# Thurrock Thames Gateway

# Development Corporation

# Financial Memorandum

# THURROCK DEVELOPMENT CORPORATION (TDC)

## FINANCIAL MEMORANDUM

# I. INTRODUCTION

1. This Financial Memorandum, which forms part of the management statement for the Thurrock Development Corporation (TDC), sets out in detail certain aspects of the financial framework within which the TDC is required to operate.

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

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

## GENERAL POINTS ON TDC'S INCOME AND EXPENDITURE

### The Departmental Expenditure Limit (DEL)

4. The Office of the Deputy Prime Minister's (the Office) expenditure is controlled by Resource and Capital Departmental Expenditure Limits (DELs). The TDC's expenditure forms part of the Office's DELs .

5. There are separate controls over Consumption and Investment expenditure (within Resource DEL) and Capital expenditure (Capital DEL). The categories are defined as follows:

**Resource Consumption**
This category of expenditure includes current expenditure and income, such as goods and services, current grant, pay and pensions, profit/loss on net book value of stock and write downs in the value of stock and cost of capital and depreciation on assets held by the UDC.

**Resource Investment (RI)**
The two categories of RI which TDC is likely to incur are Grants on capital items given to the private or voluntary sector and public corporations, and payments to other parts of Government which cover Resource Investment by another part of Government (eg an NDPB)

**Capital**
This includes certain types of expenditure such as Grants on capital items given to the private or voluntary sector, public corporations or changes in stock (land and buildings). Where an NDPB's business includes trading in land and buildings these are treated as capital assets and in such cases the stock value scores when acquired and the income is recognised at the same time. The net value of sales

represents profit or loss on the disposal of land and buildings held as stock (scoring under Resource Consumption – see F25 Annex A). Direct capital expenditure by the NDPB and capital grants to local authorities are classed as capital.

**The items to be recorded within each budget type are set out at Annex A**

6. The following points should be noted:

- the acquisition (purchase price) and disposal (net book value) of development land treated as stocks, development assets or fixed assets are scored against Capital DEL;

- the raising/release of provisions and stock write-downs are scored against Resource Consumption;

- investment in the land (remediation) is scored against Capital DEL;

- Profit or loss on disposal scores against resource consumption DEL;

- Cost of capital and depreciation score against resource consumption DEL.

7. TDC must not exceed its budget limits without the prior approval of the Office. The Office is prepared to consider switches between the various limits at appropriate times of the year, subject to its own over-riding position.

8. Inclusion of any planned or approved expenditure in TDC's budget shall not remove the need to formally seek the Office approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously approved. This is subject to reasonable notice and on a practical frequency TDC shall provide the Office with such financial information, and in such format, about its operations, performance, individual projects or other expenditure as the Office may from time to time require.

9. The TDC shall not without prior written approval from the Office, enter into any undertaking to incur any expenditure which falls outside the TDC's delegations or which is not provided for in the TDC's annual budget as approved by the Office.

## Annual budget

10. TDC must prepare a draft budget and submit it to the Office, normally by the end of November each year. The Office will give the TDC an indicative budget by the end of December. The budget shall relate as fully as possible to the Corporate Plan for that year.

11. A final version of the budget (incorporating actual year-opening data) should be submitted to the Office by the end of April each year. The Office reserves the right to change these dates if necessary.

12. Once TDC's annual budget has been approved by the Office (and subject to any restrictions imposed by statute/the Deputy Prime Minister/this Financial Memorandum), TDC shall have authority to incur expenditure approved in the budget without reference to the Office, on the following conditions:

    - It shall comply with the delegations set by the Office following the satisfactory appraisal of the first Capital Project;

    - It shall comply with the conditions regarding novel, contentious or repercussive proposals set out in this document.

