

**RDA ACCOUNTABILITY AND
FINANCIAL FRAMEWORK**

WITH EFFECT FROM 1 OCTOBER 2011

REGIONAL DEVELOPMENT AGENCY

Accountability and Financial Framework

October 2011

This document replaces the RDA Accountability and Financial
Framework issued in October 2008

RDA Accountability and Financial Framework

Introduction and Purposes of the Accountability and Financial Framework Document

This Accountability and Financial Framework has been drawn up by the Department for Business, Innovation & Skills (BIS) (“the Department”) in consultation with the Agencies. Its purpose is to reflect accountability and governance in the changed circumstances of RDAs during transition to final closure. Any question of interpretation of this Framework Document will be resolved through consultation between the Department and the Agencies.

Copies of this document and any subsequent substantive amendments will be placed in the Libraries of both Houses of Parliament. Copies will also be made available to members of the public on the BIS website.

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1 Purpose of the Agency

- 1.1 The eight Regional Development Agencies (RDAs) for England (outside London)¹ were established under the Regional Development Agencies Act 1998 (“the Act”). The Agencies’ purposes are set out in Section 4 of the Act and will continue until such time the Act is revoked.
- 1.2 The Chancellor of the Exchequer announced on 22 June 2010 that the eight RDAs outside London would be abolished by means of the Public Bodies Bill, and that the London Development Agency would be abolished by means of the Localism Bill. The intention is that no further business will be handled by RDAs after 31 March 2012 and the aim is to achieve final closure as soon as practicable thereafter, subject to legislation. During this period, the Agencies’ aim, in conjunction with their purposes, set out in the RDA Act 1998, will be to secure an orderly transition and closure. In pursuing its purposes, the Agency will not only have regard to the interests of its region, but will also take account of national strategic interests as advised by the Department.
- 1.3 Ministers have agreed the following high level objectives for the RDA transition and closure process:
- The over-arching objective of transition and closure is to deliver an effective, smooth and orderly transition and closure.
 - To ensure that RDA governance arrangements during transition and closure satisfy Parliament and Ministers’ requirements for appropriate oversight and control.
 - To ensure that RDA transition and closure achieves value for money.
 - To ensure that RDA transition and closure costs are kept to a minimum.
 - To put in place cost-effective arrangements to manage out residual business (where responsibilities cannot be transferred to other bodies) in a way that balances the need to maximise the value from the programme with the need to minimise additional cost.
 - To prepare, agree and implement transition plans to manage out assets and liabilities.
 - To sustain performance at each RDA while its continuing functions are transferred to other bodies and the Agencies’ functions cease, so that the impacts of the transition process on businesses, partners and counterparties to contracts are minimised.

1. The London Development Agency has been established under the Regional Development Agencies Act 1998, as amended by the Greater London Authority Act 1999, and is subject to separate financial arrangements.

- To secure transfers for RDA staff with rights to transfer (with continuing functions) and to ensure that all staff are treated fairly.
- 1.4 The Agency shall formulate a Transition and Closure Plan and keep this under review as guidance on particular issues becomes available. The Transition and Closure Plan shall include, but not be limited to, a plan for the management, disposal and transfer of assets and liabilities, and knowledge management assets, the management of remaining projects, programmes and commitments, staffing profiles, governance and internal audit, and risk register.
- 1.5 The Agency is a body corporate and pursues its statutory purposes within the framework agreed with the Government. In pursuing these purposes and activities the Agency shall act:
- in accordance with its statutory obligations set out in the Act and any directions or guidance issued by the Government (in particular the policy framework set by the Government through guidance);
 - in accordance with this Accountability and Financial Framework; and
 - within the resources made available by Parliament and otherwise.

2 Governance and Accountability

- 2.1 This Framework sets out the relationship between Government and the Agency at a strategic level and the revised framework within which the Agency will operate during transition towards closure, in particular:
- the rules and guidelines relevant to the exercise of the Agency's functions, duties and powers;
 - the conditions under which any public funds are paid to the Agency and how the Agency is to be held to account for its performance; and
 - the financial provisions which the Agency is required to observe.
- 2.2 The Framework summarises the roles of the Agency, its duties and powers, the responsibilities of its Chair, Members and Chief Executive and its relationship with the Government. It sets out the arrangements for Transition and Closure Planning and for the Agency's accounting, auditing and reporting procedures.
- 2.3 Responsibility for delivering transition and closure of each Agency rests with the Agency's Board, led by the Chair, and the Chief Executive/Accounting Officer within the statutory legal and delegation framework. This responsibility will be undertaken with the strategic oversight of the National Transition Board, chaired by the Department and on which the Agencies are represented. Whilst other Single Pot

Contributing Departments have an interest in the transition and closure of the Agencies, the Accounting Officer of the Department for Business, Innovation and Skills remains the Principal Accounting Officer for the Regional Development Agencies.

- 2.4 The Department shall establish working groups as needed under the National Transition Board to deal with relevant workstreams, such as assets and liabilities, knowledge management and HR issues. The Agencies and other Single Pot contributing departments shall be represented on these working groups. The purpose of the working groups shall be to develop guidance, and resolve issues as they arise. BIS will appoint staff members to act as Relationship Managers for each RDA, to work closely with the Agency's Transition Manager, to monitor progress against the Transition and Closure Plan and escalate issues as appropriate.

3 RDA Transition and Closure Plans

- 3.1 The Agency's Transition and Closure Plan, which included an asset and liability plan and financial projections, was presented to the National Transition Board for review and challenge. Components of the Plan are subject to review and will continue to be a 'living' document as guidance on transition issues, such as staff transfers and exits, budgets, commitments and de-commitments, asset disposal and knowledge transfer arise.
- 3.2 The overall aim of the transition period is to effect an orderly transfer to successor bodies of all assets and liabilities (including contingent assets and liabilities), including all project work in progress. An orderly transfer will enable those activities that will continue to transfer to successor bodies with minimal disruption in line with the Local Growth White Paper. A successful transfer is likely to involve the transfer of knowledge by means of staff transfers as well as paper and electronic files etc.

4 Ministerial Responsibility

- 4.1 The Secretary of State for the Department for Business, Innovation & Skills is accountable to Parliament for the activities and performance of the Agency. His responsibilities include:
- keeping Parliament informed about the Agency's performance;
 - approving the amount of grant-in-aid/grant/other funds to be paid to the Agency, and securing Parliamentary approval; and

- carrying out responsibilities specified in the Act including appointments to the Board, approving the terms and conditions of Board members, approval of terms and conditions of staff, and laying of the annual report and accounts before Parliament.
- 4.2 The Department acts as sponsor for the Agency on behalf of the Government as a whole.
- 4.3 The Secretary of State remains responsible for the Agency, but may refer enquiries and representations from Members of Parliament and others, to the Agency for reply. In other cases, the Agency shall provide the Secretary of State with the information needed to answer such enquiries.

