Principal and the formal contract accepted by him on behalf of the College after approval of the terms by the Clerk to the Corporation.

2. Additional Payments to Staff

Any proposal which involves additional payments to members of staff should be supported by a schedule of names and values and must be approved by the Principal.

3. Private Consultancies and Other Paid Work

Unless otherwise stated in a member of staff's contract:

- Outside consultancies or other paid work may not be accepted without the consent of the Principal.
- Applications for permission to undertake work as a purely private activity must be submitted to the Principal, and include the following information:
 - the name of the member(s) of staff concerned
 - title of the project and a brief description of the work involved
 - the proposed start date and duration of the work
 - full details of any College resources required (for the calculation of the full economic cost)
 - an undertaking that the work will not interfere with the teaching and normal College duties of the member(s) of staff concerned.

Staff must not hold themselves out as acting on behalf of the College when undertaking personal consultancy work. For example staff undertaking personal consultancy work must not use college headed stationery. The college accepts no responsibility for work done or advice given in a personal capacity. Staff undertaking personal work, are reminded of the need to take out personal indemnity insurance.

4. Intellectual Property

All intellectual property, patents, copyrights or other rights or original work (invention) arising out of the normal course of employment or study, or whilst using college resources, are owned by the college unless otherwise agreed in writing by the Finance & Property Committee.

The Principal must be notified immediately in writing of any invention and discoveries made by staff in the course of their work, and will inform the Finance & Property Committee. The Finance and Property Committee is responsible for establishing procedures to deal with any intellectual property etc. accruing to the College from inventions and discoveries made by staff.

In the event of the College deciding to become involved in the commercial exploitation of inventions and research, the matter should then proceed in accordance with the intellectual property procedures approved by the Finance & Property Committee.

SECTION 11

CREDIT

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CREDIT

1. Introduction

Fees from students form part of NHC's income. They are payments in return for a service - in NHC's case this is for the provision of education, training and recreation. As such, they must be collected as promptly and efficiently as possible so that the service can be provided.

Fees are not voluntary contributions. They are the price at which NHC offers its service. Students who do not pay their fees must therefore be regarded as debtors, with the College acting as an unwilling creditor when students continue to attend classes for which they have not paid.

The three basic aims of the College's credit policy are:

- 1) to encourage enrolment and course completion for individual students, and to promote sales to corporate clients;
- 2) to obtain payment of fees and charges at the earliest appropriate moment;
- 3) to contain bad debt to within minimal limits.

The credit policy is designed to serve a positive function, not a negative one.

We wish to achieve maximum enrolment or other sales by extending credit whenever it is prudent to do so. It is not a "no risk" policy, nor is it an insensitive policy. At NHC the planned exception of students from obligation to pay fees - "Fee remission" - is given careful consideration outside the fee collection/administration process, but it provides an essential context for the operation of a firm credit management policy.

Nevertheless, there will always be individuals with outstanding debts who have difficulty in paying and the NHC credit management policy has to ensure that they are given assistance and consideration commensurate with the needs of themselves and the College.

The procedures set out in this document are designed to secure efficient, sensitive, professional credit control.

They need to be understood and must be consistently implemented by all concerned.

2. Credit Management

2.1 The Customer Base

Our credit management procedures recognise three separate groups of customers:

- 1) Individual students
- 2) Sponsors (overseas governments, Local Education Authorities or employers who undertake to be responsible for the individual student's fees)
- 3) Corporate clients (including Approved Training Organisations, Training & Enterprise Councils, Schools, Commercial or Industrial corporations); the

contract may be related to provision of education or for consultancy or other services.

2.2 The Credit Collection Process

2.2.1 Entitlement to Credit

All individual students not in default with existing fees, or who have not previously defaulted in fees are entitled to credit, as follows:

- a) All fees and charges may be paid by Visa or Access.
- b) All student fees, except those for overseas students, above the minimum level stipulated for that year may be discharged by the credit process.
- c) Overseas students must pay fees on enrolment unless the Principal/Director of Resources agrees to phased payment due to hardship.
- d) All charges for other services are normally payable in advance of the services being delivered.

Students whose debts are written off as bad will have this noted in the Student Record Systems. Any future attempt by the student to enrol will highlight the earlier default.

The application of these processes may be varied for individual students at the discretion of the Director of Resources or Principal.

2.2.2 Check on Credit worthiness

Checks on credit worthiness arise from 2.1.3 above; any student shown as a defaulter will be refused further credit. It is felt that no stricter policy is necessary in view of the general nature of the services we provide which are usually long term, so that even when credit is extended the obligation of services outlast the credit period.

2.2.3 Terms of Trade

All fees are the personal liability of the individual student and must be paid prior to the commencement of the course.

Where a sponsor (employer, parent, ATO, LEA) is willing to be responsible for payment of fees, an invoice will be sent on receipt of a written request.

Payment terms for invoiced fees are thirty days from date of invoice. If fees are not paid by the sponsor in this period then payment becomes the personal responsibility of the student.

All fees and charges can be paid by Access or Visa Credit Card and Delta and Switch Debit Cards.

On application, payment on separately invoiced instalments is acceptable from individual students on the basis set out in the current year's enrolment form.

Credit extended to sponsors is normally thirty days. Where the charge for fees is

more than £1,000 sponsors may pay in two instalments. Where the sponsor is liable for fees above £5,000 or is a Government department or Local Authority they may be permitted to pay fees termly in advance.

Credit extended to corporate clients is normally thirty days and other charges are due in advance

2.2.4 Dating and Issuing Invoices

Most invoices for fees will be dated thirty days before the commencement of the course, or if the time of invoicing is later than this, then the date should be the current date. Invoices for short courses etc. for corporate clients will be dated no later than the last date of the course.

2.2.5 Collection

All debts - which includes all fees paid under special remission, instalment or invoicing arrangements - are to be handled by the Central Finance Credit Controller at Hitchin.

The initial sales invoices are issued by the Student Records Department. (They are dated in accordance with the credit arrangements set out in the previous section).

The Credit Controller receives all payments and enters the details in the sales ledger.

2.2.6 The Credit Collection Process

Collection by Direct Debit will be administered by the Central Finance Office. A Direct Debit Mandate is to be fully completed by the Learner and held securely. The intention to collect monies by Direct Debit from the Learner/Company will be notified in writing at least 14 days before.

Collection of debts due by Direct Debit will be as per the instalment policy agreed at enrolment.

2.3 The Collection Stages

2.3.1 Stage 1

A reminder is sent by the credit controller after thirty days. (This letter asks the individual student or client to contact the credit control office if there is a financial problem, in which case the college will see if it can help).

Replies to such letters from individuals are sent to the Director of Teaching and Learning for consideration. The "clock is stopped" for ten days until a reply is received. If new terms are granted then the details are passed back to the sales invoice office; the original invoice is cancelled, and a new invoice sent.

Replies from corporate clients are reviewed by the controller, consulting if appropriate with the Accountant or Director of Resources. If relief is agreed then the details are passed back to the sales invoice office; the original invoice is cancelled and a new invoice sent.

This process is not repeated.

2.3.2 Stage 2

A second reminder is sent sixty days (plus the clock stopped period) after the invoice date, clearly indicating that the college intends to recover the debt, and will be using a collection agency to do so.

2.3.3 Stage 3

After ninety days the file is reviewed by the Credit Controller, Finance Manager or Director of Resources and one or more of the following options taken: -

- a) Passed to the appropriate Director of Studies with a recommendation that the student enrolment be cancelled.
- b) If in the view of Finance Manager /Director of Resources the debt is recoverable, but not likely to be paid voluntarily, the file will be passed to solicitors to consider court action.
- c) Any other appropriate action may be taken if authorised by the Principal or Director of Resources.
- d) Debts will be written off.

2.4 Debt Write Off

2.4.1 The Credit Controller is authorised at any stage to write off "debts" and invoices of up to £50 arising because of inaccurate computer entry or other administrative error, or when the client has attended less than 10% of the course.

2.4.2 Any other write-off of debts must be referred in writing by the Credit Controller to the Finance Manager and the following action taken

- a) debts up to £3,000 write-off of debt may be authorised by the Director of Resources
- b) debts up to £10,000 referred by the Director of Resources to the Principal who may authorise the write-off of debt
- c) debts in excess of £10,000 referred by the Director of Resources to the Finance and Property Committee who may authorise the write-off of debt.