## Financial reporting requirements

13. In accordance with a timetable determined separately by the Office, TDC must provide the Office with expenditure data for the previous month, and forecast outturn data for the current month and each remaining month of the financial year. If the UDC is using the Office's accounting system, they must do this by updating their budget forecasts on the system by the due date. If they are not using the accounting system the data is to be provided on workbook spreadsheets in a format provided by the Office by the date specified by the Office. The Office must be notified at least 4 working days before the end of the month of the need to forecast or record spend against a new budget line or type, so that a line can be inserted into the workbook, or of any change in details of the workbook recipient.

## Procurement

14. The TDC's procurement policies shall reflect guidance from the Office. The TDC shall also ensure that it complies with any relevant EU or other international procurement rules.

## Competition

15. Contracts shall be placed on a competitive basis and tenders accepted from suppliers who provide best value for money overall.

16. Proposals to let single-tender or restricted contracts shall be subject to a specified delegated authority and the TDC shall send to the Office after each financial year a report for that year explaining any contracts above £20,000 in which competitive tendering was not employed. Any contract near the EC threshold of £153.6k will trigger specific requirements which will need to be met in order to proceed without competition in line with EC rules.

#### Value for money

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

## Timeliness in paying bills

18. The TDC shall collect receipts and pay all matured and properly authorised invoices in accordance with the terms of contracts or within 30 days, as provided for in Annex 16.2 of Government Accounting. The TDC shall comply with the British Standard for Achieving Good Payment Performance in Commercial Transactions (BS 7890), and with the Late Payment of Commercial Debts (Interest) Act 1998 as amended.

19. Works Construction Contracts - the timing of payment should be stipulated in the contract. The obligation to pay should arise when the work has been completed satisfactorily and validated in accordance with the requirements of the main contract. Departments should pay within 30 days of issue of a certificate, as defined by the main contract issued by the client's representative.

NOTE: The 1998 Act allows creditors to claim statutory interest and compensation on late payment of commercial debts.

## Novel, contentious or repercussive proposals

20. The TDC shall obtain the approval of the Office before:

    - incurring any expenditure for any purpose which is or might be considered novel or contentious or which would entail contractual commitments to significant levels of spending in future years for which plans have not been set, including on staff benefits;

- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the Office;

- making any change of policy or practice which has wider financial implications (eg because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required.

**Risk management**

21. The TDC shall ensure that the business risks (both at the organisational and operational level) that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and shall develop a risk management strategy, in accordance with the Treasury guidance *Management of Risk: A Strategic Overview,* and any other guidance issued from time to time. The assessment of risk must be part of a continuous cycle and not an end year task.

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

23. The TDC shall take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or give grant funding. In particular, TDC should ensure that:

    - they are financially viable, have a sound (traceable) track record, and have acceptable bank references;

    - they have sufficient and clear understanding of the objectives and risks relevant to the tasks they have to perform;

    - they have adequate systems/processes and appropriate skills in place to deliver measurable outputs or performance in accordance with agreed plans;

    - they can properly and well manage public funds/assets entrusted to them and account for their use, and this can be independently checked regularly;

    - effective channels of communication exists for reporting suspected improprieties.

## II. THE TDC'S INCOME

### Grant-in-aid

24. Grant-in-aid will normally be paid to the TDC in quarterly installments, on the basis of a written application from the TDC showing evidence of need. The application shall certify that the conditions applying to the use of grant-in-aid have been observed to date and that further grant-in-aid is now required for purposes appropriate to the TDC's functions.

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

26. Cash balances accumulated during the course of the year from grant-in-aid or other Exchequer funds shall be kept at the minimum level consistent with the efficient operation of the TDC. Grant-in-aid not drawn down by the end of the year shall lapse. However, where draw-down of grant-in-aid is delayed to avoid excess cash balances at year-end, the Office will make available in the next financial year - subject to approval by Parliament of the relevant Estimates provision - any such grant-in-aid which is required to meet any liabilities at year end, such as creditors. It follows that TDC should not build up large balances of grant in aid. The Office may take into account any significant balances of grant in aid before making future installments.

