Annex 8

British Transport Police Authority

Financial Memorandum

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I Introduction

1. This financial memorandum, which forms part of the management statement for the British Transport Police Authority, sets out in greater detail certain aspects of the financial framework within which the Authority is required to operate.

2. The terms and conditions set out in the combined management statement and financial memorandum may be supplemented by guidelines or directions issued by the Secretary of State in respect of the exercise of any individual functions, powers and duties of the Authority.

3. The Authority shall satisfy the conditions and requirements set out in the combined document, together with such other conditions as the Secretary of State may from time to time impose.

4. In this Financial Memorandum, unless otherwise stated:

   "the Accounts" are the accounts provided for in paragraph 17(a) of Schedule 4 to the Act;

   "the Act" is the Railways and Transport Safety Act 2003;

   "the Annual Report" is the report provided for in section 57 of the Act;

   "the Authority " means the British Transport Police Authority provided by section 18 of the Act;

   "BTP" means the British Transport Police;

   "the C&AG" means the Comptroller and Auditor General;

   "the Chair" means the member who is appointed as chairman of the Authority, provided for in paragraph 4(1) of Schedule 4 of the Act;

   "the Chief Constable" means the person appointed as chief constable of the BTP by the Authority in accordance with section 21(1) of the Act;

   "the Department" is the Department for Transport;

   "the Deputy Chair" means the member who is appointed as deputy chairman of the Authority, provided for in paragraph 5(1) of Schedule 4 of the Act

   "D&G" means the Directions and Guidance issued to the Authority by the Secretary of State, and any subsequent revisions;

“the Government” is the UK Government;

“the Members” means the members of the Authority appointed in accordance with paragraph 1 of Schedule 4 of the Act;

“NDPB” is a Non-Departmental Public Body;

“Parliament” is the UK Parliament;

“PSA” means a Police Services Agreement;

“PSBR” means the Public Sector Borrowing Requirement;

“public funds” means funds granted to the Authority by Parliament, or borrowed with the consent of the Secretary of State, and any other funds generated by approved activities or falling within the stewardship of the Authority;

“the Secretary of State” is the Secretary of State for Transport.

II The Authority's Income and Expenditure – General

The Departmental Expenditure Limit (DEL)

5. The Authority's current and capital expenditure form part of the Department's Resource DEL and Capital DEL respectively. The Authority's market income (i.e. income from sale of services) offsets expenditure in the Department's Resource DEL. Receipts from disposal of assets offset expenditure in the Department's Capital DEL.

6. Subject to specific Treasury approval, the Authority's income from Police Services Agreements will be classified as negative public expenditure within the Department's Resource DEL and will offset expenditure by the Authority within the Department's Resource DEL. Such approval will depend upon, inter alia, the Authority complying with the Treasury's criteria for 'netting off' licence and levy receipts from DEL.

7. If there is any doubt about the correct classification of a receipt, the Authority shall consult the Department, who will consult the Treasury as necessary.

End-year flexibility

8. The Treasury's End Year Flexibility (EYF) scheme enables Departments to carry forward unspent DEL into subsequent years. The treatment of any EYF arising from underspending of DEL resources available to the Authority will be notified to the Authority by the Department, following discussion with the Authority.

Procurement

9. The Authority's procurement policies shall reflect guidance from the Office of Government Commerce including *Procurement Policy Guidelines.* The Authority shall also ensure that it complies with any relevant EU or other international procurement rules.

10. Periodically and wherever practicable the Authority's procurement shall be benchmarked against best practice elsewhere and contracted out where this would achieve better value for money.

Value for money

11. Procurement by the Authority of works, equipment, goods and services shall be based on value for money, i.e. quality (in terms of fitness for purpose) and delivery against price. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken.

12. **Efficiency**

The Authority shall set efficiency targets in order to keep costs down. These targets should be notified to the Department and progress reported against them on a regular basis.

