

# COMMONWEALTH SCHOLARSHIP COMMISSION IN THE UNITED KINGDOM

## FINANCIAL MEMORANDUM – MARCH 2014

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## **I. INTRODUCTION**

1. This financial memorandum, which forms part of the Framework Document for the Commonwealth Scholarship Commission in the United Kingdom (henceforth referred to as the Commission), sets out in greater detail certain aspects of the financial framework within which the Commission is required to operate.
2. The terms and conditions set out in the combined management statement and financial memorandum may be supplemented by guidelines or directions issued by the Secretary of State in respect of the exercise of any individual functions, powers and duties of the Commission.
3. The Commission shall satisfy the conditions and requirements set out in the combined document, together with such other conditions as the Secretary of State may from time to time impose.

## **II. THE COMMISSION'S INCOME AND EXPENDITURE - GENERAL**

### **The Departmental Expenditure Limit (DEL)**

4. Grant-in-Aid will be paid to the Commission in instalments, on the basis of a written application from the Commission 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 Commission's functions. This will be provided in a form agreed with DFID.
5. The Commission will comply with the general principle that there is no payment in advance of need.

### **Delegated Authorities**

6. The delegated authorities for the Commission are derived from the legislation by which it was established, and set out in paragraph 14 and schedule 2 of the 2002 International Development Act. Any further limitations on these shall be issued by DFID, through letters of delegated authority. Such letters will be in accordance with the terms of the Act and any relevant subsequent legislation.
7. The Commission shall obtain the approval of DFID before:
  - Entering into any undertaking to incur expenditure that falls outside the delegations or which is not provided for in the scope of the Commission's corporate plan as approved by DFID;
  - Incurring any expenditure for any purpose which is or might reasonably be considered novel or contentious, or which has or could have significant future cost

implications, beyond those normally associated with its scholarship and fellowship programmes;

- Making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by DFID;
- Making any changes of policy or practice which have wider financial implications that might prove repercussive or which might significantly affect the future level of resources required;
- Incurring expenditure on Marketing or Advertising, which requires exemption approval in line with Cabinet Office Efficiency and Reform Group guidance; or
- Carrying out policies that go against the principles, rules, guidance and advice in *Managing Public Money (MPM)*.

### **Procurement and Value for Money**

8. The Commission shall comply with all procedures set out in *MPM*, and other guidance from the Cabinet Office Efficiency and Reform Group on procurement, and any relevant directives notified to it. The Commission shall also seek guidance from DFID on current Government procurement policy where appropriate.
9. Periodically and wherever practicable the Commission's procurement of goods and services shall be benchmarked against best practice elsewhere and contracted out where this would achieve better value for money.
10. Procurement by the Commission 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**

11. The Commission shall collect receipts and pay all matured and properly authorised invoices in accordance with the terms of contracts or within 30 days. The Commission 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.

### **Risk management**

12. The Commission shall ensure that the risks which it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and shall develop a risk management strategy, in accordance with the Treasury guidance *Management of Risk: Principles and Concepts*.
13. The Commission shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with Treasury guidance on *Tackling Fraud*.

14. The Commission 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 to give grant or Grant-in-Aid.

#### **Fees and charges**

15. Fees or charges for any services supplied by the Commission shall be determined in accordance with the Fees and Charges guidance within *MPM*, and with the Freedom of Information Act.

### **III. THE COMMISSION'S INCOME**

#### **Grant-in-Aid**

16. 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 Commission. Grant-in-Aid not drawn down by the end of the year shall lapse. Subject to the approval of Parliament of the relevant Estimates provision, where draw-down of Grant-in-Aid is delayed to avoid excess cash balances at year-end, DFID will make available in the next financial year any such Grant-in-Aid which is required to meet any liabilities at year end, such as creditors.

#### **Un-forecast changes in income and expenditure**

17. The Commission models financial projections based on historic patterns and future assumptions so that it can calculate the future consequences of its commitment to Scholars and Fellows. It is recognised by DFID that such commitment may involve the Commission incurring obligations beyond the period covered by an annual budget, and that some of the future costs for individual scholarships may be outside the Commission's control. Providing that such commitments are made in good faith, on reasonable assumptions, and in accordance with budgets notified to the Commission at the time when they were made, and with agreed policies and procedures of the Commission, DFID will accept liability for meeting them.
18. The Commissioners also have to make a realistic assessment of the value of the contingency budget that is required to respond to identified operational risks and the Commission's circumstances within each year. The Commission agrees to advise DFID each year where such contingency budget is no longer required and adjust requests for payments, set out in clause 4 above, accordingly. In the event that additional funding is required within the year, the Commission will consult with DFID at the earliest opportunity to justify and demonstrate the need for such funding. Such funding will be subject to DFID's normal budgeting approval process and availability of resources.

