

# Financial Regulations



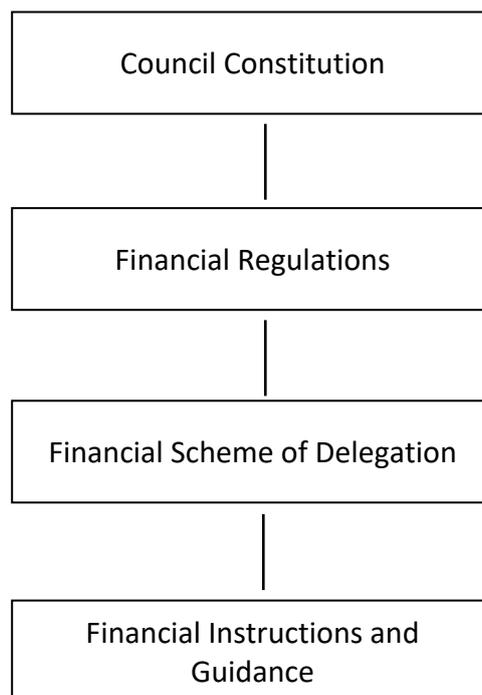
<b>Financial Regulations</b>	
1	Introduction and Responsibilities
<b>Medium Term Financial Planning</b>	
2	Financial Planning and Estimates
3	Budget and Medium Term Financial Planning
4	Capital Programme Preparation
5	Tariff and Section 106 Agreements
6	Virements (or Transfers) Between Budgets
<b>Forecasting and Monitoring</b>	
7	Forecasting and Monitoring
8	Management of Approved Capital Projects
9	Record of Contracts for Capital and Revenue
10	Year End and Statement of Accounts
<b>Accounting</b>	
11	Income and VAT
12	Bad Debts/Write-offs/Loss of Income
13	Banking Arrangements
14	Treasury Management
15	Pension Bonds and Guarantee
<b>Grants from external bodies</b>	
16	Payment of Grants and Benefits to External Bodies
17	Grants Received from External Bodies
<b>Security and Control of Assets</b>	
18	Security and Control of Assets
19	Acquisition and Disposal of Land and Buildings
20	Small Value Assets (Inventory)
21	Stocks and Stores
22	Fleet Management
<b>Procurement Rules</b>	
23	Orders for Goods and Services
24	Imprests/Petty Cash
25	Reimbursement of Expenses and Payment of Allowances
26	Payment of Grants to External Bodies
<b>Partnerships</b>	
27	Partnerships
28	Voluntary Sector
29	Internal Audit Arrangements, Fraud and Corruption
30	Risk Management and Insurance

# Financial Regulations

## 1. Introduction and Responsibilities

- 1.1. These Financial Regulations provide the framework and overarching rules for the financial administration of Milton Keynes Council ('the Council') and help ensure the Council has sound financial governance, support us to deliver value for money and minimise the risk of legal challenge. They are not intended to constitute a set of detailed rules to respond to every situation.
- 1.2. The Director for Finance and Resources (the Council's Section 151 Officer/Chief Financial Officer [CFO]) will issue financial instructions and guidance to assist colleagues to interpret and follow this framework. These will be published on the Intranet under 'Finance'.

### Milton Keynes Financial Governance Framework



## Legal Framework

- 1.3. Section 151 of the Local Government Act 1972 states that “every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”.
- 1.4. The officer designated by the Council as having the statutory responsibility set out in Section 151 of the 1972 Act as Chief Financial Officer (CFO) is the Director for Finance and Resources.
- 1.5. The Council has put in place a Procurement and Financial scheme of delegation, which is annexed to the Leader’s Executive Scheme of Delegation (within the Constitution) These set out the level of authority each officer or councillor can only operate within. It is important that officers refer to this document alongside these Financial Regulations.
- 1.6. When making any financial decision the Officer will need to fully consider the level of appropriate financial control(s) required. If the Officer has any doubts as to the appropriateness of a financial proposal or correctness of a financial action, the Officer should consult in advance with the Director for Finance and Resources.
- 1.7. It is important to remember that these Financial Regulations are here to help both the Council meet its responsibilities and legal obligations but also to support Officers to make robust decisions. Where Officers do not observe Financial Regulations, the Financial Scheme of Delegation, Codes of Practice and financial instructions, it may result in action under the Council’s disciplinary procedures.
- 1.8. All references to Directors are also applicable to the Chief Executive, unless specified to the contrary.
- 1.9. These Financial Regulations should be read in conjunction with the, Contract Procedure Rules and the Financial Scheme of Delegation.
- 1.10. The Director for Finance and Resources is responsible for maintaining a continuous review of the Financial Regulations and the Financial Scheme of Delegation and submitting any additions or changes necessary for approval. The Director for Finance and Resources is also responsible for reporting, where appropriate, breaches of the Financial Regulations to the Council and/or to Cabinet members. The Director for Finance and Resources is authorised to temporarily suspend Financial Regulations in exceptional circumstances, and where such suspension is authorised, a written record of this will be kept.
- 1.11. All Directors should ensure that any financial procedures/ guidelines produced by their Service Group are consistent with Financial Regulations, the Financial Scheme of Delegation, Codes of Practice and financial instructions and that Internal Audit are fully engaged in this process.

## **Responsibilities**

### **Responsibilities to the Council**

- 1.12. All Councillors and Officers are responsible for ensuring that they use the resources and assets entrusted to them in a responsible and lawful manner. They should strive to achieve value for money and avoid legal challenge to the Council. These assets and resources belong to the whole Council and not to any individual, service or service group.
- 1.13. These responsibilities apply equally to Councillors and Officers when representing the Council on outside bodies.

### **Personal Responsibilities**

- 1.14. Any person who uses or is responsible for the Council's resources and assets should be familiar with the requirements under these Financial Regulations and their limits of delegated authority under the Financial Scheme of Delegation. If anyone is in any doubt as to their obligations, then they should seek advice from their Senior Finance Manager.
- 1.15. Any Officer (including employees of subcontractors) must report immediately to their manager, supervisor or other responsible Officer any illegality, impropriety, serious breach of procedure or serious deficiency in the provision of service he or she suspects or becomes aware of. Officers are able to do this without fear or recrimination providing they act in good faith via the Council's Whistle Blowing policy. In such circumstances managers must record and investigate such reports and take appropriate action including reporting this to the Director for Finance and Resources. Compliance with the Council's Anti-Fraud and Corruption policy and Code of Conduct for Officers is mandatory for all colleagues.

### **Chief Financial Officer**

- 1.16. The Director for Finance and Resources maintains on behalf of the Council an adequate and effective system of internal audit of the accounting records and internal control systems of the Council.
- 1.17. Section 114 of the Local Government Finance Act 1988 requires the CFO to report to the full Council or the Executive (as appropriate) and the external auditor if the authority or one of its Officers:
  - has made, or is about to take, a decision which involves incurring unlawful expenditure;
  - has taken, or is about to take, an unlawful action which has resulted or would result in a loss of deficiency to the Council; or
  - is about to make an unlawful entry in the Council's accounts.
- 1.18. Section 114 of the 1988 Local Government Finance Act also requires the Council to provide the Chief Financial Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under Section 114.

- 1.19. Reference to the Chief Financial Officer includes those authorised by him or her to undertake the various functions concerned.

## **Directors**

- 1.20. Directors are responsible for ensuring that Financial Regulations are observed throughout all areas under their control and:
- (a) provide the Director for Finance and Resources with information and explanations as he or she feels is necessary to meet his/her obligations under Financial Regulations;
  - (b) consult with the Director for Finance and Resources and seek approval of any actions liable to affect the Council's finances materially before any commitments are incurred;
  - (c) ensure that Cabinet Members are advised of the financial implications of all significant proposals and that the financial implications have been agreed by the Director for Finance and Resources;
  - (d) inform the Director for Finance and Resources of failures of financial control resulting in additional expenditure or liability, or loss of income or assets;
  - (e) wherever any matter arises which may involve irregularities in financial transactions consult with the Director for Finance and Resources and, if a serious irregularity is confirmed, report the matter to the Chief Executive, appropriate Cabinet member and the Head of Internal Audit;
  - (f) ensure the legality of the actions taken by the services within their Service Group(s).
- 1.21. Directors to make all staff in their service groups aware of the existence and content of the Council's Financial Regulations, the Financial Scheme of Delegation and other internal regulatory documents and expectation that these are followed.
- 1.22. The Cabinet has agreed underlying key principles which are reissued/revised each year within the medium term financial plan (the latest of which can be found on modern.gov) and its annexes.

## **2. Financial Planning and Estimates**

### **Budget Preparation**

- 2.1. The Corporate Leadership Team (CLT)/Cabinet continually review the medium term financial position of the Council taking into account the Council's performance plans and anticipated future levels of capital and revenue resources.

- 2.2. Directors/Assistant Director are responsible for preparing Service Group financial plans and ensuring they are clearly aligned with relevant service plans and the Council Plan; for ensuring that prior approval is given by the full Council or the Cabinet/CLT (as appropriate) for any measures that are likely to extend or reduce the Council's services or policy objectives, and for new commitments for which there would otherwise be no agreed budget.
- 2.3. In accordance with the Council's Financial Scheme of Delegation, Directors and their appointed budget holders, have powers to incur revenue expenditure in carrying out the functions allocated to them provided
  - the expenditure is lawful;
  - procurement rules have been complied with;
  - expenditure is within the approved revenue budget or capital spend approval;
  - expenditure is in respect of Council policy; and
  - consultations, where relevant, have taken place with the appropriate stakeholders including relevant Directors and Cabinet Members.

### **Emergency Expenditure**

- 2.4. A Director may in order to meet the needs of an emergency which they believe falls under Section 138 of the Local Government Act 1972 incur expenditure other than as permitted under para 2.3. This action will need to be reported to the Director for Finance and Resources and section 20 of Contract Procurement Rules
- 2.5. However, as soon as the incident is resolved and there is no risk to public safety the expenditure should be reviewed to ensure that ongoing costs are subject to the processes set out in these regulations e.g. the continuation of expenditure on a service has been secured through an appropriate procurement/recruitment process.

## **3. Budget and Medium Term Financial Planning**

### **What is financial planning?**

- 3.1. The medium term financial planning process is an integrated process with the corporate and service planning process. This is to ensure that the annual budget reflects the the Council's priorities and that service plans explain consistently how priorities will be delivered within the resources available. The medium term financial plan produces the framework for future resource allocation decisions to support the delivery of the council plan.
- 3.2. The cycle for budget and medium term financial planning is set out overleaf.

