

AGRI-FOOD AND BIOSCIENCES INSTITUTE (AFBI)

FINANCIAL MEMORANDUM

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AGRI-FOOD AND BIOSCIENCES INSTITUTE (AFBI)

FINANCIAL MEMORANDUM

INTRODUCTION

1.1 Financial Memorandum

This Financial Memorandum sets out certain aspects of the financial framework within which AFBI is required to operate.

The terms and conditions set out in the combined Management Statement and Financial Memorandum may be supplemented by guidelines or directions issued by DARD or the Minister in respect of the exercise of any individual functions, powers and duties of AFBI.

AFBI shall satisfy the conditions and requirements set out in the combined document, together with such other conditions as DARD or the Minister may from time to time impose.

Where there is a requirement to seek DFP approval it is the responsibility of DARD to seek that approval. References to requiring DFP approval have been included where appropriate to advise AFBI that additional time needs to be built into the approval process in these instances.

Where reference is made to the DARD, AFBI's first point of contact will be its Sponsoring Branch within DARD.

2. AFBI'S INCOME AND EXPENDITURE - GENERAL

2.1 The Departmental Expenditure Limit (DEL)

2.1.1 AFBI's current and capital expenditure form part of DARD's Resource DEL and Capital DEL respectively.

2.2 Expenditure not Proposed in the Budget

2.2.1 AFBI shall not, without prior written DARD approval, enter into any undertaking to incur any expenditure which falls outside AFBI's delegations or which is not provided for in AFBI's annual budget as approved by DARD.

2.3 Procurement

2.3.1 AFBI's procurement policies shall reflect the public procurement policy adopted by the Northern Ireland Executive in May 2002 and *Procurement Policy Guidelines* as issued by the Procurement Board. AFBI shall also ensure that it complies with any relevant EU or other international procurement rules.

2.3.2 Periodically and wherever practicable AFBI's procurement shall be benchmarked against best practice elsewhere and where AFBI does not have a Centre of Expertise in Procurement recognised by the Procurement Board, procurement activity should be carried out by means of a documented Service Level Agreement with the Central Procurement Directorate (DFP) or a relevant Centre of Expertise in Procurement.

2.4 Competition

2.4.1 AFBI's contracts with suppliers of goods and services shall be placed on a competitive basis and tenders accepted from suppliers who provide best value for money overall.

2.4.2 Proposals to let single-tender contracts shall be subject to approval by the AFBI Chief Executive and advice being taken from Central Procurement Directorate or a Centre of Expertise in Procurement. AFBI shall send to DARD after each financial year, a report for that year explaining any contracts above £5,000 in which competitive tendering was not employed.

2.5 Best Value for Money

2.5.1 Procurement by AFBI of works, supplies and services shall be based on best value for money, i.e. the optimum combination of whole life cost and quality (or fitness for purpose) to meet AFBI's requirements. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken.

2.6 Timeliness in Paying Bills

2.6.1 AFBI 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 Section 16.3 of *Government Accounting Northern Ireland*. AFBI 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 and supplemented by the Late Payment of Commercial Debts Regulations, 2002. DAO (DFP) 12/98 and DAO (DFP) 19/02 refer. (NOTE: The 1998 Act allows creditors to claim statutory interest and compensation on late payment of commercial debts.)

2.7 Novel, Contentious or Repercussive Proposals

2.7.1 AFBI shall obtain the approval of DARD and DFP before:

- incurring any expenditure for any purpose which is or might be considered novel or contentious, or which has or could have significant future cost implications, including on staff benefits;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by DARD;

- making any change of policy or practice which has wider financial implications (e.g. because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required. (DARD will advise on what constitutes “significant” in this context.)