2.4.3 A schedule of debts written off or provided against shall be submitted to the Finance and Property Committee annually.

2.5 Student Withdrawals (treatment of fees)

If students:

- a) enrol but do not commence their course; or
- b) start their course but subsequently withdraw from it,

the College shall seek to recover outstanding fees. The SMT may agree specific procedures to deal with debts outstanding from students who have withdrawn. If it is

determined that any debts should be written off, authorisation is required in accordance with the procedures and financial limits agreed by SMT.

SECTION 12

BANKING AND CASH MANAGEMENT ARRANGEMENTS

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BANKING AND CASH MANAGEMENT ARRANGEMENTS

1. Appointment of Bankers

- 1.1 The Governing body is responsible for the appointment of the College's bankers on the recommendation of Finance and Property Committee. The appointment shall be for a specified period of between three and five years after which consideration shall be given by Finance and Property Committee to competitively tendering the service.
- 1.2 Governors, through the Finance and Property Committee, will approve the opening and closing of all bank accounts and be advised of the closure of accounts.
- 1.3 Bank Mandates for the opening of bank accounts will be approved by the Finance and Property Committee and such Mandates will be signed by a Governor and the Clerk to the Governors.
- 1.4 The mandates will authorise the signatories to the accounts and the limits of their authority for all banking transactions.

2. Cash Flow

- 2.1 The College will prepare revenue and capital expenditure budgets for each fiscal period. A cash flow projection based on the budgets will be prepared and submitted to the Governors for approval with the budgets.
- 2.2 Upon approval of the cash flow projections by the Governors, the Director of Resources or College Finance Manager shall be authorised to negotiate with the College Bankers or other lending institution nominated by the Governors for the provision of any finance that the projections indicate may be required.
- 2.3 Any such negotiations and agreement of the provision of finance must be according to the terms that may be specified by the Governors and in accordance with any borrowing provisions contained in the Financial Memorandum.
- 2.4 Any surplus funds shall be invested in interest earning accounts. The Director of Resources or College Finance Manager shall have authority to deposit surplus funds through any deposit account including money market deposits which are with the bankers to the College or placed through Nat West Cash Management Service. Such funds must only be placed with a commercial bank or building society with an office in the UK having a minimum Group A Standard & Poor's credit rating.

Any other investment of funds may only be made with the prior approval of the Finance and Property Committee.

Any deposits made must also conform to any conditions specified in the Financial Memorandum.

- 2.5 The Finance and Property Committee shall, when considering the financial operating statements of the College, receive a report comparing actual cash flow with the projections. All major variances will be explained and any corrective action agreed with the Committee.

3. Bank Accounts

3.1 Main Bank Account

-Account Number: 61811491
-Administered by: National Westminster Bank plc
Hitchin Branch
12 High Street
Hitchin SG5 1BW Tel: 01462 454771
-Controlled by: NatWest
Milton Keynes & Northampton
Corporate Service Team
PO Box 333
Silbury House
300 Silbury Boulevard
Milton Keynes MK9 2ZF Tel: 0845 308 8969
-Signatories: **Any two of:** Principal
Deputy Principal
Director of Resources
Director
College Finance Manager

Except that for individual Cheques, BACS payments or other Payment orders in excess of £20,000 one of the two signatories must be either the Principal, Director of Resources or the Deputy Principal.

3.2 Local Imprest Bank Account

All at: National Westminster Bank plc
12 High Street
Hitchin SG5 1BW
NHC Hitchin Imprest A/c A/c Number 61811505
NHC Stevenage Imprest A/c A/c Number 61811513
-Signatories: Principal
Deputy Principal
Director of Resources
College Finance Manager
Director
Centre Finance Officer Hitchin
Centre Finance Officer Stevenage

Up to £300 - All cheques require two signatures one of which may be a Centre Finance Officer.

Over £300 - All cheques must have one signature from the Principal, Deputy Principal or Director of Resources and a second signature which is not from a Centre Finance Officer.

3.3 NHC Access Account

At: National Westminster Bank plc
12 High Street
Hitchin SG5 1BW
A/c Number 61835315
-Signatories: **Any two of:** Principal
Deputy Principal
Head of Learner Support Services
Director of Resources
Director

3.4 Investment Accounts

3.4.1 National Westminster Business Reserve A/c

A/c Number: 61815942
Controlled by: NatWest
Northern Home Counties Corporate Business Centre
Hitchin Office
Sterling House
Old Park Road
Hitchin SG5 2JR
Tel: 01462 455119
Signatories: As main A/c

3.4.2 Lloyds TSB Treasury Reserve A/c

A/c Number 02806427
Controlled by: Lloyds TSB Plc
2 George Row
Northampton NN1 1DJ
Signatories: **Any two of:** Principal
Deputy Principal
Director of Resources
Head of Finance

3.4.3 NHC Further Education Corporation - Security A/c

A/c Number 41710444
Administered by: National Westminster Bank plc
Hitchin Branch
12 High Street
Hitchin SG5 1BW
Tel: 01462 454771
Controlled by: NatWest
Northern Home Counties Corporate Business Centre
Hitchin Office
Sterling House
Old Park Road
Hitchin SG5 2JR
Tel: 01462 455119

Operation and signatories in accordance with the special mandate and instructions shown at Appendix 1 to this Section.

3.4.4 NHC Further Education Corporation - Construction A/c

A/c Number 41710436
Administered by: National Westminster Bank plc
Hitchin Branch
12 High Street
Hitchin SG5 1BW
Tel: 01462 454771
Controlled by: NatWest
Northern Home Counties Corporate Business Centre
Hitchin Office
Sterling House
Old Park Road
Hitchin SG5 2JR
Tel: 01462 455119

Operation and signatories in accordance with the special mandate and instructions shown at Appendix 1 to this Section.

3.5 NatWest Government Procurement Card Scheme

A/c Number 4715 0593 0102 9470
Administered by: National Westminster Bank
135 Bishopsgate
London
EC2M 3UR

Any 2 of the following signatories are required to issue a new card:

- Principal
- Deputy Principal
- Director of Resources

4. Cash Management Procedure

- 4.1 All monies received within departments from whatever source must be recorded by the department on a daily basis together with the form in which they were received.
- 4.2 Every sundry remittance or sum of money received by an officer on behalf of the College must be acknowledged by the issue of a formal receipt.
- 4.3 All monies received must be passed immediately to the Centre Finance Officers for banking.
- 4.4 Banking will be prepared daily by all Centre Finance Officers and Daily Banking Summaries completed and sent to Central Finance.
- 4.5 Collections will be banked by Centres at least once weekly. No deductions may be made from any cash collected prior to it being banked.
- 4.6 Cheques/Cash received at Central Finance will be logged by the Senior Finance Officer. Sales Ledger items will be passed to Sales Ledger Department for posting to Sales Ledger account. Other items received will be passed to the Senior Finance Officer for posting to the General Ledger.
- 4.7 Central Finance Receipts will be banked by the Centre Finance Office Supervisor daily.
- 4.8 Cleared Bank Balances will be obtained from the bank on a daily basis and will be received by the Finance Manager and decisions taken on transfers to deposit accounts or overnight investment on the money market.

In the event of any significant adverse cash flow variance against projections the Director of Resources will be notified immediately. Dependant on the situation decisions will then be taken on whether or not additional banking facilities may be required (over and above any prearranged facilities). If it is deemed that additional finance will probably be required, the Director of Resources will authorise the opening of bank negotiations.

- 4.9 Banking Negotiations will be conducted by the Director of Resources. It is expected that there will be two formal meetings per year. The first meeting will probably be at the end of each financial year following the approval of budgets and cash flow projections by the Governors to agree banking requirements for the forthcoming year. The second meeting is likely to be a progress review at the six-month period.

- 4.10 Negotiations for the provision of any necessary finance must comply with the terms contained in the Financial Memorandum and may not be concluded without the approval of the Finance and Property Committee.
- 4.11 No cheques or financial instruments made payable to the College shall be endorsed and credited to any account.
- 4.12 Personal or other cheques must not be cashed out of money received on behalf of the College.
- 4.13 The Director of Resources is responsible for ensuring that all bank accounts are subject to regular reconciliation and that large or unusual items are investigated as appropriate.