5 BIS Accounting Officer's Specific Accountabilities and Responsibilities

- 5.1 The BIS Permanent Secretary, as the Department's Principal Accounting Officer, is responsible for ensuring that there is a high standard of financial management in the Department. He is accountable to Parliament for the issue of any grant-in-aid or grant to the Agency. Subject to Paragraph 6.1 he designates the Chief Executive of the Agency as the Agency's Accounting Officer, issuing the terms and requirements of the appointment and ensuring that the appointee is suitably trained and fully aware of the responsibilities involved, and may withdraw the Accounting Officer designation if he believes that the incumbent is no longer suitable for the role.
- 5.2 In particular, the BIS Permanent Secretary shall ensure that:
- the Agency supports Government's wider strategic aims;
 - the financial and other management controls applied by the Department to the Agency are appropriate and sufficient to safeguard public funds and for ensuring that the Agency's compliance with those controls is effectively monitored ("public funds" include not only any funds granted to the Agency by Parliament but also any other funds generated by approved activities or falling within the stewardship of the Agency);
 - the internal controls applied by the Agency conform to the requirements of regularity, propriety and good financial management; and
 - any grant-in-aid to the Agency is within the amount disclosed in BIS's estimate for which Parliamentary authority has been given and cash balances within commercial bank accounts are kept to a minimum.

- 5.3 The responsibilities of an Accounting Officer are set out in more detail in [Chapter 3 of Managing Public Money](#).
- 5.4 Within the Department, the Economic Development Directorate's RDA Transition and Closure Team (the Team) is responsible for setting the policy and resource framework for the Agency. The Team is the primary source of advice to the Secretary of State on the discharge of his/her responsibilities in respect of the Agency,
- 5.5 In support of the BIS Permanent Secretary the Team shall:

on performance and risk management –

- monitor the Agency's activities through an adequate and timely flow of information from the Agency on performance, budgeting, control and risk management, and
- address in a timely manner any significant problems arising in the Agency, whether financial or otherwise, making such interventions in the affairs of the Agency as the Department judges necessary, and

on communication with the Agency –

- inform the Agency of relevant Government policy in a timely manner; advise on the interpretation of that policy; and issue specific guidance to the Agency as necessary;
- bring concerns about the activities of the Agency to the attention of the full Board of the Agency, and require explanations and assurances from the Board that appropriate action has been taken; and
- through review meetings, Chief Executive and Chairs meetings both keep the Agency informed and give the Agency the opportunity to input to policy.
- communicate with and instruct the Agency by means of Action Notes.

6 Responsibilities of the Chief Executive and Agency Accounting Officer

General

- 6.1 The Chief Executive of the Agency will usually be designated as the Agency's Accounting Officer by the BIS Permanent Secretary. If the Chief Executive were to become unavailable for any reason, the BIS Permanent Secretary may appoint another person (in consultation with the Agency's Board) to discharge the responsibilities of the Chief Executive and of the Accounting Officer that are set out in this document.

6.2 The Accounting Officer of the Agency is personally responsible for safeguarding the public funds for which he/she has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of the Agency. In addition, he/she should ensure that the Agency as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management that are set out in Box 3.1 to [Managing Public Money](#), which is reproduced at Appendix 1.

6.3 The Accounting Officer shall exercise the responsibilities set out in the remainder of this section:

Accounting to Parliament

6.4. The Accounting Officer is responsible for:–

- signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Secretary of State;
- signing a Statement of Accounting Officer's responsibilities, for inclusion in the Annual Report and Accounts;
- signing a Statement on Internal Control regarding the Agency's system of internal control, for inclusion in the Annual Report and Accounts;
- ensuring that effective procedures for handling complaints about the Agency are established and made widely known within the Agency;
- acting in accordance with the terms of this document and with the instructions and guidance in *Managing Public Money* and *Government Financial and Reporting Manual (FReM)* and other instructions and guidance issued from time to time by the Department, the Treasury and the Cabinet Office - in particular, the Treasury documents *The Responsibilities of an NDPB Accounting Officer* and *Regularity and Propriety*, both of which the Accounting Officer shall receive on appointment (Appendix 2 refers to other key guidance); and
- giving evidence, normally with the Accounting Officer of the sponsor Department, when summoned before the Committee of Public Accounts on the use and stewardship of public funds by the Agency.

Responsibilities to the Department for Business, Innovation and Skills

6.5 Particular responsibilities of the Accounting Officer to BIS include:

- keeping the Department, through the Transition Relationship Managers, informed of the Agency's progress towards the delivery of its Transition and Closure Plan;

- ensuring that timely forecasts and monitoring information on finance are provided to the Department; that the Department is notified promptly if overspends or underspends are likely and that corrective action is taken; and
- notifying the Department in a timely fashion, any significant problems, whether financial or otherwise and whether detected by internal audit or by other means.

Responsibilities to the Board

6.6 The Chief Executive and Accounting Officer is responsible for:

- advising the Board on the discharge of its responsibilities as set out in this document, and in any other relevant instructions and guidance that may be issued from time to time;
- advising the Board on the Agency's performance compared with its aims and objectives;
- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that standard financial appraisal techniques are followed as far as this is practical; and
- taking action as set out in paragraph 3.8.6 of Managing Public Money if the Board, or its Chair, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration or efficiency or effectiveness, questionable feasibility, or is unethical.

on managing risk and resources –

- ensuring that a system of risk management is maintained to inform decisions on financial and operational planning and to assist in delivering an orderly wind down and closure of RDA business;
- ensuring that an effective system of programme and project management and contract management is maintained;
- ensuring the orderly transfer of assets, liabilities, knowledge, staff and project work in progress to successor bodies, as set out in the RDA Transition and Closure Plan supplemented by guidance set out in Action Notes.
- ensuring that all public funds made available to the Agency including any approved income or other receipts are used for the purpose intended by Parliament, and that such moneys, together with the Agency's assets, equipment and staff, are used economically, efficiently and effectively;

- ensuring that adequate internal management and financial controls are maintained by the Agency, including effective measures against fraud and theft;
- maintaining a comprehensive system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations; and
- ensuring that effective personnel management policies are maintained.

The Chief Executive's Role as Consolidation Officer

- 6.6 For the purposes of Whole of Government Accounts, the Chief Executive of the Agency is normally appointed by the Treasury as the Agency's Consolidation Officer.
- 6.7 As the Agency's Consolidation Officer the Chief Executive shall be personally responsible for preparing the consolidation information that sets out the financial results and position of the Agency, for arranging for its audit and for sending the information and the audit report to the Principal Consolidation Officer nominated by the Treasury.
- 6.8 As Consolidation Officer, the Chief Executive shall comply with the requirements to contribute to the [Whole of Government Accounts](#) and shall, in particular:
- ensure that the Agency has in place and maintains sets of accounting records that will provide the necessary information for the consolidation process; and
 - prepare the consolidation information (including the relevant accounting and disclosure requirements and all relevant consolidation adjustments) in accordance with the consolidation instructions and directions "Dear Consolidation Officer" (DCO) and "Dear Consolidation Manager" (DCM) letters issued by the Treasury in the Whole of Government Accounts (WGA) on the form, manner and timetable for the delivery of such information.