**Table 1: Medium Term Financial Planning (MTFP) budget planning stages**

	<b>Budget process</b>	<b>Corporate process</b>	<b>Usual Timescale</b>
1.	Refresh/develop medium term financial strategy in light of known issues and funding assumptions	Use year-end performance data, and other research and intelligence to shape the review of priorities at a corporate and service level.	Feb – March
2.	Set and apply planning assumptions		April - July
3.	Begin combined service and financial planning process for managers including peer challenge		April - July
4.	Councillor discussion and approval of high-level budget strategy	Development of draft service priorities and plans alongside financial plans	June / August
5.	Identification of amendments due to reflect known activity changes and proposals to reduce costs resulting in pressures and savings		June - November
6.	Robustness, validation and challenge review	Detailed work by services and councillors on service planning and priorities alongside budget considerations resulting in the finalisation of the corporate plan.	September – November
7.	Draft budget proposals considered by councillors		December
8.	Public consultation		December / January
9.	Final budget approved by councillors and council tax set.		February

### **Improved budget process**

- 3.3. All Budget managers as part of the budget setting process will need to identify in each of their service areas the following:
- (a) Base budget position;
  - (b) Unavoidable expenditure;
  - (c) Avoidable expenditure/investment proposals;
  - (d) One-off expenditure;
  - (e) Budget reduction and income proposals;
  - (f) Officers – full-time equivalent (FTE's);
  - (g) Key risks; and

- (h) How their budget and proposals link with key activity data.
- 3.4. The budget planning process is an iterative process and the key stages in the budget setting cycle are noted above in **Table 1**.
  - 3.5. The development of the medium term financial framework, review of the wider economic climate and other external factors begins early in the financial year, with an initial overview reported by colleagues to councillors in June/August each year. This MTFP informs the detailed budget setting process for the following year.
  - 3.6. Directors will draft initial budget options for consideration by Councillors and the Budget Scrutiny Committee in October / November / January each year (part of stages 6 and 7 in Table 1 above) to enable a period of challenge and validation by Councillors.
  - 3.7. The Corporate Leadership Team (CLT)/Cabinet will keep under review the medium term financial position of the Council taking into account the Council's performance plans and anticipated future levels of capital and revenue resources. This will include a review of the MTFP risk register and updating risks with current developments and actions as part of the budget setting process.
  - 3.8. Directors need to complete an annual review of income and ensuring that budgets are adjusted in line with the agreed budgetary guidance, with exceptions to the Income Policy being highlighted. An explanation for exceptions to the Income Policy must be provided to the relevant Senior Finance Manager to ensure that this can be approved by Councillors.
  - 3.9. The MTFP is a financial framework for looking beyond the next annual budget, and provides an overview of the financial outlook over the medium term based upon enabling the delivery of the corporate priorities. The MTFP as a minimum sets out the annual budget year plus three further years projections. The MTFP approved by Council in February each year covers the following four financial years.
  - 3.10. Various external factors will influence the planning assumptions underpinning the MTFP and these will cover some of the following variables:
    - (a) Corporate priorities;
    - (b) Levels of council tax;
    - (c) Likely impact of inflation in the current and future economic climate; and
    - (d) Future spending reviews and funding allocations to local authorities from central government.
  - 3.11. Each Service Group will need to review their respective future funding pressures over the period of the MTFP and indicate how the increased demands on services will be addressed in future years.

- 3.12. As part of the budget setting cycle, an update to the MTFP report approved by Councillors each February. This outlines the key planning assumptions that the Council will need to consider as it sets its budget for the following financial year and the subsequent MTFP period.
- 3.13. The MTFP is updated in September and the headline position reported alongside the draft budget to reflect a better understanding of assumptions before the final budget is approved. The full MTFP is finally updated alongside the final budget in February, to set the context for the approval of the budget and as a starting point for future financial planning.

### **Budget Finalisation**

- 3.14. The Cabinet reviews the draft budget and submits its final budget proposal to Council together with supporting summaries, statements and reports. The budget report will also recommend the Council Tax to be levied for the ensuing year.
- 3.15. The Cabinet will also approve the Business Rates Baseline, under the Localisation of Business Rates legislation.
- 3.16. The Council will:
  - (a) Approve the Council's annual Council Tax Base (this is currently delegated to Cabinet by the Council on 13 January 2004 [Minute CL94(d) refers];
  - (b) Approve the Council's Revenue Budget and Capital Programme and set the level of Council Tax for each year within statutory deadlines and requirements;
  - (c) Note the estimated financial requirements for future years and the context this provides for budget decisions.

## **4. Capital Programme Preparation**

### **Background**

- 4.1. The medium term financial plan includes;
  - (a) The Capital Strategy;
  - (b) A forecast of potential capital resources; and
  - (c) A forecast of potential capital expenditure.
- 4.2. The Cabinet have also agreed a number of underlying key principles upon which the capital programme will be developed in the future. These are reissued/revised each year within the medium term financial plan (the latest of which can be found on modern.gov).

- 4.3. The Finance Team develops a view of the resources available in the medium term to provide a context for Service Groups. All Service Groups are asked to identify their long-term investment needs, which are included within the Capital Programme Pipeline, whilst those projects required over the medium term being submitted for detailed review and challenge as part of the medium term capital programme process.

## **Approach**

- 4.4. The Council's strategic approach to capital planning is developed alongside detailed asset management plans (AMPs) to ensure that the Council's strategic investment needs, together, with the ongoing maintenance demands of the assets are being addressed.
- 4.5. Project managers will need to prepare project appraisals for all capital projects to be considered prior to inclusion in the Capital Programme. The appraisal is in the format of the START documentation used for all project administration, and will identify a project sponsor and a project manager who will be accountable for delivery of the scheme.
- 4.6. The START document includes the project mandate, business case and project initiation document. This will include a financial annex showing the expected costs for each scheme, including future revenue costs associated with operating the asset and 'whole life' costs such as decommissioning, and identify the source of funds through which the project is to be financed (including, where appropriate, leasing) , together with procurement, communications and benefits plans.
- 4.7. Projects submitted for inclusion in the capital programme must be reviewed by the designated Programme Board and evaluated under the approved evaluation scheme which prioritises investment decisions. This will take account of how well their projected outputs match the Council's priorities set out in the Council Plan, value for money, the availability of resources in the short and medium term before submission.
- 4.8. All START documentation will be reviewed by a designated Programme Board and where supported signed off by the relevant board. The Corporate Programme Board (chaired by the Deputy Chief Executive) will review all START forms and proposals submitted by Programme Boards and make the final decision on what prioritisation and recommendations are made to Cabinet. Projects which are fully funded by grant or third party funding, with no current or future capital or revenue impact will be ring-fenced from the prioritisation process, unless alternative use for the grant has been identified. Project START documents and Cabinet approval are still required for such schemes, to enable informed decision-making and appropriate monitoring.

- 4.9. A draft programme will be submitted to Cabinet alongside the draft budget proposals, and again with the final budget proposals in February before passing for recommendation for approval by Council in February. The approved programme will then be implemented from April of the following year.
- 4.10. New allocations which are requested outside of this timeframe will only be considered in exceptional circumstances and with appropriate justification. The final decision on whether a new scheme allocation should be presented to Cabinet rests with the Corporate Portfolio Board. Where this is agreed, this will be included as part of the Quarterly Financial Management Reports to Cabinet where a final decision will be made. Where a scheme or schemes require additional borrowing, increasing the Councils Capital Financing Requirement any decision will need to be referred to Council for approval.
- 4.11. All capital projects must have resource allocation and spend approval in accordance with the Scheme of Delegation before any expenditure is committed. Projects must have received resource allocation to be part of the approved programme, normally as part of the budget process. Projects must receive spend approval to begin spending as part of the approved programme. Spend approval is requested through the relevant Programme Board and in consultation with the Corporate Programme Board to ensure that appropriate steps have been taken and confirmation that all funding is in place (both the initial capital outlay and the on-going revenue costs) and project planning is complete prior to approval from Cabinet.
- 4.12. There is an expectation that larger schemes are given multi-year approvals and, again where appropriate, spend approvals may be sub-divided to reflect key stages in the scheme.
- 4.13. Colleagues may submit for inclusion in the five-year programme schemes that are not expected to start in the first year. If these are prioritised by Councillors, they may be included as indicative schemes in future years, to be reviewed for final approval when they are due to start.
- 4.14. The de minimis value for individual schemes to be included in the capital programme is £20k, unless specifically agreed by the Director for Finance and Resources.
- 4.15. All capital projects will also need to ensure that they follow the appropriate procurement processes.

## **5. Tariff and Section 106 Agreements**

### **Background**

- 5.1. The Council has taken on the MK Tariff from the Homes and Communities Agency (HCA). The MK Tariff is a forward funding model where government investment has enabled infrastructure to be developed to enable housing and business growth.

The MK Tariff is governed by legal agreements between developers and the Council as the Tariff operator. The Tariff programme will be subject to public consultation alongside the capital programme in February. This process will represent a resource allocation stage.

## **Approach**

- 5.2. There will be a detailed approval process for Tariff projects, in line with the Council's approach to the capital programme, which will allow spend approval to be granted. For projects being developed by the Council this is integrated with the current Capital Programme. No Tariff funding will be allocated until spend approval has been granted. External parties delivering projects under the Tariff will be liable for their own risks.
- 5.3. The forward funding of the Tariff cash flow must be managed within the profile agreed with the HCA, and the risks inherent in the Tariff must be managed in accordance with the Tariff risk management plan, which will be subject to a biennial review with the Department of Levelling Up, Housing and Communities and the HCA.
- 5.4. Spending and income on the Tariff will be reported quarterly as part of the budget monitoring report. S106 balances are available through Exacom on the Council's website.
- 5.5. The Director for Finance and Resources will review at least annually the Tariff Risk Management Plan including a financial assessment of the projected future financial liability under the Tariff risk share agreement and report this to Cabinet. The budgetary implications of this should be identified and if necessary proposals made to Cabinet to fund this.
- 5.6. The Council as part of its Planning role will enter into negotiations with developers to secure planning gains through section 106 agreements. The Head of Planning is responsible for ensuring that contributions are negotiated in line with the Council's policy framework and any reductions are fully justified through robust challenge of viability assessments.
- 5.7. Allocation of S106 for Council-led schemes will require sign off from the S106 Officer to confirm appropriate conditions have been met and will also need to follow the approved council processes for capital schemes.