5. Petty Cash

- 5.1 Petty cash floats may be held within departments under the control of a named individual only on the authorisation of the Director of Resources.
- 5.2 The holder of the float shall be personally responsible for its safe custody. The Director of Resources shall determine the level of float.
- 5.3 Proper records of accounts must be kept for each float and reconciliation carried out on a regular basis.
- 5.4 Payments from petty cash must be properly certified and will be limited to minor items of expenditure not exceeding £20 in any one case. A list of signatures of officers authorised to certify claims shall be held and maintained by the Finance Office Supervisor.
- 5.5 No payments shall be made from petty cash imprests which could be paid through the normal creditor payments routine. Cash floats shall not be used for travel or subsistence expenditure.
- 5.6 No income received on behalf of the College may be paid into a petty cash float.
- 5.7 The Director of Resources shall ensure that regular independent checks on petty cash floats take place and that where a nominated officer leave the employment of the College, the petty cash imprest is properly handed over to his/her successor.

SECTION 13

INVENTORY & ASSET MANAGEMENT: EQUIPMENT

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INVENTORY & ASSET MANAGEMENT: EQUIPMENT

1. Definition

- 1.1 Capital expenditure on equipment is money spent on an item which is not immediately consumed but has a useful life in the business of over 12 months and has a value, including VAT, in excess of £1,000.

A capital equipment asset will include:

- a)
 - i) Any individual item with a purchase price exceeding £1,000.
 - ii) Any property improvements in excess of £5,000
 - iii) Any major IT Software System with a purchase price exceeding £5,000 and for which a SOUR (Statement of User Requirement) has been produced
- b) All items of permanent equipment with an individual purchase price of less than £1,000 but where a cumulative total of similar items would exceed £1,000.

In addition the following rules applied to the capitalisation of Inherited Equipment on incorporation. Many of these assets still appear in the Asset Register.

- Individual items or groups of items with a replacement cost of over £450.
 - Room furniture was valued by room. Depreciation is provided on the original value. Replacement items are charged to revenue. When the room is refurbished the original assets will be written out of the books and the new replacement furniture treated as an addition.
 - Small moveable items of equipment in specialist rooms (e.g. sewing machines) are treated in the same way as furniture for depreciation purposes.
- c) Small Trade Equipment (Loose Tools, Utensils, Glassware etc.) do not appear on the Asset Register. The total of these items is carried in the Balance Sheet at 66% of the valuation and with effect from 1999/2000 is depreciated at 25%. Replacements are treated as revenue items and charged to repairs and renewals.

All requisitions for Capital Expenditure must be authorised by the Director of Resources. Such authorisation will only be given where prior approval has been given for the purchase by:

- i) the Finance and Property Committee, either specifically through its approval of a Capital Expenditure budget which included the item or by subsequent specific approval; or
- ii) where the capital expenditure is supported by specific ("ring fenced") grant aid when SMT may approve and incur such expenditure and subsequently report it to Finance & Property Committee
- iii) the SMT or Principal if the cost is to be met from the annual contingency

allocation approved by the Finance and Property Committee as part of the Capital Expenditure budget.

Equipment Leases are regarded as Capital Expenditure. All such leases with a value exceeding £60,000 or £5,000 per month must receive the prior approval of the Finance and Property Committee.

The approvals given are for the maximum expenditure on the item/s and must not be exceeded. The Finance and Property Committee will receive reports at its meeting monitoring actual capital expenditure against budget.

2. Inventory

Each year an annual audit of the capital equipment will be undertaken against the details held on the Asset Register. Items with a cost of £15,000 or more will be verified annually and other items will be verified by way of sample spot checks carried out on a cyclical basis as determined by the Director of Resources. Each asset will be allocated an asset identification number which will allow it to be identified.

Cost centre budget holders are accountable for the capital equipment in their care and should take all reasonable measures to prevent loss.

In the event of loss the College Accountant should be informed as soon as possible.

If capital equipment is loaned to persons other than college users a dated receipt signed by the borrower must be obtained.

No capital equipment is to be removed from the College premises without the prior written permission of the appropriate Director with the exception of Lap Top Computers. Lap top computers will be held centrally by the Learning Resource Centres and IT department where the Cost Centre Budget Holders for these departments will be responsible for authorising their issue and / or maintaining a log of issues to and returns by staff.

Negotiation for the sale of the capital equipment, surplus to requirements, is the responsibility of the cost centre budget holder. The best price possible should be obtained. A disposal form must be completed. In the first instance capital items to be disposed of should be offered to other departments.

If an item of capital equipment is sold to an employee the seller should consult an independent advisor before agreeing a price. A disposal form must be completed.

Where capital equipment is kept beyond its expected life span, it will remain on the Asset Register for insurance purposes until the Finance Department is notified of its disposal.

3. Purpose of Asset Register

The Inventory / Asset Register of Capital Equipment is maintained to:

- i. Make proper provision for asset depreciation
- ii. Help calculate new capital investment requirements

- iii. Assess insurance risk provision based on current replacement values.

The term 'capital equipment asset' is intended to cover all equipment in North Hertfordshire College's possession, with the exception of plant and fixtures (lifts, boilers etc.) that would normally be provided as an integral part of the buildings. Items which are expected to last for less than one year should be treated as consumable revenue expenditure and not included in the inventory.

Equipment leases are regarded as capital items and must be approved in accordance with capital procedures. In addition leases must also be approved as set out in 2.3 of section 6.

4. Procedure

On purchase of a capital equipment asset an *Asset Addition form must be completed providing the following details (*with the exception of IT equipment which is detailed on a separate asset register kept by the IT department):

Reference Number	: To be allocated by Finance
Site	:
Cost Centre	:
**Room No.	: Room to which equipment belongs (*with the exception of furniture which is held by Site)
Description	: Brief details of equipment
Manufacturer/Supplier	: Model
Serial No.	:
Date of purchase	: Month & Year of purchase
Replacement Cost	: Purchase price for new equipment (inc. VAT) (full cost even if part exchange taken place)
Notional Age	: Actual age (or notional age if outside depreciation range)
Depreciation	: See 'Depreciation' Below
Comments	: Order/Invoice number (if available)
Part Exchange	: Asset ref. no. for asset being exchanged should be entered. In which case an asset disposal form should accompany this.

Notional Age

In the compiling of the Asset Register a lot of inherited equipment has been given a notional age and will be due for consideration of replacement when that life span is up. Notional age for new purposes is only relevant for second hand equipment.

Awareness of a spread of notional ages is important in order to balance the 'redemption date outlay' against the 'annual depreciation fund', so as to avoid having to call on the capital reserves.

Depreciation

All items will be depreciated at a given percentage depending on the type of equipment. Depreciation will not be provided in the year of purchase but will be charged in full in the year of disposal if not already fully depreciated.

- a) For long life equipment - designated plant (e.g. lathes etc.): 10% (i.e. over 10 years)

- b) For most heavy duty fixed equipment and furniture -designated Furniture, Fittings and Equipment (e.g. cookers, hand dryers): 15% (i.e. over 7 years)
- c) For all electrical equipment not falling into other ranges: 20% (i.e. over 5 years)
- d) For Computers: 33% (i.e. over 3 years)
- e) For most Electronic heavy use equipment used in teaching: 33% (i.e. over 3 years)
- f) For property improvements: over useful life normally 10% - 20% (i.e. between 10 and 5 years).

5. Sales or disposal of a capital equipment asset

On sale/disposal, an Asset Disposal form must be completed.

Asset Reference : Use the serial reference number allocated on the Asset Register to the equipment being disposed of.
Site :
Cost Centre :
Room No. :
Description of Item : For verification of the reference number include brief details of asset.
Serial No :
Date of Original Purchase:
Tick as applicable : Sold/scrapped/stolen/part exchanged, only one of these must be ticked.
If sold: : Enter details of sale proceeds
If Part Exchanged : Tick if applicable and attach an asset addition form.
Any Other Information:

This form should be signed by the Cost Centre Budget Holder and a Director as authority to remove the Asset from the register.

6. Transfer of Assets

By completion of an Asset Transfer form the Finance Department must be informed of changes relating to the site, room or cost centre for the asset concerned.

Note:

- 1. Furniture assets are held by site only and not by room.
- 2. Changes to IT asset locations are recorded directly onto the IT Register and do not require an Asset Transfer form.

7. Security

Heads of department are responsible for maintaining proper security at all times for all buildings, stock, stores, equipment, cash, etc. under his/her control. The Director of Resources should be consulted in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

Keys to safes or other similar secure areas are to be carried with the person at all times. The loss of such keys must be reported to the Director of Resources immediately.