2.8 Risk Management/Fraud

- 2.8.1** AFBI shall ensure that the risks 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 the Orange Book – Management of Risk: Principles and Concepts May 2004 issued under cover of DAO(DFP) 15/05.
- 2.8.2** AFBI shall take proportionate and appropriate steps to assess the financial and economic standing of any organisation or other body with which it intends to enter into a contract or to which it intends to give grant or grant-in-aid.
- 2.8.3** AFBI shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with Treasury’s guide *Managing the Risk of Fraud*, issued under cover of DAO (DFP) 21/04.
- 2.8.4** All cases of attempted, suspected or proven fraud shall be reported to DARD and other relevant authorities as soon as they are discovered, irrespective of the amount involved and recorded in AFBI’s annual fraud return to DARD.

2.9 Wider Markets

- 2.9.1** In accordance with the wider markets policy, AFBI shall seek to maximise receipts from non-Consolidated Fund sources, provided that this is consistent with (a) AFBI’s main functions; (b) its corporate plan as agreed with the Department; and (c) safeguarding the assigned DARD work.

2.10 Fees and Charges

- 2.10.1** Fees or charges for any services supplied by AFBI shall be determined in accordance with the Treasury’s *Fees and Charges Guide*.

3. AFBI’S INCOME

3.1 Grant-in-aid

- 3.1.1** Grant-in-aid covers both resource and capital expenditure.
- 3.1.2** Grant-in-aid will be paid to AFBI in monthly instalments in advance, on the basis of a written application from AFBI 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 AFBI's functions.

- 3.1.3** AFBI should have regard to the guidance in DAO (DFP) 04/03 and to the general principle enshrined in Chapter 9 of *Government Accounting Northern Ireland* that it should seek to draw down grant-in-aid according to need.
- 3.1.4** Cash balances accumulated during the course of the year shall be kept at the minimum level consistent with the efficient operation of AFBI. Grant-in-aid not consumed 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, DARD will make available in the next financial year (subject to approval by the Assembly of the relevant Estimates provision) any cash, if required, to meet any liabilities at year-end, such as creditors.

3.2 DEL Control Totals

- 3.2.1** DARD will consult on, identify and agree with AFBI the programme of assigned work for each financial year and the extent and cost of support services (including the provision of land, buildings and other capital assets) that DARD will provide to AFBI.
- 3.2.2** AFBI will produce an annual Business Plan covering the services required by DARD and all other trading activities incurring costs and generating income. DARD will discuss, agree and approve the annual Business Plan and the resulting gross and net DEL budgets for AFBI based on these figures.
- 3.2.3** DARD will provide financial transactional services to AFBI, covering payment for goods and services received by AFBI and separately arrange for the payment of salaries and wages to AFBI staff through the central NI Civil Service pay system.
- 3.2.4** Capital DEL unexpended at year-end will normally be made available to AFBI in the next financial year subject to any limitations imposed by DFP on DARD End Year Flexibility (EYF) delegations.

3.3 Income from Sale of Goods and Services

- 3.3.1** Income 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 the necessary adjustments will be made to AFBI's DEL control totals.
- 3.3.2** If there is any doubt about the correct classification of a receipt, AFBI shall consult DARD, which may consult DFP if necessary.

3.4 Fines, Taxes and Other Receipts

- 3.4.1 Most fines and most taxes (including levies and some licences) are not negative public expenditure receipts and do not provide additional DEL spending power. Such receipts shall be surrendered to DARD.

3.5 Interest Earned

- 3.5.1 Any interest earned by AFBI on its assets shall be given the same budgeting treatment as the cost of capital charge on the assets.
- 3.5.2 Under resource budgeting rules, the cost of capital charge and any interest receipts on most DEL-financed assets score as Resource DEL
- 3.5.3 If the receipts are used to finance additional expenditure by AFBI, DARD will need to ensure it has the necessary DEL cover. Any interest earned on cash balances arising from grant-in-aid or other NI Consolidated Fund funds shall be treated as a receipt from an NI Consolidated Fund source. Depending on the budgeting treatment of this receipt, and its impact on AFBI's cash requirement, it may lead to commensurate reduction of grant-in-aid or be required to be surrendered to the NI Consolidated Fund via DARD.