## **6. Virements (or Transfers) Between Budgets**

### **Definition**

- 6.1. A virement is the balanced transfer of spending power [or budget] from one place to another, i.e. the overall budget does not change. Virements should support the Council's policies and not result in enhanced service levels or budget commitments beyond the base budget. This section refers to three types of virements: supplementary estimates; revenue virements and capital virements.

## **Supplementary Estimates**

- 6.2. Supplementary estimates will only be used where the Council wishes to amend its budget requirement, for example, increase or reduce overall net expenditure..

## **Revenue Virements**

- 6.3. Directors can request a budget virement providing it meets the following criteria:
  - (a) Virements should only apply to the transfer of funds within their areas of delegated budget responsibility;
  - (b) Proposals should be consistent with approved Council policy;
  - (c) There should be no consequential revenue effects in later years;
  - (d) There are some restrictions on the type of budgets that can be vired i.e. recharge budgets and capital charges cannot be vired. There are also legal restrictions preventing budgets being moved between different revenue accounts such as the HRA and GF. It would not normally be expected that salary budgets should be vired. In all cases the Director for Finance and Resources or their nominated representative must be consulted.
- 6.4. The Director for Finance and Resources or their nominated representative can approve the following virements:
  - (a) Technical virements – virements which properly reflect the intentions as set out in the Council budget, for example, changes to the Council structure or the detailed allocation of budget savings once consultation has been undertaken and internal recharges.
  - (b) Virements as set out in paragraph 6.3 above.
- 6.5. The following virements can only be approved by Cabinet, if recommended by the Director for Finance and Resources:
  - (a) Virements between Service Groups (except for technical virements).
  - (b) Virements which do not meet one or more of the required conditions.
- 6.6. A quarterly report on virement activity will be provided to the Director for Finance and Resources, and included in the Financial Management Report.

## Contingencies

- 6.7. Transfers from Reserves to revenue budgets require the approval of the Director for Finance and Resources or designated Deputy s151 Officer(s). These should be reported to Cabinet on a quarterly basis. Reserves form part of the Councils overall budgetary framework and can only be used for the purpose(s) that they were created for. Where a separate contingency is held as part of the annual budget this can only be drawn on with the approval of the Director for Finance and Resources and will be reported to Cabinet on a quarterly basis.

## 7. Forecasting and Monitoring

### Procedure

- 7.1. Each Director responsible for a revenue or capital budget will need to:
- monitor and control expenditure within their approved budget and be accountable for the actions of budget managers in accordance with the reporting timetable issued by the Director for Finance and Resources;
  - report progress including the current and forecasted position against their budget in accordance with the guidance and timetable set using the Council's approved financial management systems, to ultimately report to Cabinet in the budget monitoring report in consultation with the Director for Finance and Resources;
  - highlight any significant risk which may impact on the forecast; and
  - keep the Director for Finance and Resources informed of any actual or likely changes which will/may have a significant impact on current or future budgets as soon as this is identified.
- 7.2. The Director for Finance and Resources will also provide guidance on and co-ordinate the budget monitoring process and the form, basis, supporting information and timetable for the preparation thereof.
- 7.3. Budget managers are responsible for contacting the relevant Senior Finance Manager with any requests for carryover of budgets including project funding which will only be approved by the Director for Finance and Resources where:
- (a) there is sufficient funding to complete the project within the service budget; and
  - (b) there is good reason why the expenditure could not have been completed during the financial year.
- 7.4. The Director for Finance and Resources will report to Cabinet on a quarterly basis on the budgetary position across revenue and capital, including details of financial forecasts, risks and actions being taken to achieve the overall budgetary objectives. Reporting to CLT will be carried out on a monthly basis.

## 8. Management of Approved Capital Projects

### Procedure

- 8.1. Directors are responsible for managing the overall capital programme for their Service Group, via a designated Programme Board. This includes:
  - (a) ensuring that the overall actual and forecast outturn for the current year is not in excess of the level of spend approval
  - (b) ensuring commentary on the project progress is correct; and
  - (c) the forecast outturn is as accurate as possible and that projects are well managed and controlled in accordance with the Council's project management framework. Regard must also be made to the overall actual and forecast outturn over the whole life of all approved schemes.
  - (d) Where actual or forecasted spend has or is likely to exceed the level of spend approval this should be reported at the earliest opportunity to the relevant Programme Board and the Director for Finance and Resources together with reasons for this and any measures being taken to address this.
- 8.2. Directors are authorised to spend on any scheme (for which they have delegated responsibility) up to the spend approval included in the latest approved capital programme for that scheme. The approved programme comprises only projects for which spend approval has been given by Cabinet. In year expenditure should be managed within the in-year programme budget, as well as total expenditure over the life of each scheme.
- 8.3. As part of the monitoring process, Directors must provide the Director for Finance and Resources with a written explanation of all significant in-year under and overspends compared to spend approval. This must include plans to address the under / over spending as appropriate.
- 8.4. Proposed additions to the programme during the financial year should be considered by the relevant Programme Board and where supported submitted to the Corporate Portfolio Board for final clearance prior to submission to Cabinet for formal approval, supported by a project START document. Cabinet has delegated authority from Council to authorise, once the programme has been set, to approve new capital schemes and variations to existing schemes, subject to funding being available and the schemes being in accordance with the Council's objectives and priorities. Exceptions outside of the usual annual budget process will only be taken in exceptional circumstances and must be fully justified as this can lead to sub-optimal investment decisions when taken as a standalone funding decision.

- 8.5. Directors should ensure that appropriate and adequate information is maintained for each scheme, showing as a minimum:
- (a) planned start date and any subsequent revisions;
  - (b) planned completion date and any subsequent revisions;
  - (c) gross value of scheme (both capital and revenue expenditure); expenditure to date;
  - (d) forecast final outturn (including an up to date cashflow);
  - (e) budgeted expenditure for the current year;
  - (f) expenditure during the current year to date;
  - (g) forecast outturn for the current year; and
  - (h) estimated carry forward expenditure to the following year.
- 8.6. Cabinet approval is required for all changes to resource and spend approval. Except in urgent circumstances, approval for these will normally be requested as part of the quarterly Financial Management Report to Cabinet.
- 8.7. Where actual or forecast expenditure on a scheme varies from the spend approval any agreed variances should be reported to Cabinet as part of the quarterly Financial Management Report for information.
- 8.8. Where it is not possible to take programme changes to Cabinet due to the need to make an urgent or speedy decision, the rules contained within the Constitution on delegated decision-making and urgent decisions will apply.
- 8.9. At the completion of capital projects a benefits realisation report will be prepared for and signed off by the relevant Programme Board. The Programme Board will be accountable and report to the Corporate Programme Board on an exceptions basis across their portfolio of projects. Benefit realisation reports will be published.

## **9. Record of Contracts for Capital and Revenue**

### **Procedure**

- 9.1. Each Director will need to maintain sufficient records for all contracts. These should be held on the Corporate Contract Management System (Intend). Directors are responsible for ensuring that these records are complete and accurately recorded.
- 9.2. Directors must appoint a nominated Contract Manager to oversee the delivery of each contract within their area of responsibility. The Contract Manager is responsible for ensuring that the contract is delivered and that payments or income related to the performance of the contract are in line with the relevant contract provisions. Contract monitoring should be recorded on the Intend Contract Management System.

- 9.3. The specific requirements of contract processes are set out in Contract Procedure Rules which can be found on the intranet and are applicable to all contracts.

## **10. Year End and Statement of Accounts**

### **Closing the accounts**

- 10.1. The Director for Finance and Resources will issue guidance and a timetable on the processes that are required for successful closure of accounts.
- 10.2. Each Service Group is responsible for ensuring that they follow the timetable and that all expenditure is properly accounted for during the year. In particular, that all goods receipting and raising of debtors is undertaken correctly. If there is any doubt over what is required budget managers should consult their Senior Finance Manager.
- 10.3. The Director for Finance and Resources will report on the financial outturn to the Cabinet and will require each Service Group to provide explanations for any major variations between forecasts in month 9 and actual expenditure at the end of the year.
- 10.4. The Director for Finance and Resources will compile the draft statement of accounts and provide this to the Council's external auditors by the statutory deadline each year. The Audit Committee will be provided with a copy of the draft accounts and will be asked to approve the audited accounts by the statutory deadline each year.

### **Accounting Policies**

- 10.5. The Director for Finance and Resources will:
  - (a) determine accounting policies, systems and procedures and the form of financial records and statements in accordance with statute and recognised best practice (defined by International Financial Reporting Standards (IFRSs), CIPFA Accounting Codes of Practice and International Accounting Standards (IAS));
  - (b) provide guidance and advice on all accounting matters;
  - (c) monitor accounting performance to ensure an adequate standard for all services; and
  - (d) certify all financial returns, grant funding applications and claims and other periodic financial reports required of the Council.
- 10.6. Each Director will:
  - (a) implement accounting procedures and adopt the form of financial records and statements as determined by the Director for Finance and Resources;

- (b) obtain the approval of the Director for Finance and Resources prior to introducing or changing the form or method of existing accounting systems and procedures, financial records or statements. Approval is to be requested from the Director for Finance and Resources or nominated representative in writing. The request must give details of the proposed change and the anticipated benefit from the change, an estimate of the costs involved and the proposed implementation date. Internal Audit should be involved prior to any decision being made;
- (c) complete and pass to the Director for Finance and Resources financial returns and other financial reports requiring certification in good time;
- (d) keep a proper segregation of duties for staff with financial responsibilities;
- (e) supply information in a timely manner and in the format as requested by the Director for Finance and Resources to support the production of the statement of accounts;
- (f) review the basis and level of fees and charges on at least an annual basis and ensure the resulting fees and charges are submitted as requested by the Director for Finance and Resources for approval through the annual budget process;
- (g) ensure levels of income received are compared to budgeted income on a regular basis and differences are promptly investigated and addressed;
- (h) ensure all debts raised are accurate, have been agreed with the third party, are raised promptly and maintained on a regular basis. Every effort must be made to recover income owed to the Council;
- (i) ensure budget managers support the Recovery Team as appropriate with actions for collectable debts. Where this function has been retained by the Service Group the relevant Director will ensure wherever possible outstanding sums are recovered. This includes ensuring further recovery action is taken where debts remain unpaid;
- (j) where debt collection has been retained by the Service Group, ensure budget managers inform the Director for Finance and Resources where the opportunity to collect a debt has been exhausted to enable the debt write-off process to be initiated. For the avoidance of doubt, budget manager approval is not required to write off historic unrecoverable debt.

10.7. All accounting procedures will be determined by the Director for Finance and Resources. Where procedures and records are maintained in a Service Group other than that of the Service Group of Resources, the appropriate Director will be responsible for ensuring they are compliant

with the appropriate accounting policies, processes and audit requirements.