SECTION 14

INVENTORY & ASSET MANAGEMENT: LAND & BUILDINGS

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INVENTORY & ASSET MANAGEMENT: LAND & BUILDINGS

1. Asset Register

A register of all assets of land and buildings held by NHC is maintained by the Director of Resources.

For each asset the register includes:

- Location
- Area (land)
- Floor area and number of floors (buildings)
- Brief abstract of title
- Lodgement of Title
- Rating valuation Reference
- Rating valuation
- Date of latest valuation
- Existing use valuation (depreciated to last annual balance sheet date)
- Depreciation rate

2. Deeds

All title deeds etc. are kept in the fireproof filing cabinet in Walsworth House, Hitchin Centre. Keys to this filing cabinet are kept by the Clerk and in the College safe.

3. Estates Management Policy

NHC Estates Management Policy (Corporation Finance and Property Committee, 15 February 1993) sets out the procedures by which Accommodation Strategy and Maintenance Investment Plan are reviewed.

4. Condition Details

Detailed Information on the condition of all buildings is held on computer.

Day to day management of the Estate is the responsibility of the Property Manager working to the Director of Resources.

5. Works & Authorisation

Authorisation for emergency repairs and minor routine maintenance is as for other requisitions, and given by the Facilities Manager from delegated budgets.

The authorisation of the Director of Resources or Property Manager is required (up to £2,500) for all other building works.

6. Property Acquisitions and Disposals

All acquisition or disposals of assets of land or buildings, or any alienation of leases of licences, or any grant of leases or licences, requires the consent of the Finance and Property Committee of NHC, and all such contracts will be sealed.

7. Procedures for the Control of Capital Projects in Excess of £500,000

7.1 General Guidelines

Proposed capital projects over £500,000 in value should be supported by:

- a statement which demonstrates the project's consistency with the strategic plans and accommodation strategy approved by the Corporation;
- an initial budget for the project for submission to the Finance and Property Committee. The budget should include a breakdown of costs including professional fees, VAT and funding sources;
- a financial evaluation of the plans together with their impact on revenue plus advice on the impact of alternative plans;
- an investment appraisal in an approved format which complies with LSC guidance on option and investment appraisal;
- an appraisal showing that the project meets, as a minimum, the requirement of a positive Net Present Value (NPV) based on a 6% rate of return, where the project relates to capital building works;
- a demonstration of compliance with normal tendering procedures and LSC regulations;
- a cash flow forecast.

A project checklist is provided by the Director of Resources as an aide memoir.

Selected capital projects will be subject to the performance review process.

All major capital building projects will be the subject of a post project investment appraisal.

7.2 Project Management

All capital investment projects involving expenditure greater than £500,000 should have a project management structure approved by the Finance and Property Committee prior to commencement.

The schedule approved by the Committee should include the following:

- the procedure for appointment of professional advisers;
- the terms of reference for professional advisers;
- the nomination of staff member responsible for the project;
- the level of delegated authority which specific staff members may exercise and an indication of when and to whom the more important matters should be referred;
- an indication of the frequency of reports, and who should make reports to the Finance and Property Committee, together with a report of the financial status of the project;
- how often a financial appraisal of the project will be given to the Finance and Property Committee.

The approval of expenditure should follow the procedure set out in these Financial Regulations.

7.3 Project Monitoring

To ensure that the particular financial requirements of a project are integrated, a capital building project will either be monitored by the Director of Resources, who will receive regular reports on the progress of the project or where the project is a major new construction or refurbishment, the project will be monitored through a Monitoring Group, a sub committee of the Finance and Property Committee.

The Monitoring Group will normally include Governors' representatives, the Principal, the Director of Resources and other persons appointed by the Governors. Meetings will be held on a monthly basis until the project has been fully implemented.

The Monitoring Group will receive monthly reports on the progress and cost of the project for submission to the Finance and Property Committee who will consider any action required and make any appropriate recommendations to the Board of Governors.

A review should be undertaken at the end of the project to include commentary on the performance of consultants/contractors, adherence to budgets or commentary on any areas of variance and whether or not the project has met its original objectives. The review should be documented and submitted to the Finance and Property Committee.

7.4 Compliance and Approval

Every contract made by or on behalf of the College shall comply with provisions contained in Section 6 of these Financial Regulations. No exceptions will be made from any of these provisions other than with the express approval of the Principal.

Before any order is placed, or contract entered into, the Director of Resources shall ensure that there is adequate financial provision for the work and the necessary LSC and Governors approvals have been received.

7.5 Appointment of Consultants

Appointment of Consultants will be subject to the guidance set out in the *LSC good practice guide "Professional Advice and Services"*.

7.6 Selection of Firms to Tender

The Director of Resources, taking advice from any project consultants shall determine selection of firms from whom tenders are to be sought. Where the estimated value of the contract exceeds the limit determined by the EU, the tender procedures shall comply with the current EU Works Directives.

7.7 Tender Procedures

Where invitations to tender have been issued, the Director of Resources shall give the Finance and Property Committee a contract schedule stating the title of the tender, and the names of the persons or companies invited to tender.

The invitation to tender must be accompanied by comprehensive and clearly written specifications. They must contain a date and time beyond which tenders will not be accepted.

Tenders shall only be accepted in writing.

The invitation to tender should include a request that a nil return be made should the tenderer not wish to proceed.

7.8 Return of Tenders

All returned tenders shall be dealt with in accordance with paragraph 3.3 of Section 6 of these Financial Regulations.

7.9 Acceptance of Tenders

The Principal may recommend the acceptance of the lowest tender, provided that the costs can be contained within the approved budgetary provision.

The acceptance of other than the lowest tender may only be made if approved by the Finance and Property Committee or the designated tender evaluation panel, provided the cost falls within the approved budgetary provision.

The College is not obliged to accept any tender, however, reasons for non-acceptance shall be recorded by the Director of Resources.

A tender evaluation report detailing all submissions and confirmation of the accepted tender should be submitted to the Finance and Property Committee.

7.10 Form of Contract

All contracts shall be in writing. Contracts shall only be signed in accordance with the delegated financial authorities.

All contracts exceeding £100,000 in value shall be signed under seal. The Clerk shall maintain a record of all contracts under seal.

A clause shall be inserted in all contracts to require that, where appropriate, British Standard Specification, International Standard Specification, or similar national standards of other EU member states have been used, provided that they meet the British equivalent current at the date of tender. All goods and materials supplied or used and all workmanship shall be in accordance with that standard or such higher standard as may be specified.

Where suppliers submit their own form of contract for signature, the contract shall be referred to the Clerk, who will advise the Principal that the terms and conditions are acceptable before they are formally signed on behalf of the College.

At the discretion of the Director of Resources, contracts may in the first instance be referred to the College's solicitors for approval.

7.11 Assignment and Sub-letting

Each contract shall provide that a contractor shall not assign or sub-let a contract or any part of the contract without the written consent of the Principal or the Chair of Finance and Property Committee.

7.12 Nominated Sub-Contractors

Where a sub-contractor or supplier is to be nominated to a main contractor, competitive tenders shall be invited and the contract and tender procedures contained herein shall apply as if the tenders were for a contract with the College.

7.13 Performance Bond

If, after discussion with the Principal, it is considered necessary to take security for the due performance of a contract or for any advance payments to be made under the contract, the Director of Resources shall arrange for the incorporation of such security into the contract.

7.14 Liquidated Damages

Every contract which exceeds £500,000 in value shall provide for liquidated damages in the event of the whole or part of the works not being completed within the time prescribed in the contract document.

When the completion of the contract is delayed, it shall be the duty of the Director of Resources to consider, with the Principal, whether any action regarding deduction of liquidated or other damages should be provided.

7.15 Gifts and Inducements

A clause shall be inserted in every contract empowering the College to cancel a contract and to recover from the contractor the amount of any loss resulting from such cancellation if the contractor shall have offered, or given, or agreed to give to any person, any gift or consideration of any kind as an inducement or reward for doing any action in relation to obtaining or execution of the contract with the College, or for showing or appearing to show favour or disfavour to any person in relation to the contract or any other contract with the College, or having committed any offence under the Prevention of Corruption Acts 1889 and 1916.

