CabinetOffice

Agencies and Public Bodies Team

Public Bodies: A Guide for Departments

Chapter 7: Financial Management – Planning, Funding and Control

FINANCIAL MANAGEMENT: PLANNING, FUNDING AND CONTROL

Contents

Last updated: June 2006

1. Introduction

The main aim of all Public Bodies is to carry out their duties as efficiently and effectively as possible, within available resources, for the benefit of taxpayers, customers and staff. Because Public Bodies responsibilities vary widely, what can be regarded as best practice in terms of financial management will vary from case to case. Corporate planning and management arrangements will need to take account of the distinctive positions and responsibilities of Ministers, Boards and Chief Executives. This Chapter provides guidance on the responsibilities of sponsor departments and Public Bodies for ensuring the approach adopted reflects best practice in public sector financial management.

2. General Principles

2.1 This section explains how Public Bodies are classified in the national accounts and the effect this has on how departments should deal with the expenditure and finance of Public Bodies in terms of their resource accounts and budgets.

2.2 The National Accounts are a set of integrated economic accounts covering the whole economy that are compiled by the Office for National Statistics (ONS) based on international conventions. Government policy in terms of public expenditure control is defined and measured using the national accounts.

2.3 The expenditure, assets and liabilities of bodies classified by the ONS as public sector score in the public finances and are included in public sector expenditure aggregates and balances. Flows between departments and their Public Bodies are generally consolidated out of these measures to ensure there is no double counting.

2.4 The Government's objectives in terms of public expenditure control are delivered through the biennial Spending Review process that sets 3-year departmental resource and capital budgets. Departmental budgets are set so as to control the spending of public sector bodies for which they are responsible. As such departments must ensure that they are able to control the expenditure of their Public Bodies in order to stay within their limits. Where a department co-funds a Public Body there should be arrangements in place to share the budgetary hit. Consolidated budgeting guidance is available from HM Treasury:

http://www.hm-treasury.gov.uk./documents/public_spending_and_services/consolidated_budgeting_guidance_for_2006-07.cfm

2.5 Departmental resource accounts measure expenditure when it crosses the departmental accounting boundary. This means that the Public Body's own expenditure and income do not score against departmental resource accounts. Any funding provided by the department, e.g. grant-in-aid, will be measured in a department's accounts, and as such is subject to parliamentary approval via the Resource Estimates process.

2.6 Departments are responsible for recording the expenditure of their Public Bodies on the COINS database as appropriate i.e. different budgeting, accounting and recording requirements apply to bodies in different sub-sectors of the national accounts. Departments must therefore satisfy themselves that the management, budgeting, and financial accounting procedures are in place to allow them to meet this responsibility.

2.7 Arrangements for planning and controlling a Public Body's activities will depend on the purpose for which it has been set up; the degree of independence from government it is intended to have; and whether it operates within a statutory framework which sets out its main responsibilities and establishes a statutory board between the Chief Executive and the responsible Minister. In general when a Public Body is set up and when it is reviewed particular attention should be given to ensuring that:

2.7.1 its aims and objectives are agreed and clearly defined and included, as appropriate in the underlying statute, management statement/ financial memorandum (MS/ FM);

2.7.2 the respective responsibilities of the body and its sponsor department are clearly defined in a MS/ FM;

2.7.3 the Public Body agrees the broad policy framework within which it will operate with the responsible Minister and performance targets are set covering economy, efficiency and effectiveness in the delivery of its services;

2.7.4 the Public Body has in place sound internal financial, risk management and management information systems including: management accounting systems to enable it to monitor and control its expenditure against budget; to produce annual accounts; to produce and update its corporate plan; and to evaluate progress towards key targets on financial performance, quality of service and efficiency and adjust those targets as necessary. All systems must also ensure that the Public Body is making best use of the resources available to it and securing value for money in all areas; and

2.7.5 the Public Body itself and the sponsor department carry out regular assessments designed to monitor performance and ensure the financial management arrangements reflect best public sector practice and are working effectively. These should cover evaluation of both specific policy initiatives undertaken by the Public Body itself and longer-term policy reviews. Guidance on policy evaluation is contained in the Treasury booklet *Policy Evaluation: A Guide for Managers*.