Competition

13. Contracts shall be placed on a competitive basis and tenders accepted from suppliers who provide best value for money overall. The prior consent of the Department shall be obtained before letting any contract with a value exceeding £1,000,000. Any contracts exceeding £75,000 in value, to be let other than by competition require the prior consent of the Department. The Authority shall send to the Department, at the end of each quarter, a report explaining the reasons for any contracts exceeding £250,000 in value that were not let following competitive tendering.

Timeliness in paying bills

14. The Authority shall collect receipts and pay all matured and properly authorised invoices in accordance with the terms of contracts or within 30 days, as provided for in Annex 16.2 of Government Accounting. The Authority shall comply with the British Standard for Achieving Good Payment Performance in Commercial Transactions (BS 7890), and with the Late Payment of Commercial Debts (Interest) Act 1998 as amended. [NOTE: The 1998 Act allows creditors to claim statutory interest and compensation on late payment of commercial debts].

Novel, contentious or repercussive proposals

15. The Authority shall discuss with the Department any novel, contentious or repercussive features likely to arise on a particular piece of business at an early stage. In particular, the Authority shall discuss with the Department any proposals that may materially affect the Department's funding of train operating companies, via subsidy paid to them by the Strategic Rail Authority.

16. The Authority shall obtain the approval of the Department before:

- incurring any expenditure for any purpose which is or might be considered novel or contentious, or which has or could have significant future cost implications, including on staff benefits;

- making any significant change in the scale of operation or funding of any initiative or particular scheme previously funded by the Department; and

- making any change of policy or practice which has wider financial implications (e.g. because it might affect the level of subsidy paid to train operating companies or which might significantly affect the future level of resources required by the Authority).

Risk management

17. The Authority shall ensure that the risks which it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and

shall develop a risk management strategy, in accordance with the Treasury guidance *Management of Risk: A Strategic Overview*.

18. The Authority shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with Treasury's guide *Managing the Risk of Fraud*.

19. The Authority shall take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a significant contract or to give grant. The Authority shall work in conjunction with other bodies (where appropriate), for example the Strategic Rail Authority, to take these steps.

III The Authority's Income

20. The Authority may obtain funds from the following sources:

- Fees charged under PSAs;
- Other receipts (including disposal of certain assets);
- Specific grants from the Department or the Home Office;
- Interest earned;
- Borrowing; and
- Grant in Aid.

Fees and charges

21. Fees or charges for any services supplied by the Authority shall be determined in accordance with the Treasury's *Fees and Charges Guide*, and with the Freedom of Information Act when brought into effect.

22. The Authority shall notify the Department in advance of any changes to the PSA charges and obtain the agreement of the Department/Treasury to the way in which they are managed and meet the Treasury netting off criteria set out in PES (98) 7. The Department/Treasury may, as part of the netting off conditions, carry out periodic reviews of the operation of the charges, including whether they should exist at all, what scale of activity is appropriate, and the level of charges set.

23. The Authority's primary source of income will be through charges on railway companies who are required to enter into PSAs under sections 33 and 34 of the Act. The Authority may enter into a PSA for the BTP to police railway property, in connection with that company's railway services. Through the PSA the BTP may also provide additional policing services as specified and any incidental or ancillary matters as agreed.

24. Under section 33(3) of the Act a PSA shall include provision requiring the customer to make payments to the Authority of specified sums or sums assessed in a specified manner. Any PSA must receive prior approval of the Secretary of State.

25. Under section 33(4) the Authority shall aim to ensure that the payment for the service of the BTP it receives through the PSAs:

a) Matches the expenses of the BTP, including defrayed expenses and non-cash items, to income receivable as nearly as possible; and

b) Reflects the nature and extent of the functions to be undertaken by the BTP in that year.

26. Under section 33(5) the Authority may set a PSA charge at a level which reflects a surplus of income over expenditure or a deficit arising in a previous financial year (regardless of whether this relates to BTP's services to that customer) or a need to reserve funds for contingencies. Any proposal to establish reserves of funding should be agreed with the Department and the Treasury.

27. PSA charges may be set to recover non-cash costs. The cash receipts in respect of these costs shall be returned to the Department.