- 10.8. The Director for Finance and Resources will:
- (a) ensure that proper financial processes are followed with regard to financial planning and monitoring;
  - (b) ensure compliance with relevant Accounting Codes of Practice and the Prudential Code; and
  - (c) maintain adequate accounting policies and records to satisfy external audit and other regulatory bodies.

## **11. Income and VAT**

### **Introduction**

- 11.1. It is important that all income due to the Council is accounted for in accordance with the Council's Income Policy and collected, banked and properly accounted for. This includes income received by electronic means such as debit/credit cards, internet, telephone and direct debits.
- 11.2. All budget managers are responsible for raising and collecting income in a timely and accurate manner.
- 11.3. Wherever possible, charges for services should be collected in advance of delivery. Budget managers should validate that a payment has been received prior to service delivery.
- 11.4. Where monies are received for a service on or before delivery without the need to present an invoice this income is normally treated as un-invoiced.

### **Prohibited application of income**

- 11.5. Expenditure must never be made out of income collected (other than valid refunds).
- 11.6. Income must not be added to imprest/petty cash balances.
- 11.7. Personal cheques must not be cashed out of income collected on behalf of the Council.

### **Recording and billing**

- 11.8. Un-invoiced income collected should be entered promptly into the Council's income system. When payment is made by credit or debit card, the card details should not be recorded under any circumstances and the payment details should be made only via a card payment system approved by the Director for Finance and Resources. When receiving payment by debit or credit card and the customer is present, under no circumstances should the card details be recorded or payment made other than electronically via insertion into a Council-approved chip and pin device. It is important to follow these rules as non-compliance risks a substantial fine for breaching the payment card industry's security rules.

Cash handling should be kept to a minimum. Directors/ Group Heads of Service should only collect income as cash when other payment routes are not available and must put in place additional controls if any income is agreed to be collected in cash. These arrangements must provide that:

- (a) colleagues are appropriately trained in income collection, accounting and cash handling arrangements;
- (b) sufficient separation of duties are in place;
- (c) official receipts are available on request;
- (d) proper records are kept;
- (e) VAT is properly accounted for;
- (f) all money received is banked as soon as practicable and no later than one week after receipt;
- (g) where it is necessary for cash to be held prior to it being paid into the Council's bank account, it should be kept in an appropriate secure environment;
- (h) any insurance limits on safes are adhered to; and
- (i) security of staff and customers is maintained when cash collections are involved.

11.9. When paying money in on behalf of the Council, it is important to ensure that there is a matching record providing appropriate details of the deposit, including:

- (a) the amount of the cheque;
- (b) suitable coding for the income system;
- (c) the customer's name;
- (d) the official receipt number; and
- (e) the officer's name.

11.10. The relevant Director will need to ensure that any debts raised are accurate, appropriate and due to the Council.

11.11. Budget managers are responsible for setting out the basis of the charge to the recipient of the service and that the amounts billed are consistent with the approved list of fees and charges.

11.12. The following process must be followed for all billing:

- (a) Only billing systems approved by the Director for Finance and Resources may be used.
- (b) A debtor account must be opened (if an account has not previously been created) using the approved financial / billing system, including grant income.
- (c) Invoices must be raised in a timely manner (within 5 working days of the debt being identified);

an accurate record of the debt; and

- (d) state the period and goods/services the invoice covers.
  - (e) If the service provided is for a long period, an invoice may be raised at regular periods during the provision of the service.
  - (f) If an invoice is disputed by the debtor this will be noted by the Recovery Team. This disputed invoice is then passed to the relevant budget manager.
  - (g) The budget manager must resolve any dispute within 14 working days or notify the Recovery Team if a dispute takes longer to resolve.
  - (h) If a credit note or adjustment to a future bill is required this must be authorised in accordance with the Financial Scheme of Delegation. Under no circumstances can a valid debt which is uncollectable be written off in full or part by the use of a credit note.
  - (i) Debts not paid on time will be processed through the debt recovery process, which includes issuing reminder letters and may include referral to a debt collection agency or legal proceedings depending on any statutory requirements.
  - (j) If debt collection is not successful, the debt is written off in accordance with section 12 below.
- 11.13. Instalment payments should be agreed by the Recovery Team Manager, based on a reasonable belief that there is no means of immediate payment.
- 11.14. All debts for write-off consideration should be compiled on a quarterly basis for approval. All write-offs must be approved by the Director for Finance and Resources or his/her authorised nominee (as set out in 12 below).
- 11.15. The Council's debt position and performance including sums written off will be reported to Cabinet on a quarterly basis as part of the regular Financial Management Report.

### **Accounting and Managing VAT**

- 11.16. A key part of the Council's accounting arrangements include the management, reporting and recovery of VAT.
- 11.17. The Director for Finance and Resources is responsible for ensuring that appropriate processes are in place to submit monthly VAT returns to optimise the recovery of VAT on the cost of goods, supplies and works.
- 11.18. Service Groups need to follow relevant financial instructions and procedures in relation to VAT to apply VAT on fees and charges correctly. The treatment of VAT on fees and charges should be considered at the time of introducing or revising charging schemes and advice must always be sought from the Director for Finance and Resources before proceeding.

- 11.19. The Director for Finance and Resources is responsible for managing the Council's VAT liabilities including the 5% Partial Exemption Limit, with the aim of minimising liabilities through effective tax planning, including Electing to Waive Exemption.
- 11.20. Contact with HMRC in relation to VAT issues or inspections should be channelled through the Director for Finance and Resources.

## **12. Bad Debts/Write-offs/Loss of Income**

### **Background**

- 12.1. The Council always seeks to maximise revenue collection. However, in certain circumstances debts will be deemed to be uncollectable.
- 12.2. Where debts are "cancelled" because they have been incorrectly raised (e.g. wrong amount, wrong debtor) or "waived" because a clear policy decision (agreed with the Director for Finance and Resources) has been taken not to charge or to reduce the charge of an amount otherwise properly payable by a debtor then the following process does not apply.

### **Approval process**

- 12.3. The Director for Finance and Resources or his/her nominated member of staff may approve the write-off of any amounts properly charged, but deemed uncollectable, in the following cases:
  - a) Bankruptcy, liquidation or in the case of an individual death (where every effort should be made to minimise the loss);
  - b) The company having ceased trading and there being no assets;
  - c) Court decisions.
- 12.4. Other bad debts or loss of income, not falling into these categories, may be written off in accordance with the Financial Scheme of Delegation.

## **13. Banking Arrangements**

### **Procedure**

- 13.1. The Council's banking arrangements are the responsibility of the Director for Finance and Resources. Bank accounts can only be opened with the approval of the Director for Finance and Resources or his/her nominated member of staff. All new bank accounts must include Milton Keynes City Council (or "MKCC") in their title.
- 13.2. The Director for Finance and Resources or his/her nominated officer must approve the signing arrangements for each bank account including the names of colleagues authorised to sign cheques and issue instructions to the bank and the limits of their authority.
- 13.3. Directors are responsible for ensuring that all bank accounts within their Service Group (imprests) are operated properly and reconciled at least once a month.

- 13.4. Directors must ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Cabinet or the Council, following consultation with the Director for Finance and Resources.
- 13.5. All monies collected must be handled and banked in accordance with section 11.9.

## **14. Treasury Management**

### **Procedure**

- 14.1. All investments and borrowing will be made in the name of Milton Keynes Council.
- 14.2. All securities which are the property of, or are in the name of, the Council and will be recorded, managed and monitored by the Director for Finance and Resources.
- 14.3. The Director for Finance and Resources will produce a treasury management strategy statement and treasury management policy statement and submit them to Cabinet and then to Council each year. The Director for Finance and Resources will report quarterly on treasury management activities against the approved strategy, and will revise the treasury management strategy as appropriate and submit to Cabinet/Council for approval.
- 14.4. All treasury management activities (investment and borrowing) will be conducted by the Director for Finance and Resources in line with the relevant CIPFA Code of Practice and Cross-Sectoral guidance notes for Treasury Management in the Public Services and the CIPFA Prudential Code for Capital Finance in Local Authorities.
- 14.5. Adequate division of duties must exist between arranging and settling of transactions. Additional segregation must exist between arranging and recording of transactions.
- 14.6. A separate Treasury Management Practices manual is maintained which sets out the detailed operational arrangements that are to be followed to ensure that the Council's cash and debts are managed in line with legislation, relevant codes of practice and the Council's own Strategy.

## **15. Pension Bonds and Guarantee**

- 15.1 The implications of pension related risks need to be considered:
  - (a) at the outset of any procurement exercise;
  - (b) in all other circumstances, prior to entering into, or varying any contract.

- 15.2 The general position is that contractors are responsible, during the contract term, for paying all pension contributions relating to relevant employees engaged by them in a council contract. This includes any increases to the pension contribution rates during the contract and any exit deficit pertaining to such contract period except where the Council has agreed to act as the guarantor.
- 15.3 Contractors are also responsible where applicable, for the costs of any pension bond that may be set by the administering authority or the actuaries. This requirement should be explicit in the tender documentation.
- 15.5 Where it is proposed that the Council is to act as Guarantor and a Bond is not required, the relevant Director must complete a risk assessment to support this decision. This should be agreed with the Director of Finance and Resources prior to the commencement of the procurement. The decision making process for this should follow the Councils normal key decision thresholds based on the total estimated contract value.
- 15.6 Director for Finance and Resources may also at his/her discretion agree to accept a cash deposit in lieu of a pension bond requirement from a contractor. Such acceptance shall be based on risk assessment and subject to approval by Cabinet or Cabinet Member where appropriate.
- 15.7 Where pension pass through arrangements apply, contribution rates and review points within the contract must be set following an actuarial review and approval by the Director Finance and Resources.
- 15.8 Pension and Performance bond arrangements must follow the rules laid in section 30 of the Contract Procedure Rules.

## **16. Payment of Grants and Benefits to External Bodies**

### **Procedure**

- 16.1. All claims must be correctly certified and submitted only if all conditions are met. Directors must nominate an accountable Officer for each grant within their areas of responsibility. The Director or designated Officer is responsible within their Service Group for examining, verifying and certifying grant/benefit payments. Certification means that:
- (a) the grant/benefit payment has not been paid previously;
  - (b) the payment is lawful and in accordance with the Council's policy;
  - (c) the payment is arithmetically correct; and
  - (d) the grant is within budget provision.
- 16.2. When making payments for which external funding can be claimed, Directors need to be aware of any conditions/obligations laid down by the external funder that the Council must meet (e.g. monitoring of spending)

and be satisfied that these conditions/obligations are being met. Any shortfall in grant will be met from within the individual budget of the responsible officer.