3.6 Un-forecast Changes in In-year Income

- 3.6.1 If the negative DEL income realised or expected to be realised in-year is less than estimated, AFBI shall, unless otherwise agreed with DARD, ensure a corresponding reduction in its gross expenditure so that the authorised provision is not exceeded. (NOTE: For example, if AFBI is allocated £100 resource DEL provision by DARD 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, AFBI will need to reduce its expenditure to £105 to avoid breaching its budget. If AFBI still spends £110 DARD will need to find £5 of savings from elsewhere within its total DEL to offset this overspend.)
- 3.6.2 If the net commercial income realised (i.e. profit on commercial research contracts), or expected to be realised, in the year is more than estimated, AFBI may apply to DARD to retain up to 20% of the excess net commercial income for specified additional accrued expenditure **within the current financial year** without an offsetting reduction to grant-in-aid. DARD shall consider such applications, taking account of competing demands for resources, and will consult with DFP in relation to any significant amounts. If an application is refused, the necessary adjustments will be made to AFBI's DEL control totals.

3.7 Reserves

- 3.7.1** AFBI is not permitted to hold reserves. AFBI shall not aim to build up cash balances or net assets in excess of what is required for operational purposes without the prior approval of DARD and DFP.

3.8 Build-up and Draw-down of Deposits

- 3.8.1** AFBI 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).
- 3.8.2** AFBI shall ensure that it has the necessary DEL provision for any expenditure financed by draw-down of deposits.

3.9 Proceeds from Disposal of Assets

- 3.9.1** Forecast proceeds from the disposal of assets will be taken into account in the budgetary process when determining the annual Grant-in-Aid, DEL and other budget allocations. Excess receipts from the disposal of assets must be surrendered to DARD.

3.10 Gifts and Bequests Received

- 3.10.1** AFBI is free to retain any gifts, bequests or similar donations subject to paragraph 3.10.2. These shall be treated as receipts and must be notified to DARD. (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.)
- 3.10.2** Before accepting a gift, bequest, or similar donation, AFBI shall consider if there are any associated costs in doing so or any conflicts of interests arising. AFBI 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.

3.11 Receipts from the EC

- 3.11.1** Receipts from the European Union (if retained by DARD/AFBI) do not provide additional DEL spending power for AFBI. However, this does not include income from commercial research contracts where the contracting authority is the EU.

3.12 Borrowing

- 3.12.1** AFBI shall observe the rules set out in Chapter 29 of *Government Accounting Northern Ireland* when undertaking borrowing of any kind.
- 3.12.2** AFBI shall seek the approval of DARD (which will consult DFP if appropriate), 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 Northern Ireland*.
- 3.12.3** Any expenditure by AFBI financed by borrowing counts in DEL, provided that it is the normal budgeting treatment for such expenditure.
- 3.12.4** Long term borrowing from the private sector or overseas shall not be allowed. Short-term working capital facilities shall be permitted only with DARD and DFP approval. (NOTE: under Resource Budgeting rules, borrowing from the sponsor Department will impact on the Department's capital DEL.)

4. EXPENDITURE ON STAFF

4.1 Staff Costs

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

4.2 Pay and Conditions of Service

- 4.2.1** The staff of AFBI whether on permanent or temporary contract, shall be subject to levels of remuneration and terms and conditions of service (including superannuation) as approved by DARD and DFP. AFBI has no delegated power to amend these terms and conditions. Any changes to the application or operation of terms and conditions should be the subject of consultation with TUS.
- 4.2.2** Current terms and conditions for staff of AFBI are those set out in the NICS Handbook. DARD shall provide AFBI with a copy of the Handbook and subsequent amendments. Annual pay increases of AFBI staff must have the prior approval of DARD and DFP.
- 4.2.3** The travel expenses of Institute Members shall be tied to the NI Civil Service rates. Reasonable actual costs shall be re-imbursed.
- 4.2.4** AFBI shall operate a performance-related pay scheme which shall form part of the annual aggregate pay budget approved by DARD and DFP.