Other receipts

28. The Authority is free to retain any gifts, bequests or similar donations made to it in accordance with Government Accounting. These will be treated as receipts, subject to the Authority considering whether this treatment would result in associated costs or conflicts of interest. The Authority shall keep a record of gifts, bequests and donations received, and of their estimated value and whether they are disposed of or retained. Any gift or bequest of a significant monetary value will be separately identified and disclosed in the Authority's accounts.

29. Together with gifts, bequests and donations, most fines and most taxes (including levies and some licences) are not negative public expenditure and do not provide additional DEL spending power. However, as set out in paragraph 6 above, PSA receipts can be offset against the Authority's expenditure within Resource DEL so long as the criteria set out in PES (98) 7 are complied with. Where a surplus results from such receipts in any financial year, the Authority may roll this surplus forward to the next financial year (as per Section 33(5) of the Act). To the extent that any receipts are unrelated to the activities that are the subject of the PSA, the Authority shall not be obliged to take account of them in setting future levels of PSA but may instead retain the funds to offset the costs of the Authority as appropriate. In budgetary terms any surplus of income over expenditure in any financial year would result in an underspend against the Department's DEL and would form part of the EYF entitlement to be agreed with the Treasury.

Specific grants

30. The Authority shall agree with the Department the requirement for specific grant during each financial year.

31. Specific grants shall be available for planned capital expenditure, and for any other purposes that the Authority shall agree with the Department from time to time.

32. Where specific grants are used to fund capital expenditure an expected rate of return (cost of capital charge) should be agreed with the Department and recovered from the railway companies though PSA charges over the life of the asset. Assets funded from borrowing would be reimbursed through the PSA by reference to interest payable and the depreciation charges on the assets.

33. The Department may require an audit certificate to be provided when specific grants are given.

Interest earned

34. Any interest earned by the Authority on its assets shall be subject to the same budgeting treatment as the cost of capital charge on the assets, namely that it should be taken into account in setting the PSA to the extent that the purchase of the asset was also financed by the TOCs.

35. The cost of capital charge and any interest receipts on assets score within the calculation of the Authority's agreed net budget within Resource DEL.

36. If the Authority proposes to use receipts to finance additional expenditure outside its agreed Resource or Capital DEL budgets, it must first ensure that the Department has the necessary DEL cover. Any interest earned on cash balances arising from Exchequer funds (e.g. specific grant) shall be treated as a receipt from an Exchequer source. Depending on the budgeting treatment of this receipt, and its impact on the Authority's cash requirement, it may be required to be surrendered to the Consolidated Fund via the Department.

37. Interest earned on balances outside the Exchequer would incur a cost of capital charge on deposits.

Unforecast changes in in-year income

38. If the negative DEL income realised or expected to be realised in-year is less than estimated, the Authority shall, unless otherwise agreed with the department, ensure a corresponding reduction in its gross expenditure so that the authorised provision is not exceeded.

39. If the negative DEL income realised or expected in the year is **more** than estimated, the Authority may apply to the department to retain the excess income for specified additional expenditure within the current financial year without an offsetting reduction to any grant payments from the Department. The Department shall consider such applications, taking account of competing demands for resources. If an application is refused, any grant payments shall be commensurately reduced or the excess receipts shall be required to be

surrendered to the Exchequer via the Department. (These arrangements are subject to the provisions set out in paragraphs 93-96 below.)

Borrowing

40. The conditions under which the Department will lend to the Authority, or give consent to borrowing by the Authority from others, are set out in paragraphs 41 to 53 below. The Authority may borrow from the Secretary of State within these restrictions. With the written consent of the Secretary of State, the Authority may borrow from outside the Government sector.

41. The Authority shall observe the rules set out in Section 29.5 of Government Accounting when undertaking borrowing of any kind. The Authority shall seek the approval of the Department to ensure that it has any necessary authority and budgetary cover for any borrowing or the expenditure financed by such borrowing. Any expenditure by the Authority financed by borrowing will count in DEL (as with all other expenditure by the Authority). Medium or long term private sector or foreign borrowing is subject to the value for money test set out in Government Accounting.