- 16.3. Where funding is dependent on the achievement of outputs, these must be evidenced and monitored accordingly by the responsible officer(s). Where any changes to the use of the grant funds arise, these must be approved by the grant originator.
- 16.4. The approval of the Cabinet or Cabinet Member (via a Delegated Decision) needs to be sought before a Director provides assistance to any outside body by way of loan, grant or guarantee over £100k in any one financial year.
- 16.5. Before seeking Cabinet or Cabinet Member approval, each Director provides a record justifying the proposed award of the grant or guarantee, with a full business case to the Director for Finance and Resources.
- 16.6. Any proposal to give a grant or guarantee to an external body must take into account procurement law and subsidy control prohibitions with advice from legal, finance and corporate procurement obtained as necessary and reflected accordingly in the business case to Director for Finance and Resources and the report to Cabinet/Cabinet Member.

## **17. Grants Received from External Bodies**

### **Managing grants**

- 17.1. The Director for Finance and Resources or Deputy s151 Officer(s) must be consulted on the financial and probity implications of all projects involving funding from external sources (e.g. Lottery grants, European Social Funds etc) prior to any application.
- 17.2. In promoting or committing the authority to any externally funded projects Directors must ensure adherence to any terms laid down by the Director for Finance and Resources.
- 17.3. The Director for Finance and Resources is responsible for accounting for non-specific Government Grants received and receivable.
- 17.4. Directors are responsible for:
  - (a) building in any agreed financial implications (e.g. matched funding) into the budget strategy;
  - (b) ensuring that all external funding agreed with external bodies is received and is properly recorded in the Council's accounts, liaising with the Corporate Finance Team;
  - (c) ensuring that the relevant Senior Finance Manager is aware of and agrees all bids for external funding;

- (d) ensuring that external funding which is sought supports the Council's service priorities;
  - (e) ensuring that any matched funding requirements relating to external funding agreements are provided for in the budget prior to any external funding agreement being concluded;
  - (f) ensuring that necessary approvals are obtained before external funding agreements are concluded; and
  - (g) investigating ways of maximising income.
- 17.5. Where the use of external funding for projects requires a financial commitment from the Council for which budget provision is not available, or where the acceptance of external funding would lead to a financial commitment beyond the current year, the relevant Director, in conjunction with the Director for Finance and Resources, will provide a written report to Cabinet giving a full appraisal of the financial implications for the Council of the scheme both in the current year and beyond. This report should also set out the ways that the external funding sought supports the Council's service priorities.
  - 17.6. Where funding is used to support additional service provision or contributes to existing service provision then the Director responsible should have an exit strategy in place to deal with the expiry of the grant.
  - 17.7. Each Director nominates a named responsible (senior) Officer to be accountable for the performance and financial monitoring of each project. The responsible Officer should agree deadlines for the preparation of claims and returns with the relevant Senior Finance Manager prior to Director for Finance and Resources sign-off.
  - 17.8. Written approval must be obtained from the funder which clearly shows the approved allocation, the purpose of the grant and the financial period to which it relates.
  - 17.9. The responsible Officer, prior to submission of any grant claim, confirm that all expenditure declared is eligible in accordance with the relevant funder's criteria, including purposes and deadlines.
  - 17.10. Grant claims and monitoring returns working paper files must include an internal authorising form signed by the relevant Senior Finance Manager and must be submitted within the funder's timescales.
  - 17.11. Where receipt of funds from a third party (i.e. match funding) is part of any grant submission, Directors must follow the guidance which has been provided by the Director for Finance and Resources.
  - 17.12. The manner in which external funding is managed will be in accordance with Council policy, Contract Procedure Rules and these Regulations, in addition to the funder's own requirements.
  - 17.13. Grant claim working papers should be maintained in a form agreed by the Director for Finance and Resources.

## **General Grants**

- 17.14. The Director for Finance and Resources is responsible for ensuring that all information required by the Government, which is to be taken into account in the annual settlement is available and updated where necessary in line with any information requests received.
- 17.15. The Corporate Finance Team will monitor any announcements during the year of changes to central government financing. As part of this any discussions by the DLUHC Settlement Working Group will be reviewed and the possible implications of changes taken into account in financial planning reports to CLT and Councillors.
- 17.16. The Budget and Resources Scrutiny Committee will be informed of any developments in central government funding and will be fully informed of announcements of government grants.

## **Specific grants**

- 17.17. The Government provides a number of grants for specific purposes. It is the responsibility of Service Groups to ensure that these are recorded correctly and that estimates and forecasts are updated properly.
- 17.18. Each Director will ensure that Senior Finance Manager is informed of any changes in specific grants and that forecasts properly reflect these changes.
- 17.19. Where one of the conditions of a specific grant is that expenditure is time limited, it is the responsibility of the relevant budget manager to ensure that any spending associated with the grant is also limited to the same timescale to ensure that the authority does not become liable for further expenditure.

## **Grant letters and conditions**

- 17.20. Each external body that provides a grant to the authority will stipulate certain terms and conditions within the grant offer letter which are specific to each grant offer. It is good financial management practice to ensure that all colleagues responsible for the administration of grants adhere to the following principles:
  - (a) Grant claims and returns are completed accurately and in accordance with the scheme terms and conditions;
  - (b) Grant claims and returns are supported by systems of internal control, including systems of internal financial control and internal audit, which are both adequate and effective in practice;
  - (c) Grant claims and returns are completed in a timely fashion so that deadlines are met; and

- (d) All grant claims and returns are supported by adequate working papers, including where applicable, non-financial records, which:
- satisfy the statutory requirement of the Chief Finance Officer of a local authority to maintain adequate records in relation to claims;
  - document the basis of the claim or return and the derivation of the information it contains;
  - are kept in a form what will help the process of certification at the end of a financial year; and
  - ensure grants are audited if required.

17.21. The Council's external auditors have a responsibility to certain external grant-paying bodies to review the information contained in a claim or return and to express a conclusion whether the claim or return:

- (a) is in accordance with the underlying records (claims and returns between the de minimis amount and the threshold); and
- (b) is fairly stated in accordance with the relevant terms and conditions (claims and returns over the threshold).

## **18. Security and Control of Assets**

### **Proper Use of Assets**

- 18.1. Officers are all expected to ensure the proper use and safeguarding of Council owned and controlled assets. This includes stocks, stores, furniture, equipment, vehicles, cash, land and buildings, software and information.
- 18.2. Council assets can only be used for Council business. Surplus assets should be disposed of in accordance with Council procedures. The Director for Finance and Resources is responsible for ensuring that the Corporate Asset Management Plan supports the strategic approach to capital as well as complying with best practice and guidance issued by the Government, including s123 of the Local Government Act 1972.
- 18.3. Directors are responsible for other asset management plans prepared for the Council's key assets such as Highways, Maintenance, Vehicles, and ICT. In some instances these will be encompassed within the appropriate strategy.
- 18.4. It is the responsibility of Directors to ensure compliance with the measures, processes and policies outlined in the asset management plans and to ensure the maintenance and annual review of an inventory of their Service Group's assets including those leased or loaned to the Council.

- 18.5. Directors are responsible for the use and occupation of land and properties in their Service Group. They must take all reasonable steps to safeguard them. Directors are responsible for providing timely information on the assets under their control to effect adequate insurance arrangements through the Council's Insurance Team. Risk assessments must be maintained to ensure their security and safety for staff, users and other parties.
- 18.6. No Council property is to be removed otherwise than in the ordinary course of business or used otherwise than for the Council's purposes.

### **Management of Assets**

- 18.7. Acquisitions and disposals must be made in accordance with Council rules and procedures; and where this relates to land and properties Cabinet approval is required in accordance with the provisions in section 19 below. The disposal of all property should be reported to the Director for Finance and Resources to be reflected in the resources available to the capital programme and reported to Cabinet via the Quarterly Financial Management Report.
- 18.8. Directors must report annually to Corporate Finance Team any changes to assets within their Service Group (e.g. specialist equipment and attractive/portable items) valued over £500, which are not covered by the ICT and Property inventories, so that where appropriate revisions to the Council's balance sheet can be made.
- 18.9. The Head of ICT and Print will maintain a central inventory of all ICT equipment, including mobile devices. The Head of Property and Facilities will maintain an inventory of all office furniture, fixtures and fittings.
- 18.10. Directors should also ensure that adequate business continuity arrangements are in place in the event of disaster or system failure.

### **Care and Education Contracts for Individuals**

- 18.11. These regulations recognise that within areas such as Adult Social Care, Children's Social Care contracts and Special Education Needs (SEN) residential and day school contracts there may be:
  - a) 'block' contracts - where a number of beds, places or services are provided by the contractor at pre-agreed pricing schedules, to which the Council may refer users over the contract period; or
  - b) 'spot' contracts - one-off contracts meeting an individual user's needs, or contracts where a number of beds, places or services are provided by the contractor without pre-agreed prices, such prices to be agreed upon each referral of a user over the contract period.
- 18.12. The Directors of Adult Services and Children's Services will seek to maximise the use of block contracts where this represents best value for the Council and meets the individual needs of the person requiring care and/or education.

- 18.13. The relevant Directors will ensure that the purchasing of placements provides value for money. The relevant Directors will also, where feasible, enter into framework and/or approved provider arrangements to improve quality and value for money.
- 18.14. The following provisions apply to contracts referred to in 18.11 above:
- (a) All Contract Procedure Rules apply to block contracts;
  - (b) A Director may award spot contracts, which will be reviewed at least annually as part of the review of whether the service provided continues to meet the needs of the service user;
  - (c) 'Spot' contracts which meet the financial threshold for Light Touch Regime (LTR) services must follow the rules detailed in 35 of the Contract Procedure Rules. Any 'spot' contracts which do not comply with the LTR provision under section 35 of the Corporate Procurement Rules, must comply with the Emergency Procedure detailed in section 20 of the Contract Procurement Rules.

### **Leasing**

- 18.15. For leased assets, Service Groups should verify with the Director for Finance and Resources that these have been categorised and recorded correctly in accordance with International Financial Reporting Standards and CIPFA Code of Practice. If in doubt colleagues should consult the Corporate Finance Team. This applies to all assets including property, land, equipment and vehicles.
- 18.16. No leasing agreement should be entered into without the prior agreement of the Director for Finance and Resources or Deputy Section 151 Officer(s). For all leases involving land and or buildings these must be approved by the Head of Property and Facilities. All decisions on leasing should be considered as part of the initial approval process for the project and will require START documentation to be completed prior to any formal approval. All maintained schools leasing should be approved by the Director for Finance and Resources prior to commitment, with the exception of those leases entered into through the use of the Schools Buyer Network.