4.2.5 AFBI shall comply with the EU directive on contract workers as appropriate.

4.3 Pensions; Redundancy/Compensation

4.3.1 AFBI's staff shall be eligible for a pension provided by membership of the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)).

4.3.2 Staff may opt out of the occupational pension scheme provided by AFBI. However, AFBI's contribution to any personal pension arrangement, including a stakeholder pension, shall be limited to the national insurance rebate level. (NOTE: The exception is for NDPBs covered by the PCSPS(NI) Partnership arrangement, and for NDPBs with PCSPS(NI) by-analogy versions, where a contribution regime has been agreed. NDPBs with other pension arrangements, which are considering contributing to a stakeholder-type arrangement where staff opt out, must consult DFP with a formal proposal based on actuarial advice.)

4.3.3 Any proposal by AFBI to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the approval of DARD and DFP. Proposals on severance payments must comply with DAO (DFP)17/05. Where the PCSPS(NI) is the relevant pension scheme, AFBI must conform with the procedures for early retirement/severance which apply to DARD and ensure that the level of benefits are the standard applicable under the Civil Service Compensation Scheme (Northern Ireland) (CSCS(NI)) rules. DARD is responsible for ensuring that AFBI does this.

4.3.4 4.3.4 DARD is responsible for ensuring that AFBI continues to meet the criteria for membership of the PCSPS(NI).

5. NON-STAFF EXPENDITURE

5.1 Economic Appraisal

5.1.1 AFBI is required to apply the principles of economic appraisal, with appropriate and proportionate effort, to all decisions and proposals concerning spending or saving public money, including European Union (EU) funds, and any other decisions or proposals that involve changes in the use of public resources.

5.1.2 AFBI is required to adhere to DARD's regulations governing Economic Appraisals. This includes facilitating and accepting the role of DARD's Policy and Economics Division. General guidance on economic appraisal applies to AFBI and can be found in:

- The DFP Guide, *The Northern Ireland Practical Guide to the Green Book* (DAO (DFP) 32/03); and
- The HM Treasury Guide, *The Green Book: Appraisal and Evaluation in Central Government*.

5.2 Capital Expenditure

- 5.2.1** Subject to being above an agreed capitalisation threshold, all expenditure on the acquisition or creation of fixed assets 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.
- 5.2.2** Proposals for large-scale individual capital projects or acquisitions will normally be considered within AFBI's corporate and business planning process. Applications for approval within the corporate/business plan by DARD (and DFP where appropriate) shall be supported by formal notification that the proposed project or purchase has been examined and duly authorised by the Institute's Members. Regular reports on the progress of projects shall be submitted to DARD.
- 5.2.3** Approval of the corporate/business plan does not obviate AFBI responsibility to abide by the economic appraisal process.
- 5.2.4** AFBI shall have delegated authority to spend up to its approved capital budget on individual capital projects or acquisitions, subject to paragraph 5.2.2 above and the delegation limits set out in the Annex. Beyond that, DARD's (and where necessary, DFP's) prior authority must be obtained before expenditure on an individual project or acquisition is incurred.

5.3 Transfer of Funds within Budgets

- 5.3.1** Unless financial provision is subject to specific DARD or DFP controls (e.g., where provision is ring-fenced for specific purposes), transfers between AFBI budgets within the total capital budget, or between budgets within the total revenue budget, do not need DARD approval. (NOTE: Under resource budgeting rules transfers from capital to resource budgets are not allowed.)

5.4 Virement

- 5.4.1** AFBI will abide by the guidance on virement found in *Government Accounting Northern Ireland*, section 11.7.

5.5 Lending, Guarantees, Indemnities; Contingent Liabilities; Letters of Comfort

- 5.5.1** AFBI shall not, without DARD's (and DFP's if appropriate) 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 Northern Ireland*), whether or not in a legally binding form.

5.6 Grant or Loan Schemes

- 5.6.1** 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, together with the terms and conditions under which such grant or loan is made shall be subject to prior approval by DARD (and DFP if appropriate). If grants or loans are to be made under a continuing scheme, statutory authority is likely to be required.
- 5.6.2** The terms and conditions of a grant or loan to a third party 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 AFBI, DARD and the C&AG.
- 5.6.3** See also below under the heading *Recovery of grant-financed assets* (paragraphs 6.3.1 to 6.3.3).

