



Department
for Environment
Food & Rural Affairs

Covent Garden Market Authority Framework Document

December 2020



Covent Garden Market Authority



© Crown copyright 2021

This information is licensed under the Open Government Licence v3.0. To view this licence, visit www.nationalarchives.gov.uk/doc/open-government-licence/

This publication is available at www.gov.uk/government/publications
www.gov.uk/defra

Contents

1	Introduction	1
2	Status of the CGMA	3
3	Purpose of the CGMA.....	3
4	Operating as the “Defra group”	4
5	Ministerial responsibility	4
6	CGMA’s executive responsibilities to Defra	6
7	The CGMA Board.....	8
8	Annual report and accounts	11
9	Internal Audit.....	12
10	External Audit.....	13
11	Freedom of Information.....	13
12	Management and financial responsibilities.....	13
13	Corporate governance	14
14	Risk management	14
15	Budgeting procedures.....	15
16	Grant-in-aid and any ring-fenced grants / subsidies.....	15
17	Dividend regime	16
18	Reporting performance within the Defra Group.....	16
19	Establishing delegated authorities.....	16
20	CGMA staff	17
21	Review of CGMA’s status (and winding-up arrangements).....	18
22	Arrangements in the event that CGMA is wound up	18
23	Signatures.....	21

Appendix 1	22
Appendix 2	24
Appendix 3	26

1 Introduction

1.1 This Framework Document has been drawn up by the Department for Environment Food and Rural Affairs (Defra) and the Covent Garden Market Authority (CGMA). It sets out the broad framework within which Defra and the CGMA will work together in an open, honest, trust-based partnership. The document does not convey any legal powers or responsibilities. It is signed and dated by Defra and CGMA. Copies of the document and any subsequent amendments will be placed in the libraries of both Houses of Parliament and made available to the public on the CGMA website.

1.2 The overall governance framework is defined and supported by four Acts of Parliament listed below. This Framework Document is consistent with the legal requirements placed on the CGMA and the Minister under those Acts and notwithstanding any provision in this Framework Document, in the event of any conflict or inconsistency between the terms of this Framework Document and the terms of the Acts of Parliament, the terms of the Acts of Parliament shall prevail, the 'core principles' of which are agreed and summarised as follows:

i) The CGMA is a statutory corporation constituted under the Covent Garden Market Act 1961. It is therefore different from most of the bodies which would ordinarily be subject to framework documents. Whilst CGMA exists to provide a bulk horticultural market that meets a Government policy need, it does not have any wider policy delivery functions or responsibilities. This Framework Document recognises this reality while establishing the requirements for corporate governance and clarifying the nature of the relationship between the CGMA and Defra.

ii) The powers, duties and structure of the CGMA stem from the Covent Garden Market Acts 1961, 1966 and 1969 and the Covent Garden (Financial Provisions) Act 1977 (the Acts). This Framework Document must, at all times, be consistent in all respects with the provisions of the Acts that are in force. Neither party believe it is in the interests of either the CGMA or Defra to have statements in the Framework Document that are inconsistent or in conflict with the Acts or which in any way fetter the statutory powers and duties of the CGMA.

iii) The CGMA carries out its statutory functions with technical expertise, impartiality and transparency and at arm's length from central government and its sponsor department, Defra.

iv) The CGMA is led and directed by a Board whose Chair and Members are appointed by the Secretary of State in accordance with the Acts.

v) It is the duty of the CGMA to exercise its powers and duties so as to secure its revenues are not less than sufficient to meet all sums properly chargeable to its revenue account taking one year with another.

vi) This Framework Agreement recognises the terms of the financial relationship between Defra and the CGMA as set out in the Acts:

- a) financial objectives may be given as provided for by the Acts. Where a financial objective is under consideration, Defra will discuss the matter and consult with the CGMA to see whether a jointly agreed course can instead be reached informally. Any financial objective will be subject to approval by HM Treasury; and
- b) a direction may only be given as provided for by the Acts. Where a direction is under consideration, Defra will discuss the matter and consult with the CGMA to see whether a jointly agreed course can instead be reached informally. Any direction will be subject to approval by HM Treasury.

1.3 This Framework Document replaces any previous Framework Document.

1.4 Defra and CGMA will have an open and honest, trust-based partnership. Both parties will ensure that they clearly understand the strategic aims and objectives of their partners. They will also commit to keeping each other informed of any significant issues and concerns on a “no surprises” basis. The relationship will be conducted having regard to the principles and standards of the Partnerships between Departments and ALBs: Code of Good Practice, insofar as they apply to public corporations.