3. The Planning Process

3.1 Strategic Planning

3.1.1 Most Public Bodies will be set up with the intention of distancing the sponsor department from day-to-day decisions. Accordingly they will be given responsibility for carrying out their activities within a policy and resources framework laid down in legislation and/or by the responsible Minister. In practice this responsibility will usually be best discharged through an effective corporate planning system. This should meet not only the needs of the NDPB itself but also those of the sponsor department and in the case of larger NDPBs, the Treasury.

3.1.2 An NDPB's strategic planning system should:

3.1.2.1 identify those features in the **environment,** including risks and opportunities, which the NDPB needs to take into account when determining how the organisation can best meet its main aims including the needs of its customers;

3.1.2.2 evaluate **alternative strategies** and the resource requirements needed to implement those strategies;

3.1.2.3 provide the responsible Minister and the NDPB with an agreed view on the **long-term direction of the organisation**;

3.1.2.4 ensure that the NDPB is set challenging, but realistic, **performance targets**. Treasury guidance on setting performance targets is available in 'Choosing the right Fabric: a Framework for Performance Information', available at the following address:http://www.hm-treasury.gov.uk/documents/public_spending_and_services/publicservice_performance/pss_perf_pisfabric.cfm

3.1.2.5 A more recent publication, jointly published by HMT, Cabinet Office and the National Audit Office, entitled 'Setting Key Targets for Executive Agencies: A Guide' provides helpful information in this respect and can be accessed from the Treasury web-site or the following link: http://www.cabinet-office.gov.uk/agencies-publicbodies/guiddepts/docs/HMTtargetsettingguide.pdf

3.1.2.6 provide the basis for determining the **financial resources** which will be made available to the NDPB and, in the case of NDPBs charging for service, the appropriate charging policy; and

3.1.2.7 provide a clear understanding of the **corporate strategy** which the NDPB is to follow and enable that strategy to be implemented **within an agreed policy and resources framework** which leaves day-to-day responsibility for the management of the NDPB with the Chief Executive and his key staff.

3.1.3 Strategic planning involves three distinct stages:

3.1.3.1 a strategic **analysis** of the environment in which the NDPB operates;

3.1.3.2 the identification of strategic **options** including options which the responsible Minister and customers believe should be examined;

3.1.3.3 **implementation** of the corporate strategy as agreed with the NDPB board and/or responsible Minister.

3.1.4 Strategic analysis should include a review of past experience and the lessons to be learned and the strategic objectives previously agreed.

3.2 Corporate Plan

3.2.1 The **Corporate Plan** is the main output from the first two stages and whilst it may be appropriate to link the timetable with the annual Main Estimates, consideration should be given to the biennual Spending Review timetable when departmental budgets are set. The annual business or operating plan is primarily concerned with the third stage, ie implementation of the approved corporate plan once the NDPB's financial and quality of service targets, the resources which will be made available to the NDPB, and the key elements of the NDPB's corporate strategy are agreed.

3.2.2 NDPBs should follow the principles set out in Treasury's guidance *Management of Risk: A Strategic Overview.* The corporate plan serves as a focus for the discussion of strategic options; a means of setting targets and allocating resources; and a means of reviewing performance. It also provides the mechanism through which NDPBs may bid for additional resources through the public expenditure review process. The corporate plan should also include agreement on how the NDPB will provide assurance to its sponsor department that risks are being well managed.

3.2.3 New NDPBs starting up mid-year should have an interim corporate plan for the current and in some cases the immediately forthcoming financial year. Larger and more complex new NDPBs may take two to three years to develop their strategies fully across the whole range of their functions and should therefore concentrate initially on tasks critical to their setting up such as agreeing an interim budget.