Delegation of Duties

- 6.9 The Chief Executive may delegate the day-to-day administration of his/her Accounting Officer and Consolidation Officer responsibilities to other employees in the Agency. However, he/she shall not assign absolutely to any other person any of the responsibilities set out in this document.

The Chief Executive's Role as Principal Officer for Ombudsman Cases

- 6.10 The Chief Executive is the Principal Officer for handling cases involving the Parliamentary Commissioner for Administration. As Principal Officer he/she shall inform the Permanent Secretary (Principal Accounting Officer) BIS of any complaints about the Agency accepted by the Ombudsman for investigation, and about the Agency's proposed response

to any subsequent recommendations from the Parliamentary Ombudsman.

- 6.11 The Agency must notify the Department of any recommendation made to it by the Parliamentary Commissioner for Administration.

7 The Board of the Agency

- 7.1 The Board Members are appointed by the Secretary of State in line with the [Code of Practice issued by the Commissioner for Public Appointments](#).

- 7.2 The Board has corporate responsibility for ensuring that the Agency fulfils the aims and objectives set by the Secretary of State and for promoting the efficient and effective use of staff and other resources by the Agency. To this end, and in pursuit of its wider corporate responsibilities, the Board shall:

- establish, within the policy and resources framework determined by the Secretary of State, appropriate strategic policies and determine steps needed to deal with changes;
- ensure that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with the sponsor Department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account guidance issued by the sponsor Department;
- oversee the transition and closure process, ensuring the delivery of an orderly transition. Ensure that decisions on the transfer or disposal of assets and liabilities are properly supported, fair and can be justified to stakeholders;
- ensure that the Agency maintains sufficient capacity and capability to manage business until activities are transferred to successor bodies or until they cease, giving advance notice of a material risk to the Department;
- ensure that the Board receives and reviews regular financial information concerning the management of the Agency; is informed in a timely manner about any concerns about the activities of the Agency; and provides positive assurance to the Department that appropriate action has been taken on such concerns;
- demonstrate high standards of corporate governance at all times, including by using the independent audit committee (paragraph 9.2) to help the Board to address the key financial and other risks facing the Agency; and

- appoint, with the Secretary of State's approval, a Chief Executive to the Agency and set performance objectives which give due weight to the proper management and use of public monies.

The Chair's Personal Responsibilities

7.3 The Chair is responsible to the BIS Secretary of State. The Chair shall aim to ensure that the Agency's policies and actions support the wider strategic policies set for the Agency; and that the Agency's affairs are conducted with probity. The Chair shares with other Board members the corporate responsibilities set out in paragraph 7.6 below, and in particular for ensuring that the Agency fulfils the aims and objectives set by the Secretary of State.

7.4 In addition, the Chair has the following leadership responsibilities:

- formulating the Board's strategy to deliver the RDA Transition and Closure plan and manage the associated risks;
- ensuring that the board, in reaching decisions, takes proper account of guidance provided by the Secretary of State or the Department;
- promoting the efficient and effective use of staff and other resources;
- delivering high standards of regularity and propriety; and
- representing the views of the Board to the general public.

7.5 The Chair also has an obligation to:

- ensure that all members of the Board, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities, and receive appropriate induction training, including on the financial management and reporting requirements of public sector bodies and on any differences which may exist between private and public sector practice;
- advise the Secretary of State of the needs of the Agency when Board vacancies arise, with a view to ensuring a proper balance of professional and financial expertise (as set out in the Corporate Government in Central Government Departments: Code of Good Practice on Corporate Governance);
- ensure the work of the Board and its members is reviewed and is working effectively;
- assess the performance of individual Board members annually (copying the assessment to the Department) and when they are being considered for re-appointment to the Board;

- ensure that a list of matters reserved for the Board's decision is maintained by the Agency; and
- ensure there is a code of practice for board members in place consistent with the Cabinet Office model Code. The Code shall commit the Chair and other Board Members to the Nolan principles of public life, and shall include a requirement for a comprehensive and publicly available register of Board Members' interests.

Individual Board Members' Responsibilities

7.6 Individual Board members shall act to direct the Agency to its aims and objectives in accordance with their wider responsibility as Members of the Board – namely to:

- comply at all times with the Code of Practice (paragraph 7.5 above) that is adopted by the Agency and with the rules relating to the use of public funds and to conflicts of interest;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with the Board's rules on the acceptance of gifts and hospitality, and of business appointments; and
- act in good faith and in the best interests of the Agency.

8 Accounts and Reporting

Accounting Requirements

8.1 The accounting requirements for the Agency are set out in Section 14 of the Act and the Accounts Direction issued by the Secretary of State for BIS reproduced at Appendix 3. The Agency is required to retain accounting documents in line with the requirements of [Managing Public Money](#). Guidance will also be issued to the Agency by means of Action Notes/Transition Guidance Notes.

Annual Reports 2011/12

8.2 Section 17 of the Act requires the Agency to prepare an annual report on its activities and Section 15(2) requires the Agency to produce its audited accounts as soon as reasonably practicable after the end of the financial year; the combined report be provided to the Department before the Summer recess and the BIS Transition and Closure team will advise RDAs of the date after consultation with the NAO and BIS Parliamentary Branch. The report shall be sent to the Secretary of State who shall

publish it together with the Agency's audited annual accounts and lay copies before both Houses of Parliament.

- 8.3 Advice on the preparation of accounts and reports for 2011/12 will be provided by means of an Action Note.

9 Internal Audit

9.1 The Agency shall maintain effective arrangements for internal audit which accord with the objectives, standards and practices set out in the [Government Internal Audit Standards \(GIAS\)](#). Internal Audit primarily provides an independent and objective opinion to the Accounting Officer on risk management, control and governance, by measuring and evaluating their effectiveness in achieving the organisation's objectives. Internal Audit also provides an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance.

9.2 The Agency shall set up an independent audit committee as a committee of its Board in accordance with the Treasury's [Audit Committee Handbook](#). The Audit Committee should hold responsibility for oversight, scrutiny and where appropriate challenge, the Transition and Closure plan and processes.

9.3 The Agency's Head of Internal Audit shall submit to the Agency's Accounting Officer annually his/her professional opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, including compliance with all written directions (including Action Notes) from the Department. Copies of the documents listed below (including any amendments thereto) shall be provided to the Department when requested:

- Internal Audit terms of reference;
- Details of the Agency's Audit Committee arrangements;
- Audit Strategy;
- Periodic work plans;
- The Head of Internal Audit's annual report;
- Annual report on fraud and theft suffered by the Agency; and
- Annual Corporate Governance Statement.

9.4 The Internal Audit service shall have direct access to the Agency Chief Executive and Accounting Officer and to the Board. It should provide

regular reports to the Agency Chief Executive and Accounting Officer and also report regularly to the Board through the Audit Committee on its programme, recommendations and their implementation.