1.5 Under section 37 of the Covent Garden Market Act 1961 (as set out in section 3 of the Covent Garden Market (Financial Provisions) Act 1977) the Minister (i.e. the Secretary of State for Environment, Food and Rural Affairs (the Secretary of State)) “may, after consultation with the Authority, and with the approval of the Treasury, determine financial objectives for the Authority and it shall be the duty of the Authority to achieve those objectives”. This Framework Document includes:

- the conditions under which any funds are paid by Defra to CGMA;
- the terms of any payment of surplus revenues and capital receipts paid to Defra;
- the approach to delegations;
- accounting and auditing procedures;
- how CGMA will be held to account for its performance and use of funds;
- the responsibilities and role of the Defra Principal Accounting Officer and CGMA senior executive with responsibility for reporting to Defra (“the Senior Executive”).

1.6 Any questions regarding the interpretation of this document shall be resolved by Defra in consultation with CGMA or other Government departments including the Treasury and/or the Cabinet Office, as necessary.

1.7 This Framework Document should be formally reviewed every three years with light touch annual reviews as necessary. Changes can be made by addendum in advance of formal reviews if required. Certain events could also trigger a review of Framework Documents, such as the appointment of a new Chair, Senior Executive or

General Manager in the CGMA, or changes in senior personnel. The end of Defra's grant arrangement with CGMA will also trigger a review.

2 Status of the CGMA

2.1 CGMA is classified as a public corporation, constituted under the Covent Garden Market Act 1961. As a public corporation, CGMA is not in scope for most standard Cabinet Office controls, although some Government fiscal controls apply to public corporations.

2.2 CGMA is responsible to the Secretary of State for Environment Food and Rural Affairs. It is led and directed by a Board whose chair and members are appointed by the Secretary of State in accordance with the Acts.

3 Purpose of the CGMA

3.1 Under the Covent Garden Market Act 1961, the CGMA was established as a public corporation to provide a market for the dealing in bulk horticultural produce in London. In 1974 the market moved from its original location in Covent Garden to the current site at Nine Elms and became New Covent Garden Market. After nearly 40 years at Nine Elms, the market infrastructure was in need of modernisation and in 2016, with the approval of Defra and HMT, CGMA began a project to redevelop the market. The project ("the Redevelopment") is due to be completed by the end of 2026.

Statutory duties

3.2 CGMA's statutory duties include:

- Provide a bulk wholesale horticulture (fruit, veg and flowers) market at Nine Elms, London;
- Exercise its powers and duties so as to secure its revenues are not less than sufficient to meet all sums properly chargeable to their revenue account, taking one year with another;
- Maintain a reserve fund;
- Keep the market facilities under constant review and carry out such alteration or improvements as appear to them as needed;
- Report their accounts and performance of their powers and duties to the Secretary of State on an annual basis;
- The constitution of Advisory Committees to advise CGMA on issues affecting the operation of the market.

Aims

3.3 Defra and CGMA have agreed that, in conjunction with carrying out its statutory duties set out in 3.2, the aims of CGMA should also include:

- To deliver the Redevelopment as planned within the expenditure limit set by HMT and at no additional cost by September 2026.

Strategy

3.4 CGMA's core strategic aim is to run a commercially successful wholesale horticulture market whilst maximising value from core business. Defra and CGMA will work together to help secure the long-term future of the market and the benefits it provides to London's food service and, by extension, tourism sectors.

Vision

3.5 CGMA's vision is to create a modern food and flower wholesale market by:

- Securing NCGM's future through outstanding facilities management
- Helping tenants meet their customers' expectations
- Facilitating links between customers and suppliers through NCGM
- Improving NCGM's carbon footprint
- Acting as a catalyst for regeneration in Nine Elms
- Delivering the social and economic benefits of NCGM in London.

3.6 Through the Redevelopment and the creation of a new Food Quarter for London, NCGM will become more than just a wholesale market, it will be the focus for food and flower related activities in London.

4 Operating as the “Defra group”

4.1 Defra and its public bodies are working together as a group operating model to maximise the delivery of activities, services and outcomes. This does not alter the powers, duties and governance of CGMA, nor does it affect the role of the CGMA senior executive (the Senior Executive) nominated by CGMA and agreed by DEFRA to be the person responsible for carrying out the equivalent standards associated with an Accounting Officer (set out in Chapter 3, Managing Public Money).

5 Ministerial responsibility

Managing Public Money and other government-wide corporate guidance and instructions

5.1 The Secretary of State or other Defra Minister representing Defra will account for CGMA business in Parliament.

5.2 The role of the Secretary of State is:

- to appoint a Chair and members of the CGMA Board and to approve the terms and conditions of Board members;
- to issue statutory financial directions in accordance with the Acts;
- to lay copies of CGMA's Annual Report and Accounts before Parliament; and
- to answer Parliamentary Questions after consultation with CGMA where appropriate.

Defra's accounting officer's specific accountabilities and responsibilities as Principal Accounting Officer (PAO)

5.3 The Principal Accounting Officer (PAO) of Defra has responsibility to ensure CGMA operates effectively to a high standard of probity and observes the standards set out in Chapter 3 of Managing Public Money, so far as it is relevant to CGMA as a public corporation. This includes following the key concepts of regularity and propriety which are:

- Regularity: compliant with the relevant legislation, delegated authorities and following the guidance in Managing Public Money; and
- Propriety: meeting high standards of public conduct, including robust governance and the relevant Parliamentary expectations, especially transparency.