3.2.4 Sponsor departments should agree a timetable with each of their NDPBs for consideration of corporate plans, which relate to the annual Estimates process. At the time of the pre-Budget Report (usually November), NDPBs are given a final grant figure (where applicable) for the following financial year and the baseline for years 2 and 3. Most NDPBs then finalise their corporate plan for year 1 and start work on the plan beginning in year 2. Ministers may discuss draft corporate plans with NDPBs in order to ensure that NDPBs devise their strategies in the light of Ministerial objectives and to clarify the resource bids which will be made in the course of the public expenditure cycle. Departments' bids are made in the light of their Ministers' consideration of NDPB corporate plans. The Treasury may ask to see draft corporate plans in certain cases, for example where expenditure by an NDPB constitutes a significant proportion of a Department's resources bid or where it wishes to be assured that an NDPB's strategic planning and control systems reflect best practice.

3.3 The Annual Operating/ Business Plan

While Ministerial agreement to the strategy set out in the NDPB's corporate plan will establish the overall policy and resources framework within which the NDPB will operate, as noted above, each NDPB will need to draw up an annual operating or business plan which translates strategy into action. This may be done either by preparing a revised and more detailed version of the corporate plan or by preparing a separate operating plan. The operating plan will normally summarise, or be backed up by, budgetary plans for each of the NDPB's budget centres.

4. Principles of Budgeting

4.1 As explained previously, NDPB expenditure scores in departmental budgets and as such the same principles apply to NDPB budgets as departmental budgets. If appropriate this should include the use of multi year limits and cascading of end year flexibility to the NDPB.

4.2 The principles and mechanics of the departmental budgeting system are set by HM Treasury and are detailed on their website:
http://www.hm-treasury.gov.uk./documents/public_spending_and_services/consolidated_budgeting_guidance_for_2006-07.cfm

4.3 In drawing up budgets and operating plans it is important that NDPBs should have regard to the following **four key principles of good budgeting** in the public sector:

4.3.1 all managers, from the top right through the management line, should be responsible for setting and reviewing budgets;

4.3.2 Departments must consider the NDPB's budget as part of their biennual Spending Review process;

4.3.3 budgets should include output and performance measures and there should be regular evaluation of what has been achieved compared with the targets which have been set; and

4.3.4 top managers must organise their work and that of their organisation so as to make clear the responsibility for setting targets, managing resources and reviewing performance.

4.4 The budgeting system should not be separate from the NDPB's other financial management and information systems. It is important that all are part of a single overall system. For example there must be links from budgets to the corporate plan, through the setting of output measures and the monitoring of these, to the annual report cycle, which culminates in the annual accounts.

5. Delegation and Financial Controls

5.1 Where the NDPB relies on government to finance all or a part of its expenditure it will be necessary to decide what controls and safeguards are to be exercised by the sponsor department. (Even where these formal controls do not exist, for example because a NDPB does not receive a grant-in-aid, its income and expenditure will still form part of the department's budget and it will be required to ensure that, as a public body, it pursues regularity, propriety and value for money in all its operations.) In all cases the aim should be to delegate responsibility to the NDPB to the maximum extent practicable where this offers improved value-for-money and can be done within an agreed policy and resources framework. The extent to which authority can be delegated depends on:

5.1.1 **the strength of the NDPB's management and the circumstances in which it operates**. A large NDPB with effective internal controls is likely to need fewer external controls than a small one which is short on expertise in resource management; and

5.1.2 **the powers of the NDPB and its method of financing**. An NDPB which is financed by a compulsory levy or one which has a monopoly position is likely to need closer control over the level of its fees and charges than one operating in an environment where market forces exercise effective financial disciplines.

5.2 The sponsor department should carefully monitor and subsequently review the results of increased delegation both to assess whether agreed aims have been achieved and whether increased delegation has led to any unintended side effects. Where increased delegations fail to provide expected improvements in value for money they should be reviewed, and where they prove to have adverse effects they should be withdrawn.