5.7 Gifts Made, Write-offs, Losses and Other Special Payments

- 5.7.1** Proposals for making gifts or other special payments (including issuing write-offs) outside the delegated limits set out in the appendix to this document must have the prior approval of DARD (and DFP if appropriate).
- 5.7.2** Losses shall not be written off until all reasonable attempts to make a recovery have been made and proved unsuccessful.
- 5.7.3** Gifts by management to staff are subject to the requirements of DAO (DFP) 05/03.

5.8 Leasing

- 5.8.1** Prior DARD approval must be secured for all property and finance leases. AFBI must have capital DEL provision for finance leases and other transactions which are, in substance, borrowing (paragraphs 3.10.1 to 3.10.2 above).
- 5.8.2** Before entering into any lease (including an operating lease) AFBI shall demonstrate that the lease offers better value for money than purchase.

5.9 Public/Private Partnerships

- 5.9.1** AFBI shall seek opportunities to enter into Public/Private Partnerships where this would be more affordable and offer better value for money than conventional procurement. Where cash flow projections may result in delegated spending authority being breached, AFBI shall consult DARD.
- 5.9.2** Any partnership controlled by AFBI shall be treated as part of AFBI in accordance with UK GAAP and consolidated with it, subject to any particular treatment required by UK GAAP. Where the judgement over the level of control is difficult, DARD will consult DFP (who may need to consult with the Office of National Statistics over national accounts treatment).

5.10 Subsidiary Companies and Joint Ventures

- 5.10.1** AFBI shall not establish subsidiary companies or joint ventures without the express approval of DARD and DFP. In judging such proposals DARD will have regard to the Department's wider strategic aim objectives and current Public Service Agreement.
- 5.10.2** For public expenditure accounts purposes any subsidiary company or joint venture controlled or owned by AFBI shall be consolidated with it in accordance with UK GAAP, subject to any particular treatment required by UK GAAP. Where the judgement over the level of control is difficult, DARD will consult DFP (who may need to consult with the Office of National Statistics over national accounts treatment). Unless specifically agreed with DARD and DFP, such subsidiary companies or joint ventures shall be subject to the controls and requirements set out in AFBI's *Management Statement* and this *Financial Memorandum*, and to the further provisions set out in supporting documentation.

5.11 Financial Investments

- 5.11.1** AFBI shall not make any investments in traded financial instruments nor shall it aim to build up cash balances without the prior written approval of DARD (and DFP if appropriate). Equity shares in ventures which further the objectives of the Institute shall equally be subject to DARD and DFP approval unless covered by a specific delegation.

5.12 Unconventional Financing

- 5.12.1** AFBI shall not enter into any unconventional financing arrangement without the approval of DARD and DFP.

5.13 Commercial Insurance

- 5.13.1** AFBI shall not take out any insurance without the prior approval of DARD and DFP, other than third party insurance required by the Road Traffic (NI) Order, 1981 (as amended) and any other insurance which is a statutory obligation or which is permitted in Chapter 30.3 of *Government Accounting Northern Ireland*.
- 5.13.2** The Department shall have a written agreement with AFBI about the circumstances in which, in the case of a major loss or third party claim, an appropriate addition to budget out of DARD's funds and/or adjustment to AFBI's targets shall be considered.
- 5.13.3** A Certificate of Exemption for Employer's Liability Insurance for AFBI has been applied for by DARD.

5.14 Payment/Credit Cards

5.14.1 AFBI, in consultation with DARD, shall ensure that a comprehensive set of guidelines on the use of payment cards (including credit cards) is in place. Reference should be made to DAO (DFP) 24/02.

5.15 Hospitality

5.15.1 AFBI, in consultation with DARD, shall ensure that a comprehensive set of guidelines on the provision of hospitality is in place. Reference should be made to DAO (DFP)10/06.