5.4 More specifically, the PAO is responsible for ensuring that the CGMA Board fulfil their responsibility to ensure that CGMA:

- meets its statutory duties (see 3.2 above);
- safeguards its public assets and funds;
- meets such financial obligations to Defra as may from time to time be imposed in accordance with the Acts, including complying with any direction to pay any surplus revenues to Defra when it is able to; and observing the conditions of any funding provided by Defra; and

- manages its finances and expenditure appropriately whilst delivering value for money for the taxpayer.

5.5 The PAO is also responsible for ensuring arrangements are in place to inform CGMA of relevant government policies that might impact on CGMA. The PAO should be consulted if there is any question about the application of these principles to CGMA.

CGMA Strategic Relationship Management team

5.6 The CGMA Strategic Relationship Management team is the primary contact for CGMA within Defra. They are the main source of advice to the responsible minister on the discharge of responsibilities in respect of CGMA. They also support the PAO on responsibilities toward CGMA.

CGMA temporary executive governance arrangements

5.7 The CGMA Board restructured the CGMA executive governance arrangements in August 2020 to provide better alignment with CGMA's statutory functions. CGMA's executive responsibilities to Defra are detailed in Section 6 of this document. Defra has agreed that these responsibilities are carried out under the temporary arrangements outlined at Appendix 3 for a maximum of 12 months from 31 July 2020 and will be kept under review. Permanent arrangements for CGMA's executive responsibilities to Defra will be agreed with Defra by 31 July 2021.

6 CGMA's executive responsibilities to Defra

General

6.1 The Board should ensure that CGMA's executive responsibilities to the Defra Principle Accounting Officer and to the CGMA are clearly defined and set out in the performance objectives of the Senior Executive who can provide a single point of responsibility for the organisation.

6.2 The Senior Executive Officer is personally responsible for giving assurance to the Defra PAO for safeguarding the public funds for which CGMA has charge; for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds. In addition, he or she should ensure that CGMA 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 Chapter 3 of Managing Public Money.

6.3 These responsibilities, as defined by the CGMA Board, include:

- 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;
- preparing and signing a Governance Statement covering corporate governance, risk management and oversight of any local responsibilities, for inclusion in the Annual Report and accounts;
- ensuring that effective procedures for handling complaints about CGMA are established and made widely known within CGMA;
- acting in accordance with the terms of this document and with Managing Public Money and having regard to guidance relevant to CGMA as a public corporation issued from time to time by Defra, the Treasury and the Cabinet Office and the conditions of any Defra grant agreed to by the Board;
- giving evidence, normally with the Defra PAO, when summoned before the Public Accounts Committee on CGMA's stewardship of public funds.

Responsibilities to Defra

6.4 Particular responsibilities of the Senior Executive to the Secretary of State include:

- ensuring that the CGMA Board are aware of Defra's policy and governance objectives for CGMA when setting CGMA's strategic objectives;
- regular reporting to Defra on progress of the Redevelopment (NCGM redevelopment);
- seeking timely approvals from Defra where required under the Act relating to the Redevelopment;
- ensuring CGMA participates effectively in any assurance reviews that Defra may undertake at key milestones as the Redevelopment progresses;
- ensuring timely dividend and capital charge payments to Defra as appropriate (see part 17 below and Annex 2);
- ensuring that ad-hoc reasonable requests by Defra for information relating to CGMA performance or finance are dealt with promptly;
- that any significant problems or risks whether financial or otherwise, and whether detected by internal audit or by other means, are notified to Defra in a timely fashion;
- the Senior Executive should notify any issues which in their reasonable opinion raise concerns about the key concepts of regularity and propriety referred to in 5.3 to the PAO for advice before the Board makes a decision and ensure that the PAO's advice is considered by the Board before it makes such a decision;

- The Senior Executive must report to the Defra PAO if the Board decides not to follow the advice given by the Defra PAO.

Responsibilities to the CGMA Board

6.5 The Senior Executive is responsible for:

- advising the CGMA Board on the discharge of its responsibilities as set out in part 7 of this document, in the Acts and in any other instructions and guidance relevant to CGMA as a public corporation or as conditions of any Defra grant agreed to by the board;
- advising the CGMA Board on its performance against its aims and objectives;
- If the CGMA Board is contemplating a course of action involving a transaction which the Senior Executive considers would infringe the requirements of key concepts of propriety or regularity referred to in 5.3 or does not comply with the Nolan principles, bringing the matter to the attention of the Defra PAO in advance, so that the PAO's advice can be taken into consideration by the Board before making its decision; and informing the PAO if the Board decides not to act on the PAO's advice.

7 The CGMA Board

7.1 The CGMA Board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Board is expected to assure itself of the effectiveness of the internal control and risk management systems.