#### End-year flexibility

27. As set out in PES(2000)25 (issued 18 October 2000), the Office will aim to set firm multi-year plans and cascade end-year flexibility (EYF) on budgets where possible. In particular, the Office will aim to:

- agree, ahead of the year in question a rolling three-year budget, fixed for at least the first year and with indicative amounts for subsequent years;

- decide during the year the TDC's likely take up of EYF against the overall Office position (having regard to any loss of EYF as a result of Departmental Expenditure Limit (DEL) Reserve claims made by the Department) and Ministerial priorities;

- adjust (if necessary) and confirm the amount of EYF when accurate information is available in the Public Expenditure Outturn White Paper, taking account of outturn and of any DEL Reserve claims which might limit the EYF entitlement of the Department itself.

NOTE: Unused grant-in-aid does not determine EYF. This is because grant-in-aid is outside the sponsoring department's DEL budget and merely contributes to the cash-financing mechanism for the TDC. What hits the Department's DEL budget is the actual spending of the TDC in resource terms, whether or not financed by grant-in-aid. (Further details can be found in the SR2002 guidance: Annex C, on detailed budgeting rules). It is therefore the TDC's underspending in resource terms which generates the DEL EYF and which the Office will aim to cascade down to the TDC. EYF has separate elements for resource consumption, resource investment and capital DELs.

**Receipts from sale of goods or services**

28. Receipts from the sale of goods and services (including certain licences where there is a significant degree of service to the individual applicant), rent of land, and dividends are classified as negative public expenditure in national accounts and are therefore normally offset against the DEL (i.e. they provide additional DEL spending power).

29. If there is any doubt about the correct classification of a receipt the TDC shall consult the Office, who will consult the Treasury as necessary.

**Wider markets**

30. In accordance with the wider markets policy the TDC shall seek to maximise receipts from non-Exchequer sources provided that this is consistent with (a) the TDC's main functions (b) its corporate plan as agreed with the Office.

**Fees and charges**

31. Fees or charges for any services supplied by the TDC shall be determined in accordance with the Treasury's *Fees and Charges Guide,* and with the Freedom of Information Act.

## Fines, taxes and other receipts

32. Most fines and most taxes (including levies and some licences) are not negative public expenditure and do not provide additional DEL spending power. Such receipts shall either be surrendered to the Office or, if retained, shall either reduce the need for grant-in-aid or, if used to finance additional expenditure by the TDC, shall require additional DEL cover from the Office.

## Interest earned

33. Under SR2002 budgeting rules (which operate from 2003-04), the cost of capital charge and any interest receipts on most DEL financed assets score as resource DEL.

34. If the receipts are used to finance additional expenditure by the TDC, the Office will need to ensure it has the necessary DEL cover. Any interest earned on cash balances arising from grant-in-aid or other Exchequer funds shall be treated as a receipt from an Exchequer source. Depending on the budgeting treatment of this receipt, and its impact on the TDC's cash requirement, it may lead to a commensurate reduction of grant-in-aid or be required to be surrendered to the Consolidated Fund via the Office.

## Unforecast changes in in-year income

35. If the negative DEL income realised or expected to be realised in-year is less than estimated, the TDC shall, unless otherwise agreed with the Office, ensure a corresponding reduction in its gross expenditure so that the authorised provision is not exceeded. NOTE: For example, if the TDC is allocated £100 resource DEL provision by its parent Department and expects to receive £10 of negative DEL income, it may plan to spend a total of £110. If income (on an accruals basis) turns out to be only £5 the TDC will need to reduce its expenditure to £105 to avoid breaching its budget. If the TDC still spends £110 the parent Department will need to find £5 of savings from elsewhere within its total DEL to offset this overspend.

36. If the negative DEL income realised or expected to be realised in the year is more than estimated, the Board may apply to the Office to retain the excess income for specified additional expenditure within the current financial year without an offsetting reduction to grant-in-aid. Such applications will be considered by the Office taking account of competing demands for resources. If an application is refused any grant-in-aid shall be commensurately reduced or the excess receipts shall be required to be surrendered to the Exchequer via the sponsor

Office. (These arrangements are subject to the provisions set out under the heading *Disposal of assets* below.)