### **Gifts and bequests received**

19. The Commission is free to retain any gifts, bequests or similar donations. These shall be treated as receipts.
20. Before proceeding in this way the Commission shall consider if there are any associated costs in doing so or any conflicts of interest arising. The Commission 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.

### **Contingency Budget**

21. The Commission shall agree a Contingency Policy with DFID. Balances held in Contingency shall be included within the Commission's Business Plan.
22. The Commission and DFID will continue to keep the level of contingency and cash balances required under review, in the context of risk management. The reputational risk of the Commission having insufficient balances to meet its legal and legislative commitments is prominent in this context.

### **IV. EXPENDITURE ON STAFF**

23. The Commission shall have a travel expenses policy for Commissioners. The policy shall be reviewed by the Commission annually and subject to approval by DFID.
24. The Commission does not currently employ any staff, with administrative and other services being provided by third parties. Paragraphs 25-28 below shall only apply in the event that the Commission elects to employ staff directly.

### **Staff cost**

25. Subject to its delegated levels of authority, the Commission 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**

26. The staff of the Commission, whether on permanent or temporary contract, shall be subject to levels of remuneration and terms and conditions of service (including superannuation) within the general pay structure approved by DFID and the Treasury, or any obligations incurred under TUPE or other legislation. The Commission has no delegated power to amend these terms and conditions.

27. Civil Service terms and conditions of service apply to the rates of pay and non-pay allowances paid to the Commission's staff. Payment shall be made in accordance with the Civil Service Management Code except where prior approval has been given by DFID to vary such rates.
28. The Commission shall comply with the EU directive on contract workers "Fixed Term Employees Regulations (Prevention of Less Favourable Treatment)".

## **V. NON-STAFF EXPENDITURE**

### **Capital expenditure**

29. Subject to being above an agreed capitalisation threshold, all expenditure on the acquisition or creation of plant, property and equipment shall be capitalised on an accruals basis. Expenditure to be capitalised shall include the (a) acquisition, reclamation or laying out of land; (b) acquisition, construction, preparation or replacement of buildings and other structures or their associated fixtures and fittings; and (c) acquisition, installation or replacement of movable or fixed plant, machinery, vehicles and vessels.
30. Proposals for large-scale individual capital projects or acquisitions will normally be considered within the Commission's Corporate Planning process. Applications for approval by DFID shall be supported by formal notification that the proposed project or purchase has been examined and duly authorised by the Commission. Regular reports on the progress of projects shall be submitted to DFID.

### **Transfer of funds within budgets**

31. Unless financial provision is subject to specific Departmental or Treasury controls (e.g. where provision is ring-fenced for specific purposes, including Administration or Programme expenditure), transfers between budgets within the total capital budget, or between budgets within the total revenue budget, do not need DFID approval.

### **Grant or loan schemes**

32. 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 DFID, together with the terms and conditions under which such a grant or loan is made. If grants or loans are to be made under a continuing scheme statutory authority is likely to be required. For the purposes of clarity, nothing in this paragraph shall affect grants given by the Commission to Scholars and Fellows under its normal procedures.
33. 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 Commission, DFID and the C&AG.

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

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

35. Proposals for making gifts or other special payments (including write-offs) outside any delegated limits agreed with DFID must have the prior written approval of DFID.

36. In the event that the Commission employs any staff, they should comply with any policy on gifts and hospitality which applies to Commissioners.

## **VI. BUDGETING PROCEDURES**

### **Setting the annual budget**

37. Each year, by 31<sup>st</sup> January, or within 28 days of the Corporate Plan (see Section 4.1 of the Framework Document) being submitted to them (whichever is later) DFID will send to the Commission:

- confirmation of their approval of the Corporate and Business Plan for the coming year (including the budgets included therein)
- formal confirmation of the financial support to be provided by DFID in the financial year immediately following. This will be set out in the annual Grant In Aid letter;
- An indicative budget for the following financial year; and
- A statement of any planned change in policies affecting the Commission.

38. The Commission's approved annual Business Plan will take account both of its approved funding from DFID and any other government department, of any other 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 DFID 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 Framework Document).

39. DFID will promptly inform the Commission if, at any time between giving an indicative budget for a future year, and the confirmation of that budget in the form of a formal grant-in-aid letter, it has any reason to believe that the budget is likely to be significantly changed.

40. The Commission shall use the indicative budget for the following financial year as the basis of a budget, to be included in their Corporate and Business Plans. In this respect the Finance Committee, having taken advice from such other Committees as it sees fit, the Accounting Officer and Director of Operations, shall agree a draft budget by no later than 15 November each year. This should be presented to the Commission by no later than 15 December each year, as part of the Corporate and Business Plan proposals for the Commission. Once approved, the Budget and respective Plans shall be remitted to DFID, who will act in accordance with paragraph 37 above.

41. Any Grant-in-Aid provided by DFID will be voted in DFID's Supply Estimates and will be subject to Parliamentary control.