7.2 Specifically, the Board is responsible for:

- ensuring that any subsidy paid to CGMA by Government and CGMA's assets, equipment and staff, are used economically, efficiently and effectively;
- ensuring that CGMA acts in accordance with its statutory remit and that all associated legal risks are effectively managed;
- ensuring that a system of risk management is maintained to inform decisions on financial and operational planning and to assist in maintaining and improving performance;
- ensuring that an effective system of programme and project management and contract management is maintained;
- ensuring that adequate internal management and financial controls are maintained by CGMA, 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;

- ensuring that effective personnel management policies are maintained;
- recruiting, leading, managing and motivating the senior management team and staff including the development of an organisational culture that promotes high performance and commitment; and
- promoting and maintaining effective customer, stakeholder and partner engagement and collaboration at strategic and operational levels to ensure good understanding and responsive management of customer and stakeholder needs and concerns.
- establishing and taking forward the strategic aims and objectives of CGMA consistent with its statutory responsibilities and any directions given under s37 of the Covent Garden Market Act 1961 by the Secretary of State;
- having regard to Defra's objectives and Defra's agenda whilst complying with CGMA's statutory duties and without fettering the exercise of its powers;
- setting the direction for the Executive team and the tone and pace needed to deliver CGMA's strategic objectives;
- approving the appropriate allocation of resources;
- ensuring that the responsible Minister and the CGMA Strategic Relationship Management team in Defra are kept informed of any changes which are likely to impact on the strategic direction of the CGMA Board or on the attainability of its targets, and determining the steps needed to deal with such changes; ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the CGMA Board operates within the limits of its statutory authority, and in accordance with any other conditions relating to the use of public funds; and that in reaching decisions, the CGMA Board takes into account any relevant guidance issued by Defra/Government;
- ensuring that the CGMA Board receives and reviews regular financial information concerning the management of CGMA, is informed in a timely manner about any concerns about the activities of CGMA; and provides positive assurance to Defra that appropriate action has been taken on such concerns;
- Setting up an Audit and Risk Assurance Committee (ARAC), chaired by a non-executive member, to provide independent advice;
- demonstrating high standards of corporate governance at all times, including by using the independent ARAC to help the CGMA Board to address key financial and other risks; and
- appoint senior executives, designate a Senior Executive to fulfil the responsibilities under this Framework, and set performance objectives and remuneration terms linked to these objectives which give due weight to the proper management and use and utilisation of public resources.

7.3 Senior Defra representative(s) may attend CGMA Board meetings as an observer where the Redevelopment is to be discussed and may also attend for other items where appropriate, by giving prior notice to the CGMA Chair where this might aid discussion, help inform decision making or in an observer capacity.

The Chair of the Board's responsibilities

7.4 The Secretary of State sets the objectives of the Chair, and the Chair is responsible to the Secretary of State for the overall leadership, direction and effectiveness of CGMA in line with strategies and plans agreed by the Board.

7.5 The Chair will represent CGMA and will be the primary contact with the Secretary of State for the CGMA Board, raising issues with the Secretary of State as appropriate and ensuring that the other CGMA Board members are kept aware of such communications.

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

- co-ordinating the CGMA Board's strategy;
- ensuring that the CGMA Board, in reaching decisions, takes proper account of relevant guidance provided by the Secretary of State or Defra;
- driving collaborative working with other Defra bodies and other Government Departments as appropriate to make the best use of resources available and to maximise outcomes and multiple benefits;
- promoting the efficient and effective use of staff and other resources;
- delivering high standards of regularity and propriety; and
- representing the views of the CGMA Board to the general public.

7.7 The Chair also has an obligation to ensure that:

- the CGMA Board is run in line with good practice guidance on corporate governance by following the principles of the UK corporate governance code issued by the Financial Reporting Council, insofar as it is applicable to CGMA as a public corporation;
- the work of the CGMA Board and its members is reviewed annually and that it is working effectively;
- CGMA Board members are aware of the terms of their appointment, their duties, rights and responsibilities and take proper account of guidance provided by Defra or the Secretary of State when reaching decisions;
- CGMA Board members proactively engage in succession planning and identification of potential candidates for future CGMA Board appointments;
- the Secretary of State is advised of the balance of skills required on the board for effectively directing CGMA's business;
- he or she, together with the other CGMA Board members, receives appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice;

- the Minister is advised of CGMA’s needs with as much notice as possible before CGMA Board vacancies arise;
- the senior executive with responsibilities to the Defra PAO is informed of any issues to be discussed by the CGMA Board which may impact on the responsibilities of the senior executive relating to his/her relationship with Defra’s PAO. The senior executive should be given the opportunity to raise concerns and objections before any final decision is taken by the Board;
- he or she assesses the performance of individual CGMA Board members each year and advises the Secretary of State with as much notice as possible when they are being considered for reappointment;
- there are CGMA Board terms of reference in place setting out the role and responsibilities of the CGMA Board having regard to the Government Code of Good Practice for Corporate Governance so far as it is relevant to CGMA as a public authority; and
- there is a code of practice for CGMA Board members in place, consistent with the Cabinet Office Code of Conduct for Board Members of Public Bodies.