Business gifts, other than items of very small intrinsic value such as business diaries or calendars, should not be accepted. Modest hospitality may be accepted, provided that prior approval has been received from the Principal, or in the case of the Principal, the Chair of the Board. However, no member of staff should allow themselves to reach a position whereby he/she might be deemed by others to have been influenced in making a business decision as a consequence of accepting such hospitality. As a guideline, the frequency and scale of hospitality accepted should not be significantly greater than the College would be likely to provide in return. Where it is not easy to decide between what is and is not acceptable in terms of gifts and hospitality, the offer should be declined.

7.16 Contracts Register

The Director of Resources shall arrange for the maintenance of a register recording amounts due and payments made in respect of every contract for the execution of works, which provides for payment to be made by instalments.

7.17 Interim Certificates

All payments on account shall be made on a certificate signed by the project nominated officer or consultant named in the contract document. The certificates

shall show the total value of the contract, authorised variations, the estimated value of work executed to date, amount certified to date, the amount now certified and the value of retention money. The Director of Resources shall check such certificates as to completeness, reasonableness and accordance with approved budgets, adding his authorisation before passing the account for payment.

7.18 Extensions and Variations

All extensions, additions or variations to a contract of 5% of the authorised total project budget or £10,000 whichever is the smaller, shall be issued by the nominated project officer named in the contract using the appropriate variations order/architects' instructions procedure for that type of contract. Extensions, additions or variations above this amount must be reported to and approved by the Board at the earliest opportunity. All such instructions must be in writing and shall show the estimated cost of carrying out the work. To avoid unnecessary delays in the execution of works verbal acceptance of the extension, variations or additions may be granted by the nominated project officer provided that subsequent written instructions are received. The Director of Resources shall be responsible for ensuring that the financial effect of all variation orders and architects' instructions are notified to the Finance and Property Committee and that compliance with the overall budget is monitored.

7.19 Claims

Claims by contractors or any other party are to be notified to the Principal without delay.

7.20 Final Accounts

On completion of a contract, the responsible officer shall forward the final account, together with any supporting information, to the Director of Resources. Such information shall be provided in sufficient time to permit a final audit to be carried out, where this is deemed necessary, prior to the due date of the final certificate. The final account will be made available by the Director of Resources for review by the Internal Auditors, and they shall be entitled to make all such enquiries and receive such information and explanations as they may require, in order to satisfy themselves as to the accuracy of the accounts.

7.21 Security of Documents

All contracts and supporting documents shall be kept securely by the Director of Resources.

Documentation relating to unsuccessful tenders shall be kept by the Director of Resources until the project has been completed and the final account audited.

7.22 Insurance

The Director of Resources shall ensure that all contracts effect adequate public liability insurance and that the contract works have been adequately insured against all risks in accordance with the requirements of the appropriate form of contract (JCT/ICE, etc.).

The Director of Resources shall inform the Property Manager of all contracts, which require the College to effect insurance of the contract works.

SECTION 15

RISK MANAGEMENT

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RISK MANAGEMENT

1. The Risk Management Process

1.1 General

The Principal, supported by SMT, must maintain a sound system of internal control to safeguard the College's investments and assets.

The Corporation will, at least annually, conduct a review of the effectiveness of the College's system of internal controls and will report that they have done so by way of a statement in the College's financial statements. The review will cover all controls, including financial, operational and compliance controls and risk management.

1.2. Assessment

In assessing the system of internal control, the Corporation and SMT must have regard to:

- The nature and extent of the risks facing the organisation;
- The extent and categories of risk which it regards as acceptable to bear;
- The likelihood of the risks concerned materialising; and
- The costs of operating particular controls relative to the benefit thereby obtained in managing the related risks.

The assessment of the internal control system shall consider the adequacy of the policies, processes, tasks, behaviours and other aspects of the College that, taken together:

- Facilitate its *effective and efficient operation* by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the College's objectives. This includes the safeguarding of assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed:
- Help ensure the *quality of internal and external reporting*. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the College There must be procedures for reporting immediately to appropriate levels of management and the Corporation if appropriate any significant control failings; and
- Help ensure compliance with *applicable laws and regulations* and also internal policies with respect to the conduct of business.

Any College subsidiary companies will be subject to the same risk management process.

1.3 Documentation

The risk management process will be documented as follows:

Document	Purpose
Risk Management Policy	Sets out college's policy on risk management
Implementation Plan	Short to medium term plan and timetable to meet external reporting requirements
Risk Priority Areas Report	Register of risks identified by area of activity which have been prioritised
Risk Management Action Plan	Plan which considers significant risks, identifies existing and required control and reporting mechanisms and the actions to achieve it
Progress Report on Risk Management Action Plan	Provides an update on the results of monitoring/checking/implementation of relevant controls/monitoring mechanism and assesses overall progress against action plan timetable
Annual Report on Risk Management	Summarises progress against overall implementation plan and action plan, identifying any issues arising

1.4 Implementation

Within the college, the Principal, supported by SMT, is responsible for reviewing and developing the risk management strategy in order to identify the risks facing the College and types of protection required to cover these risks. A Risk Management Group, with cross-college representation, manages the process on behalf of SMT. The Director of Resources will maintain the Risk Priority Areas Report and Risk Management Action Plan and make termly reports thereon to Audit Committee. Audit Committee will have due regard to the risk management process when considering the Strategic and Annual Audit Plans and reports on internal control. The Corporation will receive an annual report on Risk Management and approve all major decisions affecting the college's risk profile or exposure.

Heads of departments must give prompt notification to the Director of Resources of any potential new risks or changes in circumstances affecting existing risks. Heads of departments, in consultation with the Director of Resources, must ensure that any agreements negotiated within their departments with external bodies cover any legal liabilities to which the College may be exposed.

2. Insurance

2.1 General

The Director of Resources is responsible for effecting insurance cover as determined by Finance and Property Committee. He /she is therefore responsible for obtaining quotes, negotiating claims and maintaining the necessary records. He/she will also deal with the College's insurers and advisers about specific insurance problems.

All staff using their own vehicles on behalf of the College shall maintain appropriate insurance cover for business use.

2.2 Insurance Register

A register of all insurances relating to the college is maintained by the Property Manager. The Property Manager is responsible for keeping suitable records of plant which is subject to inspection by an insurance company and for ensuring that inspection is carried out in the periods prescribed.

For each insurance the register includes:

- Risk covered
- Claim limits (excess)
- Special clauses
- Insurer
- Policy Number
- Cover note (where applicable)
- Renewal Date
- Last Annual Premium
- Claims procedure
- Claims Clerk

2.3. Policies

All policies are kept in a fireproof safe in the Property Office.

2.4. Claim Details

All claims are processed by the office of the Property Manager. Records of all claims are maintained in his office.

Heads of department must advise the Property Manager, immediately, of any event which may give rise to an insurance claim. The Property Manager will notify the College's insurers and, if appropriate, prepare a claim in conjunction with the head of department for transmission to the insurers.

2.5 Authorisation

Authorisation for emergency insurances (e.g. educational visits) is as for other requisitions, and given by budget holders from delegated budgets.

All such transactions are reported to the office of the Property Manager by the Department requiring the cover.

The authorisation of the Director of Resources or one of his Senior Managers is required for all other insurances, within the Insurance Schedules agreed by the Finance and Property Committee of the Corporation.

2.6. Claim Settlement

Authority to settle insurance claims on behalf of the college is as for expenditure.

Authority to settle claims raised against the college by individuals or outside parties shall rest with the Director of Resources, except that any payment of more than £3,000 shall be reported to the Finance and Property committee, and any payment of more than £6,000 shall require their previous approval.

SECTION 16

ADMINISTRATION - COMPUTER INFORMATION ACCESS AND SECURITY MANAGEMENT

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ADMINISTRATION - COMPUTER INFORMATION ACCESS AND SECURITY MANAGEMENT

1. System

1.1 Hardware

The College file, firewall, print and information systems run on Dell servers with multiple gigabyte hard drives, a minimum of 1Gb RAM, and shared or individual access to a tape drive for backup.

Workstations run on a mixture of Intel and AMD based platforms.

In total the Administrative network covers all four sites at Hitchin, Stevenage Letchworth and Centre for the Arts, as well as outreach centres, allowing all users to connect via workstations.

1.2 Software

The College Information and Finance Systems use Windows Server as the operating system and SQL Server as the dbms.

File and print services for staff and students are provided by Windows Server.

Workstations functionality and network connectivity is provided Microsoft Windows.