5.16 Use of Consultants

5.16.1 AFBI shall adhere to the guidance set out in DAO(DFP) 3/05 in relation to the use of consultants. Delegated limits are set out in the Appendix to this document.

6. MANAGEMENT AND DISPOSAL OF FIXED ASSETS

6.1 Register of Assets

6.1.1 AFBI shall maintain an accurate and up-to-date register of its fixed assets.

6.2 Disposal of Assets

6.2.1 AFBI shall dispose of assets which are surplus to its requirements. Assets shall be sold for best price, taking into account any costs of sale. Generally, assets shall be sold by auction or competitive tender (unless otherwise agreed by DARD), and in accordance with *Government Accounting Northern Ireland*, Chapter 24.

6.2.2 All receipts derived from the sale of assets (including grant-financed assets, see below) must be declared to DARD, which will consult with DFP on the appropriate treatment.

6.3 Recovery of Grant-Financed Assets

6.3.1 Where AFBI has financed expenditure on capital assets by a third party, AFBI shall set conditions and make appropriate arrangements to ensure that any such assets, individually above a value of £1,000, are not disposed of by the third party without AFBI's prior consent.

6.3.2 AFBI shall therefore ensure that such conditions and arrangements are sufficient to secure the repayment of the Consolidated Fund's due share of the proceeds of the sale, in order that funds may be surrendered to DARD.

6.3.3 AFBI shall ensure that if the assets created by grants made by AFBI cease to be used by the recipient of the grant for the intended purpose, a proper proportion of

the value of the asset shall be repaid to AFBI for surrender to DARD. The amounts recoverable under the procedures in paragraph 6.3.1 above shall be calculated by reference to the best possible value of the asset and in proportion to the Consolidated Fund's original investment(s) in the asset.

7. BUDGETING PROCEDURES

7.1 Setting the Annual Budget

7.1.1 Each year, in the light of decisions by DARD on AFBI's updated draft corporate plan (See Section 4.1 of the *Management Statement*), DARD will send to AFBI:

- a formal statement of the annual budgetary provision allocated by DARD in the light of competing priorities across DARD and of any forecast income approved by DARD;
- a statement of any planned change in policies affecting AFBI.

7.1.2 AFBI'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 DARD funding and/or other income over the year. These elements will form part of the approved business plan for the year in question (See Section 4.1 of the *Management Statement*.)

7.1.3 Any grant-in-aid provided by DARD for the year in question will be voted in DARD's Estimate and will be subject to Assembly control.

7.2 General Conditions for Authority to Spend

7.2.1 Once AFBI's budget has been approved by DARD, and subject to any restrictions imposed by Statute/the Minister/MSFM AFBI shall have authority to incur expenditure approved in the budget without further reference to DARD on the following conditions:

- AFBI shall comply with the delegations set out in the Appendix of this document. These delegations shall not be altered without the prior agreement of DARD and DFP;
- AFBI shall comply with the conditions set out in paragraph 2.7 above regarding novel, contentious or repercussive proposals;
- inclusion of any planned and approved expenditure in AFBI's budget shall not remove the need to seek formal DARD and DFP approval where such proposed expenditure is above the delegated limits or is for new schemes not previously agreed; and

- AFBI shall provide DARD with such information about its operations, performance, individual projects or other expenditure as DARD may reasonably require (See Section 9 below).

7.3 Providing Monitoring Information to DARD

7.3.1 AFBI shall provide DARD with, as a minimum, information on a monthly basis which will enable the satisfactory monitoring by DARD of:

- AFBI's cash management;
- its draw-down of any grant-in-aid;
- the expenditure for that month;
- forecast outturn by resource headings; and
- other data required for the DFP Government Expenditure Monitoring Systems.

8. BANKING

8.1 Banking Arrangements

8.1.1 AFBI's Accounting Officer is responsible for ensuring that AFBI's banking arrangements are in accordance with the requirements of *Government Accounting Northern Ireland* and the Treasury guidance document, *Departmental Banking: a Manual for Government Departments*. In particular, he shall ensure that the arrangements safeguard public funds and that their implementation ensures efficiency, economy and effectiveness.