Individual CGMA Board members’ responsibilities

7.8 Individual CGMA Board members should:

- observe the seven principles of public life (‘Nolan Principles’)
- comply at all times with the Code of Conduct for Board Members of Public Bodies 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 CGMA 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 CGMA.

8 Annual report and accounts

8.1 The CGMA Board has a statutory duty to publish its Annual Report and Accounts (ARA) after the end of each financial year. CGMA shall provide Defra with its finalised (audited) accounts in line with an agreed timetable each year in order for the accounts to be laid in Parliament. As a public corporation CGMA’s accounts are not consolidated in the Defra accounts.

8.2 CGMA's ARA is required by law to be approved by the Secretary of State and laid before Parliament. The ARA must also be published on gov.uk ideally on the same day, but NOT BEFORE, the document has been laid before parliament. Responsibility for arranging for the ARA to be laid before Parliament and published on gov.uk rests with the CGMA Strategic Relationship Management team in Defra.

8.3 As a public corporation, CGMA will prepare its accounts in accordance with Generally Accepted Accounting Practice in the UK (UK GAAP). CGMA should, however, have regard to the requirements of HMT's Financial Reporting Manual (FreM), for the purposes of inputting data into the Whole of Government Accounts.

8.4 A draft of the report should be submitted to the CGMA Strategic Relationship Management team in Defra as required to agreed timetables.

9 Internal Audit

9.1 CGMA should:

- establish and maintain arrangements for internal audit in accordance with the Treasury's Public Sector Internal Audit Standards (PSIAS);
- ensure the Defra Group Chief Internal Auditor (GCIA) is satisfied with the competence and qualifications of the CGMA Head of Internal Audit and the requirements for approving appointments in accordance with PSIAS;
- provide the audit strategy, periodic audit plans, all final audit reports and annual audit report, including CGMA's Head of Internal Audit opinion on risk management, control and governance to Defra as requested;
- keep records of, and prepare and provide to Defra an annual report on fraud, error and theft suffered by CGMA or a nil return as appropriate, and
- notify Defra of any unusual or major incidents as soon as possible.

9.2 Any auditors used by Defra to undertake internal audit services may request access to all documents, including where CGMA's internal audit service is contracted out.

Audit and Risk Assurance Committee

9.3 CGMA's Internal Audit service should provide regular reports to the Senior Executive. It should also report regularly to the CGMA Board, through the independent Audit and Risk Assurance Committee (ARAC), on its programme, recommendations and their implementation. The Internal Audit service shall have direct access to the Senior Executive and to the Members of the CGMA Board, usually through the ARAC. The ARAC may deal directly with the Head of Internal Audit.

9.4 To assist with the provision of assurance to the Defra PAO, CGMA should

ensure that the agenda and minutes of all ARAC meetings are shared with the CGMA Strategic Relationship Management team in Defra by agreement.

10 External Audit

10.1 CGMA is not automatically subject to public audit by the National Audit Office. In order to comply with its statutory responsibilities (Section 46(3) of the Covent Garden Market Act 1961), CGMA must, with the approval of the Secretary of State, appoint an independent auditor to audit its accounts. The audited accounts will then be passed to the Secretary of State who will lay the accounts and a copy of the report made on the statement of the auditor before Parliament. CGMA has a statutory duty to as soon as possible after the end of each annual accounting period, make a full report of its accounts and its performance of its powers and duties to the Secretary of State. The CGMA accounting period end is 31 March.

Access to CGMA records and personnel

10.2 Defra may request access to all CGMA records and personnel for any purpose including, for example, sponsorship audits and operational investigations.

11 Freedom of Information

11.1 CGMA is subject to the Freedom of Information Act (FOIA) and the Environmental Information Regulations (EIR) which ensure that the public can, on request, be given access to information, in accordance with its statutory obligations.

12 Management and financial responsibilities

Managing Public Money and other government-wide corporate guidance and instructions

12.1 Managing Public Money Public explains how to handle public funds with probity and in the public interest. It sets out clear standards expected of all public services and notes that such services should carry on their businesses and account for their stewardship of public resources in ways appropriate to their duties and context and conducive to efficiency.

12.2 Unless agreed by Defra and, as necessary, HM Treasury, CGMA should have regard to or comply with as appropriate the principles, rules, guidance and advice in Managing Public Money referring any difficulties or potential reasons for exceptions to Defra in the first instance. A list of guidance and instructions with which CGMA should

have regard to or comply with so far as they are appropriate and applicable is in Appendix 1.