### **Surplus Assets**

- 18.17. Surplus, obsolete or unserviceable items (with the exception of leased items that must not be disposed of without the authorisation of the Director for Finance and Resources need to be disposed of in accordance with the directions set out below:
- a) If possible surplus but operational equipment should be offered (at nil cost) to other areas of the Council. A record is to be maintained of such offers. Where another area of the Council can make use of the equipment it will be transferred from one inventory to the other.

- 18.18. If the above fails to identify another area that will make use of the asset an estimate should be made of the items commercial value and opportunities for its sale will be explored through the Procurement Team.
- 18.19. The relevant Director will determine whether to sell the item(s) commercially (preferred option where possible) or offer the items for sale to staff.
- 18.20. Where a commercial sale is selected the Director will approve whatever sale method is considered to produce the most income for the Council. In determining the sale value it should be borne in mind that most such disposals will require VAT to be applied.
- 18.21. Asset disposal proceeds will be treated as capital receipts rather than revenue income (subject to the de minimis limit) and must not be recognised as revenue income
- 18.22. All disposals and sale proceeds must be notified to the Director for Finance and Resources.
- 18.23. Where the provisions identified above are applied but do not identify the sale of surplus items, consideration can be given to the disposal of items to voluntary groups for no payment. Consideration must be given to the donation of items to voluntary groups formally supported by the Council or the Mayors charity. (The Council maintains an annual grant process that provides funding for voluntary groups that can be used to identify potential recipients of surplus items).
- 18.24. Where the provisions do not identify a new owner for the surplus items they may be destroyed/disposed of/recycled through Council waste systems.

## **19. Acquisition and Disposal of Land and Buildings**

- 19.1. The rules set out in this section apply to the Acquisition and Disposal of all land and buildings including acquisitions of land and buildings pursuant to Section 106 planning agreements.
- 19.2. For the purposes of this paragraph 19, the following definitions will apply:
  - (a) "Appropriate Director" means the relevant Director to which the Acquisition or Disposal relate.
  - (b) "Disposal" means the transfer to a third party of an interest in Council land and/or buildings including the transfer of leasehold or freehold.
  - (c) "Acquisition" means the acquisition of an interest in land and/or buildings where the acquiring party is the Council even where the Council is not funding the Acquisition.
  - (d) "Unavoidable Expenditure" means the revenue expenditure in any lease on rent, rates and service charge throughout the period of the lease anticipating that the Council will exercise any option to

maintain the lease throughout the contractual term and/or options are exercised to extend the contractual term.

- (e) “The Relevant Decision Making Body” means the full Council or the Cabinet or a Cabinet Member or a relevant Officer where authority has been properly delegated to such Officer.
- (f) “Valuation” means the valuation prepared in accordance with paragraph 19.9 below
- (g) “Valuer” means a person who is qualified to value land and property by virtue their qualification which is approved by the Royal Institution of Chartered Surveyors.

### **Procedure**

- 19.3. Any proposal for the Acquisition and Disposal of land or buildings, whether freehold or leasehold, needs to be referred to the Director for Finance and Resources and Head of Property and Facilities.
- 19.4. The Acquisition and Disposal of land or buildings by the Appropriate Director should have due consideration to the Council’s strategic approach to capital and be executed as part of the Revenue Budget or Capital Programme as appropriate. All such transactions must only be completed after appropriate consultation and the completion of a detailed financial appraisal which has been authorised by the Director for Finance and Resources.
- 19.5. The Director for Finance and Resources maintains a detailed record of all land and buildings owned by the Council.
- 19.6. Directors are responsible for providing information in a form specified by the Director for Finance and Resources to ensure that this record is accurate, complete and up to date.
- 19.7. The Director for Finance and Resources is responsible for advising the Property Team of any Acquisitions or Disposals, to meet appropriate accounting requirements. This includes the maintenance of the Council’s asset register to reflect all transactional activity in a timely manner.
- 19.8. Acquisition and Disposal of land must be agreed in accordance with the Leader’s Executive Scheme of Delegation.
- 19.9. All legal advice obtained in connection with land and building transactions must be commissioned through the Head of Legal.

### **Valuation**

- 19.10. The Appropriate Director should ensure that an appropriate valuation for each Acquisition and Disposal of land and buildings has been acquired through the Head of Property and Facilities.
- 19.11. The Valuation shall relate to the whole of the Council’s interest in the land and buildings, and in addition, where the Relevant Decision Making Body

has resolved to dispose of less than the whole of that interest, shall also relate to that part of the whole interest, which is to be disposed of.

- 19.12. In assessing the costs relating to Acquisitions and Disposals, as a minimum, the following will be taken into account by the Valuer.

### **Acquisitions**

- 19.13. The cost of freehold Acquisition of land and buildings will relate to the capital sum paid by the Council to third parties whether or not this is funded by the Council.
- 19.14. The cost of the leasehold Acquisition of land and buildings includes any premium paid or received and the total of all other Unavoidable Expenditure over the lifetime of the lease together with the cost of fitting out the accommodation for the Council's use whether or not funded by the Council.

### **Disposals**

- 19.15. The value attributable to a freehold Disposal of land and buildings will relate to the valuation carried out by the Valuer of the whole of the Council's interest in the Land and Buildings to be disposed of irrespective of the consideration to be obtained on disposal.
- 19.16. The savings occasioned by the leasehold disposal of land and buildings include the savings of Unavoidable Expenditure by the Council. The cost of premiums, dilapidations and reinstatement obligations paid to third parties are also to be included.

### **Consultations and Approvals**

- 19.17. The Appropriate Director must ensure that consultation with the Ward member(s) and Parish Town Council(s) have taken place before the disposal of land and buildings in their area, together with consultation with the appropriate Cabinet Portfolio holder, as defined in the Leader's Executive Scheme of Delegation
- 19.18. Approval must be obtained from the Relevant Decision Making Body in all of the following circumstances:
- (a) Before any Acquisition and Disposal;
  - (b) Where a proposed Disposal would be for a value less than that at which the land/building has been valued (under value disposal within the meaning of Section 123 of the Local Government Act 1972). This includes instances where such under value disposal would be covered under the General Disposal Consent Order 2003;
  - (c) Before any application is made to the Secretary of State for consent pursuant to Section 123 of the Local Government Act 1972;
  - (d) Where there is a reserve price to be applied to a Disposal by way of auction under section 19.21 below; and

- (e) Where on a Disposal, the offer proposed for acceptance is not the highest offer available to the Council.

### **Method and Marketing**

- 19.19. Where the Council disposes land, the method of marketing shall be determined by the Valuer in consultation with the Appropriate Director and subject to the provisions below.
- 19.20. As a minimum, disposals will be advertised in an appropriate publication as determined by the Valuer except for a Disposal with a value of less than £50,000, where the Valuer considers that such an advertisement is unnecessary.
- 19.21. If pursuant to section 19.19, the Valuer considers the advertisement unnecessary, the reasons for that decision will be set out in writing and given to the Appropriate Director.
- 19.22. Where the Disposal is to be made by public auction the auction shall be subject to a reserve price determined by the Valuer in consultation with the Director for Finance and Resources and such reserve price shall take into account the Valuation of the property and the obligation of the Council to receive the best consideration.

### **Acceptance of Offers**

- 19.23. The provisions of section 123 of the Local Government Act 1972 which among other obligations require the Council to obtain the best consideration reasonably obtainable where transferring ownership of property must always be taken into consideration.
- 19.24. Except where approval has been granted by the Relevant Decision Making Body in accordance with section 19.17 above, the highest offer shall be accepted and such acceptance shall be subject to satisfactory reference, conditions and approvals of funding. Appropriate due diligence should be carried out before accepting an offer to ensure that the Council is meeting its Money Laundering obligations.

### **Contracting, Public Subsidy and Tax Planning in land transactions**

- 19.25. Officers should note that transactions which on the face may appear to be land transactions could be caught by procurement rules and thereby bringing such transactions under the ambit of Public Contracts Regulations 2015.
- 19.26. Where a land transaction is caught by the Public Contracts Regulations 2015, an appropriate procurement exercise will be required and the Council would be in breach of procurement law if this is not followed.
- 19.27. As part of any proposed Acquisition and Disposal therefore, the Appropriate Director and Valuer must engage early on with finance, legal and the Corporate Procurement Team to ensure that appropriate advice is received on matters pertaining to tax, procurement and Public Subsidy.

- 19.28. No contract for the Acquisition or Disposal of land and buildings shall be entered into unless in a form approved by Director Law and Governance.

## **20. Small Value Assets (Inventory)**

### **Security**

- 20.1. Small value assets are those such as cameras and instruments which are held by Service groups to assist in the delivery of services.
- 20.2. Service groups hold a number of small value assets. Whilst the total value of these assets is likely to be small relative to the overall value of the Council's assets, there would nonetheless be an expectation that the items are securely held and accounted for so long as they have a value to the service.

### **Inventory**

- 20.3. For items with a value greater than £500 the relevant Director should follow paragraph 18.8 Any item purchased with a value greater than £20k will need to follow the processes and approvals required for the Capital Programme prior to acquisition.

## **21. Stocks and Stores**

### **Managing and Accounting for Stock**

- 21.1. Stocks and stores are those assets held for a period pending use or sale. The assets may be individually valuable or collectively valuable and controls are necessary over their receipt, storage, issue and use.
- 21.2. There are two elements:
- (a) A reference to stores held mainly as consumables with relatively low value; and
  - (b) Stock/stores with a value greater than £5,000 which include items principally used in delivering revenue services or capital projects – typically highways and transport stores.
- 21.3. In relation to consumables a member of staff should be identified by the relevant manager as being responsible for the store. It would be their responsibility to ensure that there is restricted access to the store with an appropriate level of security.
- 21.4. In relation to stocks/stores which have a significant value (e.g. over £5,000 ) Directors are required to nominate an Officer who is responsible for the store and the stock contained within it. Stock checks should be undertaken at appropriate frequencies to confirm the quantity and value of stock held is correct. A copy of the stock position should be submitted to the relevant Senior Finance Manager at the end of each financial year in accordance with the approved timetable and detail required.