42. A general consent may be given by the Secretary of State for overdrafts and for short-term loans. Any consent will specify the maximum amount that can be borrowed, the loan period and such other conditions as the Secretary of State may specify. The Authority may request the Secretary of State to guarantee loans it has taken out from persons other than the Secretary of State, subject to normal Parliamentary controls and Treasury consent.

43. The net change in borrowing outstanding over each financial year shall be included within the calculation of the Authority's agreed capital DEL budget.

44. The Authority may not borrow if the effect would be:

- To take the aggregate amount outstanding in respect of the principal of sums borrowed by it over its borrowing limit, or

- To increase the amount by which the aggregate amount so outstanding exceeds that limit.

45. The Authority's borrowing limit is £30 million, or such greater sum as the Secretary of State may approve.

46. Any loan made to the Authority by the Secretary of State shall be repaid to the Secretary of State at such times and by such methods, and interest on the loan shall be paid to him/her at such rates and at such times, as he/she may determine.

47. If in any financial year the Secretary of State makes a loan to the Authority, he/she shall prepare an account, and send that account to the C&AG before the end of September in the following year.

48. The account shall show:

- The amount outstanding at the end of the previous financial year in respect of the principal sums lent by the Secretary of State to the Authority;

- The amount of the sums lent by the Secretary of State to the Authority in the current financial year;

- The amount of any loan repayments made by the Secretary of State by the Authority in that financial year; and

- The amount outstanding at the end of that financial year in respect of the principal of sums lent by the Secretary of State to the Authority.

49. The C&AG shall examine, certify and report on each account sent to him and shall lay copies of it and his report before Parliament.

50. The Secretary of State may guarantee in such manner and on such conditions as he may consider appropriate, on any sum which the Authority borrows from any person other than the Secretary of State:

- The repayment of the principal;

- The payment of interest on; and

- The discharge of any other financial obligation in connection with such sum.

51. Where the Secretary of State gives a guarantee under this paragraph, he/she shall as soon as practicable lay a statement of the guarantee before Parliament.

52. Where any sum is paid out for fulfilling such a guarantee, the Secretary of State shall as soon as possible after the end of the financial year lay a statement before Parliament showing the sum paid.

53. The Authority shall make payments of such amounts and interest as the Secretary of State may direct from time to time in repayment of the sum paid.

Grant-in-aid

54. The Authority shall receive funding via grant-in-aid for specific purposes, where the income sources detailed above are inappropriate or insufficient. Any grant-in-aid provided would be subject to delegated limits agreed with the Department at that time.

55. Where grant-in-aid is to be drawn down, it will normally be paid to the Authority in instalments, on the basis of a written application from the Authority showing evidence of need. The application shall certify that the conditions applying to the use of grant-in-aid have been observed to date and that further grant-in-aid is now required for purposes appropriate to the Authority's functions.

56. The Authority should have regard to the guidance in DAO (GEN) 14/01 and to the general principle enshrined in chapter 9 of Government Accounting that it should seek grant-in-aid according to need.

57. Cash balances accumulated during the course of the year from grant-in-aid or other Exchequer funds shall be kept at the minimum level consistent with the efficient operation of the Authority. Grant-in-aid not drawn down by the end of the year shall lapse. However, where draw-down of grant-in-aid is delayed to avoid excess cash balances at year-end, the Department will make available in the next financial year - subject to approval by Parliament of the relevant Estimates provision – any such grant-in-aid which is required to meet any liabilities at year end, such as creditors.

Leases, lending, issuing guarantees, indemnities and contingent liabilities

58. Prior Departmental approval must be secured for all new property and finance leases with a value greater than £1,000,000 per annum or of over 5 years' duration. The Authority must include the annualized cost of finance leases and other transactions that are in substance borrowing within the calculation of its agreed capital DEL. The total amount of the leases and other transactions must be included within the calculation to determine whether the Authority has exceeded its borrowing limit.