## Build-up and draw-down of deposits

37. The TDC shall comply with the rules that any DEL expenditure financed by the draw-down of deposits counts within DEL and that the build-up of deposits may represent a saving to DEL (if the related receipts are negative DEL in the relevant budgets).

38. The TDC shall ensure that it has the necessary DEL provision for any expenditure financed by draw-down of deposits.

## Proceeds from disposal of fixed assets

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

## Gifts and bequests received

40. The TDC is free to retain any gifts, bequests or similar donations. These shall be treated as receipts. NOTE: Donated assets do not attract a cost of capital charge, and a release from the donated assets reserve should offset depreciation in the operating cost statement.

41. Before proceeding in this way the TDC shall consider if there are any associated on-costs or contingent liabilities in doing so or any conflicts of interests arising. The TDC shall keep a written record of any such gifts, bequests and donations and of their estimated value and whether they are disposed of or retained.

### Receipts from the EC

42. Receipts from the European Union, if remitted by another Government Department and already accounted for in accordance with Treasury requirements, can be treated in the same way as receipts from the sale of assets or as a contribution towards a specific item of expenditure. This will count as negative Capital or Resource DEL depending on how the underlying expenditure is scored.

## Borrowing

43. The TDC shall observe the rules set out in Section 29.5 of *Government Accounting* when undertaking borrowing of any kind. The TDC shall seek the approval of the Office to ensure that it has any necessary authority and budgetary cover for any

borrowing or the expenditure financed by such borrowing. Medium or long term private sector or foreign borrowing is subject to the value for money test in *Government Accounting*.

44. The Corporation may borrow from the National Loans Fund (NLF) to finance a project, if it can demonstrate to the Office that the project can produce sufficient income to meet all debt servicing costs and to repay the loan. However, borrowing should not be a significant source of finance as most projects which will repay a loan could be undertaken and financed by the private sector.

45. The 1980 Act provides that the Corporation may borrow from sources other than the NLF though this is unlikely. Total borrowing for all UDCs is limited to 30 million by the 1987 UDC (Financial limits) Act.

### Reserves

46. As grant in aid should be made on the basis of need it follows that TDC should not need to build up large balances of grant in aid. The Department may take into account any significant balances of grant in aid before assessing the payment of future grant in aid.

## IV. EXPENDITURE ON STAFF

### Staff costs

47. Subject to its delegated levels of authority the TDC shall ensure that the creation of any additional posts does not incur forward commitments which will exceed its ability to pay for them.

### Pay and conditions of service

48. Subject to the approval of the Secretary of State, the UDC will determine the terms and conditions of employment of its staff. Except where previously authorised by the Office, pay and grading shall take account of the public sector pay policy guidance.

49. The travel expenses of Board Members shall be tied to the rates allowed to senior staff of the TDC. Reasonable actual costs shall be reimbursed.

50. Any performance-related pay scheme which shall form part of the general pay structure must be approved by the Office and the Treasury.

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

**Pensions; redundancy/compensation**

52. The TDC's staff shall normally be eligible for a pension provided by admittance to the Local Government Pension Scheme (LGPS).

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

54. Any proposal by the TDC to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the approval of the Office. Proposals on severance payments must comply with DAO(GEN) 04/02.

## V. NON-STAFF EXPENDITURE

**Capital expenditure**

55. For resource budgeting purposes, capital expenditure is defined as expenditure on the acquisition or improvement of fixed assets, stock of development properties or land acquired as stock. On the disposal of such items, the net book value is treated as negative Capital DEL; the profit or loss as resource consumption DEL.

56. Proposals for large-scale individual capital projects or acquisitions will normally be considered within the TDC's corporate planning process. Applications for approval by the Office, and if necessary the Treasury, shall be supported by formal notification that the proposed project or purchase has been examined and duly authorised by the Board. Monthly reports on the progress of projects shall be submitted to the Office.

57. Within its approved overall resources limit the TDC shall, initially have no delegated authority to spend on any individual capital project or acquisition. The Office's prior authority must be obtained before expenditure on an individual project or acquisition is incurred. Once TDC has developed effective programme and appraisal systems this delegation limit will be reviewed.