## 22. Fleet Management

### Management of Fleet

- 22.1. The acquisition, hire or lease of fleet must be approved by the Director of Environment and Property who will determine the most appropriate procurement route and terms. The Director of Environment and Property will consider the use of existing plant, equipment and vehicles as part of this decision.
- 22.2. The relevant Director (the User) needs to ensure all Officers using fleet assets are properly trained and where appropriate certificated in their use, e.g. driving licences and insurance for vehicles, training and health and safety for plant and equipment.
- 22.3. The Director responsible for the fleet and plant will:
  - (a) Ensure there is a business need (a business case completed by the User) before any item of fleet or plant is purchased, leased or hired. The business case for each item of plant or vehicle must be retained. A review of the business need for all vehicles, plant and equipment must be undertaken on an annual basis.
  - (b) Maintain effective security for all vehicles and plant, and where appropriate fit real time tracker devices and other security measures.
  - (c) Maintain a drivers instruction leaflet outlining the key issues for fleet users. Changes to the instruction leaflet will be agreed with the Director for Finance and Resources and internal audit.
  - (d) Ensure all assets are serviced and maintained safely.
  - (e) Ensure the following information is recorded for all vehicles and plant:
    - (i) Type of vehicle or plant, e.g. van, saloon car, Flat bed lorry.
    - (ii) What and when the vehicle or plant item will be used (in particular the use of the vehicle must identify whether the service need is 24/7 or whether the vehicle might be available for others to use).
    - (iii) Duration of need with start and finish dates.
  - (f) Where the vehicle is not to be kept overnight on Council land or premises, then the express permission of the Director of Environment and Property is required. This will also need to be checked with the Councils Insurance team to confirm that there is no impact on cover. Private use of Council vehicles is strictly prohibited. The Directors of Environment and Property will send an asset register to finance annually by the published deadline

- 22.4. When the User's nominated driver collects the vehicle fleet staff will:
- (a) Check the driver's driving licence and take a copy for their records.
  - (b) Ask the driver to read the Drivers Instruction leaflet and sign it, with the driver retaining one copy and Fleet Management retaining one copy.

## **23. Orders for Goods and Services**

### **Background**

- 23.1. The rules set out in this section are critical to ensuring that all procurement undertaken by the Council is lawful, properly authorised by an appropriate Officer; and within the amount provided by the Council's budget.
- 23.2. The Financial Scheme of Delegation sets approval limits for the authorisation of purchase orders (also known as "official order"). Officers should not delegate their authorisation rights to an Officer of a lower rank unless absolutely necessary.
- 23.3. An official order can only be authorised by those roles set out within the Financial Scheme of Delegation which is limited to permanent Council employees except as authorised by the Director for Finance and Resources.
- 23.4. Any variation to the ordering system must be approved by the Director for Finance and Resources.
- 23.5. Segregation of duties must be observed. The same user cannot request and authorise orders.

### **New suppliers**

- 23.6. When carrying out a procurement, Officers should consider any existing contracts already in place and wherever possible use current suppliers. These existing suppliers should provide good value for money and therefore colleagues need to balance their use and testing the market for more competitive suppliers.
- 23.7. Where the market is tested by quotes or tenders any new suppliers to be used will need to be added to the system at the earliest opportunity.
- 23.8. If a supplier has not previously been used by the Council, Officers should not make a commitment to purchase until the supplier has been created on ERP, and the purchase order approved. Officers should also consider any requirement for quotations or tenders, along with any unusual terms and conditions requested by the prospective supplier. Appropriate advice should be obtained from Legal Services and the Corporate Procurement Team prior to making any commitment.

- 23.9. Officers should note that the process of creating a supplier in the Council's systems includes authorisation for all orders over £25k from Corporate Procurement Team in respect of quotation/tendering rules and from the Procurement Strategic Lead in respect of payment terms not in accordance with the Council's policy of 30 days. Any other concerns about the terms of a prospective supplier should be referred to Legal Services.
- 23.10. Officers are required to follow a separate protocol regarding the appointment and use of agency staff whether this is to cover permanent roles, temporary role or project roles. Details of the protocol are available on the Council's Intranet together with these regulations.

### **Payment via procurement card**

- 23.11. Where Officers make use of procurement cards to procure goods or services they should ensure that such transactions are properly authorised and accounted for in the procurement card system by the cardholder or authoriser.
- 23.12. Where goods and services are made through contracts where Corporate Procurement have an agreed supplier with an embedded procurement card, normal order/approval processes will not apply. Such arrangements are only entered into where there are large numbers of small value transactions.
- 23.13. The use of procurement cards removes the requirement for an official order and creation of supplier accounts.

### **Use of 'Onebill' arrangements**

- 23.14. At the discretion of Corporate Procurement Team, some services are centrally procured and paid under contract. There are a number of scenarios for such an arrangement, including:
- (a) single invoice posted directly to service areas – official order not required.
  - (b) single invoice posted to a co-ordinating service for subsequent charge-out via internal trading – official order required.
  - (c) use of 'embedded' procurement card, so that all requisitions are charged to this card, with a monthly journal to service areas – official order not required.
- 23.15. Budget managers will be able to review details of costs charged to them. This may be by direct access to the relevant supplier system.

### **Issuing an official order**

- 23.16. All purchase orders must be raised on the Councils Corporate Financial System (ERP). Where an alternative system is to be used for a specialist contract this must be approved by the Director of Finance and Resources.

- 23.17. Prior to raising an official order, the colleagues involved should ensure that the order will comply with any rules relating to tenders and quotations. If the Council has a contracted supplier for the goods/services in question, this supplier must be used unless there is prior agreement from the Procurement Strategic Lead. In the absence of a contracted supplier, Officers are expected to make every effort to secure the best terms for the Council.
- 23.18. Where works are to be commissioned it essential that the ordering officer(s) consider whether this falls within the scope of the Construction Industry Scheme (CIS). Where this is the case, the ordering officer must ensure that the CIS details for the supplier held by the Council are current and also ensure that the supplier is requested to clearly identify exempt amounts on each of their invoices issued under CIS, or clearly state when an invoice is outside of CIS.
- 23.19. All orders must be authorised before issue to the supplier.
- 23.20. In a genuine emergency an order may be raised in other ways, but an official order must be issued as a priority on the next working day.
- 23.21. All colleagues must make themselves aware of the process for procuring goods and services and should allow sufficient time for any order to be raised.
- 23.22. In requesting an order, colleagues must ensure that the correct price is quoted, unless there is a valid reason for a price not to be quoted, taking account of any relevant discounts as agreed by the supplier in the quotation or tender.
- 23.23. Officers should ensure that the category coding of orders is appropriate for the goods/services being procured.
- 23.24. Authorisers must ensure that there is sufficient budget before allowing an order to be issued. This requires that the budget code used on the order is correct.
- 23.25. Officers involved in issuing orders should ensure that they have no conflict of interest regarding the order being issued. Any suspected conflict should be referred through line management.
- 23.26. An order must only be issued once to avoid duplication of cost and payment. If an order is in error it should be amended as soon as possible. In the rare event that an order is in error and needs to be raised again, the original order must be cancelled to ensure that no further invoices can be processed and the replacement order must not include any cost already invoiced on the original order.

### **Receipt of goods/services**

- 23.27. All goods must be checked on receipt. If satisfactory, the order should be goods received at the earliest opportunity. Delivery notes should be

retained by the ordering department in order to support any goods receipt.

- 23.28. In respect of services received, goods receipting should be undertaken on a reasonable basis. It will often be sufficient to goods receipt based on discussion and agreement with the supplier of amounts to be billed, but it may be necessary to complete estimated goods receipting at year/month end if the unbilled amounts involved are considered to be significant.
- 23.29. If goods/services received are considered to be unsatisfactory, the relevant officer should notify the supplier at the earliest opportunity and agree remedial action.
- 23.30. Goods received into stock must be held in a suitable location to safeguard against loss.

### **Dealing with invoices**

- 23.31. All official orders require suppliers to send their invoices directly to the Payable Team based in Cambridge. If an invoice is received in the service area in error, the recipient must advise the supplier of their error and immediately pass the invoice to the Payables Team.
- 23.32. When the invoiced quantity exceeds the quantity goods receipted, the invoice will be processed and automatically blocked for payment. Similarly when the invoiced unit price exceeds (outside tolerance) the authorised unit price on the order, the invoice will be processed and automatically blocked for payment.
- 23.33. A blocked invoice results in an email to the Officer who authorised the order. This email must be acted on promptly, either by contacting the supplier to agree an appropriate credit note and/or by increasing the goods receipting and/or order price to allow the invoice to be paid.
- 23.34. Invoices which do not quote sufficient information to enable them to be processed or are otherwise inappropriate (for example written in pencil) will be returned to the supplier requesting submission of a valid replacement invoice. No officer or its contractors should amend or alter invoices to enable payment.
- 23.35. Certificates for contract payments will not be accepted as invoices – the supplier must submit VAT invoices for the certified amount.
- 23.36. Invoices will be retained for six years.

### **Management of orders**

- 23.37. Officers must ensure that all live orders for their area are reviewed as a minimum once every month. The review must identify and act on any unusual live orders.

## **24. Imprests/Petty Cash**

### **Operation of Imprests and Petty Cash**

- 24.1. Imprests/petty cash should only be used for emergency or minor payments where other procurement routes are not possible. In this event, heads of service or Directors can request the Director for Finance and Resources to provide an appropriate level of Imprest/petty cash.
- 24.2. Imprest/petty cash accounts must never be used to bank income.
- 24.3. Accounts must never be used to cash personal cheques or for any other expenditure not within the remit of the Council.
- 24.4. Each individual payment needs to be separately detailed in the finance system and referenced to the associated receipt.
- 24.5. Imprest claims must be maintained directly in the finance system at least once a week, with claims being finalised (approved) at least once a month.
- 24.6. If leaving the Council's employment or otherwise ceasing to be entitled to hold an imprest/petty cash account, the responsible Officer must account to the Director for Finance and Resources for the amount advanced.
- 24.7. Officers responsible for imprests/petty cash must provide an annual statement showing all individual payments exceeding £50 (including copy receipts), explaining why these were made from an imprest and attaching evidence of proper authorisation according to the Financial Scheme of Delegation.
- 24.8. Officers responsible for imprests/petty cash must re-apply for their account on an annual basis, explaining the ongoing need and noting what other options have been considered.
- 24.9. Accounts may be frozen or closed if Officers fail to comply with the requirements above.