59. Before entering into any new lease (including an operating lease) the Authority shall ensure that the lease offers better value for money than purchase. Leases should be appraised in accordance with the Treasury Green Book guidance, including adjusting for differences in tax between options.

60. The Authority shall not, without the Department's written consent (which may, subject to Treasury agreement, be granted in a general form), lend money, charge any asset or security, give any guarantee or indemnities or letter of comfort, or create any other contingent liability (as defined in chapter 26 of Government Accounting), whether or not in legally binding form.

Proceeds from disposal of assets

61. Disposals of land and buildings are dealt with in Section VI below.

Reserves

62. No grant or grant-in-aid shall be paid into any reserve held by the Authority. Funds in any reserve may be a factor for consideration when grant-in-aid is determined.

IV Expenditure on Staff

63. As provided for in section 27 of the Act, the Authority may employ constables and civilians of the BTP. Such employees are under the direction and control of the Chief Constable. The Chief Constable, reporting to the Authority, will have responsibility for the recruitment, retention and motivation of the BTP's constables and civilian employees within the normal public sector framework.

64. The Authority shall ensure that the BTP has proper mechanisms for monitoring and controlling staff resources. The Authority shall periodically review the outputs of these mechanisms.

65. The Authority shall ensure that the creation of any additional posts does not incur forward commitments which will exceed its ability to pay for them.

66. The Authority is free to determine whether staff (other than staff covered by paragraph 70 below) should be employed on fixed-term or open-ended contracts.

Pay and conditions of service

67. In relation to the terms and conditions of employment of constables and other persons employed in the service of BTP (the Police Force), the Authority shall comply with rules or principles contained in any document issued to them by the Secretary of State. The Authority should consider the principles of the pay structure and other related matters, such as recruitment criteria, terms and conditions, grading and appraisals, of the Home Office police forces when setting the general pay structure and conditions of service for BTP employees.

68. The Authority shall ensure that the BTP's pay and grading systems match its business needs, normally placing emphasis on linking pay and performance. The Authority will link with the Police Negotiating Body structures for Home Forces and will be expected to produce a pay bargaining plan, if it intends to enter into negotiations on pay issues.

69. The Authority shall keep its staff appraisal system and performance pay scheme under review.

70. The prior approval of the Secretary of State will be required for the appointment of the Chief Constable, the Deputy Chief Constable and Assistant Chief Constables.

71. Subject to other provisions of this financial memorandum, the Authority shall ensure that the appropriate provisions concerning non-pay-related staff matters (such as recruitment and conduct) are in place. Terms and conditions determined by the Authority shall conform to any relevant rules or principles notified to the Authority by the Department.

72. The travel expenses of Authority Members shall be tied to the rates allowed to senior staff of the Authority. Reasonable actual costs shall be re-imbursed.

73. The Authority shall comply with the EU directive on contract workers "Fixed Term Employees Regulations (Prevention of Less Favourable Treatment)".

Pensions, redundancy/compensation

74. The Authority's staff shall normally be eligible for a pension provided by:

- Membership of the BTP Section of the funded defined benefit Railways Pension Scheme; or

- Membership of the British Transport Police Superannuation Fund, a funded defined benefit scheme.

75. Staff may opt out of the occupational pension scheme provided by the Authority. However, the employer's contribution to any personal pension arrangement, including a stakeholder pension, shall normally be limited to the national insurance rebate level.

76. Compensation is not normally payable when someone resigns voluntarily. Exceptionally, circumstances may arise where it is highly desirable that an individual should leave, but the reasons are not sufficient to justify the individual's dismissal and it is judged acceptable to offer some financial consideration to secure the early voluntary resignation of the individual. The Authority must weigh up the circumstances and judge the value for money of such financial consideration before agreeing to such a course.

77. Any proposal by the Authority to move from the existing pension arrangements requires the approval of the Department. The Authority should consult the Department on any proposal for significant redundancies or for payment for compensation for loss of office. Proposals on severance payments must comply with DAO (GEN) 04/02.