6. Methods of Funding

6.1 <u>Grant in Aid</u>

6.1.1 Government finance for all NDPBs is authorised and controlled by Parliament. Within these overall requirements and any legislation governing the operations of the body, the financial regime of each NDPB needs to be tailored to meet its particular circumstances and needs.

6.1.2 Most Executive NDPBs will be financed by a grant-in-aid. This form of financing, as opposed to the payment of a grant, is most appropriate where the Government has decided, subject to Parliamentary and essential departmental controls, that the recipient body should operate at arm's length. (The distinction that is normally made between grants and grants-in-aid is described in Chapter 9.2 of *Government Accounting.*[1]).

6.1.3 The sum charged to the resource account of the sponsor department for a particular year will be the amount paid out by the department on a cash basis to the NDPB during that year. Any voted provision not actually paid out by the sponsor department by the end of the year must be surrendered to the Consolidated Fund (unless the Treasury has agreed that the underspend can be used to offset the sponsor department's voted resources elsewhere in accordance with the limited circumstances for virement set out in *Government Accounting* section 11.7). Once the grant-in-aid is in the hands of the recipient body any unexpended balances of the sums issued by the sponsor department during the financial year will not be liable for surrender to the Consolidated Fund. However, in view of the requirement that money should not be paid in advance of need, the sponsor department should only pay instalments of grant-in-aid in accordance with regular statements by the NDPB of its forthcoming requirements. Equally, a NDPB should not hold excessively large cash balances and the sponsor department should decide, in consultation with the NDPB and in line with the advice set out in Chapter 9.4 of Government Accounting, how any unspent balances held by the NDPB at the end of the financial year should be dealt with. The rules regarding the provision in Estimates for the grant-in-aid are set out in *Government Accounting* paragraphs 9.4.4-6.

6.1.4 Special arrangements need to be made before grants and grants-in-aid are paid to NDPBs with charitable status, to ensure that where money is used to finance the acquisition, improvement or creation of assets, an appropriate proportion can be surrendered to the Exchequer if the NDPB disposes of the assets in question. Details of the procedures which sponsor departments should follow before paying such grants is set out in the *Government Accounting* Annex 24.4.

6.2 Fees and Charges

6.2.1 Some NDPBs may be financed in whole or part by fees or charges. This will normally apply where its services benefit a particular group of people and can be financed by that group, but may also apply to services to the public sector. The Treasury should be consulted on the correct classification for national accounts purposes of income streams and advice sought on the correct budgeting treatment.

6.2.2 Where the ratio of income from sales of goods and services (as opposed to income from a regulatory service or from tax type receipts, e.g.

[1] *Government Accounting* can be found at http://www.government-accounting.gov.uk/current/frames.htm.

levies) exceeds 50% then the body is actually a public controlled market body. If this is the case then the body would be classified as a public corporation and a different budgeting and control framework would be appropriate. Guidance should be sought from Treasury in these cases.

6.2.3 As a general rule, NDPBs should not subsidise the cost of goods or services provided unless the Government has taken a conscious decision that this should be done – either because of a statutory requirement or as a matter of policy. In order to help ensure the efficient allocation of resources, fees and charges should normally be set to recover the full cost, including the cost of capital of providing the particular service. Further guidance on the setting of fees and charges is contained in the Treasury publication the *Fees and Charges Guide* and in the case of goods and services provided by government departments to NDPBs, in paragraph 14.5.5 of *Government Accounting*. The MS/ FM should always contain a reference to the need for an NDPB to follow the *Fees and Charges Guide*

6.2.4 Fees and charges should normally be reviewed annually. Any changes in fees or charges should normally be discussed and agreed each year as part of the NDPB's corporate strategy as set out in its draft corporate plan.