- 9.5 The Internal Audit service may be provided by a dedicated in-house team or bought in. The Internal Audit service should take into account and respond to the particular risks presented by RDA transition and closure.

Auditing by the Department

- 9.6 The Agency shall arrange for periodic quality reviews of its internal audit in accordance with the GIAS. BIS reserve the right to carry out a programme of reviews of the Agency's Internal Audit functions.
- 9.7 The Department shall have access to all of the records of the Agency (including those of the Agency's internal auditors) and may carry out studies into the economy, efficiency and effectiveness with which the Agency has used its resources and the regularity, propriety and value for money of the Agency's expenditure. Under these provisions the Department may also carry out evaluations of the Internal Audit arrangements put in place by the Agency in order to be able to provide an assurance to the Departmental Accounting Officer about the maintenance of appropriate standards and performance.

10 External Audit

Auditing by the Comptroller and Auditor General

- 10.1 Section 15 of the Act provides that the annual accounts of the Agency shall be subject to external audit by the Comptroller and Auditor General (C&AG). The Agency shall ensure that the Department has received a copy of the final draft of the annual accounts so that the Department has the opportunity to comment on the contents and presentation before the accounts are sent to the C&AG. The Agency shall ensure that the final version of any management letters and other reports sent to the Agency by the National Audit Office, are copied to the Department within 10 days of receipt by the Agency.
- 10.2 The Comptroller and Auditor General may also carry out examinations into the economy, efficiency and effectiveness with which the Agency has used its resources in discharging its functions. Section 15(2) of the Act requires the audited accounts of the Agency, and any reports on them by the Comptroller and Auditor General, to be sent to the Secretary of State as soon as reasonably practicable after the report is received. The Secretary of State will lay the accounts and report before both Houses of Parliament, normally within 4 months of the end of the financial year. Before being laid before Parliament the reports and accounts will be submitted for Ministerial approval.

Auditing of European Funds

- 10.3 The Agency should be aware that receipts and payments from European Union bodies are subject to audit by the European Union (EU). Where the Agency is the final beneficiary of an EU grant, it may be subject to an audit by the European Court of Auditors. It may also be subject to audit from other auditors acting under the terms governing the provision of the financial assistance or the protocol arrangements agreed between Government Departments and the EU.

11 Management and Financial Responsibilities

Financial Controls and Authorities for Expenditure Under the Single Budget

- 11.1 Under the Single Budget, the Agency may undertake any activity which it considers expedient for its five purposes set out in Section 4 of the Regional Development Agencies Act 1998, subject to the controls set out in this Framework.
- 11.2 Section 5(2)(a) of the Act provides that the Agency may not give financial assistance without the consent of the Secretary of State. RDAs are limited to expenditure on projects with outstanding legal commitments, to meet essential health and safety obligations and to expenditure to support the transfer or closure of all RDA activities by 31 March 2012². Any proposal for the allocation of resources for any other purpose should be submitted in advance to the Department.
- 11.3 These criteria do not remove the need to seek formal, written approval where this expenditure is outside the financial approval limits as set out in Appendix 4.

Novel, Contentious or Repercussive Proposals

- 11.4 The Agency must obtain the approval of the Department and the Treasury before incurring expenditure, for any purpose that might be novel, potentially contentious or could cause repercussions elsewhere in the public sector. Where there is uncertainty whether the proposed expenditure might be so classified³ the Agency should seek a ruling from the Department.

Grants or Loans Made by the Agency

- 11.5 The Agency shall ensure that grants or loans made to organisations are accompanied by appropriate conditions, including an agreed set of objectives and measures and also obligations to ensure that the relevant

2. This delegation came into force on 1 April 2011.

3. Some examples are shown in Chapter 2, box 2.3 of Managing Public Money

books and records of such organisations are readily available for inspection by the Government and, where appropriate, representatives of the European Commission.

- 11.6 Where the Agency has financed expenditure on capital assets by third parties, the Agency should make appropriate arrangements to ensure that assets are not disposed of without the Agency's prior consent. The Agency shall, therefore, ensure that such repayment conditions are sufficient to secure the repayment of the Exchequer's due share of the proceeds of the sale.

Borrowing and Leasing

- 11.7 The Agency's borrowing powers are set out in Section 11 of the Act. Agencies are only entitled to borrow in accordance with the following provisions of this section, but not otherwise. Within the terms of Section 11, the Agency may borrow from the Secretary of State.
- 11.8 The Agency may not enter into finance leases without the consent of the Secretary of State. The Agency must seek the agreement of the Department before entering into any deferred payment arrangements.
- 11.9 Departmental Expenditure Limit (DEL) cover is required for the net change in borrowing outstanding over the financial year and the amount of grant in aid available to the Agency in that year will be reduced accordingly.

Delegated Authorities

- 11.10 The Agency's delegated authorities are set out in Appendix 4. The Agency must obtain the Department's prior written approval before:
- entering into any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in the Agency's annual budget as approved by the department;
 - incurring expenditure for any purpose other than for projects with outstanding legal commitments, to meet essential health and safety obligations and to expenditure to support the transfer or closure of all RDA activities by 31 March 2012;
 - incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
 - making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the Department, unless already contained in the agreed and approved asset and liability disposal plan;
 - making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; or

- carrying out policies that go against the principles, rules, guidance and advice in Managing Public Money.

Insurance

11.11 The Agency may take out new insurance within the circumstances as set out in [Managing Public Money \(Annex 4.5\)](#), and may continue to take out insurance previously approved by the Department for specific purposes and which has transferred to the Agency. A Certificate of Exemption for Employer's Liability Insurance has been issued to the Agency. This applies to Agency employees but not to Board members and the Agency may need additional insurance cover for Board members.

Expenditure on Overseas Offices

11.12 RDAs should co-operate with UKTI regarding the winding down and transfer of their overseas offices, staff and activities.

Financial Investments

11.13 The Agency 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 Agency shall equally be subject to Departmental approval unless covered by a specific delegation.

Fraud and Theft

11.14 The Agency shall ensure that it has in place robust procedures to prevent fraud and theft and to investigate any fraud and theft when it has occurred or where it is suspected. The Agency shall report to the Department any instance of fraud or theft. The Agency should also ensure that lessons are learned from any such instances of fraud or theft as may occur and those procedures are improved as a result of such lessons.

Corporate Bodies

11.15 Section 5(2)(c) of the Act requires that the Agency shall not form, or acquire an interest in, a body corporate⁴ without the Secretary of State's consent. It will be for the Agency to determine appropriate controls, subject to paragraph 11.16 below and any conditions imposed by the Secretary of State, for the resources it puts into a corporate body and to set them out in an appropriate manner.

11.16 Where the judgment over the level of control is finely balanced, the Agency should consult the Treasury (who may need to consult with the Office of National Statistics over national accounts treatment). Unless specifically agreed with the Department and, where appropriate, the

4. A limited partnership established under the Limited Partnerships Act 1907 is not a body corporate whereas a limited liability partnership established under the Limited Liability Partnerships Act 2000 is a body corporate.