V Non-Staff Expenditure

Capital expenditure

78. Subject to being above an agreed capitalisation threshold, all expenditure on the acquisition or creation of fixed assets shall be capitalised in accordance with UK GAAP. Expenditure to be capitalised shall include the (a) acquisition, reclamation or laying out of land; (b) acquisition, construction, preparation or replacement of buildings and other structures or their associated fixtures and fittings; and (c) acquisition, installation or replacement of movable or fixed plant, machinery, vehicles, aircraft and vessels.

79. Proposals for large-scale individual capital projects or acquisitions will normally be considered within the Authority's corporate planning process. Applications for approval by the Department shall be supported by formal notification that the proposed project or purchase has been examined and duly authorised by the Authority. Regular reports on the progress of projects funded by specific departmental grant (paragraph 30-33) shall be submitted to the Department or the Home Office.

Transfer of funds within budgets

80. Unless financial provision is subject to specific Departmental or Treasury controls (eg, where a provision is ring fenced for specific purposes), transfers between budgets within the total capital budget, or between budgets within the total revenue budget, do not need Departmental approval.

Grant or loan schemes

81. All proposals to make a grant or loan to a third party, whether one-off or under a scheme, shall be subject to prior approval by the department together with the terms and conditions under which such grant or loan is made. If grants or loans are to be made under a continuing scheme, statutory authority is likely to be required.

82. The terms and conditions shall include a requirement on the recipient to maintain records in relation to the grant or loan and to ensure that these are readily available for inspection by the Authority, the department and the C&AG.

Gifts made, write-offs, losses and other special payments

83. Proposals for making gifts or other special payments (including write-offs) above £100,000 must have prior approval of the Department. Gifts by management to staff are subject to the requirements of DAO(GEN)13/01 and the associated Cabinet Office guidance on non-pay rewards.

Public/Private Partnerships

84. The Authority shall seek opportunities to enter into Public/Private Partnerships where this would be more affordable and offer better value for money than conventional procurement.

Where cash flow projections may result in the agreed net budget being breached, the Authority shall consult the Department.

85. Any partnership controlled by the Authority shall be treated as part of the Authority in accordance with UK GAAP and consolidated with it subject to any particular treatment required by UK GAAP. Where the judgment over the level of control is a close one the Department will consult its auditors and the Treasury (who may need to consult with the Office of National Statistics over national accounts treatment).

Subsidiary companies and joint ventures

86. The Authority shall not establish subsidiary companies or joint ventures without the express approval of the Department. In judging such proposals, the Department will have regard to the Authority's wider strategic aims and objectives.

87. Any subsidiary company or joint venture controlled or owned by the Authority shall be consolidated with it in accordance with UK GAAP for public expenditure accounts purposes. Where the judgment over the level of control is a close one the Department will consult its auditors and the Treasury (who may need to consult with the Office of National Statistics over national accounts treatment). Unless specifically agreed with the Department and the Treasury, such subsidiary companies or joint ventures shall be subject to the controls and requirements set out in this management statement and financial memorandum and to the further provisions set out in supporting documentation.

Financial investments

88. The Authority shall not make any investments in traded financial instruments without the prior written approval of the Department. Equity shares in ventures which further the objectives of the Authority shall equally be subject to Departmental approval unless covered by a specific delegation.

Unconventional financing

89. Unless otherwise agreed with the Department, the Authority shall not enter into any unconventional financing arrangement.

Commercial insurance

90. The Authority may take out or continue to take out:

- Insurance that was previously approved by the Department for specific purposes and which has transferred to the Authority;

- Third-party insurance required by the Road Traffic Acts;

- Other insurance that is a statutory obligation or which is permitted in 30.3.2a-d of *Government Accounting*;

- Directors and officers insurance; and

- Insurance for other purposes for which the prior approval of the department, who will consult the Treasury as necessary, has been obtained.

91. The Department shall have a written agreement with the Authority about the circumstances in which, in the case of a major loss or third-party claim, an appropriate addition to budget out of the department's funds and/or adjustment to the Authority's targets shall be considered.