## **25. Reimbursement of Expenses and Payment of Allowances**

### **Procedure**

- 25.1. Methods of procurement should be in accordance with the Contract Procedure Rules.
- 25.2. All claims by employees for reimbursement of mileage and business expenses need to be submitted to payroll in the approved form via ERP.
- 25.3. Receipts must be provided for all expenditure claimed wherever possible. A valid VAT invoice must be obtained where any recoverable value.
- 25.4. All claims for a financial year are to be submitted not later than one month following 31 March in any year.
- 25.5. Authorisation of claims must be completed by the line manager of the claimant whose responsibility it is to ensure that expenditure has been incurred wholly, exclusively and necessarily in respect of Council duties.

## **26. Payment of Grants to External Bodies**

### **Payment Responsibility**

- 26.1. Where grants to external bodies are agreed by the Cabinet it is the responsibility of the relevant Service Group to ensure that the payment is made in accordance with the terms agreed by the Cabinet.

## **27. Partnerships**

- 27.1. A 'partnership' is defined as a joint working arrangement where partners:
- (a) are otherwise independent bodies or groups;
  - (b) agree to co-operate to achieve common goals;
  - (c) create a new organisational structure or process, separate from their own organisations to achieve these goals;
  - (d) jointly plan and implement an agreed programme;
  - (e) share relevant information;
  - (f) pool risks and rewards; and
  - (g) have dual accountability to both the partnership and their own organisation.

### **Entering into a new partnership**

- 27.2. All Councillors and Officers currently involved in or considering 'partnership' working should have regard to the Council's Partnership guidance.
- 27.3. It should be noted that the selection of partners must be underpinned by a procurement process as set out in Contract Procedure Rules except for the following circumstances:
- (a) where there is no exchange of funds (e.g. information sharing only);
  - (b) where the Council is providing grant funding (e.g. to a voluntary sector body, where that body would be expected to undertake a procurement exercise) for the delivery of a service, supply or works (e.g. this would not apply where funding depends upon detailed specified requirements);
  - (c) where it is permitted, required or encouraged by law (e.g. joint committee, pooled budgets and integrated services with Health Trusts).
- 27.4. As this area can be complex and legal challenges can arise the approval of the Chief Executive, Director for Finance and Resources and Director of Law and Governance must be sought before formal discussions are held with potential partners.

- 27.5. Any financial relationship with a partner must be fully documented and approved.
- 27.6. Where the entering into a partnership requires a financial commitment from the Council, either immediate or potential, for which the budget provision is not available, or where the acceptance of external funding would lead to a financial commitment beyond the current year, the approval of the Cabinet must be secured before the Director commits the Council to any partnership agreement. In addition, a clear exit strategy and risk share approach must be in place prior to entering into any partnership agreement.

### **Management of partnerships**

- 27.7. The Director(s) of the applicant Service Group is responsible and accountable for the performance and financial monitoring of each partnership. A risk assessment should be maintained in relation to the Council being a party to each partnership.
- 27.8. Where receipt of funds from a partner or third party (i.e. matched funding) is part of any grant submission, Directors must adhere to the guidance which has been provided by the Director for Finance and Resources.
- 27.9. Internal Audit's rights of access to all Officers, buildings and information, explanations and documentation required to discharge the audit role should be written into the appropriate agreements with these organisations. This is the responsibility of Directors.

### **Limited liability partnerships**

- 27.10. This regulation sets out the Council's approach when working with the limited liability partnerships (LLPs) of the Council.
- 27.11. Partnership arrangements may be used as a means of acquiring goods, works or services. Approval of a partnership arrangement requires that:
  - (a) Costs and income are provided for in the Council's budget;
  - (b) Arrangements are in place for accurate accounting for costs and income;
  - (c) Sufficient controls are in place for the successful operation of the partnership, including arrangements for sufficient access to financial and other records;
  - (d) Carry forward arrangements have been determined;
  - (e) A formal risk assessment has taken place and a management strategy devised; and
  - (f) An auditing regime has been established.

## **Background**

- 27.12. The Council owns / part owns two limited liability partnerships:
- Milton Keynes Development Partnership (MKDP) – which is a development vehicle for the Council and has taken on the assets purchased from the Homes and Communities Agency.
  - Develop (MK) – which is together with MKCC, a parent of MKDP.

### **Milton Keynes Development Partnership (MKDP)**

- 27.13. The ongoing services which MKDP will provide to the Council will be set out in Service Level Agreements (SLAs) and the cost of providing these agreements will be fixed. MKDP are a contracting authority and MKCC must follow relevant procurement rules before appointing MKDP to do any works.
- 27.14. The ongoing services the Council will provide to MKDP will be set out in SLAs. The cost of these SLAs will be agreed with the LLP. If the LLP requires additional services from the Council a discussion will need to be undertaken with the relevant service manager to determine if there is sufficient capacity to meet this request. If additional costs will be incurred by the Council then these costs should be agreed in advance of the work and met by the relevant LLP.
- 27.15. Where appropriate, charging for SLA services (both to and from the LLP) will be managed by the finance function. Any agreements for meeting additional costs (both to and from the LLP) are subject to the Financial Regulations/ Financial Procedure Rules relating to sales and purchasing, except that procurement/tendering rules do not apply in this instance.

## **28. Voluntary Sector**

### **Procedure**

- 28.1. Where the Council enters into partnerships with the voluntary sector to provide services to the public an SLA must be agreed with the relevant community group unless proper contract arrangements are in place. All proposals for payments to the voluntary sector must be reviewed by legal for any subsidy control issues approval prior to the partnership being agreed.
- 28.2. Monitoring of the contract or SLA as appropriate should be on a regular basis and any discrepancies from this will be reported to the relevant Director.

## 29. Internal Audit Arrangements, Fraud and Corruption

### Internal audit

- 29.1. The Council will maintain an adequate and effective internal audit service in accordance with the latest Accounts and Audit Regulations and in line with the CIPFA Code of Practice for Internal Audit in Local Government and professional auditing standards. Internal Audit will review, arrange and report upon:
- (a) whether operations are being carried out as planned and objectives and goals are being met;
  - (b) the adequacy of systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by the management of the organisation, or externally;
  - (c) the completeness, reliability and integrity of information, both financial and operational;
  - (d) the extent to which the Council's assets, data and interests are properly accounted for and safeguarded from losses of all kinds, including fraud and corruption, waste, extravagance, abuse, ineffective management and poor value for money; and
  - (e) the economy, efficiency and effectiveness with which resources are employed.
- 29.2. Internal Audit will have an unrestricted range of coverage of the Council's operations and therefore has authority to:
- (a) enter at any time Council premises or land subject to any statutory or contractual restrictions that may apply, e.g. health and safety;
  - (b) access all records, documents, correspondence, information and data relating to all areas of business of the Council regardless of how the information is held and remove records as necessary for the purposes of their work (including records of the Council's agents and contractors);
  - (c) require and receive such explanations as are necessary concerning any matter under examination; and
  - (d) require any employee or agent of the Council to produce cash, stores or any other Council property under their control.
- 29.3. This access applies not only to the Council but also to:
- (a) organisations to whom the Council has given grants;
  - (b) organisations with whom the Council contracts; and
  - (c) partner organisations in any scheme for which the Council has responsibility as lead body.
- 29.4. Directors in consultation with Procurement will provide appropriate access to safeguard the interests of the Council this is explicit in the

appropriate agreements/contracts with the aforementioned external organisations.

- 29.5. Internal Audit will have unobstructed direct access and the right of report to the Chief Executive, colleagues, heads of service, the Monitoring Officer, the Council's external auditors, the Cabinet, the Leader, the Cabinet member with responsibility for Audit and the Chair of the Audit Committee.

### **30. Risk Management and Insurance**

- 30.1. The Director for Finance and Resources is responsible for the development, monitoring and review of the Council's risk management policy, which is approved Audit Committee each year, and is the Council's principal risk management adviser and co-ordinator.
- 30.2. Each Director is responsible for identifying, assessing, controlling and recording risks within his/her Service Group using GRACE and will undertake a quarterly review of Service Group risk, which may be subjected to internal audit review.

### **Business Continuity**

- 30.3. A business continuity plan should be in place for all high value/high risk contracts.
- 30.4. Directors through their service managers are responsible for ensuring the continuity of their own services.
- 30.5. Directors/Group Heads of Service will give guidance on the appropriate service priorities to aid planning and recovery of services.
- 30.6. Directors will determine the appropriate level of business continuity planning for each of their services working with the Council's Business Continuity Officer. Directors are responsible for ensuring that their Business Continuity Plans are up to date and tested at regular intervals to ensure they remain effective.

### **Preventing Fraud and Corruption**

- 30.7. All Officers , Councillors, agents, contractors and strategic partners have responsibilities to protect the funds they administer on behalf of the Council. Council resources must be administered to the benefit of the taxpayer and not the inappropriate personal benefit of any of the above.
- 30.8. All Officers , Councillors, agents or contractors of the Council have a responsibility to bring to the attention of the Head of Internal Audit, Director for Finance and Resources or their Director any suspected fraud, corruption or irregularity.
- 30.9. The Head of Internal Audit, in consultation with the Director for Finance and Resources if appropriate, will take such steps as considered necessary by way of investigation or report. Wherever possible the Director and the Officer referring concerns is to be kept informed.

## **Insurance**

- 30.10. The Council maintains various policies and internal risk management measures to protect the Council's interests.
- 30.11. The Council, through the Shared Lead Authority arrangements with Cambridgeshire County Council has delegated the day to day management of its insurance function. The Insurance Manager has delegated authority to enter into insurance arrangements on behalf of the Council with the exception of schools who under delegated budget authority can select their own insurance provider. The main tendering arrangements for the Council's insurance must be awarded within the Council's normal procurement rules, which would usually be Cabinet.
- 30.12. The Insurance Team hold a central record of the Council's insurance policies and claims. Authority to manage claims, including settlements is delegated to the Insurance Team. The Insurance Team report directly to the Director for Finance and Resources and provide quarterly management reports on insurance activity and losses.
- 30.13. Where incidents occur which might give rise to a claim this must be reported to the Insurance Team at the earliest opportunity, preferably the same day that the event takes place. Service Groups are required to strictly follow the advice of the Insurance Team including communications with potential claimants, third party insurers etc. The Insurance Team must be involved in any discussions about potential settlements and if appropriate will lead this process.
- 30.14. To ensure best practice and manage future risk 'near miss' reporting will be used to ensure that the Council's systems and processes are effective.

## **Acronyms used in this document**

- CFO – Chief Financial Officer
- CLT – Corporate Leadership Team
- GF – General Fund
- HCA – Homes and Communities Agency
- HRA – Housing Revenue Account
- SLA – Service Level Agreement
- DLUHC – Department of Levelling Up, Housing and Communities