12.3 In respect of CGMA expenditure and subject to any relevant statutory provisions:

- CGMA shall comply with Managing Public Money regarding novel, contentious or repercussive proposals;
- inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal approval from Defra where any proposed expenditure is outside the scope of CGMA's statutory authority per the Acts; and
- CGMA shall provide Defra with such information about its operations, performance of individual projects or other expenditure as Defra may reasonably require.

13 Corporate governance

Board appointments - the Chair and Board members

13.1 In line with the Acts, the CGMA Chair and Board members are appointed by the Secretary of State. Such appointments are regulated by the Independent Commissioner for Public Appointments and will comply with the Government's Code of Governance for Public Appointments.

Composition of the Board

13.2 In line with the Acts, the Board will consist of a Chair and a minimum of four and maximum of seven other independent, non-executive, members.

13.3 The Acts stipulate that one member of the Board is nominated by the Secretary of State for Transport. This has commonly been someone with a specialism in transport issues.

14 Risk management

14.1 CGMA should ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, adopting the principles contained within the Treasury guidance Management of Risk: Principles and Concepts where appropriate and applicable to CGMA as a public corporation..

14.2 CGMA should adopt and implement policies and practices to safeguard itself against fraud, error, bribery, money laundering and theft, having regard to the Treasury's guidance.

14.3 CGMA should also take reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract.

15 Budgeting procedures

15.1 Defra will:

- continue to levy an annual cost of capital charge on CGMA in accordance with HMT Consolidated Budgeting Guidance;
- instruct CGMA to provide a financial report on its ability to meet the cost of the capital charge whilst ensuring it meets its statutory obligations and business objectives;
- consider, in the light of the financial report, paying a subsidy to CGMA to cover a proportion of the cost of capital charge (guided by the principles at Appendix 2), the precise amount to be determined;
- confirm to CGMA the transaction arrangements for the above together with any agreed dividend to be paid to Defra;
- provide CGMA with an annual accounts' direction; and
- notify CGMA of any planned changes in Defra or wider government policy affecting CGMA's delivery and policy functions. These will be discussed and agreed as part of an on-going dialogue between CGMA and Defra and recorded as part of the regular performance process.

15.2 Defra's determination of the aforementioned capital charge, subsidy and dividend may be carried out on an annual or multi-year frequency, in collaboration with HMT.

16 Grant-in-aid and any ring-fenced grants / subsidies

16.1 CGMA does not routinely receive grant-in-aid from Defra. As a public corporation, CGMA is set up to cover its own operation costs by collecting rents and charging tenants for the services which it provides as landlord of New Covent Garden Market.

16.2 Defra and HMT have agreed to provide CGMA with a temporary grant facility for the purposes outlined by the Board to Defra. CGMA can apply to draw down the grant according to the agreed profile between 2020/21 to 2026/27. The CGMA board have agreed to comply with the conditions of the grant funding including on how claims will be handled, financial reporting undertaken and general requirements to comply with government guidance on *Managing Public Money*, supplier payment, responsible

contractual behaviour and public sector pay, including on exit salary payments and by demonstrating executive pay restraint.

17 Dividend regime

17.1 Section 7.7 of *Managing Public Money* states that the financial performance of a Public Corporation should give the shareholder department (sponsor department) a fair return on the public funds invested in the business.

17.2 Section 44 (application of revenues) of the 1961 CGM Act as substituted by Section 3(5) of the CGM (Financial Provisions) Act 1977 provides for the payment of surplus revenue or capital to Defra. The Secretary of State, with the approval of HM Treasury and after consultation with CGMA, may require CGMA to pay the whole or part of any excess of revenues to Defra, or any amounts, otherwise than by way of revenue, received by CGMA in any accounting period.

17.3 Subject to the consideration under 15.1 above, Defra may allow CGMA to retain revenue profit to fund the delivery of the Redevelopment.

18 Reporting performance within the Defra Group

18.1 The Defra Group Executive Committee role is to oversee performance of the Defra group as a whole and they will intervene where performance issues require a cross-departmental approach. Performance reporting focusing on specific objectives or performance issues may be commissioned.

19 Establishing delegated authorities

19.1 Defra as sponsoring department is responsible for agreeing delegated authorities with its arm's length bodies.

19.2 By statute, CGMA has power to enter into any transaction which in their opinion is calculated to facilitate the proper discharge of their duties or powers. Use of this power should be subject to CGMA's compliance, where appropriate and applicable to CGMA as a public corporation, with the general guidance documents and instructions listed in Appendix 1 below and the conditions of any grant funding.

19.3 In accordance with *Managing Public Money*, there are some areas of expenditure and resource commitments where HMT authority is never delegated. These are:

- Items which are novel, contentious or repercussive;

- Contractual commitments to significant spending in future years for which plans have not been set;
- Items requiring primary legislation;
- Any item which could set a potentially expensive precedent;
- Where HMT consent is a specific requirement of legislation.

19.4 In all of these circumstances, so long as the grant facility mentioned in paragraph 12 remains in place, CGMA is required to seek the necessary approvals from Defra, who acting on behalf of CGMA as sponsoring department will seek to obtain approval from HMT.