Treasury, such bodies will be subject to the controls set out in [Managing Public Money](#). Where the body is defined as a subsidiary under the Companies Act 2006 and, is not of a commercial nature, the Agency must ensure that the NAO is appointed as its external auditors⁵. In other instances, the NAO should be invited to bid.

11.17 Subject to discussion with the Department RDAs must make plans to wind down or to transfer their interest in any corporate bodies in which they have an interest or which they control.

Publicity and Advertising

11.18 The Agency must comply with all prevailing Governmental controls on publicity and advertising. Any expenditure must comply with the general principles of value for money and propriety. In particular the Agency should ensure that any publicity that is issued is:

- Relevant to the Agency and its responsibilities;
- Be objective and explanatory, not tendentious or polemical;
- Not party political and not liable to misrepresentation as being party political; and
- Produced and distributed in an economic and relevant way, having regard to the need to justify the costs as proper expenditure of public funds.

Use of Public Relation Consultants

11.19 The Agency may not employ public relations or other consultancies in developing public representation of their work unless there is a compelling business case and where BIS has given prior written approval.

12 Grant in Aid and Resource Budgeting

12.1 The Agency's Resource Budgets are formally allocated by the Department following scrutiny of the Transition and Closure Plan. The Agency's budgets are subject to the rules set out in Treasury's "[Consolidated Budgeting Guidance from 2011-2012](#)".

Programmes within the Departmental Expenditure Limits

12.2 The Agency has separate budgets for the following, and should manage within each of these two budgets:

5. See DAO(GEN) 1/08 which contains further guidance on the application of the companies Act 2006.

Resource DEL	}	
Ring-fenced Administration	}	– RESOURCE DEL
Ring-fenced Resource DEL	}	
Capital Grants	}	
Capital	}	– CAPITAL DEL

The Agency also has a Resource (AME) allocation relating to certain write-offs/impairments, bad debts, provisions and Corporation Tax. The allocation is varied with the agreement of the Department where those costs are forecast to increase.

- 12.3 Ring-fenced Resource (DEL) includes the current costs arising from the ownership of assets such as depreciation and some impairment. Resource DEL (RDEL) covers other current expenditure by the Agency. The ringfenced Administration budget covers the costs of all administration other than the costs of direct frontline service delivery.
- 12.4 Capital DEL (CDEL) includes Capital and Capital Grants.
- 12.5 The Agency may not alter the balance between Resource DEL, Ring-fenced Resource DEL, Ringfenced Admin DEL and Capital DEL without the prior agreement of Government. There is a strong presumption against agreement being given by Government to switch funding from Capital to Resource DEL or Ring-fenced DEL. This is because compensating changes would need to be found in other Agencies, or fresh bids made in the Public Expenditure System. However, Agencies may agree between themselves exchanges within these categories so long as:
- the overall balance of expenditure remains the same across the Agencies involved in the exchange; and
 - the Treasury is advised in advance of the amount of the proposed exchange of resources.

Annually Managed Expenditure

- 12.6 Resource and Capital Budgets are divided into,
- DEL – the Agency may not exceed the limits that they have been set.
 - AME – the Treasury and the Department will review budgets once in 2011-12, so The Agency needs to monitor AME closely and account as accurately as possible in full for any changes in projections or significant risks and challenges that may arise. Treasury are increasing the focus on AME budgets and will need to approve any increases to forecasts. Where increases occur due to actions/inactions then there is the potential for this pressure to be funded from offsetting DEL/AME savings.

- 12.7 All programmes are in DEL unless the Department (with the agreement of Treasury) determines otherwise.
- 12.8 The following items are currently treated as AME in Agency's budget:
- Certain Write downs of regeneration assets (see paragraph 2.28 of the Treasury guidance)
 - Provisions (see paragraph 2.63 to 2.65 of the Treasury guidance)
 - Bad debts (see paragraph 2.33 to 2.41 of the Treasury guidance)
 - Corporation Tax (see paragraph 8.12 of the Treasury guidance)
- 12.9 The Agency should not switch resources between DEL and AME budgets without the Department's prior consent.

Budget Exchange

- 12.10 The End Year Flexibility regime and all previous stocks have been abolished for this Spending Review. Requests for flexibility into future financial years through the Budget Exchange mechanism will require the specific agreement of the Treasury and BIS corporate finance.

Cash

- 12.12 Cash is not directly controlled through the budgeting system. However, indirect control is exercised through the controls for Resource and Capital DEL⁶. In addition, the Agency's cash draw downs are controlled through the payment of grant in aid claims. Changes in expected levels of cash are monitored by the Department.
- 12.13 Any cash paid to the Agency and not spent by the Agency during the month shall be deducted from the Agency's cash requirement in the following month.

Receipts

- 12.14 Receipts are classified as Negative Resource DEL and Negative Capital DEL. Unless the Department agrees otherwise in writing Resource receipts can only be used for that classification of expenditure. Capital receipts may be used only for Capital expenditure and not for Resource expenditure.
- 12.15 The RDAs are subject to rules governing income (other than their resource budgets and EU Structural Funds). The Agency is expected to forecast income annually and may retain that. The Agency may also retain income of up to 30% above the expected level. If the Agency exceptionally wishes to retain any further additions to income it must seek the approval of the Department.

6. See Agency's Budget Allocation letter.

- 12.16 The Agency is free to retain any gifts, bequests or similar donations made to the Agency, and these will be treated as receipts. The Agency must keep a written record of gifts, bequests and donations received, and of their estimated value and whether they are disposed of or retained. The Agency shall consider if there are any associated costs in doing so or any conflicts of interests arising.
- 12.17 The Agency should keep the Department informed of changes in receipt forecasts on a regular basis, via the Workbook.
- 12.18 The Department will determine the resources to be available to the Agency under the Spending Review and will obtain from the Agency the expected level of receipts to be received for inclusion in the Main Supply Estimates. Those receipts will be additional to the resources made available as grant in aid or grant.

Administration

- 12.19 The Department has received guidance from Treasury on RDA closure costs as part of SR2010. The Agency will set out in its anticipated closure costs in its quarterly commitments returns for 2011-12. The Agency may not exceed the administration budget endorsed by Ministers, unless prior approval has been given by the Department or the Department has increased the Agency's budgets to enable them to take on the additional administration costs.

13 Management and Disposal of Assets

Asset Management

- 13.1 The Agency is responsible for the effective use and management of all its assets and, during transition to closure, responsible for the disposal and transfer of all assets in line with the principles and guidance issued by the Department. The Agency's Board was responsible for approving its Asset and Liability Plan. In disposing of assets which are not transferred under an Order, the Agency must ensure it gets the best consideration reasonably obtainable (e.g. sale at open market value) unless agreement to do otherwise has been obtained from the Secretary of State.
- 13.2 The Agency shall provide quarterly reports on performance against annual financial projections (provided as part of the Assets and liabilities plan). The Agency shall also provide exception reports with regards to the agreed Assets and Liabilities plan, covering changes in proposed disposal strategy, changes in proposed recipient, significant changes in the realisable value, and significant changes in timetable.