1.3 Application

The Student Records System is **Distinction Systems'** QLS. The College uses the following modules:

- Curriculum
- Students (Enquiries, Applications, Enrolments)
- Examinations
- Fees
- Centre for Admissions Management (implementation Jan 2003)
- QL-e (implementation October 2003)
- Data Translation Centre

Finance utilises **Distinction Systems'** QLX containing the following modules: -

- General Ledger
- Accounts Payable
- Accounts Receivable
- Purchase Order Processing
- Sales Invoicing
- Cash Book

The network also provides access to Email and Microsoft Office. Other applications in use include:

Personnel/Payroll
Bank Line
Direct Ordering
Customer Services Marketing Database
Celcat (Timetabling)

2. Information Security

The purpose of security is to ensure business continuity and minimise business damage to the College by preventing and minimising the impact of security incidents, thus ensuring the protection of information and computing assets.

Information security management has three basic components:

- 1) Confidentiality: protecting sensitive information from unauthorised disclosure;
- 2) Integrity: safeguarding the accuracy and completeness of information and computer software; and
- 3) Availability: ensuring that information and vital services are available to users when required.

Information can take many forms – it can be stored on computers, transmitted across networks, printed out or written down on paper, and spoken in conversations. Appropriate protection should be applied to all forms of information, including papers, databases, tapes, diskettes, view screens and conversations.

Senior management have approved and fully support the College's Information Security Policy, which was designed to maintain information security and any breaches thereof by members of staff will be viewed as a serious breach of discipline.

3. Allocation of Security Responsibilities

The security of the College's information system is the responsibility of the Director of IT who may delegate the day-to-day control and maintenance of security to the Information Systems Manager and the Network Manager or such other senior member of staff as he thinks appropriate.

To avoid any misunderstanding about respective responsibilities, the areas for which individual managers are responsible should be clearly defined and in particular

1. The various assets and security processes associated with each individual system should be identified and explicitly defined.
2. The manager responsible for each asset or security process should be agreed and the responsibility documented.
3. Authorisation levels should be clearly defined and documented.

4. Security of Third Party Access

Where there is a need to have a connection to a third party location, a risk analysis should be carried out to identify any requirements for specific security measures. Access to College facilities by third parties, e.g. Distinction Systems, should not be

provided until the appropriate safeguards have been implemented and a contract defining the terms for the connection have been signed. The contract may include:

1. General policy on information security.
2. Permitted access methods, and the control and use of user-ids and passwords.
3. A requirement to maintain a list of individuals authorised to use the service.
4. The respective liabilities of the parties to the agreement.
5. Restrictions on copying and disclosing information.
6. An authorisation process for user access.
7. Arrangements for reporting and investigating security incidents.

5. Information Security Education and Training

Users should receive appropriate training in College policies and procedures – including security requirements and other business controls – as well as training in the correct use of IT facilities (log-on procedures, use of software packages, etc.). Users must sign the College's Policy and Guidelines for Computer, E-Mail and Internet Usage before access to IT services is granted.

These measures are necessary to ensure that security procedures are correctly followed and to minimise possible security risks to the integrity and availability of data or services through user error.

A record of IT training received by a member of staff shall be maintained by Human Resources. Access to College Information Systems will not be permitted unless the Assistant Director of College Information Systems is satisfied that the appropriate training has been received.

6. Reporting of Security Incidents or Malfunctions

All security incidents identified by any member of staff should be reported without delay to the Director of IT who will record the nature of the incident and investigate as appropriate.

Users of IT services who observe or suspect any security weaknesses or threats to systems or services should report these matters to the Director of IT.

Users of IT services should note and report to the Technical Support Manager any software that appears not to be functioning correctly.

If it is suspected that the malfunction is due to a malicious piece of software (e.g. a computer virus) the user should:

1. Note the systems and any messages on the screen.
2. Stop using the computer and log the fault on the College's Helpdesk immediately.
3. Diskettes are not to be transferred to other machines.
4. Make no attempt to investigate the malfunction or remove the suspected software.

7. Physical and Environmental Security

The computer rooms should consist of secure lockable rooms and access should be

permitted to nominated persons only. Such secure areas must be physically locked when vacated. Keys are to be held by IT Staff and Caretakers.

Any visitors to secure areas should be supervised and their date and time of entry and departure recorded. Visitors should only be granted access for specific, authorised purposes.

Data backups, system backups, upgrade software, system master tapes and other important data from College administrator computer systems must at all times be stored in the fire proof safes provided for this purpose. The keys are held by the Information Systems and Network Managers and should not be made available to other persons.

Hazardous and combustible materials should be stored securely at a safe distance from the site of the computer rooms and data centres. Computer supplies such as stationery should not be stored within the computer rooms (until required).

Appropriate safety equipment should be installed, alarms and fire extinguishing equipment installed and properly maintained. Employees should be properly trained in the use of safety equipment and emergency procedures should be regularly tested.

All IT equipment should be correctly maintained to ensure its continued availability and integrity, in particular:

1. Equipment should be maintained in accordance with the supplier's recommended service intervals and specifications.
2. Repairs and servicing of equipment should be carried out by authorised maintenance personnel.
3. A record of all faults must be logged on the College's Helpdesk system.

IT equipment used outside College premises for College purposes must be subject to an equivalent degree of protection as on site equipment:

1. Personal computers should not be used at home for business activities if virus controls are not in place.
2. When travelling, equipment (and media) should not be left unattended in public places.
3. Portable computers are vulnerable to theft, loss or unauthorised access when travelling. They should be provided with an appropriate form of access protection.

College data can be compromised through careless disposal of equipment. All items of equipment containing storage media (e.g. fixed hard disks) should be checked by the Information Systems Manager to ensure that any sensitive data and licensed software is removed or overwritten prior to disposal.

8. Computer and Network Management

Operational Change Control

All changes in IT facilities and systems must be subject to formal authorisation and approval by the Director of IT. Any change that represents more than the day-to-day routine maintenance of systems should also be approved by the Director of IT.

Fundamental changes to software require the approval of the Finance and Property Committee.

All changes must be recorded in writing and subject to written approval. In making any changes regard must be had to:

1. Identification and recording of changes.
2. Assessment of the potential impact of such changes.
3. Approval procedures for proposed changes.
4. Communication of change details to all relevant persons.
5. Procedures and responsibilities for aborting and recovering from unsuccessful changes.

Virus Controls

Good security awareness, appropriate system access and good operating practices are essential for protection against viruses, especially for network file servers supporting a large number of workstations. In particular the following should be observed:

1. The use of unauthorised software is prohibited.
2. Anti-virus software, both virus specific detection and change detection should be used to scan computers and media. Virus specific detection software must be regularly updated and used as directed by the supplier.

Data Back-up

Daily data and weekly full backups of essential business, staff and student data and software should taken in order to ensure all essential data and software can be recovered following a computer disaster or media failure.

All tape backups to be held off site in a fireproof safe and are the responsibility of the Information Systems and Network Managers.

System backups are executed before and after software upgrades and at other times of risk. The System backup consists of all files and is stored on DLT or LTO-1 tapes.

The backup data is to be regularly tested, where practicable, to ensure that recovery procedures can be relied upon for emergency when necessary.

A log of all backups undertaken confirming the successful completion of the back up is maintained by the systems.

9. System Access Control

User Registration

The College should maintain a formal user registration and de-registration procedure for access to IT services. Access is controlled through a formal registration process which will include:

1. Authorisation by a line manager and the Human Resources Manager for the staff member's use of the service other than Finance and Student Records

Systems. All access to the Finance Systems must be approved by the Director of Resources and all access to Student Records Systems by the Assistant Director of College Information Systems.

2. Checking by the Information Systems Manager that the level of access granted is appropriate.
3. User will be provided with a written statement of their access rights and required to sign the College's Policy and Guidelines for Computer, E-Mail and Internet Usage.
4. A formal record of all persons registered to use the service will be maintained by the Human Resources Manager.
5. Human Resources will immediately advise the Information Systems Manager of all users who have changed jobs or left NHC so that their name can be removed for access rights.
6. Redundant user-ids and accounts should be periodically checked and removed.
7. Redundant user-ids must not be re-issued to another user.

User Password Management

The allocation of user passwords is the principal means of validating a user's authority to access a computer service. Users will be asked, when accepting the conditions of registration, that they undertake to keep personal passwords confidential.

Passwords to gain access to the Network will be provided by the Information Systems Manager. Users will be required to change their password every 30 days, but may do so more frequently if they choose.