20 CGMA staff

Broad responsibilities for staff

20.1 CGMA has responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff should be to ensure that:

- the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement is based on merit: 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 staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness;
- the performance of its staff at all levels is satisfactorily appraised and CGMA'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 achieve CGMA's objectives;
- 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 are in place.;
- a Code of Conduct for staff is in place.

Staff costs

20.2 CGMA should ensure that the creation of any additional posts does not incur forward commitments that will exceed its ability to pay for them.

Pay and conditions of service

20.3 In setting pay and conditions of service for its staff CGMA should have regard to guidance set out in *Managing Public Money*, the Cabinet Office's *Public Bodies: A Guide for Departments* and the Cabinet Office's Controls Guidance and the conditions of any grant funding.

20.4 Staff terms and conditions should be set out in an Employee Handbook, which should be provided to Defra together with subsequent amendments as requested.

20.5 CGMA may operate a performance-related pay scheme that may form part of the annual aggregate pay budget approved by CGMA Board.

20.6 The expenses of Board members reimbursed shall be in accordance with the approved policy of CGMA.

Pensions, redundancy and compensation

20.7 CGMA staff may be eligible to participate in a pension scheme approved by the CGMA Board, meeting its statutory requirements.

20.8 Any proposal by the CGMA Board to significantly alter the existing pension arrangements, requires the prior approval of Defra, such approval not to be unreasonably withheld or delayed.

20.9 Proposals on severance should comply with the rules where appropriate and applicable to CGMA as a public corporation in *Managing Public Money*, relevant legislation and the conditions of any Defra grant.

21 Review of CGMA's status (and winding-up arrangements)

21.1 CGMA will be reviewed in line with Defra and Cabinet Office requirements.

22 Arrangements in the event that CGMA is wound up

22.1 In the event that CGMA is to be wound up, Defra shall put in place arrangements to ensure it is done in an orderly way. In particular, it should ensure that the assets and liabilities, including any pension liabilities, of CGMA are passed to any successor organisation and accounted for properly. In the event that there is no successor organisation, the assets and liabilities should revert to Defra. To this end, Defra would:

- ensure that procedures are in place in CGMA to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body;
- specify the basis, whilst ensuring compliance with applicable accounting standards, for the valuation and accounting treatment of CGMA's assets and liabilities, including pension assets and liabilities;
- ensure that arrangements are in place to prepare closing accounts for external audit, and that, for non-Crown bodies funds are in place to pay for such audits. It shall be for Defra to lay the final accounts in Parliament, together with a report on the accounts; and
- arrange for the most appropriate person to sign the closing accounts. In the event that another body takes on the role, responsibilities, assets and liabilities, the succeeding body's AO should sign the closing accounts. In the event that Defra inherits the role, responsibilities, assets and liabilities, Defra's PAO should sign.

22.2 CGMA should provide Defra with full details of all agreements where CGMA or its successors have a right to share in the financial gains as a result of the Market redevelopment or any other financial agreement with third parties.

List of appendices to the Framework Document

- Appendix 1 - List of government-wide corporate guidance instructions.
- Appendix 2 - Principles for agreeing CGMA's cost of capital charge and Defra subsidy.
- Appendix 3 – Temporary arrangements for fulfilling executive responsibilities to Defra.

23 Signatures

Signed:



Sally Randall

Position: **Director, Foods and Water**

Date: 11 December 2020

(On behalf of Defra)

Signed:



David Frankish

Position: **Executive Chair**

Date: 15 December 2020

(On behalf of the CGMA)

Appendix 1

Compliance with government-wide corporate guidance and instructions

CGMA shall comply with the following general guidance documents and instructions as appropriate and applicable to CGMA as a Public Corporation:

- This Framework Document;
- Appropriate adaptations of sections of Corporate Governance in Central Government Departments: Code of Good Practice
<https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments>;
- Code of Conduct for Board Members of Public Bodies
<https://www.gov.uk/government/publications/board-members-of-public-bodies-code-of-conduct>;
- Managing Public Money (MPM);
<https://www.gov.uk/government/publications/managing-public-money>;
- Cabinet Office's Controls Guidance
<https://www.gov.uk/government/collections/cabinet-office-controls>;
- Relevant Freedom of Information Act guidance and instructions (Ministry of Justice); <https://www.gov.uk/government/publications/freedom-of-information-code-of-practice>;
- Public Sector Internal Audit Standards,
<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>;
- Management of Risk: Principles and Concepts:
<https://www.gov.uk/government/publications/orange-book>;
- HM Treasury Guidance on Tackling Fraud,
http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf.pdf;
- Government Financial Reporting Manual (FReM),
<https://www.gov.uk/government/publications/government-financial-reporting-manual>;
- Regularity, Propriety and Value for Money,
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/212460/Regularity_Propriety_and_Value_for_Money.pdf;
- Consolidation Officer Memorandum and relevant Dear Accounting Officer letters;
<https://www.gov.uk/government/collections/dao-letters>;