6.3 <u>Loan Finance</u>

6.3.1 Where NDPBs have significant receipts, loan finance may, exceptionally, be appropriate. However, the department will require budget cover for the increased expenditure financed by the loan.

6.3.2 Provision for loan finance will have, or should have, been made in the statute under which the NDPB operates. In principle, NDPBs may receive loans from the National Loans Funds (NLF), from voted funds, or, subject to the consent of the Treasury, from the private sector. The general conditions under which loans may be made by departments from the NLF and from voted moneys are set out in chapter 25 of *Government Accounting*.

6.3.3 NDPBs will not normally be permitted to borrow from the private sector except by way of bank overdraft, covered by a Government guarantee, in order to meet very short-term requirements in the absence of an equivalent public sector facility.

6.3.4 The Treasury will need to be consulted in any cases where it is proposed that NDPB expenditure should be financed from loans. In each case the Treasury would need to be satisfied that loan finance is appropriate and will lead to improved value-for-money. The Treasury would not, for example, be willing to see provisions for loan finance included in legislation on the off-chance they may be used or where the body concerned is a privatisation candidate.

7. Administrative Costs

7.1 All spending of NDPBs scores against their sponsor departments' programme budgets, however for many NDPBs administrative costs account for a significant proportion of their expenditure. Each NDPB should have an effective system for controlling administrative costs and this should be made a condition attached to the provision of its grant-in-aid. An effective control system should ensure that only essential work is done, that the organisation operates on a sound and economic basis, that staff numbers are adequate but not excessive and that grading standards are being met.

7.2 The precise nature of the controls which the sponsor department decides to retain itself will vary from case to case. But, subject to the considerations set out below, NDPBs and sponsor departments should seek to establish a regime which gives the managers of each NDPB the maximum incentive to manage resources as economically and efficiently as possible. In general, where this has not already been done, this should lead in time to the abandonment of specific manpower controls, although details of proposed manning levels should continue to be set out in corporate plans, subject to the sponsor department being satisfied that the NDPB has adequate control systems in place.

7.3 In most cases the aim should be to have a single Administrative Cost Limit on all administrative expenditure by the NDPB. But experience has shown that administrative savings are often possible within each financial year if capital expenditure which directly reduces operating costs is brought forward.

7.4 While the long-term aim should be to allow managers to manage and for the department to retain only those controls over administrative costs which it regards as essential, there are a number of points on which sponsor departments will need to satisfy themselves before relinquishing detailed manpower and other administrative controls. The most important are:

7.4.1 that the NDPB meets the four key principles of good budgeting set out above;

7.4.2 that the NDPB is achieving progressive improvements in the efficiency and effectiveness of its operations;

7.4.3 that satisfactory arrangements have been put in place to ensure that there are regular reviews of the need for and organisation, numbers and grading of staff;

7.4.4 that sponsor departments are in a position, through the financial memorandum, to require the NDPB to keep within its ceiling on administrative expenditure, and that adequate sanctions are available if this is exceeded.

8. Net Financing Regimes

8.1 Where an Executive NDPB has significant receipts and has demonstrated that it can operate efficiently and effectively under its existing financial regime, sponsor departments should consider with the NDPB whether administrative or all expenditure (i.e. administrative plus programme expenditure) by the NDPB should be controlled on a net basis. Proposals to introduce net control should take effect from the beginning of the financial year after agreement has been reached. Net control proposals may cover net control of administrative costs or of administrative plus programme costs.