User passwords are also required for accessing Email and the College Information System (CIS). Passwords for these systems will be issued and maintained in the same manner as for access to the Network.

Users must follow good security practices in the selection and use of passwords as detailed in the College's Information Security Policy.

Unattended User Equipment

The main servers at each site are held in secure rooms that are to be locked at all times when unattended.

At the time of accepting the conditions of use when first registered, users are required to accept as good practice the following:

1. On terminating entire sessions, users should lock their workstation if they will be away from their computer.
2. At the end of the day, users should log-off, 'shut down' and switch off their computer at the end of the day.

Password Management

The number of unsuccessful log-ons is limited to five attempts for all users, after which time no further attempts are accepted until there has been intervention from system administration. In the event of an unsuccessful log-on or if the password is forgotten, a user should contact the Systems Administrator immediately.

Passwords are stored in encrypted form on the main server and can only be accessed by the Information Systems Manager, Network Manager and Network Administrator.

Application Access Restriction

Users of QL will be provided with access appropriate to their individual job requirements. Requests for access must be submitted to the Information Systems Manager on a Workgroup set up form authorised by the Director of Resources.

The Information Systems Manager will require the Director of Resources to confirm at least once a year, those persons who have access to QL.

10. Compliance

Control of Proprietary Software Copying

The copying of proprietary or College software, unless authorised by the Director of IT, either to another College machine or a computer not belonging to NHC is prohibited.

Compliance with Data Protection Legislation

Personal information on living individuals who can be identified from the information, that is stored or processed on a computer is subject to data protection legislation. The requirements of the UK Data Protection Act must be observed.

Compliance with Freedom of Information Legislation

Adopting a publication scheme is a requirement of the Freedom of Information Act 2000. This Act promotes greater openness and accountability across the public sector by requiring all 'public authorities' to make information available proactively, through a publication scheme.

Misuse of IT Facilities

NHC IT facilities are provided for college purposes only. Any use of NHC facilities for non-college or unauthorised purposes will be regarded as improper use of the facilities. If such action is identified it should be brought to the attention of the Director of IT and Human Resources Manager for appropriate disciplinary action. Users should be aware that in the UK it is an offence to gain unauthorised access or make unauthorised modifications of computer material.

SECTION 17

FRAUD & IRREGULARITY

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FRAUD & IRREGULARITY

1. By 'irregularity' is meant a departure from the principles and procedures laid down in the Financial Regulations (or Procedures referred to in the Financial Regulations) which results in an improper payment or claim for payments being made (whether in favour of or against the college) or a wrongful statutory return being made by the college.

Such an irregularity may have arisen by accident, lack of knowledge, lack of due diligence by intent or gross negligence.

2. Where such irregularity arises by intent or gross negligence but is not of direct or indirect financial benefit to the individual responsible this constitutes misconduct or gross misconduct.
3. Where such irregularity arises by intent or gross negligence and is of direct or indirect financial benefit to the individual responsible this constitutes a suspicion of fraud.
4. Any suspicion of fraud or financial irregularity should be reported to the Designated Assessor as defined in the Staff Handbook.

Any suspicion of fraud or financial irregularity reported to the Designated Assessor should immediately be reported to the Chairman and members of the Audit Committee and the Clerk to the Corporation.

5. All irregularities should be investigated by the Designated Assessor who will report to the Principal on action taken to prevent reoccurrence. If the investigation reveals suspicion of misconduct or gross misconduct normal disciplinary procedures should be invoked.

A written report will be made to the Audit Committee, who may at their complete discretion commission a further investigation, from the Internal or External Auditors as seems appropriate, and may require the Principal or Chairman of the Corporation to take action if necessary to suspend any member of staff whilst the investigation is taking place. The outcomes of the investigation shall be reported to the Corporation and to the Principal for them to determine what further action is required.

Where the matter is **significant** (see below) a Special Meeting of the Corporation may be required.

6. The College, The Internal Auditor, and where appropriate the External Auditor all have a duty to report to the LSC Chief Executive **and** Chief Auditor **serious weakness** (see below) significant frauds, major accounting and other control breakdowns of which they are aware.

Note:

A **serious weakness** would be one which may result in a significant fraud or irregularity, and may include cases of irregularities in expenditure which could lead to suspicion of fraud.

Significant fraud involves one or more of the following factors:

- (i) the sums involved exceed £10,000

- (ii) the particulars are novel, unusual or complex
- (iii) there is likely to be public interest because of the nature of the fraud

SECTION 18

CORPORATE SEAL

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CORPORATE SEAL

1. The Corporation has a seal and in accordance with paragraph 21 of the Instrument of Government of the College the use of the seal must be authenticated by the signatures of the Chairman or any other member generally or specifically authorised together with the signature of another member. At North Hertfordshire College, specific authorisation of the Corporation is required for application of the seal. The details of all applications of the seal will be recorded on Agendas and minutes of the corporation meeting.
2. The seal shall be used on all documents for:
 - a. The acquisition or disposal of land and buildings
 - b. On any document or contract which requires to be sealed in accordance with any statutory provisions or other regulations.
 - c. On any contract which has over the period of its duration a potential liability in excess of £100,000.
3. All applications of the seal shall be listed in a Seals Register and reported to the Corporation and shall detail the:
 - a. The date of application
 - b. Brief details of the document sealed
 - c. The names of the authenticating members
 - d. The signature of the Chairman of the Corporation
4. The seal will be kept in a locked box in the College safe in the Finance Office. Keys to the seal box will be kept by the Clerk to the Governors.

SECTION 19

CONFLICTS OF INTEREST

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Appendices

I	Conflicts of Interest - Section 6 of the Code of Conduct
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CONFLICTS OF INTEREST

1. Members of the Corporation and Senior Post Holders

The Code of Conduct established by the Corporation on 2 November 1995 is binding on members of the Corporation, observers and external members of its committees, on members of the Senior Management Team and on the Clerk to the Corporation.

Section 6 of the Code of Conduct deals with Conflicts of Interest and is attached as Appendix I.

2. Other Staff

2a. Financial Interest

Where any other budget holder (or any member of staff who has influence over the placing of an order or contract for goods or services) has a financial interest in an order for supply of goods or services, he/she shall declare that interest to the Director with overall budget responsibility, who shall personally authorise or countermand the order.

2b. Receipt of Goods and Hospitality

Members of staff should not receive gifts, hospitality or benefits of any kind from a third party which might be seen to compromise their personal integrity.

Any offer or receipt of such gifts, hospitality or benefits should be reported to her or his Director, who may give or withhold approval.

6. Conflicts of Interest

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

6.2 Members are reminded that under clause 11(1) of the College's Instrument of Government they must not take or hold any interest in any of the College's properties or receive any remuneration for their services (save as a member of the College's staff) without the written approval of the Secretary of State for Education.

6.3 Members are also reminded that under clause 11(2) of the College's Instrument of Government they must disclose to the Corporation any financial interest which they have, or may have, in: -

- (a) the supply of work or goods to or for the purposes of the College;
- (b) any contract or proposed contract concerning the College; or
- (c) any other matter relating to the College.

6.4 However, an interest does not have to be financial for the purposes of disclosure. If it is likely or would, if publicly known, be perceived as being likely to interfere with the exercise of a Member's independent judgement, then the interest, financial or otherwise, should: -

- (a) be reported to the Clerk; and
- (b) be fully disclosed to the Corporation or Committees before the matter giving rise to the interest is considered.

Members should withdraw from that part of the meeting at which the matter giving rise to the interest is considered, and on no account may vote in relation to the matter.

6.5 Members are further reminded that under Clause 6.4 of the Code of Conduct any interest of a close family member or associate, which if publicly known, will be perceived as being likely to interfere with the exercise of a member's independent judgement, then that interest should be declared as set out above.

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

6.7 The Clerk will maintain a Register of Members Interests which will be open for public inspection. Members are required to disclose routinely to the Corporation all business interests, financial or otherwise, which they or (so far as they are aware) their spouses or partners, children or other close relatives may have, and the Clerk will enter such interests on the Register. Members should inform the Clerk whenever

their circumstances change and interests are acquired or lost. In deciding whether an interest should be disclosed, Members should have regard to the meaning given to "interest" in paragraph 6.4 of this Code.