VI Management and Disposal of Fixed Assets

Register of assets

92. The Authority shall maintain an accurate and up-to-date register of its fixed assets.

Disposal of assets

93. The Authority shall dispose of assets which are surplus to its requirements. Assets shall be sold for best price, taking into account any costs of sale. High value assets shall be sold by auction or competitive tender, and in accordance with *Government Accounting*, Chapter 24.

94. The Authority may normally retain receipts derived from the sale of assets provided that:

- The Department and the Treasury are content for the Authority to retain these receipts;
- They are used to finance other capital spending;
- The Department receives prior notification of individual sales; and
- Total sales in any financial year do not exceed £500,000

95. If, notwithstanding the above, the Authority disposes of assets which have been purchased, improved or developed with specific grants from the Department and the Home Office and the receipts amount to more than £1 million, or where the disposal has unusual features of which Parliament should be aware, Parliamentary approval shall be secured for the receipts to be reinvested. The receipts shall therefore be surrendered to the Department, which shall then submit an Estimate seeking approval for the receipts to be appropriated in aid by the Department and for a corresponding specific grant payment to the Authority. If the proposed new investment is novel or contentious the Treasury's approval will be also needed.

96. If the criteria in paragraph 94 above are not met, any receipts shall be dealt with in line with the rules on surplus in-year receipts (paragraph 39 above).

VII Budgeting Procedures

Setting the annual budget

97. Each year the Authority shall set an annual budget, taking into account any specific directions issued by the Department, and provide a statement of such budget to the Department (the agreed net budget). The Department shall send to the Authority each year a statement of any planned change in policies affecting the Authority.

98. When setting its budget, the Authority shall have regard to any impact on the Department's Departmental Expenditure Limit and shall restrict such impact to limits agreed with the Department.

99. The Authority's annual approved business plan will take account of any forecast receipts, and will include a budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of any Departmental funding and/or other income over the year. These elements will form part of the approved budgets for the year in question.

100. In any year that the Authority is unable to set an annual budget (as per paragraphs 97-99 above), the Department shall set a budget for that year following consultation with the Authority and the Chief Constable. The Department will use best endeavours to set a budget within 4 weeks of the date on which the Authority advised the Department that no budget had been agreed.

101. Any grant in aid provided by the Department for the year in question will be voted in the Department's Estimate and will be subject to Parliamentary control.

General conditions for authority to spend

102. Subject to any restrictions imposed by Statute, the Authority shall have authority to incur expenditure approved in the budget without reference to the Department, on the following conditions:

- The Authority shall comply with the delegations set out in Appendix A of this document. The delegations shall not be altered without the agreement of the Department;

- The Authority shall comply with the conditions set out in paragraph 15 above regarding novel, contentious or repercussive proposals;

- The Authority shall comply with the conditions set out in paragraph 13 above regarding competitive tendering; and

- The Authority shall provide the Department with such information about its operations, performance, individual projects or other expenditure as the Department may reasonably require (paragraphs 103-104 below).

Providing monitoring information to the Department

103. The Authority shall provide the Department with, as a minimum, information on a monthly basis which will enable the satisfactory monitoring by the Department of:

- the Authority's cash management;
- its draw-down of any grant-in-aid;
- forecast outturn by resource headings; and
- other data required for the General Expenditure Monitoring System (GEMS).

104. In all other circumstances, the Authority shall provide the Department with information as detailed below:

- Audited statements for specific Departmental grant funding (records should be maintained in relation to a grant or loan and made readily available for inspection and audit by the Authority's own auditors, the sponsor Department and the C&AG);
- Annual budget statement;
- Annual report and accounts; and
- Details of exceptional circumstances, during the financial year, which may result in the Authority not meeting its agreed net budget.

VIII Banking

Banking arrangements

105. The Authority's Accounting Officer is responsible for ensuring that the Authority's banking arrangements are in accordance with the requirements of *Government Accounting* and the Treasury guidance document *Departmental Banking: a Manual for Government Departments.* In particular he/she shall ensure that the arrangements safeguard public funds and are carried out efficiently, economically and effectively.