8.1.2 He 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 DARD's Accounting Officer to enable the latter to satisfy his own responsibilities (See Section 3.2 of the Management Statement);
- AFBI's banking arrangements shall be kept separate and distinct from those of any other person or organisation; and
- adequate records are maintained of payments and receipts and adequate facilities are available for the secure storage of cash.

9. COMPLIANCE WITH INSTRUCTIONS AND GUIDANCE

9.1 Relevant Documents

9.1.1 AFBI shall comply with the following general guidance documents:

- This document (both the *Financial Memorandum* and the *Management Statement*);
- *Government Accounting Northern Ireland*, including in particular the Accounting Officer Memorandum for NDPBs (Annex 8.2 of *Government Accounting Northern Ireland*);
- *Non-Departmental Public Bodies - a Guide for Departments* (the “NDPB Guide”), issued by the Cabinet Office;
- *Government Internal Audit Standards*, issued by DFP under cover of DAO (DFP) 3/02;
- The Treasury document, *Managing the Risk of Fraud*, issued by DFP under cover of DPFO 15 January 1998;
- *Executive NDPBs - Annual Reports and Accounts Guidance*, issued by DFP (updated annually);
- The Treasury *Fees and Charges Guide*, issued by DFP under cover of DAO (DFP) 13/92;
- *Departmental Banking: A Manual for Government Departments*, issued by the Treasury;
- Relevant DFP *Dear Accounting Officer* letters;
- Relevant *Dear Consolidation Officer* and *Dear Consolidation Manager* letters issued by DFP;
- *Regularity and Propriety*, issued by the Treasury;
- The Consolidation Officer Memorandum, issued by DFP;
- Other relevant guidance and instructions issued by DFP in respect of Whole of Government Accounts;
- Other relevant instructions and guidance issued by the central Departments (DFP/OFMDFM);
- Specific instructions and guidance issued by DARD;

- Recommendations made by the Public Accounts Committee, or by other Assembly/Parliamentary authority, which have been accepted by the Government and which are relevant to AFBI.

9.1.2 DARD has an ongoing responsibility for ensuring that AFBI is kept supplied with updated versions of the above and all other relevant regulatory documentation.

10. REVIEW OF FINANCIAL MEMORANDUM

10.1.1 The *Management Statement* and *Financial Memorandum* will normally be reviewed at least every five years or following a review of AFBI's functions as provided for in Section 7 of the *Management Statement*.

10.1.2 DARD will ensure that DFP will be consulted on any significant variation proposed to the *Management Statement* and *Financial Memorandum*.

Signed: _____
 Chairperson
 On behalf of the Institute

Date: _____

Signed: _____
 Chief Executive
 On behalf of AFBI

Date: _____

Signed: _____
 Director Policy and Economics
 On behalf of DARD

Date: _____

DELEGATED EXPENDITURE LIMITS

General

These delegated expenditure limits have been agreed by DARD and DFP.

1. PURCHASING ALL GOODS AND SERVICES

Table 1 Delegated Authority for the Purchase of Goods and Services
(All costs exclude VAT)

THRESHOLDS	NUMBER/TYPE OF TENDER REQUIRED	AUTHORISATION
Up to £1,000	1 or 2 Oral Quotations depending on the need to have a price comparison (fax or e-mail confirmation should be obtained)	The appropriate AFBI officers as notified to DARD.
£1,000 - £10,000	3 Selected Tenders	The appropriate AFBI officers as notified to DARD.
> £10,000 - £30,000	4 Selected Tenders	The appropriate AFBI officers as notified to DARD.
> £30,000 – EC Thresholds	Publicly advertised open or restricted tender competition	The appropriate AFBI officers as notified to DARD.