SECTION 20

FRANCHISING & PARTNERSHIP ARRANGEMENTS AT NHC

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FRANCHISE AND PARTNERSHIP ARRANGEMENTS AT NHC

1. Background

A significant part of all LSC funded activity is through franchise or partnership arrangements. The SMT have agreed a central framework for negotiation and operating any franchise or partnership arrangement. This section outlines that framework, and gives guidelines to those staff who may be involved in the agreement and operation of such ventures.

All the documents, procedures and working practices are based upon the recommendations and guidelines outlined to colleges by the LSC in circular 96/06 "Franchising" and 99/37 "Franchising & Fees." The LSC guidance relates only to franchise provision but the College's procedures cover both franchising and partnerships.

2. Definitions

Two types of delivery arrangement are recognised: direct (either by the institution or with a partner) and franchised. They are defined as: -

- Direct provision: - is where staff delivering the provision are under the direct management of the college either as employees or through employment/staffing agency arrangements. An employment/staffing agency is a business whose undertaking is wholly or mainly the provision of staff to third parties to work under the direct management of the third party.
- Franchised provision: - is any eligible provision which is not direct provision, including where a college arranges with another organisation to deliver provision under the college's control, normally at sites away from the college's premises.

The following table gives guidance to distinguish between where the service is provided direct, either by the college itself or with a partner, and franchised provision.

North Hertfordshire College Policy, Procedures & Guidance for Finance & Administration

Service Provided	Direct (college)	Direct (with partner)	Franchised
Employer of teaching staff	College (may use a recognised employment/staffing agency or self employed staff)	College (the college may use a recognised employment/staffing agency or self employed staff)	Franchisee via an employment relationship. See Annex B paragraph 8 of FEFC staff) Circular 99/37
Venue, including lighting, heating, caretaking	College	Partner	College or franchisee
Facilities e.g. computer hardware/software	College	Partner	Franchisee
Teaching and learning resources	College	College/Partner	Franchisee
Responsibility for quality and audit	College	College	College
Marketing	College	College/Partner	College or franchisee
Advice and guidance	College	College	Determined by college and carried out by college or franchisee
Enrolment procedures	Determined by college and carried out by college	Determined by college and carried out by college	Determined by college and carried out by college or franchisee
Teach learners	College	College	Franchisee
Teacher development	College	College	College or franchisee
Learner charter	College	College	Franchisee
Additional support	College	College	Provided by franchisee or access to college support
Monitor the programmes - quality assurance and learner record sampling checks	Constant monitoring	Constant monitoring including scheduled visiting	Constant monitoring including scheduled and unannounced visits by college
Nature of contract	None	Based on resources provided rather than volume of provision	Based on volume of provision
Accreditation with awarding body	College	College	College (other than in exceptional circumstances)
Subject to franchising discount	No	No	Yes (other than in community-based and widening participation provision)

3. The Context of Franchising and Partnership Arrangements at NHC

The Community Partnership Manager has responsibility for managing and developing partnership provision. This is done within the context of the strategic objectives of working in collaboration with partners to identify and meet community needs.

Franchising/partnership arrangements should be adding to NHC's profitability. The financial viability of the franchise/partnership arrangements should be based upon costs of provision and possible funding levels from LSC or other sources.

4. The Procedure for Agreeing Franchise and Partnership Arrangements

- a) All franchise/partnership ventures need to be agreed through the Internal Validation Committee, according to their procedures and guidelines, and the contract be in a form approved by the Finance and Property Committee of the Governing Body. The College must also consult with and gain the agreement of the LLSC prior to entering into a franchise or partnership arrangement.
- b) The criteria for agreement will be on the basis of the published checklist but with additional features including:-
 - i) the position within the portfolio of provision as outlined in the Strategic Plan, and how the arrangement will add to NHC's portfolio;
 - ii) an assessment on the student number and funding value of the arrangement;
 - iii) the anticipated risk attached to the arrangement;
 - iv) projection of income and costs and an assessment of contribution to profitability (this will be on the basis of a pro-forma);
 - v) a check on the control issues identified by the LSC (below);
 - vi) confirmation of the suitability of the franchisee/partner to conduct the venture which should include:
 - a) Statement of the objectives.
 - b) Copy of franchisees/partners latest accounts.
- c) All franchisee/partner ventures must be detailed in a final contract with the franchisee/partner.
- d) At least once per year the Principal shall report all franchise and partnership activity to the Corporation via the Finance and Property Committee

5. Control Issues

- a) A college must be able to enrol or reject students as it would do if the students were to be taught on its own site.
- b) A student learning agreement must be entered into at the time of enrolment which reflects the outcome of initial guidance and assessment for an individual student.

- c) A learning programme and its means of delivery must have been clearly specified by the College.
- d) The College must be in control of the delivery of the education.
- e) Arrangements for assessing the progress of individual learners must be in place.
- e) A procedure for the college to monitor regularly the delivery of programmes provided in its name must be in place.

6. Contractual Arrangements

- a) All partnership and/or franchising agreements must be in a form approved by the Finance and Property Committee and authorised and signed by the College's governing body.
- b) The form of agreement shall take account of the terms in the College's model agreement (if any) from time to time for partnering or franchising as the case may be. The Agreement may follow a different form or be worded differently from the College's model agreement.
- c) Every partnership agreement must comply with the College's relevant strategy and criteria for such partnerships from time to time and LSC requirements for such partnerships from time to time.
- d) Every franchising agreement must comply with the College's relevant strategy and criteria for such franchises from time to time and LSC requirements for such franchises from time to time.

SECTION 21

COLLEGE COMPANIES AND JOINT VENTURES

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3. Conduct of Company/Joint Venture.....Page 21.1

COLLEGE COMPANIES AND JOINT VENTURES

1 Introduction

The Governing Body is responsible for approving any investment (including the giving of a guarantee) in a company or joint venture and the procedure to be followed in order to do so. In doing so, the requirements and guidance contained in LSC Circular 02/12 “ College Involvement in Companies”, Circular 99/14 “College Companies, Joint Ventures and Overseas Operations” and the FEFC booklet published by HMSO: “College Companies and Joint Ventures, A Good Practice Guide” must be observed.

2 LSC Consent

Paragraph 22 of Schedule 9 of the Learning and Skills Act 2000 (the L&S Act) amended s19 of the F&HE Act to provide specifically that colleges have a power to subscribe for or otherwise acquire shares in or securities of a company (s19(4)(bb)). The power given to colleges is restricted, however, as it cannot be exercised to:

- i Conduct an educational institution (s19(4A) (running the college through a limited company)), or
- ii Provision of education if the provision is secured (wholly or partly) by financial resources provided by the Learning and Skills Council (s19(4B)), without the consent of the Council (s19(4C)).

The powers conferred on colleges by s19(4) of the F&HE Act mean that colleges now have a specific power to participate in or create companies as long as the activities of that company are:

- i Within the powers of a college as set out in sections 18 and 19 of the F&HE Act (as amended by schedule 9 of the L&S Act);
- ii Not for conducting an education institution (i.e. running the college through a limited company);
- iii Not for the provision of education that is wholly or partly funded by the Council unless the Council has given consent to the college to participate in or acquiring shares or securities in the company.

3. Conduct of Company/Joint Venture

The Board of Governors should ensure that following the establishment of a separate company a formal memorandum is established between the College and the company, setting out the relationship between the company and the College.

Before any College funds are made available to a company, the Board of Governors should ensure that it will receive a satisfactory return and that the college bears an acceptable level of risk.

For each proposed business venture the Board of Governors should undertake a thorough review of its business plan and proposed control arrangements as set out

in the LSC guidance.

LSC funds may be used to purchase goods and services from a company or joint venture, subject to the usual requirements with regard to value for money. However, LSC funds should not be used to fund or subsidise private trading ventures by the College, either through direct transfers of cash or indirect funding or subsidy arrangements such as granting subsidiaries more favourable terms of trade than other customers and providing staff free of charge or at a rate which does not cover the full costs involved.

Where the College costing system does not distinguish public funds from other funds, Governors should regard all the funds at their disposal as if they were public funds.

It is the responsibility of the Board of Governors to establish the shareholding arrangements. Directors of companies will be appointed in accordance with the Articles of the company and in accordance with LSC guidance. The performance and audited annual accounts of the company/joint venture must be reported annually to the Corporation.

Any company/joint venture in which the College has a controlling interest shall operate within the same financial framework as the College and have the same external auditors as the College. Where a controlling interest does not exist, the Corporation must be satisfied that there are appropriate, transparent controls and accountability arrangements at least as rigorous as those of the College and it must have board representation for any significant investment.