Estate Management

13.3 The disposal of the Agency's operational estate should be managed in line with the requirements in paragraph 13.1, should take account of the Department's overall Estate Strategy and should be co-ordinated with the Government Property Unit.

Acquisition of Land or Property

13.4 The acquisition of an interest in land or property by the Agency, or with the Agency as a partner, must be agreed in advance by BIS, irrespective of the level of the financial commitment by the Agency.

Requirements for Break Clauses

13.5 Unless otherwise agreed by BIS any new financial commitment to a revenue/current project is required to have a 6 month break clause.

Disposal of Capital Assets

13.6 The disposal value of capital assets is the actual or estimated market value (supported by independent valuations, where possible) of the capital asset at the time of disposal.

Disposal at Less than the Best Consideration

13.7 Section 5(2)(b) of the Act allows an Agency to dispose of land for less than the best consideration that can reasonably be obtained only with the Secretary of State's prior consent. There may be circumstances where an Agency might consider disposal at less than best consideration such as where it would offer value for money in regeneration terms e.g. offering a long term lease at reduced rent to a voluntary organisation. However, before any such disposal might be agreed, the Agency would need to make a strong economic business case to justify its proposal to the Secretary of State.

14 Agency Staffing Matters

General

14.1 Within the arrangements approved by the Secretary of State and the Treasury, the Agency has responsibility for its staff. The Agency will ensure that:

- its personnel arrangements create an inclusive culture in which diversity is fully valued; where appointment and advancement is based on merit; and where there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;

- the level and structure of its staffing, including grading and numbers of staff, is appropriate to its functions and the requirements of efficiency, effectiveness and economy;
- the performance of its staff at all levels is satisfactorily appraised and the Agency's performance measurement systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to conduct the Agency's affairs;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle-blowing procedures consistent with the Public Interest Disclosure Act 1998 are in place; and
- a code of conduct for staff is in place based on the Cabinet Office document Public Bodies: A Guide for Departments – Chapter 5.

14.2 The provisions set out below may be subject to change and the Agency will need to take account of such guidance issued from time to time by the Department which updates Government Policy on public sector pay, terms and conditions of employment. If the Agency believes that proposed personnel systems raise novel or contentious issues, or will need the approval of the Department under this Accountability and Financial Framework, they should consult the Department.

14.3 The following controls do not override the provisions of the Transfer of Undertaking (Protection of Employment) Regulations 1981 (TUPE) (S.I.1981 No.1794) as amended, or the provisions in the RDA Act.

Pay and Grading

14.4 The approval of the Department will be required for changes to the Agency's pay, grading and organisational structures with significant financial or political implications. The Agency's pay and grading systems will need to match the task to hand and its suitability will be judged against the criteria of value for money, flexibility, financial control and linking pay to performance.

14.5 The approval of the Department will be required for remits for the Agency's pay settlements. Remits will need to comply with prevailing Government policy on public sector pay and any guidance issued by the Treasury on the preparation of that year's pay remit.

Terms and Conditions

14.6 Subject to the other provisions of this document, the Agency shall ensure that the appropriate provisions concerning non-pay related staff matters

(such as recruitment, redundancy and conduct) and pay related terms and conditions (such as leave arrangements and fringe benefits) are in place. Terms and conditions determined by the Agency shall conform to any relevant rules or principles notified to the Agency by the Department. The Agency should set out all terms and conditions of employment in a staff handbook.

Chief Executive Pay, Terms and Conditions (Paragraphs 14.7-14.22)

14.7 The prior approval of the Secretary of State must be obtained for the appointment, pay, terms and conditions (where these are different from other staff) of the Chief Executive and any subsequent changes to these. The remuneration package for Chief Executives must take account of performance pay.

14.8 There is a range covering the basic salary of Chief Executives. At 1 April 2011 this range, was as follows:

	Minimum	Maximum
Range	£115,941	£140,772

14.9 The salary range will be reviewed annually with a general market adjustment to take place from 1st April each year in line with figures from the Senior Salaries Review Body

14.10 A new appointment would start typically at the minimum of the range and progress through annual reviews to the maximum, subject to doing the job 'fully and well'.

14.11 If the RDA is asking the Minister to consider a higher starting salary than minimum, proposals should demonstrate a clear link to job weight and inter alia the following factors will be considered:

- The relative challenge facing the Agency;
- The size of the Agency's budget;
- Comparative pay data;
- The quality of the individual to be appointed;
- Local market conditions;
- Government policy on public sector pay; and
- Job weight, resulting from an independent assessment under a well established and recognised job evaluation system (NB. approval for the job evaluation arrangements is not required).

14.12 Annual progression shall not exceed 5% (except with the Department's agreement) and will cease when the maximum of the range has been

reached. A progression award will be subject to meeting performance criteria agreed for the period.

14.13 A non-consolidated performance related bonuses may be paid up to a maximum equivalent to 20% of consolidated salary paid in the previous year.

Newly Appointed Chief Executive

14.14 Any Chief Executive commencing employment during 1 December to 31 March will not be considered for bonus or progression awards for that period.

14.15 For any Chief Executive commencing employment after the start of the financial year but before 1 December, any bonus or progression award agreed should be pro-rated to the proportion of the year for which the Chief Executive was in post.

Performance

14.16 The RDA Chair, will agree with the Chief Executive annually the progression criteria and performance targets to be set for that year. The RDA Chairs will collectively review the progression criteria and performance objectives for each Chief Executive to ensure that they are rigorous and there is a level playing field. They should be forwarded to the Department by the end of April.

14.17 By mid June, Chairs will have reviewed performance, considered the level of progression and bonus proposals they believe to be appropriate, (providing them with sufficient evidence that they agreed earlier) and the Remuneration Committee or RDA Board (subject to local practice).

14.18 Chairs should, through the Lead Chair for pay, submit their proposals by mid-June to the Department and Ministers for approval. This should be accompanied by an assessment of performance against the objectives, the criteria used and a summary of the evidence supporting the reasons for their recommendations for each Chief Executive award. The Minister will consider the proposed bonus and progression payments and will reject or approve the proposals in writing. When a proposal is rejected the relevant Chair will reconsider the proposal and address any issues raised by the Minister and re-submit for approval. The aim would be to have ministerial approval before the Recess (towards the end of July), if at all possible.

Car Benefits

14.19 The following options will be available:

- Use of own car. A monthly allowance plus private mileage in accordance with approved levels; or
- Lease car. A monthly allowance (guideline up to £500 per month).

Pension

14.20 Membership of PCSPS scheme (or the equivalent employer contribution to a private pension scheme of salary) will be available except to those covered in paragraph 14.21.

14.21 The Chairman and Board Members do not have entitlement to membership of the PCSPS and separate arrangements will be made for them.⁷

Contract

14.22 The following options are available:

- Fixed term contract (maximum 1 year); or
- Rolling contract. 6 months notice from employer, 3 months notice from employee.