## Transfer of funds within budgets

58. Unless financial provision is subject to specific Office or Treasury controls (eg, where provision is ring-fenced for specific purposes), transfers between budgets within each of the individual totals of capital DEL, resource consumption or investment DELs, do not need Departmental approval. NOTE: Under SR2002 budgeting rules (which operate from 2003-04) transfers from capital to resource budgets are not allowed.

## Lending, guarantees, indemnities; contingent liabilities; letters of comfort

59. The TDC shall not, without the Office's prior written consent, lend money, charge any asset or security, give any guarantee or indemnities or letters of comfort, or incur any other contingent liability (as defined in chapter 26 of *Government Accounting*), whether or not in a legally binding form.

## Grant or loan schemes

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

61. The terms and conditions shall include a requirement on the receiving organisation to prepare accounts and to ensure that its books and records in relation to the grant or loan are readily available for inspection by the TDC, the Office and the Comptroller & Auditor General.

See also below under the heading *Recovery of grant-financed fixed assets*.

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

62. Proposals for making gifts or other special payments (including write-offs) outside the delegated limits set out in the Appendix to this document must have the prior approval of the Office.

63. Gifts by management to staff are subject to the requirements of DAO(GEN) 13/01 and the associated Cabinet Office guidance on non-pay rewards.

## Leasing

64. Prior Office approval must be secured for all property and finance leases. The TDC must have capital DEL provision for finance leases and other transactions which are in substance borrowing (paragraphs 43-45 above).

65. Before entering into any lease (including an operating lease) the TDC shall demonstrate that the lease offers better value for money than purchase.

### Public/Private Partnerships

66. The TDC shall seek opportunities to enter into Public/Private Partnerships where this would be more affordable and offer better vfm than conventional procurement. Where cash flow projections may result in delegated spending authority being breached the TDC shall consult the Office.

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

## Subsidiary companies and joint ventures

68. The TDC shall not establish subsidiary companies or joint ventures without the express approval of the Office. In judging such proposals the Office will have regard to the Office's wider strategic aims, objectives and current Public Service Agreements.

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

### Financial investments

70. The TDC shall not make any investments in traded financial instruments without the prior written approval of the Office, nor shall it aim to build up cash balances or net assets in excess of what is required for operational purposes. Equity shares in ventures which further the objectives of the TDC shall equally be subject to Office approval unless covered by a specific delegation.

### Unconventional financing

71. Unless otherwise agreed with the Office, the TDC shall not enter into any unconventional financing arrangement.

### Commercial insurance

72. The TDC shall not take out any insurance without the prior approval of the Office, other than third party insurance required by the Road Traffic Acts and any other insurance which is a statutory obligation or which is permitted in *Government Accounting*.

## VI. MANAGEMENT AND DISPOSAL OF FIXED ASSETS

### Register of fixed assets

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

### Development Assets

74. Development assets include land acquired by TDC for purposes such as regeneration and development. For Resource Accounting purposes, these are treated as stocks. TDC must not acquire such assets for its activities at more than the market value of these assets, defined as the amount the asset would fetch on the open market if sold in its existing condition for a permitted development, excluding any hope value created by the involvement of TDC. The valuation must be subject to the same external franking requirements as disposal of land of the same value.

### Disposal of fixed assets

75. The TDC shall dispose of fixed assets that are surplus to its requirements. Assets shall be sold for best price, taking into account any costs of sale. High value fixed assets shall be sold by auction or competitive tender unless otherwise agreed by the Office, and in accordance with *Government Accounting,* Chapter 24. The measure of 'high value' will be agreed by ODPM in consultation with TDC once the delegations referred to in paragraph 12 have been put in place.

76. The TDC may normally retain receipts derived from the sale of fixed assets provided that:

- The Office and the Treasury are content for the TDC to retain these receipts;

- they are used to finance other fixed assets;

- the Office receives prior notification of individual sales; and

- total sales in any financial year do not exceed a specified limit normally 3% of the TDC's grant-in-aid (see PES(98)5).