8.2 Net control may be agreed where the following criteria are met:

8.2.1 where the change follows a review of the NDPB's operations and forms part of an agreed programme of management change and improvement set out in the NDPB's management statement;

8.2.2 the receipts reflect movements in demand which are beyond the direct control of the NDPB and it is agreed as a matter of policy with the sponsor department and the Treasury that the scale of activities and expenditure which generate them should vary in line with changes in the level of demand;

8.2.3 the NDPB has the necessary performance indicators and other management controls in place which will ensure that efficiency can be monitored and improved; and

8.2.4 that the NDPB is fully recovering all costs, except where otherwise agreed with the responsible Minister and the Treasury, in accordance with the principles set out in the Treasury's *Fees and Charges Guide.*

8.3 Where it is considered that an NDPB should be allowed to retain the proceeds from the disposal of an asset which would normally be surrendered to the Exchequer, the procedure set out in paragraph 37 of *Government Accounting* Annex 24.4 should be followed. This is to secure Parliament's approval to the reinvestment of the proceeds, or where the proceeds could not be surrendered as a matter of law, to bring the reinvestment to Parliament's attention.

9. Selling Services into Wider Markets

9.1 Departments are encouraged to allow their Executive Agencies and NDPBs to benefit from income generated by their own sales into wider markets. The policy applies to the commercial exploitation of physical assets, including equipment, land and premises and non-physical assets including intellectual property, data and skills. NDPBs would normally undertake more straightforward projects themselves. However, larger, more complex projects should be taken forward in partnership with the private sector.

9.2 NDPBs could benefit from such opportunities by retaining the benefits of income generated, or to offset administration cost expenditure and meet efficiency targets. NDPBs are expected to seek out and implement wider markets opportunities, which they should develop in line with the Wider Markets Guidance which sets out a framework for such activity.

9.3 You can access the guidance at Partnerships UK:
http://www.partnershipsuk.org.uk/information/Guidance.html
or direct at wider_markets@partnershipsuk.org.uk, telephone 020 7273 8340.

10. Performance Targets

10.1 All NDPBs should seek to develop performance targets. These should be incorporated in the overall planning process and in budgeting and management information systems. Particular points which all sponsor departments and NDPBs should consider are:

10.1.1 **coverage**: performance targets should cover the NDPB's key activities and be closely linked to the NDPB's principal aims and strategic objectives and, through them, to the department's own related Public Service Agreement (PSA) objective(s) and target(s). The appropriate number of targets will vary, although it should be borne in mind that the average number of PSA targets for a government department is around 6. Guidance on target-setting is included in *Choosing the Right Fabric* and '*Setting Key Targets for Executive Agencies: A Guide*' as outlined in paragraph 3.1.2 of this Chapter.

10.1.2 **value for money**: where possible value for money target(s) should be specific – e.g. a specific cost reduction measure without detriment to service, or a specific service improvement at no extra cost. Targets along the lines of some overall improvement in value for money, which tend to be subjective and therefore difficult to measure, should be avoided;

10.1.3 **tracking**: each target should have a baseline and end-point, so it is clear what improvement is needed by when. The NDPB and its sponsor department will need to have performance measurement systems that can track progress towards the target, and give sufficient warning to allow corrective action to be taken if a target is shown to be off course.

10.2 As well as these published performance targets – which should be agreed by the responsible minister - the NDPB senior management may well set lower level internal targets or measures to help them deliver their performance targets. In turn, each budget centre's and, ultimately, member of staff's own targets should flow directly from the performance targets.

11. Management Statement/ Financial Memorandum

11.1 The terms and conditions which a sponsor department attaches to the funding of a NDPB and the arrangements for setting its financial and other performance targets should be clearly set out in its management statement/ financial memorandum (MS/ FM). A model MS/ FM has been produced by the Treasury to assist sponsor departments in devising a complete draft that can be agreed between the department and the body. The issues covered in the MS/ FM should be addressed at an early stage. The model is set out in *Government Accounting* Annexes 9.2 and 9.3. Significant variations from the model MS/ FM should be agreed with the Treasury expenditure team or in Cabinet Office as appropriate.

11.2 The **Management Statement** sets out the broad framework within which the NDPB will operate. It includes information on aims, objectives and targets of the NDPB; the respective roles and responsibilities of the department and the NDPB; the planning, budgeting and control arrangements; staff management;

risk management arrangements; and how the NDPB is to account for its performance.