Senior Staff Pay, Terms and Conditions

14.23 The prior approval of the Department must be obtained for the pay, terms and conditions (where these are different from other staff) of Executive Directors and any subsequent changes to these unless included in the annual pay remit. Proposals should demonstrate a clear link to job weight resulting from an independent assessment under a well established and recognised job evaluation system. The Agency should suggest and be able to justify the specific salary that flows from that job weight. The Agency will not need to seek approval for the job evaluation arrangements themselves provided these rely on a well-established and recognised job evaluation system. The Agency should ensure that their proposals are in keeping with Government policy on public sector pay.

Performance Pay

14.24 The Agency must put in place a scheme of performance pay and seek the approval of the Department for that scheme. The Department's approval will have to be sought for any substantive changes to the scheme, and also to any proposals to introduce or amend bonus schemes.

Superannuation

14.25 The Agency is a participant in the Principal Civil Service Pension Scheme (PCSPS) and that scheme is the adopted occupational pension scheme for members of staff. The Agency may make arrangements for an alternative occupational pension scheme subject to Departmental approval. Staff who have transferred into the Agency as members of other schemes may be allowed to remain in their existing schemes if the RDA either a) already has other members of staff that are in that pension

7. Please see guidance notes on the HMT website:
http://www.hm-treasury.gov.uk/d/pensions_board_mem_230604.pdf

scheme or b) The RDA has agreed to this with the other pension scheme and all arrangements are in line with Government policy on such transfers.

Compensation for the Premature Termination of the Appointment of Staff

14.26 Where the Agency is a member of PCSPS the levels of Compensation will be determined by the rules governing PCSPS and the associated Civil Service Compensation Scheme. Where the employee has retained rights under a different public sector scheme the provisions of that scheme will apply. If otherwise, the Agency will be required to operate severance payments that are subject to consultation with the Department and agreement of Treasury via the Department and reflect guidance contain in [Annex 4.13.9 of Managing Public Money](#)⁸. The Agency should consult the Department at an early stage and must not make any offer, written or oral, prior to receiving Departmental approval.

Efficiency and Relocation Support Programme: Protocol for handling surplus staff situations.

14.27 The Agency will implement the guidance and Protocols issued by the Cabinet Office.

Personnel Information

14.28 The Agency shall submit to the Department such information on staffing and personnel matters as it may require.

Signed : 

Simon Edmonds
Director
EDD RDA
RDA Transition and Closure Team

Date: 30 September 2011
(On behalf of the Department)

Signed: 

Alan Clarke
Chief Executive
One North East
Development Agency

Date: 30 September 2011
(On behalf of the Agencies)

8. Managing Public Money Annex 4.13 (Special Payments) http://www.hm-treasury.gov.uk/d/mpm_annex4.13.pdf

Standards Expected of the Accounting Officer's Organisation – Managing Public Money Chapter 3 – Box 3.1

Acting within the authority of the Board to whom he or she is responsible, the Accounting Officer should ensure that the organisation, and any subsidiary to it or organisation sponsored by it, operates effectively and to a high standard of probity. The organisation should:

Governance

- have a governance structure which transmits, delegates, implements and enforces decisions
- have trustworthy internal controls to safeguard, channel and record resources as intended
- operate with propriety and regularity in all its transactions
- treat its customers and business counterparties fairly and honestly
- offer redress for failure to meet agreed customer standards where appropriate
- give timely, transparent and realistic accounts of its business, underpinning public confidence;

Decision-making

- support its Ministers with clear, well reasoned, timely and impartial advice
- make all its decisions in line with the strategy, aims and objectives of the organisation set by the Board and/or in legislation
- meet the Treasury's requirements about limits on use of public resources
- manage its staff fairly, with inclusive policies designed to promote and integrate diversity
- communicate its decisions openly and transparently;

Financial management

- use its resources efficiently, economically and effectively, avoiding waste and extravagance
- carry out procurement and project appraisal objectively and fairly, seeking good value for the public sector as a whole
- use management information systems to secure assurance about value for money and the quality of delivery and so make timely adjustments
- avoid over defining detail and imposing undue compliance costs, either on its own staff or on its customers and stakeholders
- have practical documented arrangements for working in partnership with other organisations
- use internal and external audit to improve its internal controls and performance.

Reproduced from Managing Public Money

Guidance with which the Agency has to comply:

- Regional Development Agencies Act 1998;
- This framework;
- *Managing Public Money*, issued by the Treasury;
- Consolidated Budgeting Guidance from 2011-12, issued by the Treasury;
- *Corporate Governance in Central government Departments: Code of Good Practice*, as adapted to Agency circumstance, issued by the Treasury;
- *Public Bodies: A Guide for Departments* (the “NDPB Guide”), issued by the Cabinet Office;
- *Government Internal Audit Standards*, issued by the Treasury;
- *Management of Risk: Principles and concepts*, issued by the Treasury;
- *Managing the Risk of Fraud*, issued by the Treasury;
- *Government Financial Reporting Manual* (FReM), issued by the Treasury;
- relevant *Dear Accounting Officer* letters⁹, issued by the Treasury;
- the Consolidation Officer Memorandum, issued by the Treasury¹⁰;
- relevant *Dear Consolidation Officer* letters¹¹;
- other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;
- *Model Code for Staff of Executive Non-Departmental Public Bodies*: issued by the Cabinet Office;
- other relevant instructions and guidance issued by the central Departments,;
- specific instructions and guidance issued by the sponsor Department including the Action Notes and Transition Guidance Notes issues by BIS¹²;
- 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 Agency.

9. Dear Accounting Officer Letters can be found on

http://www.hm-treasury.gov.uk/psr_governance_dao_letters.htm

10. Consolidation Officer Memorandum can be found on http://www.hm-treasury.gov.uk/psr_government_accounts.htm

11. Dear Consolidation Officer letters can be found at http://www.hm-treasury.gov.uk/psr_government_accounts.htm

12. Including Guidance to the RDAs on Appraisal, Delivery and Evaluation (GRADE)

Accounts Direction given by the Secretary of State, with the approval of the Treasury, in accordance with Section 14(2) of the Regional Development Agencies Act 1998 on 24 February 2011

1. The Agency shall prepare accounts for the financial year ended 31 March 2011 and subsequent financial years in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury (“the FReM”), which is in force for the financial year for which the accounts are being prepared, together with any additional disclosure or other requirements as agreed with the Department.
2. The accounts shall be prepared so as to:
 - (a) give a true and fair view of the state of affairs at 31 March 2011 and subsequent financial year-ends, and of the income and expenditure, changes in taxpayers’ equity and cash flows for the financial year then ended; and
 - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
3. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed with BIS and HM Treasury.
4. This direction supersedes the direction dated 17 March 2010.