77. If, notwithstanding the above, the TDC disposes of assets which have been purchased, improved or developed with Exchequer funds and the receipts amount to more than £1 million, or where the disposal has unusual features of which Parliament should be aware, Parliamentary approval shall be secured for the receipts to be reinvested. The receipts shall therefore be surrendered to the Office which will then submit an Estimate seeking approval for the receipts to be appropriated in aid by the Office and for a corresponding increase in the TDC's grant-in-aid.

78. If the proposed new investment exceeds the TDC's relevant delegated authority the Office's approval will be needed. If the proposed new investment is novel or contentious the Treasury's approval will also be needed.

79. If the criteria in para' 76 above are not met, any receipts shall be dealt with in line with the rules on surplus in-year receipts (paragraphs 35 & 36 above).

**Recovery of grant-funded fixed assets**

80. Where the TDC has financed expenditure on fixed assets by a third party, the TDC shall make appropriate arrangements to ensure that any such assets are not disposed of by the third party without the TDC's prior consent.

81. The TDC shall therefore ensure that such conditions are sufficient to secure the repayment of the Exchequer's due share of the proceeds of the sale, in order that funds may be surrendered to the Office.

82. The TDC shall ensure that if fixed assets, financed wholly or partly by grant from TDC, are sold or their ownership transferred while they have any economic value, the grant recipient must notify TDC as soon as possible. TDC may require the grant recipient to repay

the proceeds or an appropriate part of them, in which case the grant recipient must repay the amount to the TDC - for surrender to the Office - within 30 days of being asked to do so. If the amount of the proceeds is less than the market value at the time of the sale or transfer, the market value shall be deemed to be the proceeds.

83. The TDC shall ensure that grant recipients do not allow a third party to take a charge on any fixed asset funded wholly or partly by funds provided under a grant from the TDC.

## VII. BUDGETING PROCEDURES

### Setting the annual budget

84. Each year, in the light of decisions by the Office on the TDC's updated draft corporate plan (Section 4.1 of the Management Statement), the Office will send to the TDC:

- a formal statement of the annual budgetary provision allocated by the Office in the light of competing priorities across the Office and of any forecast income approved by the Office;

and

- a statement of any planned change in policies affecting the TDC.

85. The TDC's approved annual business plan will take account both of its approved funding provision and of any forecast receipts, and will include a budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of any Office funding and/or other income over the year. These elements will form part of the approved business plan for the year in question (Section 4.2 of the Management Statement).

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

### General conditions for authority to spend

87. Once the TDC's budget has been approved by the Office and subject to any restrictions imposed by Statute/the Secretary of State/this document, the TDC shall have authority to incur expenditure approved in the budget without further reference to the Office, on the following conditions*:*

- the TDC shall comply with the delegations set out in this document and any subsequent revisions/addendums to this document. These delegations shall not be altered without the prior agreement of the Office;

- the TDC shall comply with the conditions set out in paragraph 20 above regarding novel, contentious or repercussive proposals;

- inclusion of any planned and approved expenditure in the TDC's budget shall not remove the need to seek formal Office approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed;

- the TDC shall provide the Office with such information about its operations, performance individual projects or other expenditure as the Office may reasonably require.

### Providing monitoring information to the Department

88. The TDC shall provide the Office with, as a minimum, information on a monthly basis in the format specified by the Office, which will enable the satisfactory monitoring by the Office of:

    - the TDC's cash management;

    - its draw-down of any grant-in-aid;

    - forecast outturn by resource headings;

    - other data required for the Government Expenditure Monitoring Systems.