11.3 The **Financial Memorandum** complements the management statement and sets out the detailed financial framework within which the NDPB operates. The financial memorandum covers, among other things, the NDPB's funding arrangements (including the conditions attached to the receipt of grant-in-aid, and the handling of receipts from charges and other sources of revenue); the financial delegations within which the NDPB can spend; budgeting procedures; banking; and expenditure on staff.

11.4 For a NDPB with regulatory functions the Management Statement should incorporate the 'Five Principles of Good Regulation'[2]

11.5 In summary the MS/ FM should set out:

11.5.1 the statutory authority or other constitutional basis for the body and the powers under which any grant is made, by whom and from where;

11.5.2 the sponsor department's responsibilities in agreeing the NDPB's strategic aims, objectives and performance targets, and in monitoring performance;

11.5.3 the responsibilities and financial duties of Board members and the Chief Executive;

11.5.4 the planning framework including the provision by the NDPB of forecasts of income and expenditure, the timing and preparation of corporate plans and measures used to monitor output and performance;

11.5.5 reporting arrangements including the arrangements for laying and approving the form of the NDPB's accounts and reports and any special arrangements for reporting on items such as progress on major capital projects;

11.5.6 delegated financial controls and authorities, e.g. issue of guarantees and indemnities, powers to enter into contracts, capital expenditure controls, etc;

11.5.7 administrative cost controls and personnel matters;

11.5.8 accounting and audit arrangements.

12. Price Basis of Forward Financing Statements

All forward financing statements submitted by NDPBs to sponsor departments should be in terms of current prices and based on published Gross Domestic Product (GDP) deflators at market prices. There is no objection to using other price indices as well where this is thought appropriate providing the implications of using the GDP deflator are also shown.

[2] http://www.brtf.gov.uk/taskforce/reports/entry%20pages/principlesentry.htm

13. Banking Arrangements

NDPBs should have banking arrangements which represent good value-for-money for the Exchequer overall. This means using the most efficient and cost effective money transmission methods and securing the best terms possible from banks. NDPBs are not required to hold monies with the Office of Paymaster General (OPG) unless there is a specific statutory or other requirement for them to do so (for example a condition in the NDPB's financial memorandum). However, the benefits to the Exchequer of using the OPG should always be considered in determining the NDPB's banking arrangements. Please see Chapter 28 of Government Accounting for further details.

14. Disposal of Assets

14.1 NDPBs should review their assets on a regular basis. Surplus assets should be disposed of as appropriate. Any implications for future funding should be included in the NDPB's corporate plan.

14.2 Further guidance on the disposal of assets is contained in Chapter 24 of *Government Accounting*. Sponsor departments should note in particular paragraph 24.7.1-2. Where assets acquired, improved or created by a non-Exchequer body with the aid of Government grants are disposed of, the proceeds, or an appropriate proportion of them if the grant was for less than the whole cost of acquisition, improvement or creation, should normally be surrendered to the Consolidated Fund. Where an NDPB has charitable status, surrender of the proceeds in this way is only likely to be feasible if suitable conditions are imposed **before** grants or grants-in-aid are paid.

14.3 It is important that any NDPBs owning land acquired by use of powers of compulsory purchase should apply the 'Crichel Down' rules when disposing of the land. Subject to certain exceptions, the original owner (or his/her successor) should be offered the opportunity to buy back the land at its current market value if the land is no longer needed for the purpose for which it was compulsorily acquired. A threat of compulsion is assumed in the case of a voluntary sale if power to acquire the land compulsorily existed at the time unless the land was publicly or privately offered for sale immediately before the negotiations for acquisition. The current rules were published in 1992 and can be found, along with further information about the rules, on the Department for Communities and Local Government web-site at: www.communities.gov.uk

15. Insurance

The conditions attached to a grant-in-aid, normally set out in a NDPB's Financial Memorandum, should cover insurance arrangements. Further details are set out in Chapter 30 of *Government Accounting*.