106. He/she shall therefore ensure that:

- These arrangements are suitably structured and represent value-for-money, and are reviewed at least every two years, with a comprehensive review, usually leading to competitive tendering, at least every three to five years;

- Sufficient information about banking arrangements is supplied to the Department's Accounting Officer to enable the latter to satisfy his/her own responsibilities (Section 3.6 of the Management Statement);

- The Authority's banking arrangements shall be kept separate and distinct from those of any other person, NDPB or organisation; and

- Adequate records are maintained of payments and receipts and adequate facilities are available for the secure storage of cash.

IX Compliance with Instructions and Guidance

Relevant documents

107. The Authority shall comply with the following general guidance documents:

- this document (both the management statement and the financial memorandum);
- *Government Accounting*, including in particular the Accounting Officer Memorandum for NDPBs (reproduced in Chapter 8 of *Government Accounting*);
- *Non-Departmental Public Bodies – a Guide for Departments* (the "NDPB Guide"), issued by the Cabinet Office;
- *Government Internal Audit Standards*, issued by the Treasury;
- *The Audit Committee Handbook, issued by the Treasury*
- *Managing the Risk of Fraud*, issued by the Treasury;
- *Executive NDPBs – Annual Reports and Accounts Guidance*, issued by the Treasury;
- *Next Steps Agencies, Trading Funds and Non-Departmental Public Bodies: Guidance on Annual Reports*
- the *Fees and Charges Guide*, issued by the Treasury;
- *Departmental Banking: A Manual for Government Departments*, issued by the Treasury;
- relevant *Dear Accounting Officer* letters;
- *Regularity and Propriety*, issued by the Treasury;
- the Consolidation Officer Memorandum, issued by the Treasury;
- relevant *Dear Consolidation Officer* letters;
- other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;
- other relevant instructions and guidance issued by the central Departments;
- specific instructions and guidance issued by the sponsor Department; and

- recommendations made by the Public Accounts Committee, or by other Parliamentary authority, which have been accepted by the Government and which are relevant to the Authority.

X Review of Financial Memorandum

108. This financial memorandum will normally be reviewed at least every five years or following a review of the Authority's functions as provided for in paragraph 75 of the management statement.

109. The Treasury will be consulted on any significant variation proposed to this financial memorandum and the associated management statement.

ANNEX A DELEGATIONS

Losses, Claims, Gifts & Special Payments.

1. Subject to the other provisions of this Financial Framework, the Authority shall have delegated authority to:

(i) write off individual losses up to the value of £100,000;

(ii) settle claims up to £2m where it has accepted an advisor's recommendation or proposes to pursue a lower cost option; and

(iii) make a single gift or special payment up to the value of £1,000. Such gifts and special payments shall not exceed a total value of £25,000 in any one year.

Contracts

2. Subject to the other provisions of this Financial Memorandum, the Authority shall, where it is acting in accordance with relevant Treasury guidance documents including *Procurement Policy Guidelines*. and any relevant EU or other international procurement rules, have delegated authority to:

(i) let contracts, except call-off and framework contracts, that are awarded following competition;
(ii) let call-off and framework contracts that do not exceed five years in length that are awarded following competition;
(iii)let contracts worth less than £25,000 without formal written tenders provided that appropriate quotations have been obtained;
(iv)let contracts worth less than the appropriate Official Journal of the European Community threshold by single tender action where there is no reasonable alternative (for example for certain specialist services);
(v) let contracts by single tender action in cases of extreme urgency (for example to remove a significant risk to public safety);
(vi)allocate individual work worth less than £1,000,000 under call-off and framework contracts with the Authority, provided that work is allocated between suppliers on each of the Authority's call-off panels on a broadly equal basis, taking into account the ability of suppliers to undertake particular work; and
(vii) allocate individual work worth less than £1,000,000 under call-off and framework contracts placed centrally e.g. by the Department or CCTA.

3. For the avoidance of doubt, any contracts to be let other than by competitive tender require the prior consent of the Department except as set out in paragraph 2 above.