Where the minimum number of quotation/tenders is not obtained AFBI must be able to demonstrate that the appropriate number of suppliers were invited to provide written quotations/tenders as indicated in Table 1. Where AFBI is unable to obtain a sufficient number of quotations/tenders it must seek advice from Central Procurement Directorate or a relevant Centre of Expertise in Procurement.

Economic Appraisal

The principles of economic appraisal should be applied in all cases where expenditure is proposed, whether the proposal involves capital or current expenditure, or both. The effort put into economic appraisal should be commensurate with the size or importance of the needs or resources under consideration. However, AFBI should undertake a comprehensive business case for all projects involving expenditure of £250,000 and over.

2. CAPITAL PROJECTS

The Chief Executive may authorise capital expenditure on discreet capital projects of up to £500,000. Capital projects over this amount require the approval of DARD, and may be subject to quality assurance by DFP if requested.

Any novel and/or potentially contentious projects, regardless of the amount of expenditure, require the approvals of DARD and DFP.

3. DISPOSAL OF SURPLUS EQUIPMENT

The Chief Executive may authorize the disposal of surplus assets owned by AFBI.

4. LEASE AND RENTAL AGREEMENTS

AFBI must seek the approval of DARD prior to entering into lease or rental agreements.

5. APPROVAL OF INFORMATION TECHNOLOGY PROJECTS

The appraisal of Information Technology (IT) projects should include the staffing and other resource implications.

The purchase of IT equipment and systems by AFBI should be in line with guidance contained in DAO (DFP) 33/03 and the subject of competitive tendering unless there are convincing reasons to the contrary. The form of competition should be appropriate to the value and complexity of the project, and in line with the Procurement Control Limits in Table 1.

The Chief Executive may authorise capital expenditure on discreet IT projects, systems and equipment up to £100,000. IT expenditure over this amount requires the approval of DARD (and DFP if appropriate).

6. ENGAGEMENT OF CONSULTANTS

General

AFBI has authority to appoint consultants for a single contract without recourse to DARD up to a total cost of £50,000, subject to the requirements laid down in AEC 17/05 and DAO (DFP) 3/05, or other guidance as may be issued from time to time by the DFP. Proposals for

single contracts in excess of £50,000 should be submitted to DARD for Ministerial approval. The AFBI Chief Executive should approve proposals for all single tender action.

AFBI will provide DARD with an annual statement on the status of all consultancies completed and/or planned in each financial year. All proposed consultancies over £50K should be submitted to DARD for Ministerial approval and all over £75K should be submitted to DARD for DFP approval.

Care should be taken to avoid actual, potential, perceived or perceivable conflicts of interest when employing consultants.

Economic appraisal

A full business case should be prepared for all consultancy assignments expected to exceed £10,000. An appropriate business case should be prepared for assignments below the threshold

7. LOSSES AND SPECIAL PAYMENTS

The Chief executive will have the authority to write off losses and make special payments as follows:

- (a) Cash losses – up to £500 per case/incident.
- (b) Stores/Equipment losses – up to £1,000 per case/incident.
- (c) Constructive losses and fruitless payments – up to £1,000 per case.
- (d) Compensation payments
 - i. Made under legal obligation, e.g. by Court Order – up to £20,000 per case plus reasonable legal expenses;
 - ii. For damage to personal property of staff – up to £1,000 per case;
 - iii. Where written legal advice is that AFBI should not fight a court action because it is unlikely that it would win – up to £20,000 per case.
- (e) Claims abandoned or waiver of claim – up to £1,000 per case.
- (f) Extra contractual payments – up to £1,000 per case.
- (g) *Ex gratia* payments – up to £1,000 per case (Pensions payments are not covered by this threshold)
- (h) Extra statutory and extra regulatory payments – no delegation. All proposals must be submitted to the sponsor department for approval.

The prior approval of DARD must be obtained for amounts above these values.

Where total losses exceed £100,000 in any financial year, an explanatory note should be included in AFBI's accounts.

Details of all losses and special payments should be recorded in a Losses and Special Payments Register, which will be made available for audit purposes. The Register should be kept up-to-date and should show evidence of the appropriate approval.