Paul Hadley
Deputy Director, Economic Development Directorate

24 February 2011

Delegated Authorities

Delegated Financial Limits

- 4.1 The Agency may incur expenditure within the terms of these delegations. The Agency should notify the Department, as soon as reasonably possible, of any case that may exceed the Agency's delegated authority. These delegations do not apply to EU Structural or Rural Funds.
- 4.2 The Agency's delegations will be reviewed from time to time and the Agency notified in writing of any changes which are approved by BIS and Treasury.

Delegated Financial Limits for Projects

- 4.3 It is a condition of the payment of grant that the Agency may not without the consent of the Secretary of State commit expenditure for any new individual project funded from the single budget, except with the prior approval of BIS.

New commitments that give rise to expenditure in 2011/12 or later years

- 4.4 BIS must approve all new financial commitments where they give rise to expenditure in 2011/12 or later years (either directly or indirectly) subject to the paragraphs 4.5 and 4.11 below.
- 4.5 As part of achieving an orderly transition BIS is prepared to consider exceptional cases for new commitments in line with Governments core objectives where all of the following conditions are met:
- a) The RDA confirms that, having regard to all of its commitments and obligations, it will remain within its 2011/12 budget allocation
 - b) The RDA can demonstrate that they have reduced their commitments in 2011/12 and later years to levels acceptable to BIS and HMT, by negotiated exits from or reductions in their commitments.
 - c) The RDA sets out acceptable arrangements for the transfer of the project and the financial commitments to a successor body who will manage and fund the work after March 2012
- 4.6 BIS and HMT have agreed that new commitments from Administration budgets will not require approval. Each RDA is reminded of the need to use its resources efficiently, economically and effectively, avoiding waste and extravagance.
- 4.7 HMT has pre-approved RDA commitments that involve spend beyond March 2011 in the following circumstances:

- a) where the RDA Chief Executive confirms to BIS that they are the minimum expenditure needed to meet legal requirements related to health and safety obligations.
 - b) where BIS have approved activity that facilitates the efficient transfer or winding down of RDA business.
- 4.8 BIS and HMT will review the controls on new commitments based on the levels of future legal and near legal commitments shown in the RDA's future commitments returns. To ensure that these returns are complete, accurate and valid, they may be subject to further quality assurance checks or independent verification.

Consent under Section 5(2)(a) to Giving Financial Assistance

- 4.9 Subject to the following conditions, where expenditure involves giving financial assistance, by way of grant, the Agency has by virtue of this Appendix the consent of the Secretary of State, under Section 5(2)(a) of the Act, to give such assistance, unless a separate consent is required.
- 4.10 This consent is subject to the power of the Secretary of State by direction to call in a particular project for specific approval (where this is done, the consent given above will not apply).
- 4.11 In giving financial assistance as permitted by this Appendix, the Agency must observe all applicable laws and rules of the European Union, including, in particular, European Union State Aids requirements.¹³
- 4.12 Where expenditure on a project is given in the exercise of a function that has been delegated to the Agency under Section 6 of the Act, consent to the giving of financial assistance for the project is conditional upon the Agency complying with the conditions attached to the delegation of the function concerned.

Issuing Guarantees, Indemnities and Contingent Liabilities

- 4.13 The Agency may only create any contingent liability, as defined in Managing Public Money including guarantees, indemnities and letters of comfort, whether or not in legally binding form, without seeking the Department's prior approval if the contingent liability:
- is less than £200,000 and does not need to be funded through grant in aid provided by the Department;

Otherwise, the Agency must seek prior written consent from the Department.

13. Policy on what constitutes 'de minimis' payment is provided by the European Commission and guidance can be found on the Department's web site:
<http://www.bis.gov.uk/policies/europe/state-aid/state-aid-de-minimis-notification-procedures>

- 4.14 All financial guarantees and indemnities given by the Agency under Section 5 of the Act must be adequately covered within its annual allocation of resources.
- 4.15 The Agency must keep a record of all contingent liabilities including guarantees, indemnities and letters of comfort it creates. When seeking consent the Agency should refer to the level of existing contingent liabilities whether or not reportable under IAS 37 (formerly FRS2) in the Agency's financial statements. The Department will need to seek Treasury approval for any contingent liabilities it is prepared to underwrite.

Special Payments

- 4.16 The Agency has authority to make special payments of up to £5,000 per case and, £25,000 in respect of personal injuries or industrial tribunals¹⁴. This delegated authority does not apply to special severance payments (payments above contractual or statutory entitlements) which needs the prior approval of the Treasury (see paragraph 18.27). The total value of special payments shall not exceed £100,000 in any one year without the Department's prior written approval.

Gifts

- 4.17 The Agency has authority to make a single gift up to the value of £1,000. The total value of gifts shall not exceed £20,000 in any one year. Gifts to staff are subject to DAO(GEN)13/01 and the associated Cabinet Office guidance on Non-Pay Awards.

Losses and Write Offs

- 4.18 The Agency has delegated authority to write off individual losses¹⁵ occurring through normal business activities which are not novel, contentious or repercussive up to the value of £250,000 with the approval of the Board except in respect of GBI which has a delegation threshold of £50,000.

Recording and Informing

- 4.19 The Agency shall maintain a record of all losses written off, special payments and gifts made detailing the circumstances of the event and stating the action taken to prevent a recurrence. These records shall be reported to the Department quarterly. The Agency will supply the Department, by the end of June each year, with a list of all losses and write offs, special payments and gifts made in the preceding year.

14. See Annex 4.13 of Managing Public Money which sets out the various groupings within which special payments can be made to compensate for loss or redress.

15. See Annex 4.10 of Managing Public Money which sets out the various classifications of losses.

Advance Payments

- 5.1 In exceptional and rare circumstances (e.g. a revenue payment to meet a staffing cost, or to enable capital expenditure to be incurred by a small organisation), payments may be approved in advance of expenditure. Annex 4.6 of Managing Public Money explains circumstances under which payment of grants can be made in advance.
- 5.2 The Agency may establish procedures to make payments to non trading organisations to meet anticipated expenditure and reconciled afterwards. Payments under such circumstances are not considered to be payments in advance of need. **Under no circumstance should advance payments be made to local authorities.** However, payments made into escrow accounts held by local authorities to facilitate road construction under the Highways Act are allowable.
- 5.3 When considering whether advance payments should be made, the Agency must have regard to the soundness of the recipient body in terms of financial viability. The Agency should also ensure that payments in advance are not being requested to generate a financial gain, but requests for such payments should be based on clear, reasoned and prudent operational requirements.
- 5.4 Where regular payments in advance of expenditure is approved, the Agency must implement a robust financial management system, with monitoring arrangements to ensure the recipient body is able to keep track of advance payments, and to confirm that expenditure was only incurred and paid for on eligible activities within the financial year. Where this does not occur, the Agency must take steps to recover any grant already paid.
- 5.5 An audited statement of grant usage by the recipient body will be required, or, an accountant's report on the terms agreed between BIS and ICAEW (Institute of Chartered Accountants in England and Wales), in accordance with Audit 03/03.

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