#### **General conditions for authority to spend**

42. Once the Commission's budget has been approved, and subject to any restrictions imposed by Statute, the Secretary of State for International Development or this document, the Commission shall have authority to incur expenditure approved in the budget without further reference to DFID, on the following conditions:

- Any limits to delegation shall not be altered without the prior agreement of DFID;
- The Commission shall comply with *MPM* regarding novel, contentious or repercussive proposals;
- Inclusion of any planned and approved expenditure in the Commission's budget shall not remove the need to seek formal DFID approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed; and
- The Commission shall provide DFID with such information about its operations, performance, individual projects or other expenditure as DFID may reasonably require.

#### **Providing monitoring information to DFID**

43. The Commission shall provide DFID with, as a minimum, information on a regular basis which will enable the satisfactory monitoring by DFID of:

- The Commission's cash management;
- Its draw-down of any Grant-in-Aid;
- Forecast outturn by resource headings; and
- Other data required for the On-Line System for Central Accounting and Reporting (OSCAR).

44. If at any stage the Commission should become aware of, or suspect, any misappropriation or diversion of funds or possible fraud or corruption involving activities within its remit, and the expenditure of the Grant-in-Aid, it undertakes to report the matter immediately to DFID.

### **VII. BANKING**

#### **Banking arrangements**

45. The Commission's Accounting Officer is responsible for ensuring that the Commission's banking arrangements are in accordance with the requirements of *Departmental Banking: A Manual for Government Departments, annex 5.7 of MPM*. In particular he/she shall ensure that the arrangements safeguard public funds and are carried out efficiently, economically and effectively.



46. He/she shall therefore ensure that:

- These arrangements are suitably structured and represent value-for-money, and are reviewed at least every two years;
- Sufficient information about banking arrangements is supplied to DFID's Accounting Officer to enable the latter to satisfy his own responsibilities
- The Commission's banking arrangements shall be kept separate and distinct from those of any other person, Commission or organisation; and
- Adequate records are maintained of payments and receipts and adequate facilities are available for the secure storage of cash.

## **ANNEX: ADDITIONAL GUIDANCE**

47. The Commission shall comply with the following general guidance documents:

- This document (both the management statement and the financial memorandum);
- Appropriate adaptations of sections of [Corporate Governance in Central Government Departments: Code of Good Practice](http://www.hm-treasury.gov.uk/d/daocorpgovernancecode.pdf) (<http://www.hm-treasury.gov.uk/d/daocorpgovernancecode.pdf>) (July 2005 – archived);
- [Managing Public Money \(MPM\)](#) (Updated 12 July 2013);
- [Government Internal Audit Standards](http://www.hm-treasury.gov.uk/psr_governance_gia_guidance.htm) ([http://www.hm-treasury.gov.uk/psr\\_governance\\_gia\\_guidance.htm](http://www.hm-treasury.gov.uk/psr_governance_gia_guidance.htm)) (February 2011 – archived);
- [Management of Risk: Principles and Concepts](http://www.hm-treasury.gov.uk/d/orange_book.pdf) ([http://www.hm-treasury.gov.uk/d/orange\\_book.pdf](http://www.hm-treasury.gov.uk/d/orange_book.pdf)) (October 2004);
- [Managing the Risk of Fraud](http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf) ([http://www.hm-treasury.gov.uk/d/managing\\_the\\_risk\\_fraud\\_guide\\_for\\_managers.pdf](http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf));
- [Government Financial Reporting Manual \(FRM\)](http://www.hm-treasury.gov.uk/frem_index.htm) ([http://www.hm-treasury.gov.uk/frem\\_index.htm](http://www.hm-treasury.gov.uk/frem_index.htm)) (Updated 20 February 2014);
- [Fees and Charges Guide, Chapter 6 of MPM](#);
- Departmental Banking: A Manual for Government Departments, [annex 5.7 of MPM](#);
- Relevant ‘Dear Accounting Officer’ letters provided by DFID;
- [Regularity and Propriety and Value for Money](#) (November 2004);
- [The Parliamentary Ombudsman’s Principles of Good Administration](http://www.ombudsman.org.uk/improving-public-service/ombudsmansprinciples/principles-of-good-administration) (<http://www.ombudsman.org.uk/improving-public-service/ombudsmansprinciples/principles-of-good-administration>) (March 2007);
- Consolidation Officer Memorandum, and relevant DCO letters;
- [Relevant Freedom of Information Act guidance and instruction](#) (Ministry of Justice);
- [Model Code for Staff of executive Non-Departmental Public Bodies](#) (Cabinet Office);
- Other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;
- Other relevant instructions and guidance issued by the central Departments;
- Specific instructions and guidance issued by the sponsor Department; and
- Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, which have been accepted by the Government and which are relevant to the Commission.

It should be noted that it is the obligation of DFID as the sponsoring department to inform the commission of a change in any of the above documents.