## VIII. BANKING

### Banking arrangements

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

90. He/she shall therefore ensure that:

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

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

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

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

## IX. COMPLIANCE WITH INSTRUCTIONS AND GUIDANCE

### Relevant documents

91. The TDC shall comply with the following general guidance documents:

- this document (both the Management Statement and the Financial Memorandum);

- *Government Accounting,* including in particular the Accounting Officer Memorandum for NDPBs (reproduced in Chapter 8 of *Government Accounting*);

- *Non-Departmental Public Bodies - a Guide for Departments* (the “NDPB Guide”), issued by the Cabinet Office;

- *Government Internal Audit Standards*, issued by the Treasury;

- *Managing the Risk of Fraud*, issued by the Treasury;

- *Executive NDPBs - Annual Reports and Accounts Guidance*, issued by the Treasury;

- the *Fees and Charges Guide,* issued by the Treasury;

- *Departmental Banking: A Manual for Government Departments,* issued by the Treasury;

- relevant *Dear Accounting Officer* letters;

- *Regularity and Propriety*, issued by the Treasury;

- the Consolidation Officer Memorandum, issued by the Treasury;

- relevant *Dear Consolidation Officer* letters;

- other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;

- other relevant instructions and guidance issued by the central Departments;

- specific instructions and guidance issued by the sponsor Department; and

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

## X. REVIEW OF FINANCIAL MEMORANDUM

92. This Financial Memorandum will be reviewed before the end of the financial year 2005/6 and periodically thereafter, or following a review of the TDC's functions as provided for in Section 7 of the Management Statement.

93. The Treasury will be consulted on any significant variation proposed to this Financial Memorandum and the associated Management Statement.

**Annex A**

| **RESOURCE CONSUMPTION** | |
|---|---|
| Staff Costs (A15) | Depreciation (B90) |
| Payments for goods and services (B35) | Cost of Capital Charge (B99) |
| Subsidies to the Private Sector (C10) | Take up and revaluation of provisions relating to bad debts on loans (L30). Release of such provisions (L31) |
| Current grants to Private Sector (D10) | Take up and revaluation of provisions relating to pay and services (L10). Release of such provisions (L11) |
| Current grants to Local Authorities (M15) | Take up and revaluation of provisions relating to pensions (L15). Release of such provisions (L16) |
| Income from sales of services (B35) | Take up and revaluation of provisions relating to grants (L20). Release of such provisions (L21) |
| Income from levies, fines and licences which do not provide a significant service element (B45) | Impairments (B95) |
| Current grant received from OGDs (B35) | Stock write offs/write downs (F20) - price paid less Net Book Value |
| Income received directly from the EU (Current grants from abroad - D20, Capital grants from abroad - G50) | Interest payable to or receivable from the private sector) (S10) [eg from bank deposits] |
| Profit/Loss Sale of Land (X06) - sale price less NBV | Bad debts in connection with pay, procurement, capital (B85). |
| Profit/Loss on sale of buildings (X11) | |
| Profit/Loss on sale of other fixed assets (X16) | Bad debts in connection with loans, grants and transfers (B86). |

| **RESOURCE INVESTMENT** | |
|---|---|
| Capital grants to private sector [companies] (G10) | |
| Capital grants to Private Sector [persons and non profit making bodies] (G20) | Other payments within Central Government (Z10) [eg Coalfields programme payments to & receipts from RDAs] |
| | |

| **CAPITAL DEL** | |
|---|---|
| Acquisition of Land (fixed assets)(E05) | Net Book Value, Sale of other fixed assets (E16) |
| Net Book Value, Sale of Land (fixed assets)(E06) | Capital grants to Local Authorities (N10) |
| Acquisition of Buildings (E10) | Change in Net Lending to the private sector - Companies (H10) |

| | |
|---|---|
| Net Book Value, Sale of Buildings (E11) | Change in net lending to the private sector – persons and not for profit bodies (H20) |
| Acquisition of other fixed assets (E15) | Acquisition of land as stocks (Purchases) (F25) – Accounted for at time of purchase (price paid) |
| Land Remediation (F25) | Sales of land held as stock (Sales) (F25) - negative Capital NBV |

**NON-BUDGET ITEMS - NEITHER IN DEL NOR AME**

| | |
|---|---|
| Corporation Tax payments (S40) | Grant in Aid |
| | |