- Partnerships with arm's length bodies: code of good practice, <https://www.gov.uk/government/publications/partnerships-with-arms-length-bodies-code-of-good-practice>;
- Guidance on responsible contractual behaviour in the performance and enforcement of contracts impacted by the COVID-19 emergency: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/883737/Covid-19_and_Responsible_Contractual_Behaviour_web_final_7_May_.pdf
- Paying suppliers: <https://www.gov.uk/government/news/government-tells-public-sector-it-must-pay-suppliers-on-time>
- Public sector pay and terms: guidance note. <https://www.gov.uk/government/publications/public-sector-pay-and-terms-guidance-note>
- 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;
- Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and relevant to CGMA.

Appendix 2

Principles for agreeing CGMA's cost of capital charge and Defra subsidy

Cost of capital charge

1. CGMA pays HMG an annual cost of capital. This is calculated at 3.5% against the value of the site, based on a valuation of £58 million undertaken in 2009. The valuation will be updated at the point that CGMA can financially sustain the majority of the current capital charge (i.e. when Defra's subsidy is no longer required).

Defra subsidy

2. Defra's subsidy is only payable if CGMA have satisfactorily demonstrated to Defra that it is necessary to meet its statutory financial duty and remain a viable going concern. However, Defra recognises that whilst the market is being redeveloped, CGMA will often be unable to pay the full charge. This is due to the financial demands that the redevelopment project places on CGMA, by way of both revenue and capital costs, e.g. the volume of void space required for the redevelopment and rental freezes agreed with the tenants given the disruption and the quantum of additional staff costs, capital costs and fee expenditure that the successful delivery of the redevelopment project necessitates. Defra has therefore agreed to annually subsidise CGMA's capital charge during the redevelopment to ensure that CGMA meets its statutory financial duty and remains a viable going concern.
3. CGMA will use reasonable endeavours to reduce their reliance on Defra's subsidy to zero over the duration of the redevelopment. CGMA should therefore use any profits not needed for future redevelopment costs or to comply with its duties under the Acts to reduce their reliance on the subsidy, and as a minimum, subject to paragraph 5 below, Defra's subsidy will reduce by a minimum of £100k year on year through to the completion of the redevelopment, currently expected in September 2026, or its total removal (whichever is soonest).
4. Given CGMA's statutory ability to carry a cash reserve across financial years, when assessing the amount of the annual subsidy Defra will take a view across the duration of a spending review period to minimise unnecessary budgetary spikes.
5. To support financial planning for both organisations, Defra and CGMA will agree the level of the subsidy through to the end of the redevelopment. CGMA will review their long-term business plan on an annual basis. The amount of Defra's annual subsidy in any one year will also be reviewed at least 9 months prior to

the start of the relevant year in which it is payable. The final amount will be confirmed in the April of each year in which it is to be paid, with payment being made the following March.

6. Any changes to CGMA's forecasts within a spending review period that impact on their ability to pay the cost of capital charge will need to be managed by CGMA as a new pressure. In extremis Defra will review the agreed subsidy if new pressures impact on CGMA's ability to meet its statutory financial duty or remain a viable going concern. To assist Defra in reaching any such decision and to ensure budget planning, CGMA will provide significant forward planning and reporting about the likelihood and funding gap.
7. HMG's approval of the LTBP will be subject to an annual review of the plan and financials prior to the payment of any subsidy.

Cash reserve

8. CGMA have a statutory ability to maintain a cash reserve, and it is recognised that this is necessary for the duration of the redevelopment to deal with significant unexpected or one-off redevelopment costs. As part of the process for annually reviewing their long-term business plan, CGMA will report on their use and future plans for the reserve, e.g. including a breakdown of the amount they require and variance with previous forecasts.

Appendix 3

Temporary arrangements for fulfilling executive responsibilities to Defra.

1. The executive responsibilities to Defra specified in Section 6 are temporarily being fulfilled in the following way until a permanent arrangement is agreed with Defra.

Senior Executive Officer with responsibilities to the Defra PAO

2. The CGMA Board, in agreement with Defra, will identify a senior executive role, and the named individual occupying that role, who is responsible for fulfilling CGMA's obligations to the Defra PAO set out in Section 6.
3. Defra has agreed with CGMA that these responsibilities will sit with the individual who is CGMA's General Counsel and Company Secretary until such time that an alternative temporary arrangement is proposed by CGMA. The CGMA Chair, in agreement with Defra, will put a permanent arrangement for fulfilling these responsibilities in place by 31 July 2021.

Executive Chair

4. Whilst these temporary arrangements are in place, Defra has agreed that the CGMA Chair will become an Executive Chair to oversee CGMA's transition to the new executive structure. The Executive Chair retains all the responsibilities of the Chair in Section 7 and will undertake executive duties as specified by the CGMA Board.